

CITY OF MILTON, WISCONSIN

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2019

CITY OF MILTON, WISCONSIN

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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Milton, 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 Milton ("City"), as of and for the year ended December 31, 2019, 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 basic 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, as of December 31, 2019, 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 on pages 5 through 17, Wisconsin Retirement System Schedules, Local Retiree Life Insurance Fund Schedules, and budgetary comparison information on pages 57 through 60 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 Milton's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2020, on our consideration of the City of Milton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milton's internal control over financial reporting and compliance.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin

June 25, 2020

CITY OF MILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2019

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

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 18).

The City's government-wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (U.S. GAAP). The City's fund financial statements for governmental funds (General, Special Revenue, Debt Service, and Capital Projects) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's Proprietary funds (Enterprise - Water, Sewer & Stormwater) are accounted for on the accrual basis. A detailed discussion on Government-wide and Fund financial statements can be found on pages 27-29.

Financial Highlights

- As shown on the Statement of Net Position, fiscal year December 31, 2018 ended with an Unrestricted Net Position Balance of \$1,374,248 in Governmental Activities. This is an increase of \$136,122 from the prior year primarily due to reductions in long-term obligations. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address annual budget amendments, furniture and equipment replacement, major repairs and Parkland improvements.
- Also shown on the statement of Net Position is an Unrestricted Net Position Balance of \$2,999,210 in the Business Activities category. This is a decrease of \$581,158 from the prior year primarily due use of funds for utility infrastructure replacement on Front Street and Windsor Court. These monies are intended to provide a cushion against significant downturns in revenues and to maintain sufficient working capital and cash flow to meet daily financial needs. Other reserves have been designated by management to address equipment replacement and bond reserve requirements.

- From the Statement of Activities, General Revenues, primarily property taxes were used to support the following major activities. The property tax amount for each function was:
 - \$804,436 for General Government purposed - administration, finance, facilities and City Council
 - \$1,642,476 for Public Safety - Police, Fire, Building Inspection.
 - \$892,919 for public works
 - \$218,244 for culture, recreation, and education
 - \$350,509 for Conservation and development
 - \$325,719 for Interest and Fiscal charges.
- As of December 31, 2019, the committed, assigned, or unassigned, all of which is available for spending at the City's discretion, general fund was \$1,595,696 or approximately 33% of total general fund revenues. This was an increase of \$275,075 as result of revenues exceeding expenditures in 2019 by \$167,139 and payback of the advance to library fund of \$109,026.
- As of December 31, 2019, total long-term obligations decreased by \$357,847 due to current year debt payments. An additional \$1,225,000 in general obligation debt was issued for a new lift station that will be paid back from TID #10.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the City of Milton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data for 2019 is provided for analysis of the City of Milton's change in net position.

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 18-20 of this report.

Fund Financial Statements

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

Total assets, liabilities, and revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds): and,

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or,
- b. Any other governmental or enterprise fund that the government's officials believe is particularly important.

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 18-20 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Milton's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of Milton uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.

The fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-56 of this report.

Other Information

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

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 61-62 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Milton, assets exceeded liabilities by \$46,065,748 at the close of 2019. The following table reflects the condensed Statement of Assets.

2019 City of Milton's Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,535,540	8,121,385	\$ 4,478,817	5,170,025	\$ 13,014,357	13,291,410
Capital assets	33,162,171	33,283,805	21,874,373	19,438,301	55,036,544	52,722,106
Total assets	\$ 41,697,711	41,405,190	\$ 26,353,190	24,608,326	\$ 68,050,901	66,013,516
Charge on refunding	\$ 113,088	128,166	\$ -	-	\$ 113,088	128,166
Local Retiree Life Insurance Fund	18,112	16,138	4,042	3,333	22,154	19,471
Wisconsin retirement pension	2,083,740	1,173,407	465,070	242,371	2,548,810	1,415,778
Total deferred outflow s	\$ 2,214,940	1,317,711	\$ 469,112	245,704	\$ 2,684,052	1,563,415
Long-term debt	\$ 11,982,775	12,209,967	\$ 2,689,095	3,008,870	\$ 14,671,870	15,218,837
Other Liabilities	2,529,507	2,234,113	888,361	851,083	3,417,868	3,085,196
Total liabilities	\$ 14,512,282	14,444,080	\$ 3,577,456	3,859,953	\$ 18,089,738	18,304,033
Unavailable revenue - tax roll	\$ 4,787,096	4,353,127	\$ -	-	\$ 4,787,096	4,353,127
Local Retiree Life Insurance Fund	23,179	1,385	5,174	286	28,353	1,671
Wisconsin retirement pension	1,442,146	1,243,142	321,872	292,798	1,764,018	1,535,940
Total deferred inflow s	\$ 6,252,421	5,597,654	\$ 327,046	293,084	\$ 6,579,467	5,890,738
Net position:						
Invested in capital, net of debt	\$ 20,641,756	19,730,932	\$ 18,923,044	16,047,435	\$ 39,564,800	35,778,367
Restricted	1,131,944	1,712,109	995,546	1,841,737	2,127,490	3,553,846
Unrestricted	1,374,248	1,238,126	2,999,210	2,811,821	4,373,458	4,049,947
Total net position	\$ 23,147,948	22,681,167	\$ 22,917,800	20,700,993	\$ 46,065,748	43,382,160

For more detailed information see pages 18-19 of the Statement of Net Position

The largest portion of the City of Milton's net position (approximately 84 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Milton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Milton's net position (approximately 7 percent) represents resources that are subject to external restrictions on how they should be used. The remaining balance of unrestricted net position or \$4,373,458 may be used to meet the government's ongoing obligations to citizens or creditors.

At the end of fiscal year 2019, the City of Milton is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

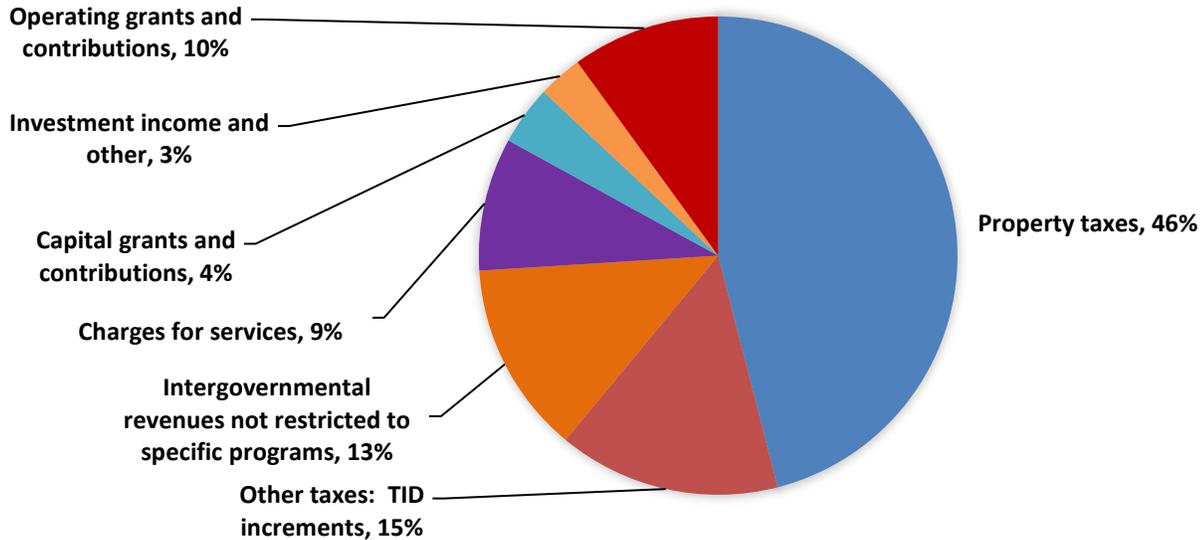
Governmental Activities

The 2019 change in net position for Governmental Activities shows an increase of \$1,217,741. See page 20 for the reconciliation of change in fund balances to the Statement of Activities.

City of Milton's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 651,046	650,768	\$ 2,923,189	2,830,870	\$ 3,574,235	3,481,638
Operating grants and contributions	687,941	476,927	-	-	687,941	476,927
Capital grants and contributions	295,234	426,611	477,584	572,460	772,818	999,071
General Revenues						
Property taxes	3,289,546	3,236,902	-	-	3,289,546	3,236,902
Other Taxes: TID increments	1,063,296	1,100,444	-	-	1,063,296	1,100,444
Intergovernmental revenues not restricted to specific programs	931,713	877,757	-	-	931,713	877,757
Investment income	141,251	100,570	92,791	63,429	234,042	163,999
Other	45,734	82,357	-	-	45,734	82,357
Total revenues	<u>\$ 7,105,761</u>	<u>6,952,336</u>	<u>\$ 3,493,564</u>	<u>3,466,759</u>	<u>\$ 10,599,325</u>	<u>10,419,095</u>
Expenses						
General Government	\$ 914,717	890,091	\$ -	-	\$ 914,717	890,091
Public Safety	1,847,991	1,647,736	-	-	1,847,991	1,647,736
Public Works	1,768,989	1,532,029	-	-	1,768,989	1,532,029
Health and Human Services	2,287	3,738	-	-	2,287	3,738
Culture, Recreation and Education	652,974	689,057	-	-	652,974	689,057
Conservation and Development	351,384	430,970	-	-	351,384	430,970
Interest and fiscal charges	325,719	352,228	-	-	325,719	352,228
Water	-	-	953,801	890,255	953,801	890,255
Sewer	-	-	892,288	844,030	892,288	844,030
Stormwater	-	-	205,587	184,688	205,587	184,688
Total expenses	<u>\$ 5,864,061</u>	<u>5,545,849</u>	<u>\$ 2,051,676</u>	<u>1,918,973</u>	<u>\$ 7,915,737</u>	<u>7,464,822</u>
Change in Net Position before Transfers	1,241,700	1,406,487	1,441,888	1,547,786	2,683,588	2,954,273
Transfers	(774,919)	283,984	774,919	(283,984)	-	-
Change in Net Position	466,781	1,690,471	2,216,807	1,263,802	2,683,588	2,954,273
Net position - 1/1	22,681,167	21,070,069	20,700,993	19,453,534	43,382,160	40,523,603
Change in Accounting Principle	-	(79,373)	-	(16,343)	-	(95,716)
Net position - 12/31	<u>\$ 23,147,948</u>	<u>22,681,167</u>	<u>\$ 22,917,800</u>	<u>20,700,993</u>	<u>\$ 46,065,748</u>	<u>43,382,160</u>

