

**CITY OF CHETEK  
INDEPENDENT AUDITORS' REPORT  
ON FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL FINANCIAL INFORMATION  
December 31, 2017**

**CITY OF CHETEK**  
**December 31, 2017**  
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## **Independent Auditors' Report**

To the City Council  
City of Chetek  
Chetek, 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 Chetek ("City") as of and for the year ended December 31, 2017, 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.

### ***Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison information for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1B of the notes to the basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the year ended December 31, 2017.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of funding progress, and the schedules of City’s proportionate share of the net pension liability (asset) and City’s contributions on pages 52-56 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. 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 inquires 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 or provide any assurance. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements shown on pages 57-58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Bauman Associates, Ltd.*  
CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin  
June 11, 2018

**CITY OF CHETEK**  
**BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,312,332	\$ 1,020,468	\$ 3,332,800
Receivables:			
Property taxes	1,573,579	-	1,573,579
Accounts	-	72,640	72,640
Special assessments	-	8,913	8,913
Grants	133,952	-	133,952
Loans	1,150,491	-	1,150,491
Accrued interest		1,375	1,375
Inventories	-	25,628	25,628
Prepaid expenses	27,604	5,467	33,071
Total current assets	5,197,958	1,134,491	6,332,449
Noncurrent assets:			
Restricted deposits	-	289,091	289,091
Accrued interest receivable	-	815	815
Capital assets:			
Capital assets not being depreciated	523,618	135,435	659,053
Capital assets being depreciated, net	3,500,124	3,633,382	7,133,506
Total noncurrent assets	4,023,742	4,058,723	8,082,465
Total assets	\$ 9,221,700	\$ 5,193,214	\$ 14,414,914
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Resources related to pensions	\$ 192,371	\$ -	\$ 192,371
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 32,936	\$ 6,477	\$ 39,413
Current portion of long-term obligations:			
Amounts due within one year	290,772	204,183	494,955
Total current liabilities	323,708	210,660	534,368
Noncurrent liabilities:			
Net pension liability	24,179	-	24,179
Long-term obligations due in more than one year	410,463	109,454	519,917
Total noncurrent liabilities	434,642	109,454	544,096
Total liabilities	\$ 758,350	\$ 320,114	\$ 1,078,464
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Resources related to pensions	\$ 76,042	\$ -	\$ 76,042
Unavailable property taxes	1,568,089	-	1,568,089
Total deferred inflows of resources	\$ 1,644,131	\$ -	\$ 1,644,131
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,481,901	\$ 3,492,838	\$ 6,974,739
Restricted	1,243,880	289,091	1,532,971
Unrestricted (deficit)	2,285,809	1,091,171	3,376,980
Total net position	\$ 7,011,590	\$ 4,873,100	\$ 11,884,690

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for		Capital Grants and Contributions	Government Activities	Business-type Activities	Total
		Services, Fees, Fines and Forfeitures	Operating Grants and Contributions				
Governmental activities:							
General government	\$ 427,408	\$ 68,065	\$ -	\$ -	\$ (359,343)	\$ -	\$ (359,343)
Public safety	723,037	41,838	11,634	-	(669,565)	-	(669,565)
Public works	1,074,697	495,842	135,317	-	(443,538)	-	(443,538)
Health and human services	106,883	58,837	-	-	(48,046)	-	(48,046)
Culture, recreation and education	246,858	82,492	2,967	-	(161,399)	-	(161,399)
Conservation and development	40,873	1,290	-	-	(39,583)	-	(39,583)
Interest and fiscal charges	17,442	-	-	-	(17,442)	-	(17,442)
Total governmental activities	2,637,198	748,364	149,918	-	(1,738,916)	-	(1,738,916)
Business-type activities:							
Water Utility	277,080	393,736	-	-	-	116,656	116,656
Sewer Utility	468,510	469,930	-	18,090	-	19,510	19,510
Total business-type activities	745,590	863,666	-	18,090	-	136,166	136,166
Total government	\$ 3,382,788	\$ 1,612,030	\$ 149,918	\$ 18,090	\$ (1,738,916)	\$ 136,166	\$ (1,602,750)
General revenues:							
Property taxes:							
Levied for general purposes					1,248,766	-	1,248,766
Levied for TIF districts					215,864	-	215,864
Other taxes					20,541	-	20,541
Intergovernmental revenues not restricted to specific programs					377,972	-	377,972
Unrestricted investment earnings					22,871	5,895	28,766
Miscellaneous unallocated revenue					43,086	487	43,573
Special item - gain on sale of assets					27,107	-	27,107
Transfers					836,918	(836,918)	-
Total general revenues, special items and transfers					2,793,125	(830,536)	1,962,589
Change in net position					1,054,209	(694,370)	359,839
Net position - Beginning of year					5,957,381	5,567,470	11,524,851
Net position - End of year					\$ 7,011,590	\$ 4,873,100	\$ 11,884,690

See accompanying notes to financial statements.

**CITY OF CHETEK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>Housing Rehabilitation</b>				
<i>Assets</i>	<b>General Fund</b>	<b>Revolving Loan Fund</b>	<b>Debt Service Funds</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 2,183,620	\$ 31,605	\$ 21,764	\$ 75,343	\$ 2,312,332
Receivables:			-		
Property taxes	1,265,216	-	-	308,363	1,573,579
Accounts	129,251	-	-	4,701	133,952
Long-term receivables	394	1,150,097	-	-	1,150,491
Due from other funds	61,919	-	-	-	61,919
Prepays	27,604	-	-	-	27,604
<b>TOTAL ASSETS</b>	<b><u>\$ 3,668,004</u></b>	<b><u>\$ 1,181,702</u></b>	<b><u>\$ 21,764</u></b>	<b><u>\$ 388,407</u></b>	<b><u>\$ 5,259,877</u></b>
<b><i>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</i></b>					
Liabilities:					
Accounts payable	\$ 31,533	\$ -	\$ -	\$ 71	\$ 31,604
Due to other funds	-	-	-	61,919	61,919
Total liabilities	<u>31,533</u>	<u>-</u>	<u>-</u>	<u>61,990</u>	<u>93,523</u>
Deferred inflows of resources:					
Unavailable long-term receivables	-	1,150,097	-	-	1,150,097
Unavailable property taxes	1,259,726	-	-	308,363	1,568,089
Total deferred inflows of resources	<u>1,259,726</u>	<u>1,150,097</u>	<u>-</u>	<u>308,363</u>	<u>2,718,186</u>
Fund balances (deficits):					
Nonspendable	27,604	-	-	-	27,604
Restricted	15,182	31,605	21,764	25,232	93,783
Committed	-	-	-	54,741	54,741
Assigned	863,565	-	-	-	863,565
Unassigned	1,470,394	-	-	(61,919)	1,408,475
Total fund balances (deficits)	<u>2,376,745</u>	<u>31,605</u>	<u>21,764</u>	<u>18,054</u>	<u>2,448,168</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 3,668,004</u></b>	<b><u>\$ 1,181,702</u></b>	<b><u>\$ 21,764</u></b>	<b><u>\$ 388,407</u></b>	<b><u>\$ 5,259,877</u></b>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

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

Total fund balances - Governmental funds (previous page)	\$	2,448,168
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 6,557,444		
Governmental accumulated depreciation	<u>(2,533,702)</u>		4,023,742

Net pension liability, and deferred outflows and inflows related to the pension are not financial resources and therefore are not reported in the governmental fund statements. This is the amount by which the deferred outflow of resources related to pensions of \$192,371 exceeds the net pension liability of \$24,179 and the deferred inflow of resources related to pension of \$76,042.

