

CITY OF CHILTON, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014

CITY OF CHILTON, WISCONSIN
TABLE OF CONTENTS
DECEMBER 31, 2014

Page

3-5	Independent Auditors' Report
6-14	Management's Discussion and Analysis
	<u>BASIC FINANCIAL STATEMENTS</u>
	<u>Government-Wide Financial Statements</u>
15	Statement of Net Position
16	Statement of Activities
	<u>Fund Financial Statements</u>
17	Balance Sheet - Governmental Funds
18	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
19	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20	Statement of Net Position - Proprietary Funds
21-22	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
23	Statement of Cash Flows - Proprietary Funds
24-38	Notes to the Basic Financial Statements
	<u>REQUIRED SUPPLEMENTARY INFORMATION</u>
39	Budgetary Comparison Schedule for the General Fund - Budget and Actual
40	Notes to Required Supplementary Information on Budgetary Accounting and Control
	<u>OTHER SUPPLEMENTARY INFORMATION</u>
41	Combining Balance Sheets - Nonmajor Governmental Funds

CITY OF CHILTON, WISCONSIN
TABLE OF CONTENTS - Continued
DECEMBER 31, 2014

Page

OTHER SUPPLEMENTARY INFORMATION - Continued

42	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
43	Detailed Statement of Revenues and Other Financing Sources - Budget and Actual - General Fund
44	Detailed Statement of Expenditures and Other Financing Uses - Budget and Actual - General Fund

OTHER REPORTS

45-48	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
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MEMBERS OF THE CITY COUNCIL

President	Kevin Johnson
Member	Ron Gruett
Member	Linda Bangart
Member	Richard Bosshardt
Member	Clayton Thornber
Member	Rick Jaeckels
Member	Kathy Schmitzer
Member	Dan Hilton
Mayor	Gerald Vanne
Clerk/Treasurer	Helen Schmidlkofer
Deputy Clerk/Treasurer	Lisa Meyer



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Chilton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chilton, Wisconsin's basic financial statements. The combining and individual nonmajor fund financial statements, the detailed statement of revenues and other financing sources - budget and actual - general fund and the detailed statement of expenditures and other financing uses - budget and actual - general fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The detailed statement of revenues and other financing sources - budget and actual - general fund and the detailed statement of expenditures and other financing uses - budget and actual - general fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

The City of Chilton, Wisconsin's 2013 financial statements were audited by other auditors, and their report dated March 24, 2014, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the City of Chilton, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chilton, Wisconsin's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Manitowoc, Wisconsin
March 25, 2015

CITY OF CHILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS



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Management's Discussion and Analysis

As management of the City of Chilton, we offer readers of the City of Chilton's basic financial statements this narrative overview and analysis of the financial activities of the City of Chilton for the year ended December 31, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this narrative.

Financial Highlights

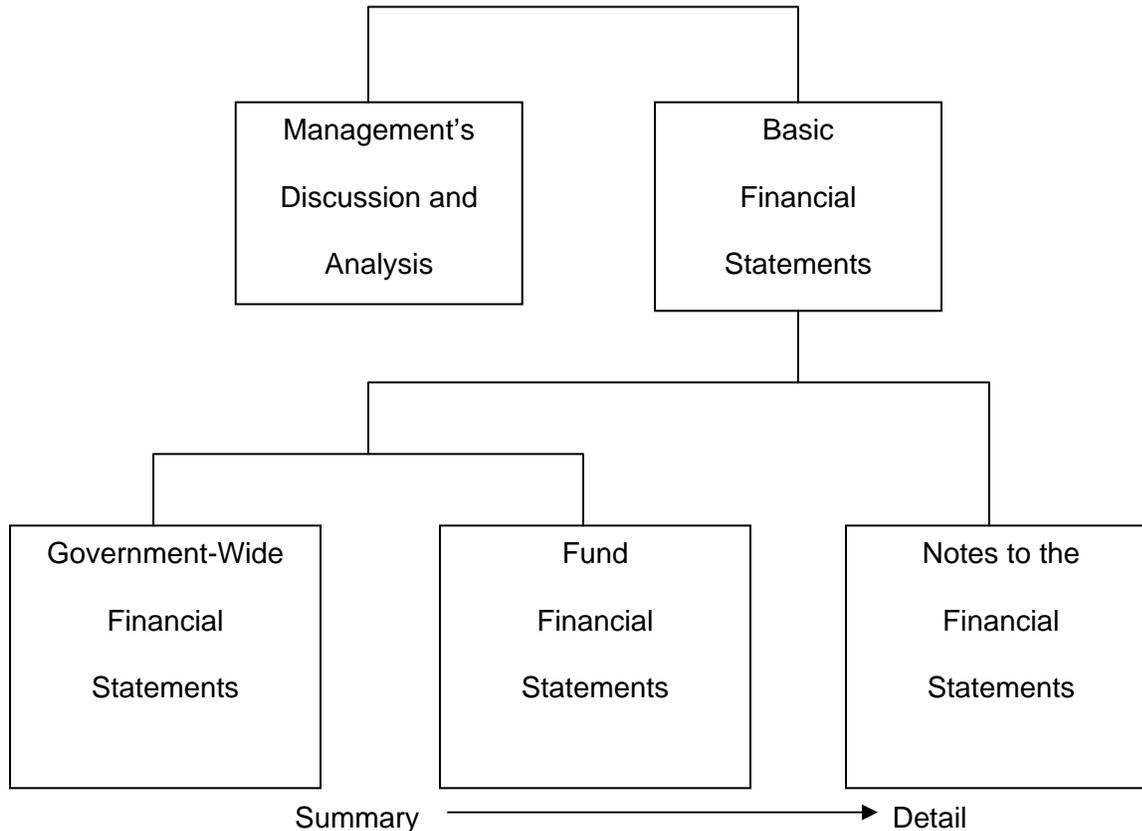
- The assets of the City of Chilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,677,995 (*net position*).
- The government's total net position increased by \$247,606, due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the City of Chilton's governmental funds reported total ending fund balances of \$3,147,207 an increase of \$50,294 in comparison with the prior year. Approximately 3 percent of this total amount, or \$96,620, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$96,620, or 4 percent of total general fund expenditures for the fiscal year.
- The City of Chilton's total debt decreased by \$1,248,802 (18%) during the current fiscal year. The key factor in this decrease was the payment of principal.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Chilton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Chilton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the Wisconsin State Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Chilton.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Chilton, like all other governmental entities in Wisconsin, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Wisconsin Statutes or the City's budget ordinance. All of the funds of the City of Chilton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Chilton adopts an annual budget for its general fund, as required by the State of Wisconsin Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison schedule provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the variance between the final budget and the actual revenues and expenditures.

Proprietary Funds - The City of Chilton has two proprietary funds. A *proprietary fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Chilton uses proprietary funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the statement of net position and the statement of activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be referred to as identified in the table of contents.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Chilton. Required supplementary information can be referred to as identified in the table of contents.