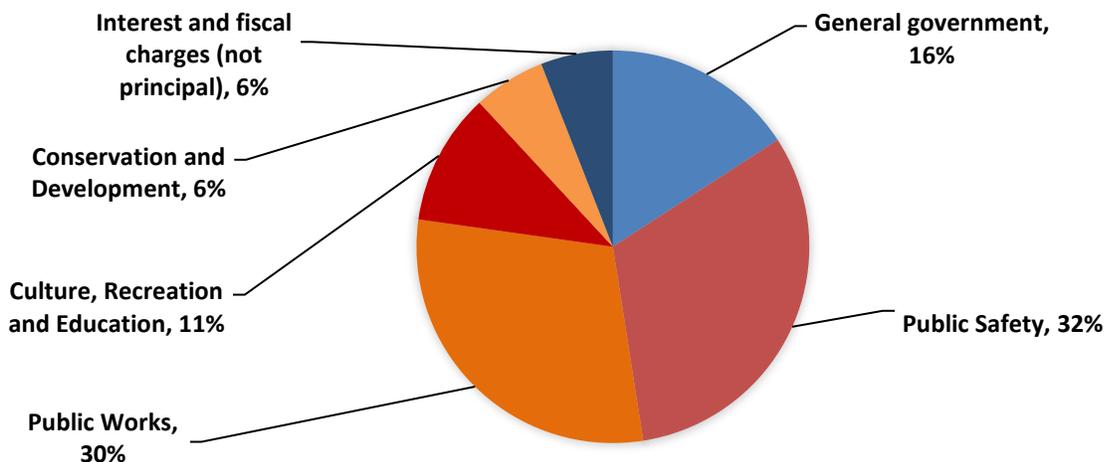
As shown by the following graphs and identified by the Statement of Activities on page 20, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



As identified above and on the following page, property taxes are the largest revenue source for the governmental activities accounting for approximately 46 percent of total revenues. Charges for services and operating grants and contributions each provided approximately 19 percent of total revenues. Capital grants and contributions provided approximately 4% of revenues.

EXPENDITURES - GOVERNMENTAL ACTIVITIES



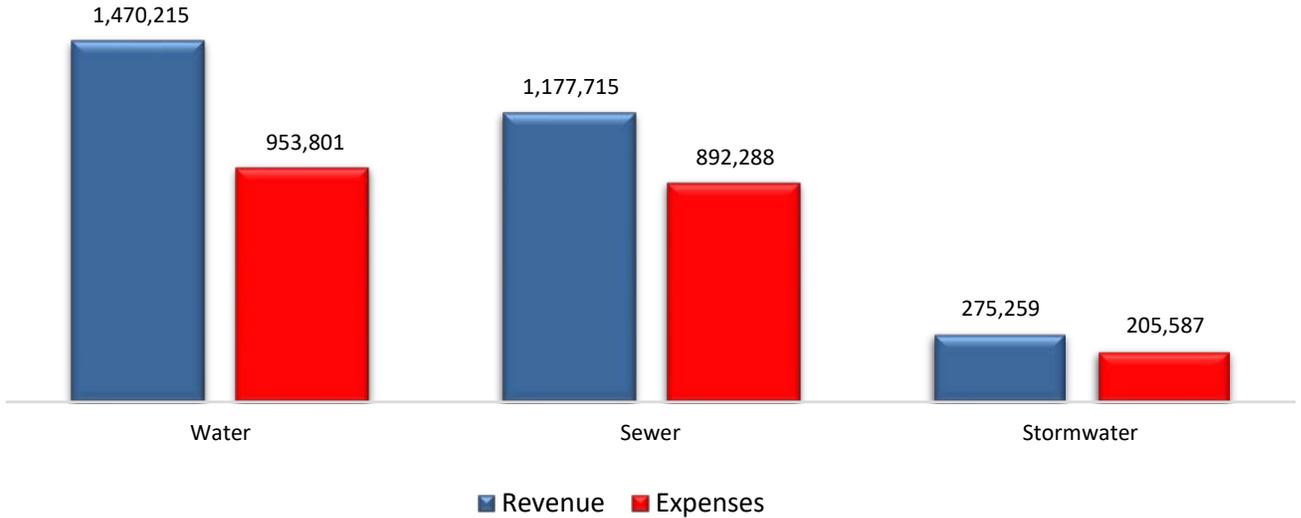
Public Safety activities accounts for approximately 32% and Public Works activities accounts for 30% of the total expenditures within the governmental activities of the City of Milton.

City departments across the board were within their approved budgets.

Business-type activities

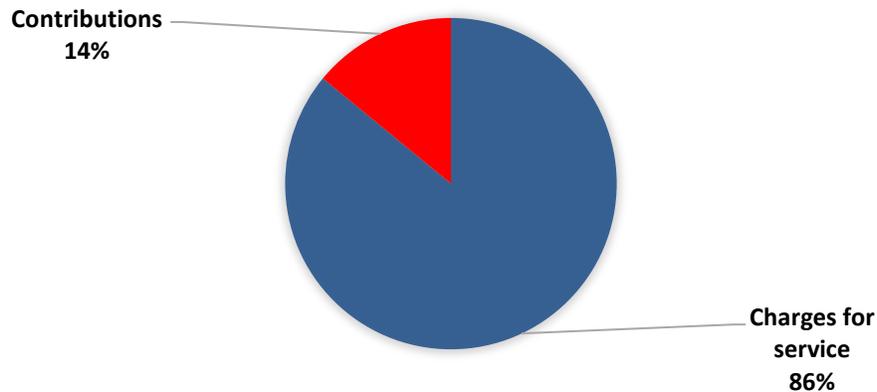
Business type activities increased the City of Milton's net position by \$2,216,807 during 2019. This was mainly due to the defeasance of debt and addition of capital assets.

Operating Revenues and Expenses - Business Type Activities



As shown on the following chart, the revenues of the Milton Water, Wastewater and Stormwater Utilities included Sale of assets and contributions in addition to charges for services (operating revenues).

REVENUES BY SOURCE BUSINESS TYPE ACTIVITIES



Financial Analysis of the Government's Funds

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

Governmental Funds

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

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

As of December 31, 2019, the City of Milton's governmental funds reported combined ending balances of \$2,567,286, a decrease of \$65,250 in comparison with the prior year. The decrease is mainly due to the use of funds in TID #6 for early defeasance of the two 2017 bank notes totaling over \$615,000. \$1,245,475 of the fund balance is assigned, unassigned or committed. The remainder of the fund balance (\$1,605,088) is nonspendable or restricted to indicate that it is not available for new spending because it has already been committed for other uses.

The General Fund is the chief operating fund of the City of Milton. As of December 31, 2019, the total fund balance of the general fund was \$1,785,563 of which \$1,470,696 is unassigned. This unassigned balance represents approximately 30 percent of total general fund revenues in 2019.

The fund balance of the general fund increased by \$167,139 in fiscal year 2019, but the Council assigned \$125,000 for post-employment payouts of accumulated leave time that will likely occur in the next two years. The 2019 annual program budget for the City of Milton's general fund had revenues exceeding budget by \$100,648 and expenditures/transfers \$271,491 below budget. Actual expenditures were less than the amended budgeted expenditures by 6.44 percent while revenues were greater than the budget by 2 percent.

The Debt Service Fund has a total fund balance of \$57,568, all of which is restricted for the payment of debt service.

The Capital Improvement Fund provides funding for capital projects of the City of Milton or other unique expenditures which are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The Capital Project fund balance is restricted for capital projects. The balance is mainly due to a Council approved transfers for future projects.

Proprietary Fund.

The City of Milton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increase in Net Position for 2019 was \$1,263,802. Net position in the amount of \$1,452,157 is restricted for debt coverage, equipment replacement, and those funds' portion of the state pension liability. Unrestricted net position in the Water, Wastewater and Stormwater Utilities at the end of the year amounted to \$3,201,401.

The financial statements and a statement of cash flows for the enterprise funds can be found on pages 28-29 of this report.

Capital Asset and Debt Administration

Capital Assets

The City of Milton's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$55,036,544 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment and construction in progress. The total increase in the City of Milton's investment in capital assets for the current fiscal period was approximately \$1,122,784 net of depreciation.

City of Milton's Capital Assets				
Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 2,125,429	\$ -	\$ -	\$ 2,125,429
Total Capital Assets not being Depreciated	<u>\$ 2,125,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,125,429</u>
Other Capital Assets:				
Buildings and improvements	10,046,222	-	-	10,046,222
Infrastructure	25,923,314	362,325	-	26,285,639
Improvements other than Bldg	1,207,622	111,239	(3,500)	1,315,361
Machinery and Equipment	6,545,943	124,704	(115,690)	6,554,957
Total Capital Assets being Depreciated	<u>\$ 43,723,101</u>	<u>\$ 598,268</u>	<u>\$ (119,190)</u>	<u>\$ 44,202,179</u>
Accumulated Depreciation	<u>(12,564,725)</u>	<u>(719,902)</u>	<u>119,190</u>	<u>\$ (13,165,437)</u>
Net Capital Assets- Governmental Activities	<u><u>\$ 33,283,805</u></u>	<u><u>\$ (121,634)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,162,171</u></u>

City of Milton Capital Assets					
Business Type Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 109,302	\$ -	\$ -	\$ -	\$ 109,302
Construction in process	112,682	1,425,499	-	-	1,538,181
Total Capital Assets not being Depreciated	<u>\$ 221,984</u>	<u>\$ 1,425,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,647,483</u>
Other Capital Assets:					
Buildings and improvements	7,211,735	82,384	(19,000)	-	7,275,119
Improvements other than Bldg	16,258,151	1,044,256	(200,700)	-	17,101,707
Machinery and Equipment	5,404,439	639,634	(21,907)	-	6,022,166
Total Capital Assets being Depreciated	<u>\$ 28,874,325</u>	<u>\$ 1,766,274</u>	<u>\$ (241,607)</u>	<u>\$ -</u>	<u>\$ 30,398,992</u>
Accumulated Depreciation	<u>(9,658,008)</u>	<u>(755,701)</u>	<u>241,607</u>	<u>\$ -</u>	<u>\$ (10,172,102)</u>
Net Capital Assets- Business Type Activities	<u><u>\$ 19,438,301</u></u>	<u><u>\$ 2,436,072</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,874,373</u></u>

Major additions to infrastructure included newly resurfaced roads and new roads in the City. Equipment purchases included several vehicles for various City departments. A majority of the additions to "Business Type Activities" were developer financed water and wastewater mains along with a future lift station that went online in 2020 (shown as construction in progress in 2019). Additional information of the City of Milton's capital assets can be found in Note 4 on pages 40-41.