92,150

Long-term receivables not currently available are reported as deferred outflows in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements as follows:

CDBG loans receivables	<u>1,150,097</u>		1,150,097
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Long-term debt and long-term obligations are not due in the current year and therefore are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds' balance sheet are:

General obligation debt and related unamortized premium	541,841		
Other postemployment benefits payable	83,383		
Employee leave liability	46,011		
Accrued interest payable on notes and bonds	1,332		
Land contract	<u>30,000</u>		<u>(702,567)</u>

<b>Total net position - Governmental activities</b>	<b>\$</b>	<b><u><u>7,011,590</u></u></b>
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**CITY OF CHETEK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	<b>General Fund</b>	<b>Housing Rehabilitation Revolving Loan Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 1,269,370	\$ -	\$ -	\$ 215,864	\$ 1,485,234
Intergovernmental revenues	521,424	-	-	3,498	524,922
Licenses and permits	69,741	-	-	-	69,741
Fines and forfeits	20,039	-	-	-	20,039
Public charges for services	521,140	-	-	61,846	582,986
Intergovernmental charges for services	13,821	-	-	-	13,821
Other	117,975	25,297	195	525	143,992
<b>Total revenues</b>	<b>2,533,510</b>	<b>25,297</b>	<b>195</b>	<b>281,733</b>	<b>2,840,735</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	387,995	-	-	-	387,995
Public safety	684,845	-	-	-	684,845
Public works	796,538	-	-	77,915	874,453
Health and human services	103,033	-	-	-	103,033
Culture, recreation and education	161,887	-	-	-	161,887
Conservation and development	235	63,900	-	3,238	67,373
Capital outlay	448,171	-	-	-	448,171
<b>Debt Service:</b>					
Principal retirement	-	-	263,063	-	263,063
Interest and fiscal charges	-	-	20,709	-	20,709
<b>Total expenditures</b>	<b>2,582,704</b>	<b>63,900</b>	<b>283,772</b>	<b>81,153</b>	<b>3,011,529</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(49,194)</b>	<b>(38,603)</b>	<b>(283,577)</b>	<b>200,580</b>	<b>(170,794)</b>
<b>Other financing sources:</b>					
Proceeds from sale of assets	27,107	-	-	-	27,107
Transfers out	(135,838)	-	-	(147,935)	(283,773)
Transfers in	836,918	-	283,773	-	1,120,691
<b>Net other financing sources</b>	<b>728,187</b>	<b>-</b>	<b>283,773</b>	<b>(147,935)</b>	<b>864,025</b>
<b>Change in fund balances</b>	<b>678,993</b>	<b>(38,603)</b>	<b>196</b>	<b>52,645</b>	<b>693,231</b>
<b>Fund balances (deficits) at beginning</b>	<b>1,697,752</b>	<b>70,208</b>	<b>21,568</b>	<b>(34,591)</b>	<b>1,754,937</b>
<b>Fund balances (deficits) at end</b>	<b>\$ 2,376,745</b>	<b>\$ 31,605</b>	<b>\$ 21,764</b>	<b>\$ 18,054</b>	<b>\$ 2,448,168</b>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

Net change in fund balances—Total governmental funds \$ 693,231

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. Disposals of assets in the governmental funds is reported as a loss (expense) in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 369,689	
Depreciation expense reported in the statement of activities	<u>(268,239)</u>	101,450

Governmental funds record premiums on issued debt as other financing uses in the year incurred. However in the statement of activities, these items are allocated over the life of the debt as an addition to interest expense. 2,591

The employer share of pension expense incurred after the net pension asset measurement date of December 31, 2016 is shown as an expenditure in the fund financial statements when due, and thus requires the use of current financial resources. In the statement of activities however, this amount is reported as a deferred outflow of resources since these contributions occur subsequent to the measurement date used to record the net pension asset. These adjustments at the beginning and end of each year in addition to the difference in basis of reporting pension expense in the government-wide financial statements create this reconciling item. (25,461)

Long-term debt proceeds received provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position by the amount of the bonds issued. Repayment of bond, note and land contract principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. Activity for the year is as follows:

Principal payments on bonds, notes and land contract	<u>263,063</u>	263,063
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Loans receivable repayments are reflected as reductions in loans receivable in the statement of activities, however these are reported as revenues in the funds since it is an available resource. Additionally, the issuance of new loans is shown as an expenditure in the funds but as an increase in the receivable in the statement of net position. Also write-offs of loans are shown as a reduction of the deferred revenue in the funds, but as an expenditure in the statement of activities. This activity is detailed as follows:

Loans repaid - revolving loan fund	<u>(13,353)</u>	(13,353)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in accrued interest payable	676	
Decrease in OPEB liability	801	
Decrease in employee leave liability	<u>31,211</u>	
		<u>32,688</u>

Change in net position of governmental activities \$ 1,054,209

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**December 31, 2017**

<i>Assets</i>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 852,749	\$ 167,719	\$ 1,020,468
Receivables:			
Accounts	28,602	44,038	72,640
Special assessments	8,913	-	8,913
Accrued interest receivable	1,375	-	1,375
Inventories	22,342	3,286	25,628
Prepayments	1,613	3,854	5,467
Total current assets	<u>915,594</u>	<u>218,897</u>	<u>1,134,491</u>
Noncurrent assets:			
Restricted deposits	-	289,091	289,091
Accrued interest receivable	-	815	815
	<u>-</u>	<u>289,906</u>	<u>289,906</u>
Capital assets:			
Property, plant and equipment	3,042,014	3,951,825	6,993,839
Construction work in progress	-	79,589	79,589
Accumulated depreciation	<u>(1,036,874)</u>	<u>(2,267,737)</u>	<u>(3,304,611)</u>
Total capital assets	<u>2,005,140</u>	<u>1,763,677</u>	<u>3,768,817</u>
Total noncurrent assets	<u>2,005,140</u>	<u>2,053,583</u>	<u>4,058,723</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,920,734</u>	<u>\$ 2,272,480</u>	<u>\$ 5,193,214</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)**  
**December 31, 2017**