City of Chilton

Net Position

Figure 2

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 10,336	\$ 9,932	\$ 5,641	\$ 6,211	\$ 15,977	\$ 16,143
Capital assets	<u>18,506</u>	<u>18,981</u>	<u>9,292</u>	<u>9,312</u>	<u>27,798</u>	<u>28,293</u>
Total assets	<u>28,843</u>	<u>28,913</u>	<u>14,934</u>	<u>15,524</u>	<u>43,777</u>	<u>44,437</u>
Long-term liabilities outstanding	2,976	3,661	2,864	3,427	5,840	7,088
Other liabilities	<u>3,932</u>	<u>4,216</u>	<u>50</u>	<u>18</u>	<u>3,982</u>	<u>4,234</u>
Total liabilities	<u>6,908</u>	<u>7,877</u>	<u>2,914</u>	<u>3,446</u>	<u>9,822</u>	<u>11,323</u>
Deferred inflows of resources	<u>2,277</u>	<u>2,077</u>	<u>-</u>	<u>-</u>	<u>2,277</u>	<u>2,077</u>
Net position:						
Net investment in capital assets	15,681	15,490	6,429	5,885	22,110	21,375
Restricted	599	1,955	762	797	1,361	2,752
Unrestricted	<u>3,378</u>	<u>1,514</u>	<u>4,829</u>	<u>5,396</u>	<u>8,207</u>	<u>6,910</u>
Total net position	<u>\$ 19,658</u>	<u>\$ 18,959</u>	<u>\$ 12,020</u>	<u>\$ 12,078</u>	<u>\$ 31,678</u>	<u>\$ 31,037</u>

Note - totals may not add due to rounding.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Chilton exceeded liabilities by \$31,677,995 as of December 31, 2014. The City's net position increased by \$247,606 for the fiscal year ended December 31, 2014. However, the largest portion (70%) reflects the City's investment in capital assets (e.g. land, land improvements, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items.

The City of Chilton uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Chilton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Chilton's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,207,359 is unrestricted.

City of Chilton
Changes in Net Position

Figure 3
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 447	\$ 493	\$ 1,770	\$ 1,772	\$ 2,217	\$ 2,265
Operating grants and contributions	437	455	-	-	437	455
Capital grants and contributions	-	-	3	-	3	-
General revenues:						
Property taxes	2,092	2,052	-	-	2,092	2,052
Other taxes	9	40	-	-	9	40
Intergovernmental revenues not restricted to specific programs	519	504	-	-	519	504
Interest and investment income	39	37	6	5	45	42
Miscellaneous	105	16	-	-	105	16
Total revenues	3,650	3,597	1,779	1,777	5,429	5,374
Expenses:						
General government	314	288	-	-	314	288
Public safety	1,116	1,026	-	-	1,116	1,026
Public works	1,343	1,230	-	-	1,343	1,230
Health and human services	21	24	-	-	21	24
Culture, recreation and education	448	389	-	-	448	389
Conservation and development	140	240	-	-	140	240
Interest and fiscal charges	70	150	-	-	70	150
Water and sewer	-	-	1,729	1,682	1,729	1,682
Total expenses	3,452	3,347	1,729	1,682	5,181	5,029
Income (loss) before transfers	198	250	50	95	248	345
Transfers	108	108	(108)	(108)	-	-
Change in net position	306	358	(58)	(13)	248	345
Net position - beginning of year	18,959	18,601	12,078	12,090	31,037	30,691
Prior period adjustment	394	-	-	-	394	-
Net position - end of year	\$ 19,658	\$ 18,959	\$ 12,020	\$ 12,078	\$ 31,678	\$ 31,037

Note - totals may not add due to rounding.

Governmental activities:

Governmental activities increased the City's net position by \$305,908.

Business-type activities:

Business-type activities decreased the City's net position by \$58,302.

Financial Analysis of the City's Funds

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

Governmental Funds: The focus of the City of Chilton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Chilton's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Chilton. At the end of the current fiscal year, unassigned fund balance of the general fund was \$96,620, while total fund balance reached \$1,760,022. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4 percent of total general fund expenditures, while total fund balance represents 64 percent of that same amount.

At December 31, 2014, the governmental funds of City of Chilton reported a combined fund balance of \$3,147,207, a 4 percent increase from last year. Included in this change in fund balance are decreases in fund balance in the other governmental funds and increases in general and TID No. 2 funds.

General Fund Budgetary Highlights: The City revised the budget during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because of licenses and permits. Original budget expenditures were increased to cover additional expense in the following general fund functions: general government, public safety, public works, health and human services, culture, recreation and education and conservation and development.

Proprietary Funds: The City of Chilton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the water and sewer utility at the end of the fiscal year amounted to \$4,829,421. The total loss in net position was \$58,302.

Capital Asset and Debt Administration

Capital assets: The City of Chilton's investment in capital assets for its governmental and business-type activities as of December 31, 2014, totals \$27,798,800 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, equipment and systems and infrastructure.

Major capital asset transactions during the year include the following additions and disposals:

- Additions of \$30,000 of land improvements, \$153,492 of equipment, and \$90,061 of infrastructure in governmental-type activities.
- Equipment disposals of \$42,396 and \$37,334 of infrastructure in governmental-type activities.
- Additions of \$416,225 of construction in progress and \$165,899 of equipment and systems in business-type activities.
- Equipment disposals of \$136,895 in business-type activities.

City of Chilton's Capital Assets

Figure 4

(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 5,708	\$ 5,708	\$ 99	\$ 99	\$ 5,807	\$ 5,807
Construction in progress	-	-	568	152	568	152
Land improvements	1,068	1,038	-	-	1,068	1,038
Buildings	4,813	4,813	5,462	5,462	10,275	10,275
Equipment and systems	5,336	5,224	12,401	12,372	17,737	17,597
Infrastructure	15,538	15,485	-	-	15,538	15,485
Less: Accumulated depreciation	(13,956)	(13,288)	(9,238)	(8,773)	(23,194)	(22,061)
Total	<u>\$ 18,506</u>	<u>\$ 18,981</u>	<u>\$ 9,292</u>	<u>\$ 9,312</u>	<u>\$ 27,799</u>	<u>\$ 28,293</u>

Note - totals may not add due to rounding.

Additional information on the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Obligations: As of December 31, 2014, the City of Chilton had total long-term obligations outstanding of \$5,839,660. Of this, \$2,825,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents mortgage revenue bonds secured solely by specified revenue sources and employee benefits.

City of Chilton's Long-Term Obligations

Figure 5

(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds/notes	\$ 2,825	\$ 3,490	\$ -	\$ -	\$ 2,825	\$ 3,490
Mortgage revenue bonds	-	-	2,864	3,427	2,864	3,427
Other long-term obligations	151	171	-	-	151	171
Total	<u>\$ 2,976</u>	<u>\$ 3,661</u>	<u>\$ 2,864</u>	<u>\$ 3,427</u>	<u>\$ 5,840</u>	<u>\$ 7,088</u>

Note - totals may not add due to rounding.

The City of Chilton's total debt decreased by \$1,248,802 or 18% during the past fiscal year, primarily due to principal payments.

The State of Wisconsin statutes limit the amount of general obligation debt that a unit of government can issue to 5 percent of the total equalized value of taxable property located within that government's boundaries. The legal debt limit for City of Chilton is \$11,990,965.

Additional information regarding the City of Chilton's long-term debt can be found in Note 5.

Factors Bearing on the City's Future

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.

Those factors were considered in preparing the City's budget for the 2015 fiscal year.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Clerk-Treasurer, City of Chilton, 42 School Street, Chilton, Wisconsin 53014.