Long-Term debt

General obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. General obligation debt is expected to be repaid with general property taxes, special assessments and TIF increments. General obligation debt is used to fund infrastructure projects within the City (streets, sidewalks, curb & gutter, etc), finance equipment replacement, or fund other capital projects. At the end of the current fiscal year, the City of Milton had total general obligation bonded debt outstanding of \$11,050,000 entirely backed by the full faith and credit of the government.

Summary of Long -Term Obligations				
	Governmental Activities			
	<u>1/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2019</u>
Bonds Payable	\$ 10,195,000	\$ -	\$ (965,000)	\$ 9,230,000
Notes Payable	1,546,794	1,225,000	(951,794)	1,820,000
General Obligation Debt	<u>11,741,794</u>	<u>1,225,000</u>	<u>(1,916,794)</u>	<u>11,050,000</u>
CDA Lease Revenue Bonds	\$ 1,560,000	\$ -	\$ (175,000)	\$ 1,385,000
Premium	115,267	-	(13,062)	102,205
Debt discount	(19,188)	2,398	-	(16,790)
Local retiree life insurance fund	98,305	-	(11,648)	86,657
Compensated absences	368,237	26,046	-	394,283
WRS pension liability	-	493,565	-	493,565
	<u>2,122,621</u>	<u>522,009</u>	<u>-</u>	<u>2,444,920</u>
Total Governmental Activities				
Long-Term Liabilities	<u>\$ 13,864,415</u>	<u>\$ 1,747,009</u>	<u>\$ (2,116,504)</u>	<u>\$ 13,494,920</u>

Summary of Long -Term Obligations				
	Business Type Activities			
	<u>1/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2019</u>
Sewer Utility Revenue Bonds	\$ 1,045,866	\$ -	\$ (250,925)	\$ 794,941
Water Utility Revenue Bonds	2,345,000	-	(170,000)	2,175,000
Total Revenue Bonds	<u>\$ 3,390,866</u>	<u>\$ -</u>	<u>\$ (420,925)</u>	<u>\$ 2,969,941</u>
Debt Discount	<u>\$ (20,304)</u>	<u>\$ -</u>	<u>\$ 1,692</u>	<u>\$ (18,612)</u>
Compensated absences	\$ 84,109	\$ -	\$ (6,871)	\$ 77,238
Local retiree life insurance fund	20,305	-	(964)	19,341
WRS pension liability	-	110,159	-	110,159
	<u>\$ 104,414</u>	<u>\$ 110,159</u>	<u>\$ (7,835)</u>	<u>\$ 206,738</u>
Total Business Type Activities				
Long-Term Liabilities	<u>\$ 3,474,976</u>	<u>\$ 110,159</u>	<u>\$ (427,068)</u>	<u>\$ 3,158,067</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Milton is \$21,372,265, which exceeds the current outstanding general obligation debt by \$10,379,833. As of December 31, 2019, the City of Milton's outstanding debt equaled 49 percent of the state authorized debt limit.

Additional information of the City of Milton's outstanding debt can be found in Note 5 on pages 41-44.

Requests for Information

This financial report is designed to provide a general overview of the City of Milton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Treasurer, 710 S Janesville St., Milton, WI 53563.

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

CITY OF MILTON, WISCONSIN
BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2019

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 4,113,020	\$ 2,403,077	\$ 6,516,097
Cash and investments - restricted	-	1,252,042	1,252,042
Receivables			
Taxes	3,823,366	-	3,823,366
Accounts and other	58,074	557,679	615,753
Special assessments	297,041	-	297,041
Interest	6,322	9,704	16,026
Prepaid expenses	30,857	-	30,857
Internal balances	(72,050)	72,050	-
Inventories	-	23,328	23,328
Special assessments - noncurrent	-	160,937	160,937
Loans receivable	278,910	-	278,910
Capital assets, net of accumulated depreciation			
Land and construction in progress	2,125,429	1,191,654	3,317,083
Buildings, systems, and equipment	<u>31,036,742</u>	<u>20,682,719</u>	<u>51,719,461</u>
TOTAL ASSETS	<u>41,697,711</u>	<u>26,353,190</u>	<u>68,050,901</u>
DEFERRED OUTFLOWS OF RESOURCES			
Charge on refunding	113,088	-	113,088
Wisconsin Retirement System pension	2,083,740	465,070	2,548,810
Local Retiree Life Insurance Fund	<u>18,112</u>	<u>4,042</u>	<u>22,154</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,214,940</u>	<u>469,112</u>	<u>2,684,052</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 43,912,651</u>	 <u>\$26,822,302</u>	 <u>\$ 70,734,953</u>

(Continued on page 19)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2019

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Accounts payable	\$ 535,941	\$ 86,724	\$ 622,665
Accrued liabilities			
Payroll	74,314	-	74,314
Interest	115,114	-	115,114
Unearned revenue - other	291,993	318,931	610,924
Current portion of long-term obligations	1,425,488	21,806	1,447,294
Net LRLIF liability	86,657	19,341	105,998
Payable from restricted assets			
Accrued interest	-	13,734	13,734
Current portion of long-term obligations	-	427,825	427,825
Noncurrent portion of long-term obligations	11,982,775	2,689,095	14,671,870
TOTAL LIABILITIES	14,512,282	3,577,456	18,089,738
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - tax roll	4,787,096	-	4,787,096
Wisconsin Retirement System pension	1,442,146	321,872	1,764,018
Local Retiree Life Insurance Fund	23,179	5,174	28,353
TOTAL DEFERRED INFLOWS OF RESOURCES	6,252,421	327,046	6,579,467
 NET POSITION			
Net investment in capital assets	20,641,756	18,923,044	39,564,800
Restricted for:			
Special revenue	298,392	-	298,392
Equipment replacement	-	442,210	442,210
Debt service	57,568	533,336	590,904
Capital projects	775,984	-	775,984
Other activities	-	20,000	20,000
Unrestricted	1,374,248	2,999,210	4,373,458
TOTAL NET POSITION	23,147,948	22,917,800	46,065,748
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 43,912,651	\$26,822,302	\$ 70,734,953

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

CITY OF MILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
GOVERNMENTAL ACTIVITIES							
General government	\$ 914,717	\$ 110,281	\$ -	\$ -	\$ (804,436)		\$ (804,436)
Public safety	1,847,991	180,490	25,025	-	(1,642,476)		(1,642,476)
Public works	1,768,989	301,050	388,762	186,258	(892,919)		(892,919)
Health and human services	2,287	6,750	-	-	4,463		4,463
Culture, recreation, and education	652,974	51,600	274,154	108,976	(218,244)		(218,244)
Conservation and development	351,384	875	-	-	(350,509)		(350,509)
Interest and fiscal charges	325,719	-	-	-	(325,719)		(325,719)
TOTAL GOVERNMENTAL ACTIVITIES	5,864,061	651,046	687,941	295,234	(4,229,840)		(4,229,840)
BUSINESS-TYPE ACTIVITIES							
Water	953,801	1,470,215	-	139,606		\$ 656,020	656,020
Sewer	892,288	1,177,715	-	176,686		462,113	462,113
Storm Water	205,587	275,259	-	161,292		230,964	230,964
TOTAL BUSINESS-TYPE ACTIVITIES	2,051,676	2,923,189	-	477,584		1,349,097	1,349,097
TOTAL PRIMARY GOVERNMENT	\$ 7,915,737	\$ 3,574,235	\$ 687,941	\$ 772,818	(4,229,840)	1,349,097	(2,880,743)
GENERAL REVENUE							
Taxes							
Property taxes, levied for general purposes					3,289,546	-	3,289,546
Tax increments					1,063,296	-	1,063,296
Intergovernmental revenue not restricted to specific programs					931,713	-	931,713
Interest and investment income					141,251	92,791	234,042
Miscellaneous					45,734	-	45,734
TRANSFERS					(774,919)	774,919	-
TOTAL GENERAL REVENUE AND TRANSFERS					4,696,621	867,710	5,564,331
CHANGE IN NET POSITION					466,781	2,216,807	2,683,588
NET POSITION - BEGINNING OF YEAR					22,681,167	20,700,993	43,382,160
NET POSITION - END OF YEAR					\$ 23,147,948	\$ 22,917,800	\$ 46,065,748

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

CITY OF MILTON, WISCONSIN
FUND FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

<u>ASSETS</u>	GENERAL FUND	DEBT SERVICE	TIF #6	TIF #9	TIF #10	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	\$ 2,689,460	\$ 57,568	\$ 17,110	\$ 4,665	\$ 429,497	\$ 914,720	\$ 4,113,020
Receivables							
Taxes	2,447,593	-	968,938	227,227	35,346	144,262	3,823,366
Accounts and other	63,241	-	1,155	-	-	-	64,396
Special assessments	295,736	-	-	-	-	1,305	297,041
Prepaid expenses	30,857	-	-	-	-	-	30,857
Loans receivable	-	-	-	-	-	278,910	278,910
Due from other funds	159,010	-	-	-	-	184,988	343,998
	<u>159,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,988</u>	<u>343,998</u>
TOTAL ASSETS	<u>\$ 5,685,897</u>	<u>\$ 57,568</u>	<u>\$ 987,203</u>	<u>\$ 231,892</u>	<u>\$ 464,843</u>	<u>\$ 1,524,185</u>	<u>\$ 8,951,588</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>							
LIABILITIES							
Accounts payable	\$ 151,389	\$ -	\$ 89	\$ -	\$ 310,683	\$ 73,780	\$ 535,941
Accrued liabilities	74,314	-	-	-	-	-	74,314
Due to other funds	257,038	-	-	-	-	159,010	416,048
Unearned revenue - other	6,270	-	-	-	-	564,633	570,903
TOTAL LIABILITIES	<u>489,011</u>	<u>-</u>	<u>89</u>	<u>-</u>	<u>310,683</u>	<u>797,423</u>	<u>1,597,206</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue							
Tax roll	3,411,323	-	968,938	227,227	35,346	144,262	4,787,096
	<u>3,411,323</u>	<u>-</u>	<u>968,938</u>	<u>227,227</u>	<u>35,346</u>	<u>144,262</u>	<u>4,787,096</u>
FUND BALANCES							
Nonspendable	189,867	-	-	-	-	-	189,867
Restricted	-	57,568	249,500	4,665	118,814	701,397	1,131,944
Assigned	125,000	-	-	-	-	-	125,000
Unassigned	1,470,696	-	(231,324)	-	-	(118,897)	1,120,475
TOTAL FUND BALANCES	<u>1,785,563</u>	<u>57,568</u>	<u>18,176</u>	<u>4,665</u>	<u>118,814</u>	<u>582,500</u>	<u>2,567,286</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,685,897</u>	<u>\$ 57,568</u>	<u>\$ 987,203</u>	<u>\$ 231,892</u>	<u>\$ 464,843</u>	<u>\$ 1,524,185</u>	<u>\$ 8,951,588</u>