	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<i>Liabilities and Net Position</i>			
Current liabilities:			
Accounts payable	\$ 471	\$ 4,884	\$ 5,355
Accrued interest	699	423	1,122
Current portion of long-term obligations:			
Bonds and notes payable	115,483	65,757	181,240
Employee leave liabilities	7,079	15,864	22,943
Total current liabilities	123,732	86,928	210,660
Long-term liabilities:			
Other postemployment benefits payable	4,905	9,810	14,715
Bonds and notes payable	24,245	70,494	94,739
Total long-term liabilities	29,150	80,304	109,454
Net position:			
Net investment in capital assets	1,865,412	1,627,426	3,492,838
Restricted	-	289,091	289,091
Unrestricted	902,440	188,731	1,091,171
Total net position	2,767,852	2,105,248	4,873,100
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,920,734</b>	<b>\$ 2,272,480</b>	<b>\$ 5,193,214</b>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Knapp Haven Nursing Home</u>	<u>Pelican Place Apartments</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 230,648	\$ 468,203	\$ -	\$ -	\$ 698,851
Public fire protection	131,696	-	-	-	131,696
Miscellaneous	31,392	1,727	-	-	33,119
	<u>393,736</u>	<u>469,930</u>	<u>-</u>	<u>-</u>	<u>863,666</u>
Total operating revenues					
Operating expenses:					
Operation and maintenance	198,289	332,902	-	-	531,191
Taxes	4,933	8,496	-	-	13,429
Depreciation	67,234	122,955	-	-	190,189
	<u>270,456</u>	<u>464,353</u>	<u>-</u>	<u>-</u>	<u>734,809</u>
Total operating expenses					
Operating income (loss)	<u>123,280</u>	<u>5,577</u>	<u>-</u>	<u>-</u>	<u>128,857</u>
Non-operating income (expense):					
Interest income	3,685	2,210	-	-	5,895
Rental income	-	6,000	-	-	6,000
Amortization of debt premium	-	400	-	-	400
Rental property expense	-	(5,513)	-	-	(5,513)
Interest expense	(6,624)	(4,557)	-	-	(11,181)
	<u>(2,939)</u>	<u>(1,460)</u>	<u>-</u>	<u>-</u>	<u>(4,399)</u>
Total non-operating income (expense)					
Income (loss) before contributions and transfers	120,341	4,117	-	-	124,458
Capital contributions	-	18,090	-	-	18,090
Transfers out	(53,993)	(2,489)	(807,595)	27,159	(836,918)
Change in net position	66,348	19,718	(807,595)	27,159	(694,370)
Net position at beginning	<u>2,701,504</u>	<u>2,085,530</u>	<u>807,595</u>	<u>(27,159)</u>	<u>5,567,470</u>
Net position at end	<u>\$ 2,767,852</u>	<u>\$ 2,105,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,873,100</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Knapp Haven Nursing Home</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 389,973	\$ 470,798	\$ -	\$ 860,771
Other cash received	-	-	-	-
Cash paid to suppliers for goods and services	(116,015)	(190,546)	-	(306,561)
Cash paid to employees for services	(60,765)	(98,707)	-	(159,472)
Cash paid by sewer to water for meter expenses	5,512	-	-	5,512
Cash paid on behalf of employees for benefits and taxes	<u>(26,070)</u>	<u>(58,263)</u>	<u>-</u>	<u>(84,333)</u>
Net cash provided by (used in) operating activities	<u>192,635</u>	<u>123,282</u>	<u>-</u>	<u>315,917</u>
Cash flows from noncapital financing activities:				
Cash received from rental properties	-	6,000	-	6,000
Cash paid to general fund for taxequivalents	(53,993)	(2,489)	-	(56,482)
Cash paid by sewer to water for meter expenses	8,217	(13,729)	-	(5,512)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(646,979)</u>	<u>(646,979)</u>
Net cash provided by (used in) noncapital financing activities	<u>(45,776)</u>	<u>(10,218)</u>	<u>(646,979)</u>	<u>(702,973)</u>
Cash flow from capital and related financing activities:				
Acquisition and construction of capital assets	(364,766)	(101,750)	-	(466,516)
Principal paid on long-term debt	(101,268)	(83,840)	-	(185,108)
Proceeds from long-term debt	-	19,881	-	19,881
Proceeds from capital grant	-	18,090	-	18,090
Interest and fees paid on long-term debt	<u>(7,432)</u>	<u>(4,883)</u>	<u>-</u>	<u>(12,315)</u>
Net cash provided by (used in) capital and related financing activities	<u>(473,466)</u>	<u>(152,502)</u>	<u>-</u>	<u>(625,968)</u>
Cash flows from investing activities:				
Cash received from interest income	3,685	2,210	-	5,895
Reinvested interest income	<u>(3,685)</u>	<u>(1,717)</u>	<u>-</u>	<u>(5,402)</u>
Net cash provided by investing activities	<u>-</u>	<u>493</u>	<u>-</u>	<u>493</u>
Net increase (decrease) in cash and cash equivalents	(326,607)	(38,945)	(646,979)	(1,012,531)
Cash and cash equivalents at beginning of year	<u>803,702</u>	<u>206,664</u>	<u>646,979</u>	<u>1,657,345</u>
Cash and cash equivalents at end of year	<u>\$ 477,095</u>	<u>\$ 167,719</u>	<u>\$ -</u>	<u>\$ 644,814</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 123,280	\$ 5,577	\$ 128,857
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Provision for depreciation and amortization	67,234	122,955	190,189
Changes in operating assets and liabilities:			-
Accounts receivable	1,750	867	2,617
Inventories	(113)	111	(2)
Prepaid expenses	(507)	(187)	(694)
Accounts payable	(35)	(9,828)	(9,863)
Accrued employee leave liability	1,219	4,005	5,224
Other postemployment benefits payable	(193)	(218)	(411)
Total adjustments	<u>69,355</u>	<u>117,705</u>	<u>187,060</u>
Net cash provided by (used in) operating activities	<u>\$ 192,635</u>	<u>\$ 123,282</u>	<u>\$ 315,917</u>
Reconciliation of cash and investments to the balance sheet:			
Cash and investments	\$ 852,749	\$ 167,719	\$ 1,020,468
Restricted deposits	<u>-</u>	<u>289,091</u>	<u>289,091</u>
	852,749	456,810	1,309,559
Less - Certificates of deposit with an original maturity greater than three months	<u>375,654</u>	<u>289,091</u>	<u>664,745</u>
Cash and cash equivalents at end of year	<u>\$ 477,095</u>	<u>\$ 167,719</u>	<u>\$ 644,814</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2017**

<i>Assets</i>	<u>Agency Fund</u>
Cash and investments	\$ 1,043,388
Taxes receivable	<u>2,677,751</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,721,139</u></b>
 <i>Liabilities</i>	
Due to other governmental units	 \$ <u>3,721,139</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Chetek ("City") conform to accounting principles generally accepted (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental account and financial reporting principles. The more significant accounting principles and policies utilized by the City are described below.

**A. REPORTING ENTITY**

The City of Chetek is governed by a mayor/council form of government. The Council consists of four members elected from four wards within the City and the mayor.

The financial reporting of the City is defined by the GASB to consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Knapp Haven Nursing Home and Pelican Place Apartments were owned and operated by the City of Chetek as not-for-profit tax-exempt entities. These entities reported on a June 30 fiscal year through 2016. During 2016, the entities were sold. See Note 16 for additional information.

The reporting entity for the City consists of operations under the direct responsibility of the elected governing body (primary government). No other organizations were identified for inclusion in the financial reporting entity of the City.

The City was also a participating member of two joint ventures as further discussed in Note 15.

**B. NEW ACCOUNTING PRINCIPLES AND BASIS OF FINANCIAL STATEMENT PRESENTATION**

**New Accounting Principle**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*. GASB Statement No. 68 significantly changes how long-term obligations and annual costs associated with pension benefits are measured and reported. GASB Statement No. 68 was to be implemented for the City beginning with the December 31, 2015; the City has chosen to adopt this standard for the year ended December 31, 2017. This standard requires retroactive accounting treatment upon implementation; which resulted in the restatement of net position as of December 31, 2016. As a result of the implementation of these standards, the net position of the governmental activities as of the beginning of the year was restated to reflect an increase of \$117,611. \$26,724 of this restatement relates to contributions made after the measurement period used to measure the beginning of the year net pension asset; this is the adjustment required per GASB 71.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. NEW ACCOUNTING PRINCIPLES AND BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)**

**Government-Wide Financial Statements**

The City is required to report two government-wide financial statements as basic financial statements required for all governmental units, the Statement of Net Position and the Statement of Activities. As a general rule, the effect of interfund activity has been eliminated from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**Fund Financial Statements**

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

Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major fund individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; all non-major funds are aggregated and presented in a single column.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. NEW ACCOUNTING PRINCIPLES AND BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)**

**Fund Financial Statements (continued)**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental fund is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

- **General Fund** – This fund accounts for the City’s primary operating activities. It is used to account for all financial resources of the City, except those required to be accounted for in another fund.
- **Housing Rehabilitation Revolving Loan Fund** – The Housing Rehabilitation Revolving Loan Program Fund, a special revenue fund, is used to account for federal grants received through the State of Wisconsin for the purpose of financing housing rehabilitation loans. Repayments received on these loans are a restricted revenue source which is used to finance similar housing rehabilitation loans.
- **Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of governmental funds. For report purposes, the City has considered its various debt service funds as one fund.