CITY OF CHILTON, WISCONSIN
BASIC
FINANCIAL STATEMENTS

CITY OF CHILTON, WISCONSIN

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN

STATEMENT OF NET POSITION

DECEMBER 31, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	
	ACTIVITIES	ACTIVITIES	2014	2013
ASSETS				
Cash and investments	\$ 4,878,323	\$ 3,988,888	\$ 8,867,211	\$ 9,112,840
Receivables				
Taxes	3,942,206	-	3,942,206	3,687,191
Accounts and other	2,351	389,905	392,256	375,601
Special assessments	8,894	-	8,894	12,892
Loans	1,549,939	437,500	1,987,439	2,138,162
Internal balances	(45,220)	45,220	-	-
Inventories	-	18,158	18,158	20,029
Restricted assets				
Cash and investments	-	761,554	761,554	796,857
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	5,707,525	667,069	6,374,594	5,958,369
Capital assets being depreciated	12,798,954	8,625,252	21,424,206	22,334,597
TOTAL ASSETS	<u>28,842,972</u>	<u>14,933,546</u>	<u>43,776,518</u>	<u>44,436,538</u>
LIABILITIES				
Accounts payable	72,999	35,977	108,976	99,494
Accrued liabilities				
Payroll	18,359	-	18,359	-
Interest	19,268	12,789	32,057	22,302
Due to other governments	3,817,482	-	3,817,482	3,788,094
Deposit payable	4,000	-	4,000	4,000
Unearned revenue - other	-	1,484	1,484	320,000
Current portion of long-term obligations	810,961	310,131	1,121,092	990,585
Noncurrent portion of long-term obligations	2,165,000	2,553,568	4,718,568	6,097,877
TOTAL LIABILITIES	<u>6,908,069</u>	<u>2,913,949</u>	<u>9,822,018</u>	<u>11,322,352</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	2,276,505	-	2,276,505	2,077,409
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,276,505</u>	<u>-</u>	<u>2,276,505</u>	<u>2,077,409</u>
NET POSITION				
Net investment in capital assets	15,681,479	6,428,622	22,110,101	21,375,583
Restricted for				
Special revenue	86,677	-	86,677	922,807
Capital projects	512,304	-	512,304	1,829,279
Other activities	-	761,554	761,554	-
Unrestricted	3,377,938	4,829,421	8,207,359	6,909,108
TOTAL NET POSITION	<u>19,658,398</u>	<u>12,019,597</u>	<u>31,677,995</u>	<u>31,036,777</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 28,842,972</u>	<u>\$ 14,933,546</u>	<u>\$ 43,776,518</u>	<u>\$ 44,436,538</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		TOTALS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2014	2013
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	\$ 313,784	\$ 86,231	\$ -	\$ -	\$ (227,553)		\$ (227,553)	\$ (273,757)
Public safety	1,116,048	105,424	62,486	-	(948,138)		(948,138)	(907,284)
Public works	1,343,113	200,652	237,576	-	(904,885)		(904,885)	(745,865)
Health and human services	20,889	5,181	-	-	(15,708)		(15,708)	(5,063)
Culture, recreation and education	448,030	48,518	135,705	-	(263,807)		(263,807)	(105,748)
Conservation and development	139,697	966	1,681	-	(137,050)		(137,050)	(211,038)
Interest and fiscal charges	70,176	-	-	-	(70,176)		(70,176)	(150,469)
TOTAL GOVERNMENTAL ACTIVITIES	3,451,737	446,972	437,448	-	(2,567,317)		(2,567,317)	(2,399,224)
BUSINESS-TYPE ACTIVITIES								
Water	674,717	795,976	-	2,800		\$ 124,059	124,059	148,089
Sewer	1,054,557	974,309	-	-		(80,248)	(80,248)	(57,799)
TOTAL BUSINESS-TYPE ACTIVITIES	1,729,274	1,770,285	-	2,800		43,811	43,811	90,290
TOTAL PRIMARY GOVERNMENT	\$ 5,181,011	\$ 2,217,257	\$ 437,448	\$ 2,800	(2,567,317)	43,811	(2,523,506)	(2,308,934)
General revenues								
Taxes								
Property taxes					2,092,409	-	2,092,409	2,051,892
Other taxes					8,973	-	8,973	39,781
Intergovernmental revenues not restricted to specific programs					519,344	-	519,344	504,356
Interest and investment income					39,353	5,545	44,898	41,205
Miscellaneous					105,488	-	105,488	16,900
Transfers					107,658	(107,658)	-	-
Total general revenues					2,873,225	(102,113)	2,771,112	2,654,134
CHANGE IN NET POSITION					305,908	(58,302)	247,606	345,200
NET POSITION - BEGINNING OF YEAR					18,958,878	12,077,899	31,036,777	30,691,577
PRIOR PERIOD ADJUSTMENT					393,612	-	393,612	-
NET POSITION - END OF YEAR					\$ 19,658,398	\$ 12,019,597	\$ 31,677,995	\$ 31,036,777

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

FUND

FINANCIAL STATEMENTS

CITY OF CHILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)

	GENERAL FUND	TID NO. 2	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
				2014	2013
ASSETS					
Cash and investments	\$ 3,966,459	\$ 82,965	\$ 828,899	\$ 4,878,323	\$ 4,639,323
Receivables					
Taxes	3,031,483	856,870	53,853	3,942,206	3,687,191
Accounts and other	2,351	-	-	2,351	3,205
Special assessments	8,894	-	-	8,894	12,892
Loan	75,108	-	1,474,831	1,549,939	1,638,162
Due from other funds	-	-	-	-	138,537
TOTAL ASSETS	7,084,295	939,835	2,357,583	10,381,713	10,119,310
LIABILITIES					
Accounts payable	68,051	700	4,248	72,999	82,079
Accrued expenses					
Payroll	18,359	-	-	18,359	-
Due to other funds	45,220	-	-	45,220	186,976
Due to other governments	3,817,482	-	-	3,817,482	3,788,094
Deposit payable	4,000	-	-	4,000	4,000
Unearned revenue - other	-	-	994,562	994,562	948,074
TOTAL LIABILITIES	3,953,112	700	998,810	4,952,622	5,009,223
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - tax roll	1,365,782	856,870	53,853	2,276,505	2,077,409
Unavailable revenue - special assessments	5,379	-	-	5,379	9,377
TOTAL DEFERRED INFLOWS OF RESOURCES	1,371,161	856,870	53,853	2,281,884	2,086,786
FUND BALANCES					
Nonspendable	75,108	-	480,269	555,377	-
Restricted	-	82,265	516,716	598,981	1,355,960
Committed	1,588,294	-	307,935	1,896,229	1,709,261
Unassigned	96,620	-	-	96,620	(41,920)
TOTAL FUND BALANCES	1,760,022	82,265	1,304,920	3,147,207	3,023,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,084,295	\$ 939,835	\$ 2,357,583		

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:

Governmental capital asset	\$ 32,462,080		
Governmental accumulated depreciation	(13,955,601)	18,506,479	18,980,522

Some revenues are unearned in the funds because they are not available to pay current period's expenditures:

Special assessments to be collected after year end	5,379		
Other unearned revenue to be collected after year end	994,562	999,941	637,451

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	(2,825,000)		
Accrued interest	(19,268)		
Vested employee benefits	(150,961)	(2,995,229)	(3,682,396)