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

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Fund balances - total governmental funds \$ 2,567,286

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

Capital assets used in government activities are not financial resources and therefore, are not reported in the funds. 33,162,171

Charges for loss on refunding are recognized as an expenditure in the funds when incurred, but amortized on the statement of net position. 113,088

Some revenue is unavailable in the funds because they are not available to pay current period's expenditures.
 Other deferred to be collected after year end 278,910

Wisconsin Retirement System net pension asset, deferred outflows of resources and deferred inflows of resources are not current financial resources and are not reported in fund statements. 641,594

The Local Retiree Life Insurance Fund OPEB deferred outflows and inflows of resources are not current financial resources and are not reported in fund statements. (5,067)

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

Accrued interest payable	\$ (115,114)	
Bonds and notes payable	(12,435,000)	
Premium and discount on long-term obligations	(85,415)	
Compensated absences	(394,283)	
Wisconsin Retirement System pension liability	(493,565)	
LRLIF OPEB Liability	<u>(86,657)</u>	
		<u>(13,610,034)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$23,147,948

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

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	GENERAL FUND	DEBT SERVICE	TIF #6	TIF #9	TIF #10	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE							
Taxes	\$ 3,289,546	\$ -	\$ 917,383	\$ 27,844	\$ -	\$ 118,069	\$ 4,352,842
Special assessments	-	-	-	-	-	1,334	1,334
Intergovernmental	1,088,262	-	50,739	5	-	144,169	1,283,175
Licenses and permits	149,300	-	-	-	-	148,402	297,702
Fines, forfeits, and penalties	52,858	-	-	-	-	-	52,858
Public charges for services	34,357	-	-	-	-	331,419	365,776
Intergovernmental charges for services	73,946	-	-	-	-	-	73,946
Other	154,999	36	101	-	11,362	311,093	477,591
TOTAL REVENUE	4,843,268	36	968,223	27,849	11,362	1,054,486	6,905,224
EXPENDITURES							
Current							
General government	773,211	-	-	-	-	250	773,461
Public safety	1,578,446	-	-	-	-	-	1,578,446
Public works	719,447	-	-	-	-	300,928	1,020,375
Health and human services	2,249	-	-	-	-	-	2,249
Culture, recreation, and education	210,763	-	-	-	-	384,056	594,819
Conservation and development	16,292	-	137,222	149	74,095	81,765	309,523
Capital outlay	30,039	-	18,595	-	956,199	666,770	1,671,603
Debt service							
Principal	-	710,000	1,281,794	-	-	100,000	2,091,794
Interest and fiscal charges	-	194,435	126,218	-	-	11,927	332,580
TOTAL EXPENDITURES	3,330,447	904,435	1,563,829	149	1,030,294	1,545,696	8,374,850
EXCESS OF REVENUE OVER (UNDER)							
EXPENDITURES	1,512,821	(904,399)	(595,606)	27,700	(1,018,932)	(491,210)	(1,469,626)
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt	-	-	-	-	1,225,000	-	1,225,000
Transfers in	251,892	959,881	-	-	60,000	692,574	1,964,347
Transfers out	(1,597,574)	-	(60,000)	-	(126,743)	(654)	(1,784,971)
TOTAL OTHER FINANCING (USES) SOURCES	(1,345,682)	959,881	(60,000)	-	1,158,257	691,920	1,404,376
NET CHANGE IN FUND BALANCES	167,139	55,482	(655,606)	27,700	139,325	200,710	(65,250)
FUND BALANCES AT BEGINNING OF YEAR	1,618,424	2,086	673,782	(23,035)	(20,511)	381,790	2,632,536
FUND BALANCES AT END OF YEAR	\$ 1,785,563	\$ 57,568	\$ 18,176	\$ 4,665	\$ 118,814	\$ 582,500	\$ 2,567,286

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

CITY OF MILTON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds		\$ (65,250)
<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	\$ 1,671,603	
Depreciation expense reported in the statement of activities	<u>(719,902)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		951,701
The net effect of various transactions involving capital assets (i.e., noncapitalized outlay and contributions) is to decrease net position.		(1,073,335)
Wisconsin Retirement System net pension liability (asset), deferred outflows of resources, and deferred inflows of resources change:		(187,060)
Some capital assets acquired during the year were financed with long-term debt. The amount of long-term debt is reported in the governmental funds as a source of financing. In the statement of net position, however, long-term debt is not reported as a financing source, but rather constitutes a long-term liability. The amount of long-term debt issued in the governmental funds statement is:		(1,225,000)
Certain employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
This year the accrual of these benefits increased by:		(26,046)
Certain revenue is 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		14,279
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:		2,091,794
Local Retiree Life Insurance Fund net OPEB liability and deferred outflows and inflows of resource changes.		(8,172)
Governmental funds report the effect of bond discounts and premiums and charges on refunding when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the current year is:		(4,414)
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as it accrues.		
The amount of interest and other charges paid during the current period.	\$ 332,580	
The amount of interest and other charges accrued during the current period.	<u>(334,296)</u>	
Interest and other charges paid is less than interest and other charges accrued by:		<u>(1,716)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 466,781</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 1,254,694	\$ 1,078,321	\$ 70,062	\$ 2,403,077
Cash and investments - restricted	557,122	674,920	20,000	1,252,042
Accounts and other	260,004	229,860	67,815	557,679
Interest receivable	8,369	1,335	-	9,704
Due from other funds	34,700	32,291	5,059	72,050
Inventories	23,328	-	-	23,328
TOTAL CURRENT ASSETS	<u>2,138,217</u>	<u>2,016,727</u>	<u>162,936</u>	<u>4,317,880</u>
NONCURRENT ASSETS				
CAPITAL ASSETS				
Land	17,734	91,568	-	109,302
Buildings	857,490	6,422,104	-	7,279,594
Improvements other than buildings	12,234,963	4,876,444	-	17,111,407
Machinery and equipment	999,121	1,339,938	4,124,761	6,463,820
Construction work in progress	-	1,082,352	-	1,082,352
TOTAL CAPITAL ASSETS	<u>14,109,308</u>	<u>13,812,406</u>	<u>4,124,761</u>	<u>32,046,475</u>
Less accumulated depreciation	4,338,212	5,042,435	791,455	10,172,102
NET CAPITAL ASSETS	<u>9,771,096</u>	<u>8,769,971</u>	<u>3,333,306</u>	<u>21,874,373</u>
OTHER NON-CURRENT ASSETS				
Special assessments	160,937	-	-	160,937
TOTAL NONCURRENT ASSETS	<u>9,932,033</u>	<u>8,769,971</u>	<u>3,333,306</u>	<u>22,035,310</u>
TOTAL ASSETS	<u>12,070,250</u>	<u>10,786,698</u>	<u>3,496,242</u>	<u>26,353,190</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	191,818	208,109	65,143	465,070
Local Retiree Life Insurance fund	1,667	1,809	566	4,042
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>193,485</u>	<u>209,918</u>	<u>65,709</u>	<u>469,112</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,263,735</u>	<u>\$ 10,996,616</u>	<u>\$ 3,561,951</u>	<u>\$ 26,822,302</u>

(Continued on page 26)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - Continued
DECEMBER 31, 2019

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	<u>WATER</u>	<u>SEWER</u>	<u>STORM WATER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
CURRENT LIABILITIES				
Accounts payable	\$ 41,985	\$ 37,687	\$ 7,052	\$ 86,724
Current portion of long-term obligations	8,478	13,328	-	21,806
Unearned revenue - other	157,994	-	-	157,994
Payable from restricted assets				
Accrued interest	10,091	3,643	-	13,734
Current portion of long-term obligations	<u>170,000</u>	<u>257,825</u>	<u>-</u>	<u>427,825</u>
TOTAL CURRENT LIABILITIES	<u>388,548</u>	<u>312,483</u>	<u>7,052</u>	<u>708,083</u>
NONCURRENT LIABILITIES				
Long-term obligations	2,033,515	586,410	15,430	2,635,355
Compensated absences	22,984	30,756	-	53,740
Unearned revenue - special assessments	160,937	-	-	160,937
Net LRLIF liability	<u>7,977</u>	<u>8,655</u>	<u>2,709</u>	<u>19,341</u>
TOTAL NONCURRENT LIABILITIES	<u>2,225,413</u>	<u>625,821</u>	<u>18,139</u>	<u>2,869,373</u>
TOTAL LIABILITIES	<u>2,613,961</u>	<u>938,304</u>	<u>25,191</u>	<u>3,577,456</u>
DEFERRED INFLOWS OF RESOURCES				
Wisconsin Retirement System pension	132,756	144,031	45,085	321,872
Local Retiree Life Insurance fund	<u>2,134</u>	<u>2,315</u>	<u>725</u>	<u>5,174</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>134,890</u>	<u>146,346</u>	<u>45,810</u>	<u>327,046</u>
NET POSITION				
Net investment in capital assets	7,614,708	7,975,030	3,333,306	18,923,044
Restricted for debt service	361,452	171,884	-	533,336
Restricted for equipment replacement	-	442,210	-	442,210
Restricted for other	-	-	20,000	20,000
Unrestricted	<u>1,538,724</u>	<u>1,322,842</u>	<u>137,644</u>	<u>2,999,210</u>
TOTAL NET POSITION	<u>9,514,884</u>	<u>9,911,966</u>	<u>3,490,950</u>	<u>22,917,800</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 12,263,735</u>	 <u>\$ 10,996,616</u>	 <u>\$ 3,561,951</u>	 <u>\$ 26,822,302</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
OPERATING REVENUE				
Charges for services	<u>\$1,470,215</u>	<u>\$1,177,715</u>	<u>\$ 275,259</u>	<u>\$ 2,923,189</u>
OPERATING EXPENSES				
Operations	376,883	125,359	6,443	508,685
Maintenance	91,612	189,568	27,716	308,896
General and administration	90,031	187,869	113,244	391,144
Depreciation	<u>332,185</u>	<u>365,332</u>	<u>58,184</u>	<u>755,701</u>
TOTAL OPERATING EXPENSES	<u>890,711</u>	<u>868,128</u>	<u>205,587</u>	<u>1,964,426</u>
OPERATING INCOME	<u>579,504</u>	<u>309,587</u>	<u>69,672</u>	<u>958,763</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	46,680	41,184	4,927	92,791
Interest expense	(61,398)	(24,160)	-	(85,558)
Amortization	<u>(1,692)</u>	<u>-</u>	<u>-</u>	<u>(1,692)</u>
TOTAL NONOPERATING (EXPENSES) REVENUE	<u>(16,410)</u>	<u>17,024</u>	<u>4,927</u>	<u>5,541</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	563,094	326,611	74,599	964,304
TRANSFERS (OUT) IN CAPITAL CONTRIBUTIONS	<u>(245,324)</u> <u>139,606</u>	<u>120,829</u> <u>1,130,981</u>	<u>(54,881)</u> <u>161,292</u>	<u>(179,376)</u> <u>1,431,879</u>
CHANGE IN NET POSITION	457,376	1,578,421	181,010	2,216,807
NET POSITION AT BEGINNING OF YEAR	<u>9,057,508</u>	<u>8,333,545</u>	<u>3,309,940</u>	<u>20,700,993</u>
NET POSITION AT END OF YEAR	<u>\$9,514,884</u>	<u>\$9,911,966</u>	<u>\$3,490,950</u>	<u>\$22,917,800</u>