All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Position. The City has no nonmajor funds to report and it reports the following major proprietary funds:

- **Water Utility** – The fund accounts for the operations of the City’s water system. Utility operations are subject to regulation by the Wisconsin Public Service Commission.
- **Sewer Utility** – This fund accounts for the operations of the waste water collection system and treatment facilities.
- **Knapp Haven Nursing Home**- This fund is used to account for the operations of the City’s 97-bed licensed nursing care facility. The information presented is for the fiscal year ended December 31, 2017. This fund ceased to exist as of December 31, 2017 after the transfer of assets from the sale of this facility became final in 2017.
- **Pelican Place Apartments**-This fund is used to account for the operations of a 14 unit apartment complex for the elderly. The information presented is for the fiscal year ended December 31, 2017. This fund ceased to exist as of December 31, 2017 after the transfer of assets from the sale of this facility became final in 2017.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. NEW ACCOUNTING PRINCIPLES AND BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)**

**Fund Financial Statements (continued)**

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are user fees charged to customers based on approved rates. Water rates are billed pursuant to rates established by the Wisconsin Public Service Commission. Sewer charges are billed at rates established by the City Council. Operating expenses for proprietary funds include cost of purchased power, operations and maintenance expenses, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following fiduciary fund:

- **Agency Fund**-This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other government units. The agency fund is used to account for the collection of property taxes for other governmental entities.

**C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Government-Wide Financial Statements**

The government-wide statements, the proprietary funds and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C.     MEASUREMENT FOCUS/ BASIS OF ACCOUNTING (Continued)

**Fund 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 charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days after the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims, judgments, compensated absences which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, miscellaneous taxes, public charges for services, special assessments, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other general revenues such as fines and forfeitures, inspections fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

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

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. DEPOSITS AND INVESTMENTS**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities issued or guaranteed by the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, City, town, or school district of the state. Also, bonds issued by a local exposition district, the Wisconsin Aerospace Authority, a local professional baseball park district, the University of Wisconsin Hospitals and Clinics Authority and a local professional football stadium district.
4. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
5. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
6. Bonds or securities issued under the authority of the municipality.
7. The local government investment pool.
8. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes.

Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments of the City are stated at fair value.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. RECEIVABLES/PROPERTY TAX CALENDAR**

The 2016 tax levy is budgeted and recognized as property tax revenue for the year ended December 31, 2017, the period when the services financed by the levy are being provided. These assessments were based on assessed valuation as of January 1, 2016. The City levied property taxes pursuant to law as of the levy date, at which time an enforceable lien upon assessed properties is attached in accordance with Wisconsin statutes.

Property tax calendar – 2016 tax roll:

Levy date and tax bills mailed	December, 2016
Payment in full, or	
first installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017

Real property taxes are payable in full on or before January 31 or, alternatively, if over \$100, can be paid in two equal installments with the first installment payable on or before January 31 and the second installment payable on or before July 31. Personal property taxes and special assessments, special charges (including delinquent utility billings) and special taxes placed on the tax roll are payable in full on or before January 31. All uncollected items on the current tax roll, except delinquent personal property taxes, are turned over to the Barron County Treasurer for collection in February. Barron County subsequently settles in full with the City in August of the same year, except for uncollected delinquent special assessments and special charges. (The County has the option to settle in full for delinquent special assessments and special charges or to remit them to the City as collections are received). Delinquent personal property taxes are retained by the City for collection. If applicable, a portion of the general fund balance is nonspendable for the City's investment in delinquent taxes.

The 2017 property taxes are recorded as a receivable in the General fund and applicable TID funds with corresponding amounts shown as deferred inflows of resources in the statements. Since the property taxes were measurable, but not available at December 31, 2017, the amounts due to the City are recorded as deferred inflows in the governmental funds and will be recognized in 2018 when available. Property taxes relative to the 2017 levy due to other governments are recorded as liabilities.

Accounts receivable are considered to be collectible in full and there is no allowance for uncollectible accounts.

Special assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2017 tax roll are recognized as revenue in 2018.) Special assessments recorded in proprietary funds are recorded as revenue at the time the assessments are subject to collection procedures.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. RECEIVABLES/PROPERTY TAX CALENDAR (Continued)**

The city has received federal and state funds for housing rehabilitation loan programs to various individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amounts recorded as housing rehabilitation loans receivable have not been reduced by an allowance for uncollectible accounts since the City does not expect such amounts to be material to the financial statements. In the fund financial statements, it is the City's policy to record deferred inflows of resources for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

**F. INVENTORIES AND PREPAID ITEMS**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds, if material, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to accounting periods after December 31, 2017 are recorded as prepaid items in both government-wide and fund financial statements. These items are recorded as expenses/expenditures when consumed, rather than when purchased.

**G. INTERFUND TRANSACTIONS**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**H. RESTRICTED ASSETS**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. CAPITAL ASSETS**

**Government-Wide Statements**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with initial, individual costs as shown below and an estimated useful life of two years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. The City has chosen not to retroactively report its infrastructure assets acquired before January 1, 2004.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Land Improvements	5,000	Straight-line	20-40 Years
Buildings	5,000	Straight-line	10-50 Years
Furniture and Equipment	5,000	Straight-line	5-20 Years
Vehicles	5,000	Straight-line	8 Years
Utility Systems	5,000	Straight-line	4-100 Years
Infrastructure	5,000	Straight-line	20-50 Years

The Water Utility follows the capitalization threshold and estimated useful lives outlined above but utilize a depreciation method required by the Wisconsin Public Service Commission. This method dictates that cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation. The results of applying this method approximate that of the straight-line depreciation method.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I.    CAPITAL ASSETS(Continued)

**Fund Financial Statements**

Fixed assets in the governmental fund statements are accounted for as capital outlay expenditures of the applicable governmental fund upon acquisition, thus they are not capitalized and related depreciation is not reported in the fund financial statements. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

J.    LONG-TERM OBLIGATIONS

For government-wide financial statements, all long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities. Long-term liabilities consist primarily of notes, bonds or loans payable, and compensated absences.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (as adjusted by any premium or discount) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same as it is in the government-wide statements.

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund-type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

K.    COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Liabilities for accumulated employee leave are not accrued in the City's governmental fund financial statements but are recorded as expenditures when paid. Such liabilities are accrued in the government-wide and proprietary fund financial statements when earned. The policies for employee leave liabilities are as follows:

Vacation is expected to be used annually, but will be paid out in the event of retirement or termination. Also, the City allows employee compensatory time off in lieu of pay at the rate of one and one-half hours for each hour of overtime worked. Such time is expected to be used in the year it is earned. The maximum accumulation of compensatory hours is 60. Upon retirement, any unused compensatory time may be paid out at the employee's regular rate of pay and at the discretion of the City Council.

Under the provisions of various employee and union contracts the City provides a supplemental retirement program for certain employees which includes certain health insurance benefits if certain age and minimum years of service requirements are met. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45. GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. CLAIMS AND JUDGMENTS**

Claims and judgments 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 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.

**M. DEFINING OPERATING REVENUES AND EXPENSES**

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

**N. USE OF RESTRICTED RESOURCES**

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

**O. EQUITY CLASSIFICATIONS**

Fund equity, representing the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, is classified as follows in the City's financial statements:

**Government-Wide Statements**

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

O.    EQUITY CLASSIFICATIONS (Continued)

**Fund Financial Statements**

Governmental funds:

Equity is classified as fund balance and displayed in five possible components:

- a.    Nonspendable – Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b.    Restricted net assets – Consists of amounts with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c.    Committed – consists of amounts that are imposed by formal action of the City Council, the government’s highest level of decision-making authority. Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year end.
- d.    Assigned – consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Based on resolution of the City Council, the Clerk-Treasurer will have the authority to establish or modify assigned fund balance. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.
- e.    Unassigned – consists of residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the policy is that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum fund balance policy - It is the City's policy that at the end of each fiscal year, the City will maintain unassigned portion of fund balance for cash flow of at least 25% of annual general fund expenditures.