Total net position - governmental activities **\$ 19,658,398** **\$ 18,958,878**

CITY OF CHILTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	GENERAL FUND	TID NO. 2	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
				2014	2013
REVENUES					
Taxes	\$ 1,187,922	\$ 837,020	\$ 76,440	\$ 2,101,382	\$ 2,077,561
Special assessment	3,568	205	-	3,773	12,776
Intergovernmental	875,550	1,318	363	877,231	876,615
Licenses and permits	80,526	-	-	80,526	72,568
Fines, forfeits and penalties	18,986	-	-	18,986	18,573
Public charges for services	234,799	-	-	234,799	229,333
Intergovernmental charges for services	109,147	-	-	109,147	100,253
Miscellaneous	81,080	358	112,886	194,324	212,217
TOTAL REVENUES	2,591,578	838,901	189,689	3,620,168	3,599,896
EXPENDITURES					
Current					
General government	186,834	-	74,190	261,024	190,101
Public safety	984,687	-	40,152	1,024,839	985,843
Public works	961,401	-	-	961,401	1,124,924
Health and human services	20,536	-	-	20,536	23,344
Culture, recreation and education	462,625	-	54,143	516,768	390,866
Conservation and development	7,220	37,313	150,464	194,997	31,889
Debt service					
Principal	127,383	347,957	189,660	665,000	1,945,000
Interest	4,586	31,945	35,694	72,225	161,422
Capital outlay	-	-	10,080	10,080	222,049
TOTAL EXPENDITURES	2,755,272	417,215	554,383	3,726,870	5,075,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(163,694)	421,686	(364,694)	(106,702)	(1,475,542)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	309,151	-	391,167	700,318	637,359
Operating transfers (out)	(3,350)	(387,817)	(201,493)	(592,660)	(530,000)
Sale of capital assets	1,678	47,660	-	49,338	26,145
Issuance of long-term debt	-	-	-	-	1,360,000
TOTAL OTHER FINANCING SOURCES (USES)	307,479	(340,157)	189,674	156,996	1,493,504
NET CHANGE IN FUND BALANCE	143,785	81,529	(175,020)	50,294	17,962
FUND BALANCE - BEGINNING OF YEAR	1,616,237	736	1,406,328	3,023,301	3,005,339
PRIOR PERIOD ADJUSTMENT	-	-	73,612	73,612	-
FUND BALANCE - END OF YEAR	\$ 1,760,022	\$ 82,265	\$ 1,304,920	\$ 3,147,207	\$ 3,023,301

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	TOTAL GOVERNMENTAL FUNDS	
	2014	2013
Net change in fund balances - total governmental funds	\$ 50,294	\$ 17,962
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	\$ 10,080	
Capital outlay reported as other expenses in governmental fund statements	263,473	
Depreciation expense reported in the statement of activities	(739,758)	
Less cost of capital assets disposed	(7,838)	
Amount by which capital outlays are less than depreciation in the current period:	(474,043)	(238,051)
Certain capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is:		
	-	(1,360,000)
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 decreased by:		
	20,118	(3,387)
Certain revenues are unavailable in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year:		
Special assessment revenue recognized in the governmental funds	(3,998)	-
New special assessment revenue recognized in the statement of activities	-	2,107
Other unearned revenue recognized in the statement of activities	54,396	-
Other unearned revenue recognized in the governmental funds	(7,908)	(17,101)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:	665,000	1,945,000
In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.		
The amount of interest and other debt costs paid during the current period	\$ 72,225	
The amount of interest and other debt costs accrued during the current period	(70,176)	
Interest paid is greater than interest accrued by:	2,049	10,954
Change in net position - governmental activities	<u>\$ 305,908</u>	<u>\$ 357,484</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)

	WATER	SEWER	TOTALS	
			2014	2013
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,010,120	\$ 2,120,945	\$ 3,131,065	\$ 4,473,517
Investments	-	857,823	857,823	-
Accounts receivable				
Customer	150,472	239,433	389,905	367,936
Other	-	-	-	4,460
Loans	-	437,500	437,500	500,000
Due from other funds	40,378	4,842	45,220	48,439
Inventories	18,158	-	18,158	20,029
RESTRICTED ASSETS				
Cash	-	761,554	761,554	796,857
TOTAL CURRENT ASSETS	<u>1,219,128</u>	<u>4,422,097</u>	<u>5,641,225</u>	<u>6,211,238</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	636,300	30,769	667,069	250,844
Capital assets being depreciated	3,860,524	4,764,728	8,625,252	9,061,600
NET CAPITAL ASSETS	<u>4,496,824</u>	<u>4,795,497</u>	<u>9,292,321</u>	<u>9,312,444</u>
TOTAL NONCURRENT ASSETS	<u>4,496,824</u>	<u>4,795,497</u>	<u>9,292,321</u>	<u>9,312,444</u>
TOTAL ASSETS	<u>5,715,952</u>	<u>9,217,594</u>	<u>14,933,546</u>	<u>15,523,682</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	16,240	19,737	35,977	17,415
Accrued liabilities				
Interest	-	12,789	12,789	985
Unearned revenue - other	1,484	-	1,484	-
Current portion of long-term obligations	-	310,131	310,131	325,585
TOTAL CURRENT LIABILITIES	<u>17,724</u>	<u>342,657</u>	<u>360,381</u>	<u>343,985</u>
NONCURRENT LIABILITIES				
Long-term obligations	-	2,553,568	2,553,568	3,101,798
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>2,553,568</u>	<u>2,553,568</u>	<u>3,101,798</u>
TOTAL LIABILITIES	<u>17,724</u>	<u>2,896,225</u>	<u>2,913,949</u>	<u>3,445,783</u>
NET POSITION				
Net investment in capital assets	4,496,824	1,931,798	6,428,622	5,885,061
Restricted for other	-	761,554	761,554	796,857
Unrestricted	1,201,404	3,628,017	4,829,421	5,395,981
TOTAL NET POSITION	<u>5,698,228</u>	<u>6,321,369</u>	<u>12,019,597</u>	<u>12,077,899</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,715,952</u>	<u>\$ 9,217,594</u>	<u>\$ 14,933,546</u>	<u>\$ 15,523,682</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	WATER	SEWER	TOTALS	
			2014	2013
OPERATING REVENUES				
General customers	\$ 590,333	\$ 895,333	\$ 1,485,666	\$ 1,491,589
Private fire protection	21,910	-	21,910	21,910
Public fire protection	172,890	-	172,890	172,917
Forfeited discounts	961	1,235	2,196	2,464
Other revenues	9,882	64,226	74,108	68,301
TOTAL OPERATING REVENUES	795,976	960,794	1,756,770	1,757,181
OPERATING EXPENSES				
Plant and maintenance expenses:				
Salaries and wages	160,146	141,434	301,580	298,369
Power	45,898	56,980	102,878	108,147
Chemicals	16,338	21,293	37,631	41,178
Supplies and expenses	78,093	88,488	166,581	158,008
Repairs and maintenance	58,437	71,301	129,738	99,020
TOTAL PLANT AND MAINTENANCE EXPENSES	358,912	379,496	738,408	704,722
General expenses:				
Administrative and general salaries	22,334	21,897	44,231	39,010
Office supplies and other expenses	4,158	5,236	9,394	7,346
Outside services employed	8,281	6,781	15,062	17,804
Insurance expense	4,244	8,471	12,715	11,739
Employee benefits	94,502	102,376	196,878	189,304
Regulatory commission	198	850	1,048	994
Miscellaneous general expenses	2,357	4,446	6,803	10,271
Transportation	4,884	2,745	7,629	8,711
TOTAL GENERAL EXPENSES	140,958	152,802	293,760	285,179
Depreciation	158,030	428,718	586,748	585,802
Taxes	14,709	-	14,709	11,383
TOTAL OPERATING EXPENSES	672,609	961,016	1,633,625	1,587,086
OPERATING INCOME (LOSS)	\$ 123,367	\$ (222)	\$ 123,145	\$ 170,095