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

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,010,919	\$ 1,133,312	\$ 224,621	\$ 2,368,852
Receipts from municipality	444,065	23,958	32,577	500,600
Payments to municipality	20,596	(20,596)	-	-
Payments to suppliers for goods and services	(239,731)	(210,151)	(55,363)	(505,245)
Payments to employees for services	(224,471)	(208,200)	(71,117)	(503,788)
Payments for employee benefits	(65,799)	(83,127)	(7,748)	(156,674)
NET CASH PROVIDED BY OPERATING ACTIVITIES	945,579	635,196	122,970	1,703,745
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(245,324)	120,829	(54,881)	(179,376)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant, and equipment	(647,816)	(728,616)	(457,113)	(1,833,545)
Connection fees and cash contributions	-	-	19,231	19,231
Retirement of bonds and loans	(170,000)	(250,925)	-	(420,925)
Interest paid	(61,823)	(25,311)	-	(87,134)
Special assessments received	-	54,420	-	54,420
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(879,639)	(950,432)	(437,882)	(2,267,953)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	39,613	41,151	4,927	85,691
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,771)	(153,256)	(364,866)	(657,893)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,951,587	1,906,497	454,928	4,313,012
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,811,816	\$ 1,753,241	\$ 90,062	\$ 3,655,119
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>				
Capital contributions developers	\$ 139,606	\$ 122,266	\$ 142,061	\$ 403,933
Capital contributions municipality	\$ -	\$ 954,295	\$ -	\$ 954,295

(Continued on page 29)

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

CITY OF MILTON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Continued
YEAR ENDED DECEMBER 31, 2019

	WATER	SEWER	STORM WATER	TOTAL ENTERPRISE FUNDS
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating income	\$ 579,504	\$ 309,587	\$ 69,672	\$ 958,763
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	332,185	365,332	58,184	755,701
Depreciation charged to sewer	20,596	(20,596)	-	-
Changes in assets and liabilities				
Decrease (increase) in assets				
Accounts receivable	5,813	(10,776)	(16,612)	(21,575)
Due from other funds	(10,510)	(9,669)	(1,449)	(21,628)
Deferred outflow/inflow (WRS)	15,248	(18,106)	6,225	3,367
Increase (decrease) in liabilities				
Accounts payable	19,462	20,110	6,950	46,522
Accrued payroll and fringe benefits	(6,185)	(686)	-	(6,871)
Unearned revenue	(10,534)	-	-	(10,534)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 945,579	\$ 635,196	\$ 122,970	\$ 1,703,745
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>				
CASH AND CASH EQUIVALENTS - END OF YEAR				
Cash and investments	\$1,254,694	\$ 1,078,321	\$ 70,062	\$ 2,403,077
Cash and investments - restricted	557,122	674,920	20,000	1,252,042
TOTAL CASH AND CASH EQUIVALENTS	\$1,811,816	\$ 1,753,241	\$ 90,062	\$ 3,655,119

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

CITY OF MILTON, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2019

<u>ASSETS</u>	<u>CUSTODIAL FUND</u> <u>PROPERTY TAX</u>
Cash and investments	\$ 1,736,664
Taxes receivable	<u>4,321,764</u>
TOTAL ASSETS	<u>\$ 6,058,428</u>
<u>LIABILITIES</u>	
Due to other governments	\$ 1,736,664
<u>NET POSITION</u>	
Restricted for other governments	<u>4,321,764</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,058,428</u>

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

CITY OF MILTON
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2019

	<u>CUSTODIAL FUND</u>
	<u>PROPERTY TAX</u>
ADDITIONS	
Collections for other governments	\$ 6,058,428
DEDUCTIONS	
Payments to other governments	<u>(4,615,068)</u>
CHANGE IN NET POSITION	1,443,360
NET POSITION AT BEGINNING OF YEAR	-
CHANGE IN ACCOUNTING PRINCIPLE	<u>2,878,404</u>
NET POSITION AT END OF YEAR	<u>\$ 4,321,764</u>

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

CITY OF MILTON, WISCONSIN

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

The City's basic financial statements include the Community Development Authority, a component unit, as defined in GASB 14 and amended by GASB 39 and GASB 61.

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:

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

Blended Component Unit

The Community Development Authority of the City of Milton ("CDA") serves all citizens of the government and is governed by a board appointed by the mayor and affirmed by the Common Council. The rates of user charges and bond issuance authorizations are approved by the Common Council and the legal liability for the general obligation portion of the CDA's debt remains with the government. The CDA does not issue separate financial statements.

Because of the CDA's sole activity is to provide financing for the City's Tax Incremental District (TID) No. 6, generally accepted accounting principles specifically provide that the CDA's related outstanding debt, assets, and debt service activity be reported as part of the primary government to avoid the "double" counting of outstanding debt, assets, and debt service activity. The activity is reported as part of TID No. 6.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

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, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and an agency fund, even though the latter is excluded from the government-wide financial statements.

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

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - 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. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

Debt Service - is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments.

TIF #6 Fund - is used to account for activity related to the improvements within the Tax Incremental Financing District #6.

TIF #9 Fund - is used to account for activity related to the improvements within the Tax Incremental Financing District #9.

TIF #10 Fund - is used to account for activity related to the improvements within the Tax Incremental Financing District #10.

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.

Storm Water - accounts for operations of the storm water system.

In addition, the City reports the following fund type:

Fiduciary - Tax Custodial Fund - is used to account for taxes and deposits collected by the City in the capacity of an agent for distribution to other governmental units.

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.

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.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

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. Revenue is 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 revenue 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. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue 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. Franchise taxes, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants are recorded as revenue 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 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 and fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting.

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

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 within the same fund type on the government-wide statements

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

Prepaid Items - Prepaid items represent payments for goods and services for which benefits extend beyond December 31. A nonspendable balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

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

Restricted Cash and Investments - 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. The "revenue bond reserve" account is used to report resources set aside to meet unexpected contingencies. The "depreciation fund" account is used to set aside resources to meet deficiencies in the reserve or redemption accounts for repairs or additions to utility systems.

Other restricted cash and investments also 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 - Capital assets, which include property, plant, equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2003, are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Water, sewer, and storm water assets are being depreciated using rates prescribed by the Wisconsin Public Service Commission and range from 1 to 15 percent.

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

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

Pensions - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Debt Premiums and Discounts - In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Other Post-Employment Benefits (LRLIF) - The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additional to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. They are the deferred charge on refunding, Local Retiree Life Insurance Fund, and Wisconsin Retirement System pension. A deferred charge on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension and Local Retiree Life Insurance Fund results from changes in the pension plan.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies - Continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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 three items that qualify for reporting in this category: unavailable revenue, Local Retiree Life Insurance Fund, and Wisconsin Retirement System pension. A deferred inflow from unavailable revenue arises under a modified accrual basis of accounting. The unavailable revenue is from property taxes. This amount is deferred and recognized as an inflow in the period the amount becomes available. The Wisconsin Retirement System pension and Local Retiree Life Insurance Fund results from changes in the pension plan.

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 Balances - The City classifies its fund equity as follows: (a) nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact, (b) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, (c) committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - Common Council policies, (d) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Common Council has authorized the Clerk-Treasurer to assign fund balances through its financial management policy, and (e) unassigned fund balance consists of equity available for any purpose.

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

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

Estimates - The preparation of 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 could differ from those estimates.

Claims and Judgments - They are recorded as liabilities if all the conditions of Governmental Accounting Standards Board Pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Change in Accounting Principle - The City has implemented GASB Statement No. 84, *Fiduciary Activities* in 2019.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 2 - Cash and Investments

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

As of December 31, 2019, the City had the following investments:

<u>INVESTMENT</u>	<u>WEIGHTED AVERAGE MATURITIES</u>	<u>FAIR VALUE</u>
Certificates of Deposit	Less than one year	<u>\$ 1,005,448</u>
Certificates of Deposit	More than one year	<u>\$ 2,086,082</u>
Wisconsin Investment Series Coop	More than one year	<u>\$ 4,661,192</u>
State of Wisconsin Investment Pool	Less than one year	<u>\$ 60</u>

Determining Fair Value - The City categorizes its fair value measurements with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurement:

- 1) Certificates of deposits are determined based on published market quotations (level 1 inputs).