Proprietary funds - Equity is classified the same as equity for the government-wide statements.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P.      DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

As applicable, the statements of net position and balance sheets report a separate section for deferred outflows of resources after total assets and for deferred inflows of resources after total liabilities. These are distinct and separate financial statement elements which represent the net position that applies to future periods and thus will not be recognized as an outflow (expense) or inflow (revenue) until that time. The City has no deferred outflow of resources. The City has two items reported as deferred inflows of resources. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because the governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The city does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

**Note 2      STEWARDSHIP AND ACCOUNTABILITY**

**Budgetary Control**

GASB 34 requires the presentation of budgetary comparison schedules for the general fund and each major special revenue fund. The City's budget is adopted in accordance with state law and on a basis consistent with generally accepted accounting principles. Budget amounts in the basic financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the City. Budgets are formally adopted for only the General Fund. The City did not formally adopt a budget for its major special revenue fund, the Housing Rehabilitation Revolving Loan Fund. Amendments to the originally adopted budget require a two-thirds vote by the City Council.

Unexpended budgeted amounts lapse at the end of the year. Spending control for the General Fund is established by the amount of expenditures budgeted for major departments within the funds, but management control is exercised at budgetary line item levels.

General fund expenditures exceeded budgeted amounts at the legally adopted levels in the health and human services category by \$95,333, culture, recreation and education by \$1,240 and transfers out by \$30,112. These excess expenditures were considered prudent and necessary by the City Council. The overage in the health and human services category covered by the \$780,436 net transfer in from the sale of Knapp Haven and Pelican Place apartments. The overage in the transfers out category was provided by \$30,000 budgeted in the capital outlay category for the payment scheduled for the land contract; this was paid out of the debt service fund which necessitated the transfer out from the general fund.

**Deficit Equity Balances**

Tax Incremental District #3 fund had a deficit fund balance of \$61,919 at December 31, 2017. This deficit will be funded through future tax increments.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 3 CASH AND INVESTMENTS**

**Deposits**

The City's cash and investments balances at December 31, 2017 as shown in the financial statements are as follows:

Cash and investments - Governmental activities	\$ 2,312,332
Cash and investments - Business-type activities	1,020,468
Restricted deposits - Business-type activities	289,091
Cash and investments - Fiduciary fund	<u>1,043,388</u>
	<u>\$ 4,665,279</u>

The above cash and investments consisted of the following:

	Carrying <u>Value</u>
Deposits	\$ 4,664,239
Cash on hand	<u>1,040</u>
Total cash and investments	<u>\$ 4,665,279</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 3 CASH AND INVESTMENTS (Continued)**

**Deposits (continued)**

The City's balances at individual financial institutions were subject to coverage under federal depository insurance and amounts appropriated by Sections 20.144(1)(a) and 34.08 of the Wisconsin Statutes (State Guarantee Fund). Federal depository insurance provides for coverage of up to \$250,000 for time and savings deposits and up to \$250,000 for demand deposits at any institution. In addition, funds held for others (such as trust funds) are subject to coverage under the name of the party for whom the funds are held. Coverage under the State Guarantee Fund may not exceed \$400,000 above the amount of coverage under federal depository insurance at any institution and is limited by the availability of the appropriations authorized therein. (Due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.) Also, Section 34.07 of the Wisconsin Statutes authorizes the City to collateralize its deposits that exceed the amount of coverage provided by federal depository insurance and the State Guarantee Fund.

At year-end, the carrying amount of the City's deposits was \$4,664,239 and the bank balance was \$4,906,413. Of the bank balance, \$3,001,377 was covered by Federal depository insurance or by the State of Wisconsin Public Depository Guarantee Fund, and \$1,516,822 was uninsured and collateralized with securities held by the pledging financial institution.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At December 31, 2017, the City's deposits were exposed to custodial credit risk by the uninsured and uncollateralized amount of \$388,214.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 4 RECEIVABLES**

Over the years, the City was been awarded Community Development Block Grants to finance housing rehabilitation as specified in the grant agreements. Various housing rehabilitation loans have been financed with the proceeds of the grants. At December 31, 2017 the City had an outstanding installment loan totaling \$118. This loan is being repaid to the City under terms established through the program.

Receivables have been recorded in the special revenue fund in the amount of the outstanding balances of these loans and are equally offset by deferred inflows or resources recorded therein. Revenue is recognized in the special revenue fund as collections are received on these loans.

The City also had 116 mortgage loans outstanding at December 31, 2017 totaling \$1,150,097. These notes become due and payable in the event that the maker:

- a. no longer continues to occupy the premises securing this note as a full-time residence, or
- b. transfers any legal or equitable interest in the mortgaged premises to anyone for any reason.

These loans are recorded as long-term receivables and deferred inflows of resources in the special revenue fund. Collections on these loans are recognized as revenue in the special revenue fund at the time of their receipt. Proceeds from the collection of the above loans are restricted for financing similar rehabilitation projects.

**Note 5 INTERFUND RECEIVABLES/PAYABLES**

The following table summarizes interfund receivables and payables in the fund financial statements:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Governmental Funds:		
General Fund	Tax Incremental District #3 Fund	\$ <u>61,919</u>
		\$ <u><u>61,919</u></u>

The purpose of the above balance was to fund a cash overdraft in the respective fund at year-end and this is expected to be settled in 2018.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Reclassifications</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 493,618	\$ 30,000	\$ -	\$ 523,618
Total capital assets not being depreciated	<u>\$ 493,618</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 523,618</u>
Other capital assets:				
Land improvements	\$ 157,718	\$ -	\$ -	\$ 157,718
Buildings	1,333,580	-	-	1,333,580
Vehicles	645,470	165,834	-	811,304
Furniture and equipment	779,671	11,718	-	791,389
Infrastructure	<u>2,777,698</u>	<u>162,137</u>	<u>-</u>	<u>2,939,835</u>
Total other capital assets at historical cost	<u>5,694,137</u>	<u>339,689</u>	<u>-</u>	<u>6,033,826</u>
Less accumulated depreciation for:				
Land improvements	89,250	2,747	-	91,997
Buildings	503,322	26,919	-	530,241
Vehicles	370,315	72,191	-	442,506
Furniture and equipment	497,488	44,328	-	541,816
Infrastructure	<u>805,088</u>	<u>122,054</u>	<u>-</u>	<u>927,142</u>
Total accumulated depreciation	<u>2,265,463</u>	<u>268,239</u>	<u>-</u>	<u>2,533,702</u>
Net other capital assets	<u>3,428,674</u>	<u>71,450</u>	<u>-</u>	<u>3,500,124</u>
Total governmental activities capital assets, net	<u>\$ 3,922,292</u>	<u>\$ 101,450</u>	<u>\$ -</u>	<u>\$ 4,023,742</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,708
Public safety	15,397
Public works (includes the depreciation of road network)	237,329
Health and human services	300
Culture, recreation, and education	<u>12,505</u>
Total governmental activities depreciation expense	<u>\$ 268,239</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 6 CAPITAL ASSETS (Continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 55,846	\$ -	\$ -	\$ 55,846
Construction in progress	35,750	43,839	-	79,589
Total capital assets not being depreciated	\$ 91,596	\$ 43,839	\$ -	\$ 135,435
Capital assets being depreciated:				
Source of supply - water utility	\$ 7,096	-	-	\$ 7,096
Pumping plant - water utility	123,207	-	-	123,207
Water treatment plant	33,898	-	-	33,898
Water - transmission and distribution	2,484,080	352,767	(255,072)	2,581,775
Collection system - sewer utility	1,759,006	17,853	-	1,776,859
Treatment and disposal - sewer utility	1,765,595	28,057	-	1,793,652
Administration and general assets	597,506	24,000	-	621,506
Total other capital assets at historical cost	6,770,388	422,677	(255,072)	6,937,993
Less accumulated depreciation:				
Water utility	1,216,496	75,451	(255,072)	1,036,875
Sewer utility	2,152,998	114,738	-	2,267,736
Total accumulated depreciation	3,369,494	190,189	(255,072)	3,304,611
Business-type activities capital assets, net	\$ 3,492,490	\$ 276,327	\$ -	\$ 3,768,817
Depreciation expense was charged to:				
Business-type activities:				
Water utility				\$ 67,234
Sewer utility				122,955
Total business-type activities depreciation expense				\$ 190,189