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - Continued

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	WATER	SEWER	TOTALS	
			2014	2013
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ -	\$ 5,545	\$ 5,545	\$ 4,785
Miscellaneous revenue	-	13,515	13,515	15,205
Interest expense	(2,108)	(93,541)	(95,649)	(95,010)
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,108)	(74,481)	(76,589)	(75,020)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	121,259	(74,703)	46,556	95,075
OPERATING TRANSFER IN (OUT)	(105,815)	(1,843)	(107,658)	(107,359)
CAPITAL CONTRIBUTIONS	2,800	-	2,800	-
CHANGE IN NET POSITION	18,244	(76,546)	(58,302)	(12,284)
NET POSITION - BEGINNING OF YEAR	5,679,984	6,397,915	12,077,899	12,090,183
NET POSITION - END OF YEAR	<u>\$ 5,698,228</u>	<u>\$ 6,321,369</u>	<u>\$ 12,019,597</u>	<u>\$ 12,077,899</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

			<u>TOTALS</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 623,047	\$ 1,019,339	\$ 1,642,386	\$ 1,771,226
Receipts from municipality	174,284	1,825	176,109	-
Payments to suppliers for goods and services	(226,780)	(255,491)	(482,271)	(661,492)
Payments for employees wages and benefits	<u>(276,982)</u>	<u>(265,707)</u>	<u>(542,689)</u>	<u>(338,254)</u>
Net cash provided by operating activities	<u>293,569</u>	<u>499,966</u>	<u>793,535</u>	<u>771,480</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to governmental funds	<u>(105,815)</u>	<u>(1,843)</u>	<u>(107,658)</u>	<u>(107,359)</u>
Net cash (used in) noncapital financing activities	<u>(105,815)</u>	<u>(1,843)</u>	<u>(107,658)</u>	<u>(107,359)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(457,821)	(124,304)	(582,125)	(152,784)
Sale of capital assets	500	15,000	15,500	-
Retirement of long-term debt	(261,594)	(302,090)	(563,684)	(317,209)
Issuance of long-term debt	-	-	-	62,500
Interest paid	(3,093)	(80,752)	(83,845)	(95,147)
Contributed capital	<u>2,800</u>	<u>-</u>	<u>2,800</u>	<u>-</u>
Net cash (used in) capital and related financing activities	<u>(719,208)</u>	<u>(492,146)</u>	<u>(1,211,354)</u>	<u>(502,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>-</u>	<u>5,545</u>	<u>5,545</u>	<u>4,785</u>
Net cash provided by investing activities	<u>-</u>	<u>5,545</u>	<u>5,545</u>	<u>4,785</u>
Net change in cash and cash equivalents	(531,454)	11,522	(519,932)	166,266
Cash and cash equivalents - beginning of year	<u>1,541,574</u>	<u>3,728,800</u>	<u>5,270,374</u>	<u>5,104,108</u>
Cash and cash equivalents - end of year	<u>1,010,120</u>	<u>3,740,322</u>	<u>4,750,442</u>	<u>5,270,374</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	123,367	(222)	123,145	170,095
Miscellaneous revenue	-	13,515	13,515	15,205
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	158,030	428,718	586,748	585,802
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(39)	(17,470)	(17,509)	38,429
(Increase) decrease in receivables - other	-	62,500	62,500	-
(Increase) decrease in due from other funds	1,394	1,825	3,219	(39,589)
(Increase) decrease in inventories	1,871	-	1,871	2,264
Increase (decrease) in accounts payable	<u>8,946</u>	<u>11,100</u>	<u>20,046</u>	<u>(726)</u>
Total adjustments	<u>170,202</u>	<u>486,673</u>	<u>656,875</u>	<u>586,180</u>
Net cash provided by operating activities	<u>293,569</u>	<u>499,966</u>	<u>793,535</u>	<u>771,480</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash	1,010,120	2,120,945	3,131,065	4,473,517
Investments	-	857,823	857,823	-
Restricted cash and investments	<u>-</u>	<u>761,554</u>	<u>761,554</u>	<u>796,857</u>
Total cash and cash equivalents	<u>\$ 1,010,120</u>	<u>\$ 3,740,322</u>	<u>\$ 4,750,442</u>	<u>\$ 5,270,374</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies

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

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

The City's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the City has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the City's financial accountability for a legally separate organization: the City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's proprietary funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program 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 or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the City's primary operating fund.

TID No. 2 - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

Water Utility - accounts for operations of the water system.

Sewer Utility - accounts for operations of the sewer system.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 government 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 compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The 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 water and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying proprietary fund financial statements because the water and sewer utility has the right to place delinquent bills on the tax roll.

Due To/From Advance To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Eliminations have been made for amounts due to/from and advance to/from within the same fund type on the government-wide statements.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Inventories - Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

A nonspendable fund balance has been recognized for these non-liquid assets (inventories) to signify that a portion of fund balance is not available for other subsequent expenditures, except in cases where they are offset by unearned revenues.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Restricted Assets - Certain resources set aside for revenue bonds repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months.

Other restricted assets include a "DNR Replacement Fund" which is required by the Wisconsin Department of Natural Resources for repairs and maintenance on the sewer utility plant.

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an estimated useful life in excess of five years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset for governmental activities is as follows:

Land improvements	20 - 50 years
Buildings	20 - 50 years
Equipment	5 - 20 years
Infrastructure	25 - 100 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

The range of estimated useful lives by type of asset for business-type activities is as follows:

Buildings	25 - 50 years
Equipment	3 - 10 years

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Impairment of Long-Lived Assets - In accordance with U.S. GAAP, the City reviews its non-current assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the fiscal year ended December 31, 2014.

Compensated Absences - The City's policy permits employees to accumulate earned, but unused sick leave, which is eligible for fifty percent payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits where applicable.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has one type, unavailable revenue, which arises under a modified accrual basis of accounting that qualify for reporting in this category. The unavailable revenue is reported in the statement of net position and governmental funds balance sheet. The unavailable revenue is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications - The City classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - City Council policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body, the City Council has not delegated the authority to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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, 2013, from which the summarized information was derived.

Subsequent Events - The City has evaluated subsequent events through March 25, 2015, the date which the financial statements were available to be issued.

NOTE 2 - Cash and Investments

State statutes permit the City to invest available cash balances in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2014, the City had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	<u>\$ 343,915</u>

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At December 31, 2014, the fair value of the City's deposits and investments approximated original cost; therefore no fair value adjustments were necessary.

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2014, the Pool's fair value was 100 percent of book value.

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

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

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

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 2 - Cash and Investments - Continued

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The City does have a formal investment policy that does not further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that does not further limit its investment choices. The State of Wisconsin Investment Pool is not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2014, \$3,421,497 of the City's bank balance of \$9,284,770 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government securities held by the bank in the bank's name. \$918,665 was uninsured and uncollateralized. A majority of the uninsured deposits are due to advance tax collections that will be remitted to other local governments in January 2015.