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

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

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund availability. As of December 31, 2019, \$2,591,301 of the City's bank balance of \$3,991,301 was exposed to custodial credit risk as follows:

Uninsured and collateralized	\$ 1,487,367
Uninsured and uncollateralized	<u>1,103,934</u>
	<u>\$ 2,591,301</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31, or payable in full on January 31. Special assessments, charges, and personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the County for collection. 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 2020 tax roll (levied for 2019) has been set up as a receivable and offset by the amounts due to other governmental units and deferred income tax revenue for the City's portion. Advance tax collections are offset against the receivable.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2019, are as follows:

	<u>BALANCES</u> <u>01/01/19</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCES</u> <u>12/31/19</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,125,429	\$ -	\$ -	\$ 2,125,429
<i>Capital assets being depreciated</i>				
Buildings	10,046,222	-	-	10,046,222
Infrastructure	25,923,314	362,325	-	26,285,639
Improvements other than buildings	1,207,622	111,239	(3,500)	1,315,361
Machinery and equipment	<u>6,545,943</u>	<u>124,704</u>	<u>(115,690)</u>	<u>6,554,957</u>
Total capital assets being depreciated	<u>43,723,101</u>	<u>598,268</u>	<u>(119,190)</u>	<u>44,202,179</u>
Less accumulated depreciation for:				
Buildings	1,755,149	194,968	-	1,950,117
Infrastructure	5,027,842	316,949	-	5,344,791
Improvements other than buildings	549,823	30,678	(3,500)	577,001
Machinery and equipment	<u>5,231,911</u>	<u>177,307</u>	<u>(115,690)</u>	<u>5,293,528</u>
Total accumulated depreciation	<u>12,564,725</u>	<u>719,902</u>	<u>(119,190)</u>	<u>13,165,437</u>
Total capital assets being depreciated, net	<u>31,158,376</u>	<u>(121,634)</u>	<u>-</u>	<u>31,036,742</u>
GOVERNMENT ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 33,283,805</u>	<u>\$ (121,634)</u>	<u>\$ -</u>	<u>\$ 33,162,171</u>

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

General Government	\$ 98,151
Public Safety	114,274
Public Works	495,941
Culture, Recreation, and Education	38
Health and Human Service	<u>11,498</u>
TOTAL	<u>\$ 719,902</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 4 - Capital Assets - Continued

	<u>BALANCES</u> <u>01/01/19</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFERS</u>	<u>BALANCES</u> <u>12/31/19</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 109,302	\$ -	\$ -	\$ -	\$ 109,302
Construction in progress	112,682	1,425,499	-	(455,829)	1,082,352
Total capital assets not being depreciated	<u>221,984</u>	<u>1,425,499</u>	<u>-</u>	<u>(455,829)</u>	<u>1,191,654</u>
<i>Capital assets being depreciated</i>					
Buildings	7,211,735	82,384	(19,000)	4,475	7,279,594
Improvements other than buildings	16,258,151	1,044,256	(200,700)	9,700	17,111,407
Machinery and equipment	5,404,439	639,634	(21,907)	441,654	6,463,820
Total capital assets being depreciated	<u>28,874,325</u>	<u>1,766,274</u>	<u>(241,607)</u>	<u>455,829</u>	<u>30,854,821</u>
Less accumulated depreciation for:					
Buildings	3,065,387	238,419	(19,000)	-	3,284,806
Improvements other than buildings	4,433,453	306,271	(200,700)	-	4,539,024
Machinery and equipment	2,159,168	211,011	(21,907)	-	2,348,272
Total accumulated depreciation	<u>9,658,008</u>	<u>755,701</u>	<u>(241,607)</u>	<u>-</u>	<u>10,172,102</u>
Total capital assets being depreciated, net	<u>19,216,317</u>	<u>1,010,573</u>	<u>-</u>	<u>455,829</u>	<u>20,682,719</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
CAPITAL ASSETS, NET					
	<u>\$ 19,438,301</u>	<u>\$ 2,436,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,874,373</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Water	\$ 332,185
Sewer	365,332
Storm Water	58,184
TOTAL	<u>\$ 755,701</u>

NOTE 5 - Long-Term Obligations

Details of the City's long-term obligations are as follows:

Summary of Long-Term Obligations

	<u>BALANCES</u> <u>01/01/19</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCES</u> <u>12/31/19</u>	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
Bonds payable	\$ 10,195,000	\$ -	\$ (965,000)	\$ 9,230,000	\$ 1,010,000
Notes payable - direct borrowing	1,546,794	1,225,000	(951,794)	1,820,000	140,000
CDA revenue bonds payable	1,560,000	-	(175,000)	1,385,000	190,000
Premium	115,267	-	(13,062)	102,205	13,062
Debt discount	(19,188)	2,398	-	(16,790)	(2,398)
Local retiree life insurance fund	98,305	-	(11,648)	86,657	-
WRS pension liability	-	493,565	-	493,565	-
Compensated absences	368,237	26,046	-	394,283	74,824
TOTAL	<u>\$ 13,864,415</u>	<u>\$ 1,747,009</u>	<u>\$ (2,116,504)</u>	<u>\$ 13,494,920</u>	<u>\$ 1,425,488</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 5 - Long-Term Obligations - Continued

	<u>BALANCES</u> <u>01/01/19</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCES</u> <u>12/31/19</u>	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Mortgage revenue bond					
Water	\$ 2,345,000	\$ -	\$ (170,000)	\$ 2,175,000	\$ 170,000
Sewer	1,045,866	-	(250,925)	794,941	257,825
Debt discount	(20,304)	1,692	-	(18,612)	(1,692)
Local retiree life insurance fund	20,305	-	(964)	19,341	-
WRS pension liability	-	110,159	-	110,159	-
Compensated absences	84,109	-	(6,871)	77,238	23,498
TOTAL	<u>\$ 3,474,976</u>	<u>\$ 111,851</u>	<u>\$ (428,760)</u>	<u>\$ 3,158,067</u>	<u>\$ 449,631</u>

Interest costs incurred during the year totaled \$316,805 for governmental activities and \$85,558 for business-type activities. Total interest paid during the year aggregated \$315,089 for governmental activities and \$87,134 for business-type activities. Zero interest was capitalized in government-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, special assessments and tax increments (TIF). General obligation debt at December 31, 2019, is comprised of the following issues:

GOVERNMENTAL FUNDS

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF</u> <u>MATURITY</u>	<u>BALANCE</u> <u>12/31/19</u>
<u>GENERAL OBLIGATION BONDS</u>			
2011B Issue	2.40 - 4.50%	2031	\$ 1,570,000
2013 Issue	3.00 - 4.30%	2033	1,765,000
2016 Issue	2.00 - 1.80%	2027	<u>5,985,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION BONDS			<u>9,230,000</u>
<u>GENERAL OBLIGATION NOTES - direct borrowings</u>			
2019 First Community Bank Issue	3.25%	2028	612,500
2019 Bank of Milton Issue	3.25%	2028	612,500
2018 Blackhawk Credit Union Issue	2.32%	2023	<u>595,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION NOTES			<u>1,820,000</u>
TOTAL GOVERNMENTAL FUNDS GENERAL OBLIGATION DEBT			<u>\$ 11,050,000</u>

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2019

NOTE 5 - Long-Term Obligations - Continued

Community Development Authority Lease Revenue Bonds

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

<u>ISSUE DESCRIPTION</u>	<u>RATE (%)</u>	<u>DATES OF MATURITY</u>	<u>ORIGINAL INDEBTEDNESS</u>	<u>BALANCE 12/31/19</u>
Lease Revenue Bonds TIF #6 2016 Issue	1.0 - 2.70%	2026	\$ 1,845,000	<u>\$ 1,385,000</u>

ENTERPRISE FUND DEBT

Enterprise fund revenue bonds are expected to be repaid with water and sewer revenue. Enterprise fund debt at December 31, 2019, is comprised of the following issues:

<u>ISSUE DESCRIPTION</u>	<u>RATES (%)</u>	<u>DATES OF MATURITY</u>	<u>BALANCE 12/31/19</u>
<u>Mortgage Revenue Bond</u>			
2002 Sewer Issue	2.75%	2022	\$ 794,941
2015 Water Issue	0.80 - 3.60%	2030	<u>2,175,000</u>
TOTAL ENTERPRISE FUND DEBT			<u>\$ 2,969,941</u>

Mortgage Revenue Bond Requirements

The City's Mortgage Revenue Bonds require that cash be set aside in separate funds and restricted for specific purposes. The sewer utility is required to set money aside in a special redemption fund the required and actual amounts for 2019 were \$175,527.

Equipment Replacement Fund Requirements

The Sewer Utility has established an equipment replacement fund to be used for significant wastewater treatment mechanical equipment replacement as required by the Wisconsin Department of Natural Resources as a condition to receiving construction grants. At December 31, 2019, this fund had available resources of \$442,210.

General Obligation Debt Limit Calculation

The 2019 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$427,445,300. The legal debt limit and margin of indebtedness as of December 31, 2019, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$427,445,300)	\$ 21,372,265
Applicable long-term debt	(11,050,000)
Amount available in debt services fund	<u>57,568</u>
MARGIN OF INDEBTEDNESS	<u>\$ 10,379,833</u>

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 5 - Long-Term Obligations - Continued

Maturities of Long-Term Obligations

Maturities of the long-term obligations at December 31, 2019, are:

YEARS	GOVERNMENTAL FUNDS DEBT					
	BONDS		NOTES PAYABLE - DIRECT BORROWING		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2020	\$ 1,010,000	\$ 218,851	\$ 140,000	\$ 61,946	\$ 1,150,000	\$ 280,797
2021	1,045,000	191,971	195,000	47,850	1,240,000	239,821
2022	1,055,000	167,595	200,000	42,758	1,255,000	210,353
2023	1,065,000	149,659	280,000	36,422	1,345,000	186,081
2024	1,085,000	129,872	190,000	29,574	1,275,000	159,446
2025-2029	3,080,000	363,252	815,000	54,032	3,895,000	417,284
2030-2034	890,000	64,440	-	-	890,000	64,440
TOTAL	\$ 9,230,000	\$ 1,285,640	\$ 1,820,000	\$ 272,582	\$ 11,050,000	\$ 1,558,222

YEARS	CDA LEASE REVENUE BONDS		ENTERPRISE FUND DEBT	
	BONDS		BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2020	\$ 190,000	\$ 28,910	\$ 427,825	\$ 77,419
2021	190,000	25,490	439,916	67,123
2022	200,000	21,635	452,200	56,186
2023	210,000	17,275	185,000	48,425
2024	200,000	12,615	190,000	43,923
2025-2029	395,000	10,397	1,045,000	130,904
2030-2034	-	-	230,000	4,140
TOTAL	\$ 1,385,000	\$ 116,322	\$ 2,969,941	\$ 428,120

Other long-term obligations (compensated absences and WRS net pension liability) for the governmental activities are generally liquidated by the general fund and by the water, sewer, and storm water funds for business-type activities.