**Note 7 LONG-TERM OBLIGATIONS**

**General Obligation Bonds:** The City's general obligation refunding bonds are backed by the full faith and credit of the City. The portion of the bonds relating to governmental activities will be liquidated with annual debt service tax levies and the portion relating to the water utility will be liquidated with water utility revenues.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7 LONG-TERM OBLIGATIONS (Continued)**

**Revenue Bonds:** The revenue bonds were issued to finance capital related debt. Pursuant to Wisconsin statutes and the bond indentures, the City's water and sewer system and the revenues of the systems remain subject to a mortgage lien until the payment in full of the principal and interest of the bonds is made. The bonds also contain debt covenants. The City believes it is in compliance with all significant limitations and restrictions of these covenants.

The summary of long-term obligations at December 31, 2017 follows:

Type	Funds Liquidating	Balance at			Balance at	Due Within
		1/1/17	Issued	Retired	12/31/17	One Year
<b>Long-term debt:</b>						
<i>Governmental activities:</i>						
	General, TID #2,					
General Obligation Debt	Stormwater	\$ 765,653	\$ -	\$ 233,063	\$ 532,590	\$ 212,170
Add: unamortized bond premium		<u>11,842</u>	<u>-</u>	<u>2,591</u>	<u>9,251</u>	<u>2,591</u>
Total governmental activities		<u>777,495</u>	<u>-</u>	<u>235,654</u>	<u>541,841</u>	<u>214,761</u>
<i>Business-Type Activities:</i>						
General Obligation Debt	Water	\$ 240,996	\$ -	\$ 101,268	\$ 139,728	\$ 115,483
General Obligation Debt	Sewer	114,570	-	32,160	82,410	32,830
Add: Unamortized bond premium	Sewer	1,832	-	400	1,432	400
Mortgage Revenue Bonds	Sewer	<u>84,208</u>	<u>19,881</u>	<u>51,680</u>	<u>52,409</u>	<u>32,527</u>
Total business-type activities		<u>441,606</u>	<u>19,881</u>	<u>185,508</u>	<u>275,979</u>	<u>181,240</u>
Total long-term debt		<u>\$ 1,219,101</u>	<u>\$ 19,881</u>	<u>\$ 421,162</u>	<u>\$ 817,820</u>	<u>\$ 396,001</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7 LONG-TERM OBLIGATIONS (Continued)**

**Other long-term obligations:**

*Governmental activities:*

Other postemployment							
benefits payable	General	\$ 84,184	\$ -	\$ 801	\$ 83,383	\$ -	
Land contract	General	60,000		30,000	30,000	30,000	
Employee leave liability	General	77,222	-	31,211	46,011	46,011	
Total governmental activities		<u>221,406</u>	<u>-</u>	<u>62,012</u>	<u>159,394</u>	<u>76,011</u>	

*Business-Type Activities:*

Other postemployment							
benefits payable	Water,sewer	\$ 15,126	\$ -	\$ 411	\$ 14,715	\$ -	
Employee leave liability	Water,sewer	17,719	5,224	-	22,943	22,943	
Total business-type activities		<u>32,845</u>	<u>5,224</u>	<u>411</u>	<u>37,658</u>	<u>22,943</u>	
Total other long-term obligations		<u>\$ 254,251</u>	<u>\$ 5,224</u>	<u>\$ 62,423</u>	<u>\$ 197,052</u>	<u>\$ 98,954</u>	

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7 LONG-TERM OBLIGATIONS (Continued)**

Bonds and notes payable reported on the statement of net position consist of the following at December 31, 2017:

	Original Issue	Issue Date	Interest Rates (%)	Final Maturity Date	Balance at 12/31/17
General obligation debt:					
Refunding bonds (general City \$780,850; TID #2 \$750,780; stormwater fund \$148,410; sewer utility \$259,960)	\$ 1,940,000	9/2/2011	2.0%-3.0%	6/1/2021	\$ 615,000
Promissory Bank Note (TID #2 \$52,097; water utility \$497,903)	550,000	10/20/2014	3.00%	10/20/2019	139,728
					754,728
Unamortized debt premium					10,683
Total General Obligation Long-Term Debt					\$ 765,411
Revenue bonds:					
Sewer System Revenue Bonds	\$ 511,765	7/8/1998	2.67%	5/1/2018	\$ 32,527
Revenue bonds - Clean Water Fund	279,976	12/27/2017	1.06%	5/1/2037	19,882
Total Revenue bonds					\$ 52,409
Total long-term debt					\$ 817,820

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7 LONG-TERM OBLIGATIONS (Continued)**

Debt service requirements to maturity are as follows:

Years	Governmental activities		Business-type activities		Totals
	Long-Term Debt		Long-Term Debt		
	Principal	Interest	Principal	Interest	
2018	\$ 212,170	\$ 12,795	\$ 180,840	\$ 6,592	\$ 412,397
2019	103,920	8,054	40,325	1,967	154,266
2020	108,250	4,871	16,750	753	130,624
2021	108,250	1,623	16,750	251	126,874
2022	-	-	-	-	-
2023-2027	-	-	-	-	-
2028-2032	-	-	-	-	-
2033-2037	-	-	19,882	310	20,192
Totals	\$ <u>532,590</u>	\$ <u>27,343</u>	\$ <u>274,547</u>	\$ <u>9,873</u>	\$ <u>844,353</u>

**Mortgage Revenue Bonds:** At December 31, 2017 the City had several mortgage revenue bond issues outstanding as discussed below. The City's full faith and credit do not back the mortgage revenue bonds which are instead backed only by the assets and revenues of the enterprise funds.

**Sewer System Revenue Bonds.** During 1998 and 2017 the City authorized the issuance of sewer revenue bonds.

**State of Wisconsin Clean Water Fund Loan.** The City authorized, by Resolutions 98-26 and 2017-19, the issuance of up to \$527,883 and \$279,976 respectively in sewerage system revenue bonds for the purpose of financing sewer system treatment plant modifications. The revenue bonds were issued to the State of Wisconsin Clean Water Fund in accordance with the terms and conditions of a Financial Assistance Agreement.

The terms of the agreement with the State provide for the disbursing of loan proceeds to the City based on approved disbursement requests. The City received \$469,411 in 1998 and an additional \$42,354 in 1999. The revenue bonds bear interest at a rate of 2.672 percent and are being amortized over twenty years. In 2017, the City received \$18,089 and \$19,881 in grant and loan funds respectively as it began the project authorized with resolution 2017-19.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 7      LONG-TERM OBLIGATIONS (Continued)**

The revenue bonds may not be prepaid without the consent of the State. Consent may be withheld by the State at the State's sole discretion.