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31 or payable in full on January 31. Personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the county for collection. Delinquent personal property tax remains the collection responsibility of the City. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2014 tax roll has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,707,525	\$ -	\$ -	\$ 5,707,525
Capital assets being depreciated:				
Land improvements	1,037,939	30,000	-	1,067,939
Buildings and improvements	4,812,875	-	-	4,812,875
Equipment	5,224,424	153,492	(42,396)	5,335,520
Infrastructure	15,485,494	90,061	(37,334)	15,538,221
Total capital assets being depreciated	<u>26,560,732</u>	<u>273,553</u>	<u>(79,730)</u>	<u>26,754,555</u>
Less accumulated depreciation for:				
Land improvements	(63,121)	(12,702)	-	(75,823)
Buildings and improvements	(2,231,988)	(107,125)	-	(2,339,113)
Equipment	(3,772,803)	(167,883)	40,938	(3,899,748)
Infrastructure	(7,219,823)	(452,048)	30,954	(7,640,917)
Total accumulated depreciation	<u>(13,287,735)</u>	<u>(739,758)</u>	<u>71,892</u>	<u>(13,955,601)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>13,272,997</u>	<u>(466,205)</u>	<u>(7,838)</u>	<u>12,798,954</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 18,980,522</u>	<u>\$ (466,205)</u>	<u>\$ (7,838)</u>	<u>\$ 18,506,479</u>

Infrastructure information prior to January 1, 2004 is not included in the above amount.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 54,309
Public safety	128,920
Public works	505,319
Health and human services	499
Culture, recreation and education	50,711
Total	<u>\$ 739,758</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 4 - Capital Assets – Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 99,012	\$ -	\$ -	\$ 99,012
Construction in progress	<u>151,832</u>	<u>416,225</u>	<u>-</u>	<u>568,057</u>
Total capital assets not being depreciated	<u>250,844</u>	<u>416,225</u>	<u>-</u>	<u>667,069</u>
Capital assets being depreciated:				
Buildings	5,462,290	-	-	5,462,290
Equipment and systems	<u>12,372,151</u>	<u>165,899</u>	<u>(136,895)</u>	<u>12,401,155</u>
Total capital assets being depreciated	<u>17,834,441</u>	<u>165,899</u>	<u>(136,895)</u>	<u>17,863,445</u>
Less accumulated depreciation for:				
Buildings	(2,814,499)	(201,508)	-	(3,016,007)
Equipment and systems	<u>(5,958,342)</u>	<u>(385,239)</u>	<u>121,395</u>	<u>(6,222,186)</u>
Total accumulated depreciation	<u>(8,772,841)</u>	<u>(586,747)</u>	<u>121,395</u>	<u>(9,238,193)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>9,061,600</u>	<u>(420,848)</u>	<u>(15,500)</u>	<u>8,625,252</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 9,312,444</u>	<u>\$ (4,623)</u>	<u>\$ (15,500)</u>	<u>\$ 9,292,321</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 158,030
Sewer	<u>428,718</u>
Total	<u>\$ 586,748</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable	\$ 1,650,000	\$ -	\$ (365,000)	\$ 1,285,000	\$ 360,000
Notes payable	1,840,000	-	(300,000)	1,540,000	300,000
Vested sick pay	<u>171,079</u>	<u>150,961</u>	<u>(171,079)</u>	<u>150,961</u>	<u>150,961</u>
Total	<u>\$ 3,661,079</u>	<u>\$ 150,961</u>	<u>\$ (836,079)</u>	<u>\$ 2,975,961</u>	<u>\$ 810,961</u>

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 5 - Long-Term Obligations - Continued

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Mortgage revenue bonds - water	\$ 261,594	\$ -	\$ (261,594)	\$ -	\$ -
Mortgage revenue bonds - sewer	3,165,789	-	(302,090)	2,863,699	310,131
Total	<u>\$ 3,427,383</u>	<u>\$ -</u>	<u>\$ (563,684)</u>	<u>\$ 2,863,699</u>	<u>\$ 310,131</u>

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$70,176 for governmental activities and \$95,649 for business-type activities. Total interest paid during the year aggregated \$72,225 for governmental activities and \$107,453 for business-type activities. Zero interest was capitalized in governmental-type and business-type capital assets.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes and special assessments. General obligation debt at December 31, 2014 is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Notes	3/19/09	3-3.7%	3/1/19	\$ 1,540,000
Refunding bonds	10/13/10	1.7-1.9%	12/1/15	145,000
Refunding bonds	10/22/13	.4-1.05%	11/1/17	1,140,000
Total				<u>\$ 2,825,000</u>

Proprietary fund debt is expected to be repaid with water and sewer utility revenue. Proprietary fund debt at December 31, 2014, is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Mortgage revenue bonds-sewer	6/23/99	2.64%	5/1/19	\$ 1,070,207
Mortgage revenue bonds-sewer	6/11/08	2.703%	5/1/28	1,793,492
Total				<u>\$ 2,863,699</u>

General Obligation Debt Limit Calculation - The 2014 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$239,819,300. The legal debt limit and margin of indebtedness as of December 31, 2014, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

Debt limit (5% of \$239,819,300)	\$ 11,990,965
Applicable long-term debt	(2,825,000)
Amount available in debt service	-
Margin of indebtedness	<u>\$ 9,165,965</u>

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 5 - Long-Term Obligations - Continued

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 660,000	\$ 60,073	\$ 310,131	\$ 72,604
2016	720,000	47,583	318,385	64,239
2017	745,000	35,213	326,860	55,652
2018	330,000	19,630	335,560	46,836
2019	370,000	6,845	344,492	37,785
2020-2024	-	-	645,854	123,288
2025-2028	-	-	582,417	32,010
	<u>\$ 2,825,000</u>	<u>\$ 169,344</u>	<u>\$ 2,863,699</u>	<u>\$ 432,414</u>

Bond Compliance Requirements - The 1999 and 2008 revenue bonds ordinances require segregation of the proceeds of the bond issues and creation and continual funding of redemption funds. The City is not in compliance with these ordinances.

NOTE 6 - Wisconsin Retirement System

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 6 - Wisconsin Retirement System - Continued

Contribution rates for 2014 were:

	<u>Employee</u>	<u>Employer</u>
General	7%	7%
Executives and elected officials	7.75%	7.75%
Protective with Social Security	7%	10.31%
Protective without Social Security	7%	13.91%

The payroll for the City of Chilton employees covered by the WRS for the year ended December 31, 2014 was \$1,131,992; the employer's total payroll was \$1,262,831. The total required contribution for the year ended December 31, 2014 was \$170,370, which consisted of \$91,130 or 7.0 - 10.31 percent of payroll from the employer and \$79,240 or 7.0 percent of payroll from employees. On behalf of some of the employees, the City of Chilton paid \$52,523 of the required employee contribution. Total contributions for the years ending December 31, 2013 and 2012 were \$168,124 and \$147,756, 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 years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	General	\$ 40,378
Sewer Utility	General	4,842
		<u>\$ 45,220</u>

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2014

NOTE 7 - Interfund Balance and Activity - Continued

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental and business activities are netted and eliminated.

Interfund transfers at December 31, 2014 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Water Utility	\$ 105,815
General	Sewer Utility	1,843
General	TID No. 5	75,108
General	General Capital Improvements	126,385
Fire Donations	General	3,350
TID No. 4	TID No. 2	272,000
TID No. 5	TID No. 2	115,817
		<u>\$ 700,318</u>

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

NOTE 8 – Fund Balance and Net Position

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

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
General		
Nonspendable	Loans	\$ 75,108
Committed	Specific expenses	\$ 1,588,294
TID No. 2		
Restricted	Specific expenses	\$ 82,265
Nonmajor Special Revenue		
Restricted	Specific expenses	\$ 86,677
Committed	Specific expenses	\$ 307,935
Nonmajor Capital Projects		
Nonspendable	Loans	\$ 480,269
Restricted	Specific expenses	\$ 430,039
<u>Net Position</u>		
Governmental Activities		
Special Revenue		
Restricted	Specific expenses	\$ 86,677
Capital Projects		
Restricted	Specific expenses	\$ 512,304

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014

NOTE 8 - Fund Balance and Net Position - Continued

Business-Type Activities

Sewer

Restricted	Equipment replacement	\$	761,554
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The City has adopted a minimum fund balance policy in the amount of 7 - 12% of current year general fund expenditures be maintained for working capital and emergency expenditures.