NOTE 6 - Wisconsin Retirement System

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 6 - Wisconsin Retirement System - Continued

Vesting - 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.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit.

The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 6 - Wisconsin Retirement System - Continued

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees.

Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$174,069 in contributions from the employer.

Contribution rates as of December 31, 2019 are:

Employee Category	Employee	Employer
General (including Teachers, Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the City reported a liability of \$603,724 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.01696958%, which was an increase of 0.00051883% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$401,686.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470,211	\$ (831,162)
Changes in assumptions	101,765	-
Net differences between projected and actual earnings on pension plan investments	1,796,893	(915,195)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(17,661)
Employer contributions subsequent to the measurement date	179,941	-
Total	\$ 2,548,810	\$ (1,764,018)

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 6 - Wisconsin Retirement System - Continued

\$179,941 reported a deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow of Resources	Deferred Inflows of Resources
2020	\$853,126	\$(633,912)
2021	562,899	(511,971)
2022	551,916	(457,241)
2023	400,928	(160,894)

Actuarial Assumptions - The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

** No Post-Retirement Adjustment is Guaranteed - Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 6 - Wisconsin Retirement System - Continued

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns (as of December 31, 2018)

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4
New England Pension Consultants Long-Term US CPI (Inflation) Forecast : 2.5% Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations			

Single Discount Rate - A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2019

NOTE 6 - Wisconsin Retirement System - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
City of Milton's proportionate share of the net pension liability (asset)	\$2,399,264	\$603,724	(\$731,398)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

Payables to the Pension Plan

At December 31, 2019, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

NOTE 7 - Local Retiree Life Insurance Fund - OPEB

General Information about the Other Post-Employment Benefits

Plan Description - The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position - ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Benefits Provided - The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 7 - Local Retiree Life Insurance Fund - OPEB - Continued

Contribution rates as of December 31, 2019 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2018	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$791 in contributions from the employer.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2019, the City reported a liability (asset) of 105,998 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.04107900%, which was an increase of 0.001655% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the City recognized OPEB expense of \$12,178.

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 7 - Local Retiree Life Insurance Fund - OPEB - Continued

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (5,377)
Net differences between projected and actual earnings on OPEB investments	2,533	-
Changes in assumptions	10,114	(22,976)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,507	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 22,154	\$ (28,353)

\$-0- reported as deferred outflows related to OPEB resulting from the City's Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 4,199	\$ (4,637)
2021	4,199	(4,637)
2023	4,199	(4,637)
2024	3,843	(4,637)
2025	3,477	(4,637)
2026	2,141	(4,512)
2027	96	(656)

Actuarial Assumptions - The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.10% - 5.60%
Mortality:	Wisconsin 2018 Mortality Table

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 7 - Local Retiree Life Insurance Fund - OPEB - Continued

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2018

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount Rate - A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

CITY OF MILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2019

NOTE 7 - Local Retiree Life Insurance Fund - OPEB - Continued

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase To Discount Rate (5.22%)
City of Milton's proportionate share of the net pension liability (asset)	\$150,789	\$105,998	\$71,452

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

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

Individual interfund receivable and payable balances at December 31, 2019, are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Due from/to Other Funds:		
Refuse and Recycling	General Fund	\$ 184,988
Sewer	General Fund	32,291
Water	General Fund	34,700
Storm Water	General Fund	5,059
General Fund	Library Fund	159,010
TOTAL		<u>\$ 416,048</u>

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

Individual fund transfers during 2019 are as follows:

<u>RECEIVING FUND</u>	<u>PAYING FUND</u>	<u>AMOUNT</u>
Transfers:		
Debt Service	General Fund	\$ 905,000
TIF #10	TIF #6	60,000
Debt Service	Storm Water	54,881
General Fund	Water	251,238
Library Fund	General Fund	288,224
Capital Projects	General Fund	404,350
General Fund	TIF #8	654
Sewer	TIF #10	126,743
TOTAL		<u>\$ 2,091,090</u>

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

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 9 - Fund Balances and Net Position

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

Governmental Funds

<u>FUND</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Nonspendable</u>		
General	Prepaid Items	\$ 30,857
Library	Advanced funds	159,010
Total Nonspendable Fund Balances		<u>\$ 189,867</u>
<u>Restricted</u>		
Debt Service	Principal and interest	\$ 57,568
TIF #6	Capital Projects	249,500
TIF #7	Capital Projects	20,469
TIF #9	Capital Projects	4,665
TIF #10	Capital Projects	118,814
Grant Fund	Rehab Loans	34,676
Sidewalk Fund	Sidewalks	65,848
Refuse and Recycling	Refuse and Recycling	8,337
Dog Park	Dog Park	11,493
Capital Projects	Capital Projects	382,536
Small Business Development	Small Business	25,000
Crossridge Park	Crossridge Park	153,038
Total Restricted Fund Balances		<u>\$ 1,131,944</u>
<u>Assigned</u>		
General	OPEB Obligations	<u>\$ 125,000</u>

Net Position

Governmental Activities - Restricted

Special Revenue	Specific expenses	\$ 298,392
Debt Service	Principal and interest	57,568
Capital Projects	Future projects	775,984
Total Governmental Activities Restricted		<u>\$ 1,131,944</u>

Business-Type Activities - Restricted

Water	Debt service	\$ 361,452
Sewer	Debt service	171,884
Sewer	Equipment replacement	442,210
Storm	Equipment replacement	20,000
Total Governmental Activities Restricted		<u>\$ 995,546</u>

The following fund has a deficit at December 31, 2019:

Governmental Funds - Restricted

Library Fund	Future Library Revenue	<u>\$ 118,897</u>
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CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 10 - Tax Incremental Finance Districts

Tax increment financing, as authorized by Section 66.1105 of the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in Tax Incremental Finance (TIF) District designated areas. These costs are recovered from the increased valuation in the designated area. The City has financed development and public improvement costs in its Districts through general fund advances and through the issuance of general obligation long-term debt.

Project costs have been reported primarily as Capital Projects Funds expenditures. Tax increments will be used to repay general fund advances and to meet maturing debt obligations incurred to provide financing for development and public improvement costs within each District. Each District is allowed to collect tax increments until its termination date. Any over-collections are returned to the various taxing entities of the District. The City becomes liable for any cost not recovered by the termination date.

The City has five Tax Incremental Financing Districts. The following are project summaries of the activity and status of the TIF Districts through December 31, 2019:

	TIF DISTRICT				
	<u>#6</u>	<u>#7</u>	<u>#8</u>	<u>#9</u>	<u>#10</u>
SOURCE OF FUNDS					
Tax increments	\$ 10,023,142	\$ 1,007,612	\$ 844,771	\$ 28,244	\$ -
Grants	265,009	-	15,000	-	-
Interest income	125,998	-	5,846	-	11,362
Sales of property	91,198	-	-	1,500	-
Proceeds from long-term debt	11,401,824	1,243,176	220,000	-	1,225,000
Rent	93,780	-	12,042	-	-
Contributions	1,250	-	45,293	-	-
Transfer from other TIF's	29,179	-	-	-	60,000
Transfer from debt service	259,566	-	-	-	-
Transfer from general fund	-	-	61,625	-	-
Transfer from special revenue funds	-	-	87,075	-	-
Exempt computer aids	120,102	8,869	114,978	5	-
TOTAL SOURCES	<u>22,411,048</u>	<u>2,259,657</u>	<u>1,406,630</u>	<u>29,749</u>	<u>1,296,362</u>
USES OF FUNDS					
Administrative expenditures	339,703	160,803	67,258	15,799	-
Project cost	3,897,360	548,880	179,915	9,285	221,349
Principal and interest on long-term debt	9,751,473	931,954	245,126	-	-
Debt issuance costs	112,386	13,155	4,691	-	-
Transfer to capital projects	6,260,650	521,047	566,057	-	956,199
Transfer to debt service	1,914,170	51,494	-	-	-
Transfer to general fund	37,500	7,500	334,083	-	-
Transfer to park fund	-	-	9,500	-	-
Transfer to other TID	60,000	-	-	-	-
Bond discount	19,630	4,355	-	-	-
TOTAL USES	<u>22,392,872</u>	<u>2,239,188</u>	<u>1,406,630</u>	<u>25,084</u>	<u>1,177,548</u>
FUND BALANCES AS OF DECEMBER 31, 2019	<u>\$ 18,176</u>	<u>\$ 20,469</u>	<u>\$ -</u>	<u>\$ 4,665</u>	<u>\$ 118,814</u>
FUTURE REQUIREMENTS					
Debt service	\$ 4,533,068	\$ 560,528	\$ -	\$ -	\$ 1,468,872
Net accounts payable	-	-	-	-	310,683
TOTAL FUTURE REQUIREMENTS	4,533,068	560,528	-	-	1,779,555
Less cash on hand	(17,110)	(20,469)	-	(4,665)	(429,497)
Less accounts receivable	(1,066)	-	-	-	-
BALANCE TO BE COLLECTED ON TIF DISTRICTS	<u>\$ 4,514,892</u>	<u>\$ 540,059</u>	<u>\$ -</u>	<u>\$ (4,665)</u>	<u>\$ 1,350,058</u>
2019 Tax Increment	\$ 968,938	\$ 144,262	\$ -	\$ 227,227	\$ 35,346

CITY OF MILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2019

NOTE 11 - 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 12 - Joint Venture

The City and Town of Milton share equally in the control and operating cost of a joint fire department. Each municipality appoints three members to the Milton Joint Fire Commission. Each municipality pays 50 percent of the operating and capital costs of the fire department. The City paid \$340,175 of operating expenses and contributed \$30,000 for capital items during 2019. Financial information is available from the Fire Commission upon request.

NOTE 13 - Subsequent Event

In April 2020, the City issued \$4,020,000 of General Obligation Refunding Bonds to refinance the 2011B, 2013 general obligation bonds, and 2019 bank notes at lower interest rates.