According to the resolution authorizing the issuance of the sewer system revenue bonds, the sewer utility is to set aside gross revenues in separate and special funds as follows:

- (1) Operation and Maintenance Fund
- (2) Debt Service Fund
- (3) Depreciation Fund
- (4) Surplus Fund

Special requirements pertaining to the establishment, use and balances required in the special funds are detailed in the authorizing resolution. As noted for the previous issue, the debt service and depreciation funds have been established by the utility with balances as stated above.

**Land Contract Payable:** On December 14, 2016, the City entered into a land contract totaling \$70,000 for the purchase of a property in the City to be used for future parking. The contract is interest free with \$10,000 paid in December, 2016, and the remainder to be paid in two installments in January, 2017, and January, 2018. There is one \$30,000 installment left at December 31, 2017.

**Long-Term Debt Margin:** Pursuant to Section 67.03 of the Wisconsin Statutes, the total indebtedness of the City for general purposes may not exceed 5% of the value of the taxable property.

Equalized value at December 31, 2017	\$ 145,324,200
Legal debt margin percentage (5% of equalized value)	<u>5%</u>
	7,266,210
Less - Outstanding general obligation debt subject to debt limit	<u>754,728</u>
Legal debt margin	<u><u>\$ 6,511,482</u></u>

For the year ended December 31, 2017, interest expense totaling \$33,876 was incurred and recorded in the statement of activities. No interest expense was capitalized during 2017.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 8 INTERFUND TRANSFERS**

The following is a schedule of interfund transfers in the fund financial statements:

<u>Fund Transferred to</u>	<u>Fund Transferred from</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 135,838
	Nonmajor funds	<u>147,935</u>
		<u>\$ 283,773</u>
General Fund	Knapp Haven Nursing Home*	\$ 807,595
	Pelican Place Apartments*	(27,159)
	Water Utility	53,993
	Sewer Utility	<u>2,489</u>
		<u>\$ 836,918</u>

\* - Funds were closed due to sale of both facilities in 2016 which was settled in 2017. The amounts were transferred (net for both facilities) to the general fund. See additional information on the sale at Note 16.

The property tax equivalent paid by the water and sewer utilities to the general fund is reflected as an interfund transfer in the financial statements. The transfers from the various funds to the debt service fund were made to finance each fund's share of current year debt maturities payable from governmental funds.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 9    NET POSITION**

Net position reported on the government-wide statement of net position at December 31, 2017, including the following:

**Governmental Activities:**

Capital assets, net of accumulated depreciation	\$ 4,023,742
Less: Related long-term debt outstanding	<u>(541,841)</u>
Total net investment in capital assets	3,481,901
Restricted for:	
Debt retirement	21,764
Housing loan programs	1,181,702
Future TIF No. 2 expenditures	25,232
Other purposes	<u>15,182</u>
Total restricted	1,243,880
Unrestricted	<u>2,285,809</u>
Total net position	<u><u>\$ 7,011,590</u></u>

**Business-Type Activities:**

Capital assets, net of accumulated depreciation	\$ 3,768,817
Less: Related long-term debt outstanding	<u>(275,979)</u>
Total net investment in capital assets	3,492,838
Restricted for:	
Capital asset replacement	252,579
Debt retirement	<u>36,512</u>
	289,091
Unrestricted	<u>1,091,171</u>
Total net position	<u><u>\$ 4,873,100</u></u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 10 GOVERNMENTAL FUND BALANCES**

The governmental fund balances reported on the fund financial statements at December 31, 2017 consisted of the following:

<b>Nonspendable:</b>	
Prepaid expenditures	\$ <u>27,604</u>
<b>Restricted for:</b>	
Library improvements	15,182
Housing rehabilitation revolving loan fund	31,605
Debt service expenditures	21,764
Future TIF #2 expenditures	<u>25,232</u>
Total restricted fund balances	<u>93,783</u>
<b>Committed for:</b>	
Stormwater fund operations	<u>54,741</u>
<b>Assigned for:</b>	
Future Cemetery Expense	13,450
City Hall Data Processing	1,124
Fixed Asset Reserve	13,551
Building Fund	291,027
Retirement Expense	156,721
City Shop Computers	3,138
Vest - Matching Funds	3,641
Law Enforce-Computer	10,645
Law Enforce-Car	16,000
Law Enforce-Equipment	4,298
Law Enforce-Radios	6,234
Court Special Purchases	4,151
Police-shop with a cop	1,840
Streets-Machinery	40,928
Snow / Ice Control	9,535
Street Construction	5,262
Gravel Crushing	60,000
Airport Outlay	3,500
Refuse Truck	67,518
Assessment of Property	33,651
Airport Courtesy Van	899
Sign-Community Center	200
Library Act 150/Act 520	104,015
Docks & Boat Landing	1,000
Community Center Building	85
Parks Outlay	3,000
Parks-summer music program	100
Economic Development Committee	<u>8,052</u>
Total assigned fund balances	<u>863,565</u>
<b>Unassigned</b>	<u>1,408,475</u>
Total fund balances - governmental funds	<u>\$ <u>2,448,168</u></u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 11 TAX INCREMENTAL DISTRICT FUNDS**

The City has created three tax incremental financing districts (TIF districts or TIDs) in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after creation of the district. The tax on the increased value is called a tax increment.

The City terminated TID #1 in 1996. TID #2 and TID #3 were in existence during the year ended December 31, 2017. The resolutions creating TID #2 and TID #3 were dated May 13, 1997 and April 26, 2007, respectively. Resolutions subsequently amending TID #2 were dated April 8, 2003 and September 10, 2013. At the creation of TID #2, the statutes provided that no project costs could be expended later than seven years after the creation date of the district. The statutes further allowed the municipality to collect tax increments for sixteen years after the last project expenditure is made or until the net project cost of the district had been recovered, whichever occurred first. The State enacted several changes relating to tax incremental districts in 2004 (with amending legislation in 2005). One of these changes extended the expenditure period for all current and future districts, effective October 1, 2004, to five years prior to the termination of the district's unextended maximum life. For those districts that had reached the end of its project expenditure period prior to October 1, 2004, it allows a municipality to expend additional project costs included in the project plan beginning October 1, 2004 (subject to certain conditions). The unextended maximum life of TID #3 is twenty years.

The project plans for the districts, on file in the office of the City Clerk-Treasurer, detail the proposed projects, the estimated years of construction or site acquisition and the estimated costs of the individual project components of the districts. Project costs uncollected at the dissolution date are absorbed by the municipality.

The following is a summary of TID #2 and TID #3 project costs and revenues through December 31, 2017:

	<u>TID #2</u>	<u>TID #3</u>
Accumulated project costs:		
From inception to December 31, 2017	\$ 4,217,721	\$ 276,404
Accumulated project revenues:		
Tax increments	3,499,017	-
Intergovernmental revenues	332,695	-
Special assessments levied	29,995	-
Sale of property	15,144	-
Rent	34,530	7,891
Interest on investments	65,948	-
Premium on debt issued	27,619	-
Transfers in	-	206,594
Total project revenues	<u>4,004,948</u>	<u>214,485</u>
Future project revenues necessary to recover net costs to date	<u>\$ 212,773</u>	<u>\$ 61,919</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 11 TAX INCREMENTAL DISTRICT FUNDS (Continued)**

The summary of transactions is reconcilable to the TID fund balances (deficits) at December 31, 2017 as follows:

	<b>TID #2</b>	<b>TID #3</b>
Year-end balances of long-term debt payable from TID funds:		
G.O. Refunding bonds dated 9/2/11	\$ 238,005	\$ -
Less - unrecovered costs	212,773	61,919
Fund balance (deficit), December 31, 2017	\$ 25,232	\$ (61,919)