NOTE 9 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the City's policy is to purchase commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

NOTE 10 - Concentration of Risk

The water utility has a significant customer which represents 34% of operating revenues and 31% of customer accounts receivable at December 31, 2014. The sewer utility has a significant customer which represents 40% of operating revenues and 44% of customer accounts receivable at December 31, 2014.

NOTE 11 - Prior Period Adjustment

The fund balance in the fire department donations fund was increased by \$73,612 for an unrecorded cash account. The beginning governmental activities net position was increased by \$320,000 for unearned revenue.

CITY OF CHILTON, WISCONSIN
REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,188,299	\$ 1,188,299	\$ 1,187,922	\$ (377)
Special assessment	2,410	2,410	3,568	1,158
Intergovernmental	869,806	873,805	875,550	1,745
Licenses and permits	67,234	67,234	80,526	13,292
Fines, forfeits and penalties	15,500	15,500	18,986	3,486
Public charges for services	234,801	236,761	234,799	(1,962)
Intergovernmental charges for services	96,300	109,009	109,147	138
Miscellaneous	32,900	78,569	81,080	2,511
TOTAL REVENUES	<u>2,507,250</u>	<u>2,571,587</u>	<u>2,591,578</u>	<u>19,991</u>
EXPENDITURES				
Current				
General government	197,344	356,627	186,834	169,793
Public safety	1,038,350	1,245,239	984,687	260,552
Public works	818,399	1,719,815	961,401	758,414
Health and human services	22,493	58,617	20,536	38,081
Culture, recreation and education	383,975	707,232	462,625	244,607
Conservation and development	14,720	37,312	7,220	30,092
Debt Service				
Principal	127,383	127,383	127,383	-
Interest	4,586	4,586	4,586	-
TOTAL EXPENDITURES	<u>2,607,250</u>	<u>4,256,811</u>	<u>2,755,272</u>	<u>1,501,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(100,000)</u>	<u>(1,685,224)</u>	<u>(163,694)</u>	<u>1,521,530</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	100,000	100,000	309,151	209,151
Operating transfers (out)	-	-	(3,350)	(3,350)
Sale of capital assets	-	1,678	1,678	-
TOTAL OTHER FINANCING SOURCES	<u>100,000</u>	<u>101,678</u>	<u>307,479</u>	<u>205,801</u>
NET CHANGE IN FUND BALANCE	-	(1,583,546)	143,785	1,727,331
FUND BALANCE - BEGINNING OF YEAR	<u>1,616,237</u>	<u>1,616,237</u>	<u>1,616,237</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,616,237</u>	<u>\$ 32,691</u>	<u>\$ 1,760,022</u>	<u>\$ 1,727,331</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2014

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. During November or December, City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted for taxpayers to approve the budget. This includes all required public notifications and publications prior to the public hearing.
3. In December, the budget is legally enacted through passage of a Resolution.
4. The department heads are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the City Council.
9. Appropriations lapse at year-end, except those specifically carried forward by Council action.
10. Encumbrance accounting is not used.

CITY OF CHILTON, WISCONSIN
OTHER
SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)

	SPECIAL REVENUE FUNDS						CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	COMMUNITY REHABILITATION	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	TID NO. 4	TID NO. 5	GENERAL CAPITAL IMPROVEMENTS	2014	2013
ASSETS											
Cash and investments	\$ 41,955	\$ 145,620	\$ 17,752	\$ 86,677	\$ 29,213	\$ 73,443	\$ 74,821	\$ 3,500	\$ 355,918	\$ 828,899	\$ 854,829
Receivable											
Taxes	-	-	-	-	-	-	53,853	-	-	53,853	61,440
Loan	-	-	25,093	649,469	-	-	800,269	-	-	1,474,831	1,638,162
TOTAL ASSETS	41,955	145,620	42,845	736,146	29,213	73,443	928,943	3,500	355,918	2,357,583	2,554,431
LIABILITIES											
Accounts payable	48	-	-	-	-	-	700	3,500	-	4,248	52
Due to other funds	-	-	-	-	-	-	-	-	-	-	138,537
Unearned revenue - other	-	-	25,093	649,469	-	-	320,000	-	-	994,562	948,074
TOTAL LIABILITIES	48	-	25,093	649,469	-	-	320,700	3,500	-	998,810	1,086,663
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - tax roll	-	-	-	-	-	-	53,853	-	-	53,853	61,440
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	53,853	-	-	53,853	61,440
FUND BALANCES											
Nonspendable	-	-	-	-	-	-	480,269	-	-	480,269	-
Restricted	-	-	-	86,677	-	-	74,121	-	355,918	516,716	1,355,224
Committed	41,907	145,620	17,752	-	29,213	73,443	-	-	-	307,935	51,128
Unassigned	-	-	-	-	-	-	-	-	-	-	(24)
TOTAL FUND BALANCES	41,907	145,620	17,752	86,677	29,213	73,443	554,390	-	355,918	1,304,920	1,406,328
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 41,955	\$ 145,620	\$ 42,845	\$ 736,146	\$ 29,213	\$ 73,443	\$ 928,943	\$ 3,500	\$ 355,918	\$ 2,357,583	\$ 2,554,431

CITY OF CHILTON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)

	SPECIAL REVENUE FUNDS						CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE	LIBRARY	ECONOMIC	COMMUNITY	REDEVELOPMENT	FIRE DEPARTMENT	TID	TID	GENERAL CAPITAL	2014	2013
	DISTRICT	DONATIONS	DEVELOPMENT	REHABILITATION	AUTHORITY	DONATIONS	NO. 4	NO. 5	IMPROVEMENTS		
REVENUES											
Taxes	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,613	\$ 7,827	\$ -	\$ 76,440	\$ 67,278
Intergovernmental	77	-	-	-	-	-	281	5	-	363	384
Miscellaneous	122	20,600	4,526	4,720	30,500	46,713	1,960	1,570	2,175	112,886	140,011
TOTAL REVENUES	15,199	20,600	4,526	4,720	30,500	46,713	55,854	9,402	2,175	189,689	207,673
EXPENDITURES											
Current											
General government	-	-	-	-	-	-	31,018	43,172	-	74,190	-
Public safety	-	-	-	-	-	40,152	-	-	-	40,152	-
Culture, recreation and education	-	54,143	-	-	-	-	-	-	-	54,143	9,384
Conservation and development	11,194	-	-	62,418	1,265	-	71,344	4,243	-	150,464	14,977
Debt service											
Principal	-	-	-	-	-	-	189,660	-	-	189,660	177,016
Interest	-	-	-	-	-	-	35,694	-	-	35,694	40,379
Capital outlay	-	-	-	-	-	10,080	-	-	-	10,080	183,759
TOTAL EXPENDITURES	11,194	54,143	-	62,418	1,265	50,232	327,716	47,415	-	554,383	425,515
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,005	(33,543)	4,526	(57,698)	29,235	(3,519)	(271,862)	(38,013)	2,175	(364,694)	(217,842)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	-	-	-	-	-	3,350	272,000	115,817	-	391,167	530,000
Operating transfers (out)	-	-	-	-	-	-	-	(75,108)	(126,385)	(201,493)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	3,350	272,000	40,709	(126,385)	189,674	530,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,005	(33,543)	4,526	(57,698)	29,235	(169)	138	2,696	(124,210)	(175,020)	312,158
FUND BALANCE - BEGINNING OF YEAR	37,902	179,163	13,226	144,375	(22)	-	554,252	(2,696)	480,128	1,406,328	1,094,170
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	73,612	-	-	-	73,612	-
FUND BALANCE - END OF YEAR	\$ 41,907	\$ 145,620	\$ 17,752	\$ 86,677	\$ 29,213	\$ 73,443	\$ 554,390	\$ -	\$ 355,918	\$ 1,304,920	1,406,328