NOTE 14 - Change in Accounting Principle

The change in accounting principles adjustment of \$2,878,404 on the statement of changes in net position - fiduciary funds is due to the adoption of GASB Statement No. 84 *Fiduciary Activities*.

CITY OF MILTON, WISCONSIN

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
YEAR ENDED DECEMBER 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.01462769%	0.01476303%	0.01552527%	0.01645075%	0.01696958%
City's proportionate share of the net pension liability (asset)	\$ (359,296)	\$ 239,896	\$ 127,965	\$ (488,422)	\$ 603,724
City's covered employee payroll	\$ 1,754,899	\$ 1,928,805	\$ 2,144,470	\$ 2,107,121	\$ 2,157,494
Proportionate share of the net pension liability as a percentage of its covered employee payroll	-20.47%	12.44%	5.97%	-23.18%	27.98%
Plan fiduciary net position as a percentage of the total pension liability	102.74%	98.20%	99.12%	102.93%	96.45%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 139,961	\$ 148,012	\$ 162,244	\$ 171,749	\$ 174,069
Contributions in relation to the contractually required contribution	<u>(139,961)</u>	<u>(148,012)</u>	<u>(162,244)</u>	<u>(171,749)</u>	<u>(174,069)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered employee payroll	<u>\$ 1,754,899</u>	<u>\$ 1,928,805</u>	<u>\$ 2,144,470</u>	<u>\$ 2,107,121</u>	<u>\$ 2,157,494</u>
Contributions as a percentage of covered employee payroll	7.98%	7.67%	7.57%	8.15%	8.07%

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 5 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2019

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

CITY OF MILTON, WISCONSIN
LOCAL RETIREE LIFE INSURANCE FUND
YEAR ENDED DECEMBER 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2018</u>	<u>2019</u>
Proportion of the net OPEB liability (asset)	0.03942400%	0.04107900%
Proportionate share of the net OPEB liability (asset)	\$ 118,610	\$ 105,998
Covered payroll	\$ 1,657,892	\$ 2,080,000
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15%	5.10%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2018</u>	<u>2019</u>
Contractually required contributions	\$ 748	\$ 791
Contributions in relation to the contractually required contributions	<u>748</u>	<u>791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,657,892	\$ 2,080,000
Contributions as a percentage of covered payroll	0.05%	0.04%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 75 for the year ended December 31, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2019

Changes of benefit terms. There were no changes of benefit terms for any participating employer in LRLIF.

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

CITY OF MILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
Taxes	\$ 3,289,755	\$ 3,289,755	\$ 3,289,546	\$ (209)
Intergovernmental	1,060,332	1,060,332	1,088,262	27,930
Licenses and permits	119,933	119,933	149,300	29,367
Fines, forfeits, and penalties	55,250	55,250	52,858	(2,392)
Public charges for services	18,000	18,000	34,357	16,357
Intergovernmental charges for services	118,000	118,000	73,946	(44,054)
Other	81,350	81,350	154,999	73,649
TOTAL REVENUE	<u>4,742,620</u>	<u>4,742,620</u>	<u>4,843,268</u>	<u>100,648</u>
EXPENDITURES				
Current				
General government	832,926	832,926	773,211	59,715
Public safety	1,645,356	1,645,356	1,578,446	66,910
Public works	785,462	785,462	719,447	66,015
Health and human services	3,700	3,700	2,249	1,451
Culture, recreation, and education	248,562	248,562	210,763	37,799
Conservation and development	10,540	10,540	16,292	(5,752)
Capital outlay	33,500	33,500	30,039	3,461
TOTAL EXPENDITURES	<u>3,560,046</u>	<u>3,560,046</u>	<u>3,330,447</u>	<u>229,599</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>1,182,574</u>	<u>1,182,574</u>	<u>1,512,821</u>	<u>330,247</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	210,000	210,000	251,892	41,892
Transfers out	(1,392,574)	(1,597,574)	(1,597,574)	-
TOTAL OTHER FINANCING (USES)	<u>(1,182,574)</u>	<u>(1,387,574)</u>	<u>(1,345,682)</u>	<u>41,892</u>
NET CHANGE IN FUND BALANCE	-	(205,000)	167,139	372,139
FUND BALANCE AT BEGINNING OF YEAR	<u>1,618,424</u>	<u>1,618,424</u>	<u>1,618,424</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,618,424</u>	<u>\$ 1,413,424</u>	<u>\$ 1,785,563</u>	<u>\$ 372,139</u>

CITY OF MILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2019

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. In August of each year, all department heads of the City submit appropriations so that a budget may be prepared. Prior to October 15, City management submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted for taxpayers to approve the budget. This includes all required public notifications and publications prior to the public hearing.
3. Prior to December 1, the budget is legally enacted through passage of a Resolution.
4. All budget revisions must be approved by the Common Council.
5. Formal budgetary integration is employed as a management control device during the year for 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 Common Council.
9. Appropriations lapse at year end, except those specifically carried forward by Common Council action.
10. Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditures Over Budget

The following functions in the General Fund had an excess of actual expenditures over budget of more than \$500 for the year ended December 31, 2019:

Conservation and Development	\$5,752
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The over expenditures were financed by under expenditures in other functions and greater than anticipated revenue.

CITY OF MILTON, WISCONSIN
OTHER SUPPLEMENTARY INFORMATION

CITY OF MILTON, WISCONSIN
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

ASSETS	SPECIAL REVENUE							CAPITAL PROJECTS		NONMAJOR GOVERNMENTAL FUNDS	
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND	REFUSE AND RECYCLING FUND	DOG PARK	PARK FUND	TIF #7	TIF #8		
Cash and investments	\$ 34,676	\$ 64,543	\$ 25,000	\$ 43,593	\$ 134,342	\$ 11,493	\$ 183,269	\$ 20,469	\$ -	\$ 397,335	\$ 914,720
Receivables											
Taxes	-	-	-	-	-	-	-	144,262	-	-	144,262
Special assessments	-	1,305	-	-	-	-	-	-	-	-	1,305
Loans receivable	278,910	-	-	-	-	-	-	-	-	-	278,910
Due from other funds	-	-	-	-	184,988	-	-	-	-	-	184,988
TOTAL ASSETS	\$ 313,586	\$ 65,848	\$ 25,000	\$ 43,593	\$ 319,330	\$ 11,493	\$ 183,269	\$ 164,731	\$ -	\$ 397,335	\$ 1,524,185
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ 3,480	\$ 25,270	\$ -	\$ 30,231	\$ -	\$ -	\$ 14,799	\$ 73,780
Unearned revenue - other	278,910	-	-	-	285,723	-	-	-	-	-	564,633
Due to other funds	-	-	-	159,010	-	-	-	-	-	-	159,010
TOTAL LIABILITIES	278,910	-	-	162,490	310,993	-	30,231	-	-	14,799	797,423
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - tax roll	-	-	-	-	-	-	-	144,262	-	-	144,262
FUND BALANCES											
Restricted	34,676	65,848	25,000	-	8,337	11,493	153,038	20,469	-	382,536	701,397
Unassigned	-	-	-	(118,897)	-	-	-	-	-	-	(118,897)
TOTAL FUND BALANCES	34,676	65,848	25,000	(118,897)	8,337	11,493	153,038	20,469	-	382,536	582,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 313,586	\$ 65,848	\$ 25,000	\$ 43,593	\$ 319,330	\$ 11,493	\$ 183,269	\$ 164,731	\$ -	\$ 397,335	\$ 1,524,185

CITY OF MILTON, WISCONSIN
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	SPECIAL REVENUE						CAPITAL PROJECTS			NONMAJOR GOVERNMENTAL FUNDS	
	GRANT FUND	SIDEWALK FUND	SMALL BUSINESS DEVELOPMENT	LIBRARY FUND	REFUSE AND RECYCLING FUND	DOG PARK	PARK FUND	TIF #7	TIF #8		CAPITAL FUNDS
REVENUE											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,069	\$ -	\$ -	\$ 118,069
Special assessments	-	1,334	-	-	-	-	-	-	-	-	1,334
Intergovernmental	-	-	-	86,077	20,836	-	-	3,674	17,305	16,277	144,169
Licenses and permits	-	-	-	-	-	-	-	-	-	148,402	148,402
Public charges for services	-	-	-	11,968	282,852	-	36,599	-	-	-	331,419
Other	18,043	-	-	129,931	-	287	162,832	-	-	-	311,093
TOTAL REVENUE	18,043	1,334	-	227,976	303,688	287	199,431	121,743	17,305	164,679	1,054,486
EXPENDITURES											
Current											
General government	-	-	-	-	-	-	-	250	-	-	250
Public works	-	-	-	-	300,928	-	-	-	-	-	300,928
Culture, recreation, and education	-	-	-	380,876	-	-	3,180	-	-	-	384,056
Conservation and development	33,987	-	-	-	-	-	-	27,778	20,000	-	81,765
Capital outlay	-	34,222	-	4,594	-	-	110,128	16,998	3,796	497,032	666,770
Debt service											
Principal	-	-	-	-	-	-	-	100,000	-	-	100,000
Interest and fiscal charges	-	-	-	-	-	-	-	11,927	-	-	11,927
TOTAL EXPENDITURES	33,987	34,222	-	385,470	300,928	-	113,308	156,953	23,796	497,032	1,545,696
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	(15,944)	(32,888)	-	(157,494)	2,760	287	86,123	(35,210)	(6,491)	(332,353)	(491,210)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	288,224	-	-	-	-	-	404,350	692,574
Transfers out	-	-	-	-	-	-	-	-	(654)	-	(654)
TOTAL OTHER FINANCING (USES) SOURCES	-	-	-	288,224	-	-	-	-	(654)	404,350	691,920
NET CHANGE IN FUND BALANCES	(15,944)	(32,888)	-	130,730	2,760	287	86,123	(35,210)	(7,145)	71,997	200,710
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	50,620	98,736	25,000	(249,627)	5,577	11,206	66,915	55,679	7,145	310,539	381,790
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 34,676	\$ 65,848	\$ 25,000	\$ (118,897)	\$ 8,337	\$ 11,493	\$ 153,038	\$ 20,469	\$ -	\$ 382,536	\$ 582,500

CITY OF MILTON, WISCONSIN

OTHER REPORT

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

To the Common Council
City of Milton, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milton ("City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 25, 2020