CITY OF CHILTON, WISCONSIN
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2014

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Property	\$ 1,178,949	\$1,178,949	\$ -
General sales	40	40	-
Other tax exempt entities	9,300	8,921	(379)
Interest and penalties on delinquent taxes	10	12	2
TOTAL	<u>1,188,299</u>	<u>1,187,922</u>	<u>(377)</u>
Special assessments	<u>2,410</u>	<u>3,568</u>	<u>1,158</u>
Intergovernmental			
State shared taxes	528,084	530,269	2,185
State grants - public safety	5,599	5,119	(480)
State grants - transportation	214,036	213,715	(321)
Other state payments	23,500	23,861	361
County and other local grants	102,586	102,586	-
TOTAL	<u>873,805</u>	<u>875,550</u>	<u>1,745</u>
Licenses and Permits			
Business and occupational licenses	35,690	39,564	3,874
Nonbusiness licenses	1,350	1,434	84
Building permits and inspection fees	22,125	31,063	8,938
Zoning permits and fees	200	400	200
Other regulatory permits and fees	7,869	8,065	196
TOTAL	<u>67,234</u>	<u>80,526</u>	<u>13,292</u>
Fines, Forfeits and Penalties			
Law and ordinance violations	<u>15,500</u>	<u>18,986</u>	<u>3,486</u>
Public Charges for Services			
General government	2,360	3,157	797
Transportation	2,000	1,278	(722)
Sanitation and utilities	179,100	180,665	1,565
Health	7,516	5,181	(2,335)
Culture, recreation and education	45,785	44,518	(1,267)
TOTAL	<u>236,761</u>	<u>234,799</u>	<u>(1,962)</u>
Intergovernmental Charges for Service			
Other local governments - public safety	86,300	86,438	138
Other local governments - other	22,709	22,709	-
TOTAL	<u>109,009</u>	<u>109,147</u>	<u>138</u>
Miscellaneous			
Interest	29,300	31,425	2,125
Rent	2,500	2,548	48
Donations	45,669	45,669	-
Other miscellaneous	1,100	1,438	338
TOTAL	<u>78,569</u>	<u>81,080</u>	<u>2,511</u>
TOTAL REVENUES	<u>2,571,587</u>	<u>2,591,578</u>	<u>19,991</u>
OTHER FINANCING SOURCES			
Operating transfers in	100,000	309,151	209,151
Sale of capital assets	1,678	1,678	-
TOTAL OTHER FINANCING SOURCES	<u>101,678</u>	<u>310,829</u>	<u>209,151</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,673,265</u>	<u>\$ 2,902,407</u>	<u>\$ 229,142</u>

CITY OF CHILTON, WISCONSIN
DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES			
General Government			
Legislative	\$ 27,475	\$ 22,380	\$ 5,095
Legal	13,650	8,051	5,599
General administration	159,531	98,407	61,124
Financial administration	21,894	17,445	4,449
General buildings and plant	93,762	42,036	51,726
Other insurance	40,315	(1,485)	41,800
TOTAL	<u>356,627</u>	<u>186,834</u>	<u>169,793</u>
Public Safety			
Law enforcement	780,290	672,306	107,984
Fire protection	437,009	290,576	146,433
Building inspection	23,368	21,585	1,783
Other public safety	4,572	220	4,352
TOTAL	<u>1,245,239</u>	<u>984,687</u>	<u>260,552</u>
Public Works			
Administration	96,829	68,804	28,025
Street maintenance and construction	1,116,547	522,663	593,884
Road related facilities	199,016	113,754	85,262
Sanitation	307,423	256,180	51,243
TOTAL	<u>1,719,815</u>	<u>961,401</u>	<u>758,414</u>
Health and Human Services			
Public health services	800	800	-
Cemetery	57,817	19,736	38,081
TOTAL	<u>58,617</u>	<u>20,536</u>	<u>38,081</u>
Culture, Recreation and Education			
Library	322,995	278,305	44,690
Parks	267,945	128,359	139,586
Recreation programs and events	106,600	55,961	50,639
Recreation facilities	9,692	-	9,692
TOTAL	<u>707,232</u>	<u>462,625</u>	<u>244,607</u>
Conservation and Development			
Economic development	30,305	6,275	24,030
Other conservation and development	7,007	945	6,062
TOTAL	<u>37,312</u>	<u>7,220</u>	<u>30,092</u>
Debt Service			
Principal	127,383	127,383	-
Interest	4,586	4,586	-
TOTAL	<u>131,969</u>	<u>131,969</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4,256,811</u>	<u>2,755,272</u>	<u>1,501,539</u>
OTHER FINANCING USES			
Operating transfers out	-	3,350	(3,350)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>3,350</u>	<u>(3,350)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,256,811</u>	<u>\$ 2,758,622</u>	<u>\$ 1,498,189</u>

CITY OF CHILTON, WISCONSIN
OTHER REPORTS

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

To the City Council
City of Chilton, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Chilton, Wisconsin's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

2014-001 - Management's Responsibility for Preparation of Financial Statements

Program: Government Wide.

Criteria: Adequate internal controls necessitate personnel (management or others) of the City have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2014-002 - Material Audit Adjustments

Program: Government Wide.

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Recommendation: Improve the City's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The City will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chilton, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described below.

2014-003 - Debt Service Fund

Program: Government Wide.

Criteria: Wisconsin Statute 67.11(1) requires a debt service fund be used for all general long-term debt.

Condition: The City currently uses the general fund's general checking account for debt service payments.

Questioned Cost: Not applicable.

Context: The City makes very few debt service related transactions.

Effect: The City is not in compliance with Wisconsin Statute 67.11(1).

Recommendation: We recommend the City use a separate debt service fund.

Management's Response: We will implement a debt service fund.

2014-004 - Fire Department Retirement Payments

Program: Government Wide.

Criteria: Federal tax law requires payroll taxes be withheld from retirement payments to employees.

Condition: The City currently does not withhold payroll taxes for retirement payments to employees.

Questioned Cost: Not applicable.

Context: The City did not know payroll taxes were to be withheld.

Effect: The City is not in compliance with federal tax law.

Recommendation: We recommend the City amend their payroll tax reports to include these amounts.

Management's Response: According to the current fire department bylaws, payroll taxes cannot be withheld. However, in the future, payroll taxes will be withheld.

2014-005 - Sewer Mortgage Revenue Bonds Compliance

Program: Government Wide.

Criteria: The sewer mortgage revenue bonds require a separate restricted cash account.

Condition: The sewer utility does not have a separate restricted cash account.

Questioned Cost: Not applicable.

Context: The City was not aware of this compliance requirement.

Effect: The sewer utility is not in compliance with the mortgage revenue bonds.

Recommendation: We recommend the sewer create a separate restricted cash account and replenish it as required by the bond requirements.

Management's Response: We will implement a separate restricted cash account and replenish to be in compliance with the mortgage revenue bonds.

City of Chilton, Wisconsin's Responses to Findings

The City of Chilton, Wisconsin's responses to the findings identified in our audit are described above. The City of Chilton, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
March 25, 2015