**Note 12 DEFINED BENEFIT PENSION**

**Plan Description**

The Wisconsin Retirement System (“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 1,200 hours a year (880 hours for teachers and school district educational support employees) 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>

**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.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12**    **DEFINED BENEFIT PENSION (Continued)**

**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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12**    **DEFINED BENEFIT PENSION (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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 \$26,724 in contributions from the employer

Contribution rates as of December 31, 2017 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12**    **DEFINED BENEFIT PENSION (Continued)**

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

At December 31, 2017, the City reported a liability (asset) of \$24,179 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was .00299852%, which was a decrease of .000065% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$62,598.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
<b>Cost-Sharing Multiple-Employer Pension Plan:</b>		
Differences between expected and actual experience	\$ 9,220	\$ 76,041
Changes in assumptions	25,280	-
Net differences between projected and actual earnings on pension plan investments	120,356	-
Changes in proportionate and difference between employer contributions and proportionate share of contributions	977	-
Employer contributions subsequent to the measurement date	36,538	-
Total - costing-sharing multiple-employer pension plan	\$ 192,371	\$ 76,041

\$36,538 reported as 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 (asset) in the year ended December 31, 2017.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12 DEFINED BENEFIT PENSION (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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 Inflow of Resources
2018	\$ 54,292	\$ 23,020
2019	54,292	23,020
2020	45,397	23,020
2021	1,809	6,981
2022	43	-
Thereafter	-	-

**Actuarial Assumptions**

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* No post - retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% 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 2015 using experience from 2012-2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12 DEFINED BENEFIT PENSION (Continued)**

**Actuarial Assumptions (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:

<u>Core Fund Asset Class</u>	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5%	37.0%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20.0%	4.3%	1.5%
Real Estate	8.0%	7.0%	6.5%	3.6%
Private Equity/Debt	8.0%	7.0%	9.4%	6.5%
Multi-Asset	4.0%	4.0%	6.6%	3.7%
Total Core Fund	110.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 12**    **DEFINED BENEFIT PENSION (Continued)**

**Actuarial Assumptions (continued)**

*Single Discount Rate.* A single discount rate of 7.20% 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 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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.

*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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
District's proportionate share of the net pension liability (asset)	\$     318,093	\$     24,179	\$    (202,148)

*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**

As of December 31, 2017 the City has payables of \$4,461 relating to the pension plan. This amount represents legally required contributions based on the December 2017 payroll reporting period.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 13 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions.

**Single-Employer Plan Description**

The City offers a supplemental retirement program for certain employees which includes certain health insurance benefits. The City provides these benefits according to negotiated agreements. The amounts vary based on age, years of service, and classification of employees. As of the actuarial study date there were approximately 16 active participants and no retired participants receiving benefits from the City's health plans.

**Funding Policy**

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2017, the City contributed an estimated \$17,218 to the plan.

The City's annual other postemployment benefit (OPES) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 15,581
Interest on net OPEB obligation	3,972
Adjustment to annual required contribution	<u>(3,547)</u>
Annual OPEB cost (expense)	16,006
Contributions made	<u>(17,218)</u>
Increase in net OPEB obligation	(1,212)
Net OPEB obligation (asset) -beginning of year	<u>99,310</u>
Net OPEB obligation (asset) -end of year	<u><u>\$ 98,098</u></u>

**Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$148,274 which is 18.2% of covered payroll in the amount of \$814,000.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 13 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**Funded Status and Funding Progress (Continued)**

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
12/31/2017	\$ 16,006	107.6%	\$ 98,098
12/31/2016	\$ 15,606	85.2%	\$ 99,310
12/31/2015	\$ 15,605	78.2%	\$ 97,007

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% interest discount rate of return. The initial healthcare trend rate was 9.0%, reduced by decrements to an ultimate rate of 5.0% by the year 2024. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2017 was 27 years.

**Note 14 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no reduction in insurance coverage from that in prior years.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 15    JOINT VENTURES**

**Chetek Fire District**

The City of Chetek and the Town of Chetek have jointly contracted to provide mutual fire protection for the City and Town through the Chetek Fire District (District). The operations of the District are governed by its bylaws and articles of agreement made between the two municipalities.

The articles of agreement establish a Joint Fire Board that manages and directs the fire protection within the District. The Board consists of two members representing the City and two members representing the Town. The Chief of the Chetek Volunteer Fire Department is an ex-officio member of the Board.

The principal sources of funding are the two participating municipalities. Net costs are allocated between the municipalities in accordance with a mutual contract entered into for that purpose. In addition, the District also provides fire protection services to other towns on a contracted basis. The City's assessments for 2017 totaled \$57,206.

**Chetek Ambulance Service**

The City of Chetek participates in a joint municipal ambulance service with the Towns of Chetek, Dovre, Prairie Lake and Sioux Creek for the purpose of providing ambulance and/or emergency medical services to its citizens. The ambulance service is managed by a Joint Ambulance Commission consisting of six members made up of the ambulance service director and one member from each of the five participating municipalities. The ambulance service director is a non-voting member of the Commission.

The costs of operating the ambulance service are allocated to member parties on the basis of relative population size or as the parties may otherwise agree. The City's assessments for 2017 totaled \$28,328. The process for determining a party's interest in property should an election be made to terminate are detailed in Articles of Agreement. Generally, interest in the property is to be based on the median amount per three independent appraisals.

**Note 16    SALE OF KNAPP HAVEN AND PELICAN PLACE**

On April 14, 2016, the City sold the capital assets of Knapp Haven Nursing Home and Pelican Place Apartments, enterprise funds of the City, and paid off the debt related to those capital assets. The remaining assets and liabilities of these funds were transferred to the general fund during 2017 and after this transfer, the general fund will be the receiving fund for the remaining assets, which consist primarily of accounts receivable from Knapp Haven residents at the time of the sale; the balance totaled \$89,490 at December 31, 2017.

**Note 17    SUBSEQUENT EVENTS**

February 2018, the City Council approved financing in the amount of \$780,000 for settlement with Central States Pension Fund due to the City's withdrawal from the permanent cessation of contributions to the fund. The City incurred borrowing through a promissory note dated March 30, 2018 in the amount of \$770,866 to liquidate this liability.

**CITY OF CHETEK**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

**CITY OF CHETEK**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Taxes	\$ 1,326,966	\$ 1,326,966	\$ 1,269,370	\$ (57,596)
Intergovernmental revenues	512,914	524,548	521,424	(3,124)
Licenses and permits	59,000	59,000	69,741	10,741
Fines and forfeits	43,250	43,250	20,039	(23,211)
Public charges for services	444,800	580,165	534,961	(45,204)
Other	9,900	10,152	117,975	107,823
	<u>2,396,830</u>	<u>2,544,081</u>	<u>2,533,510</u>	<u>(10,571)</u>
Total revenues				
Expenditures:				
Current:				
General government	394,798	392,747	387,995	4,752
Public safety	692,771	692,771	684,845	7,926
Public works	811,007	811,007	796,538	14,469
Health and human services	1,200	7,700	103,033	(95,333)
Culture, recreation and education	160,647	160,647	161,887	(1,240)
Conservation and development	500	500	235	265
Capital outlay	230,432	1,311,736	448,171	863,565
	<u>2,291,355</u>	<u>3,377,108</u>	<u>2,582,704</u>	<u>794,404</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>105,475</u>	<u>(833,027)</u>	<u>(49,194)</u>	<u>783,833</u>
Other financing sources:				
Proceeds from sale of assets	-	-	27,107	27,107
Transfers out	(105,475)	(105,726)	(135,838)	(30,112)
Transfers in	-	51,000	836,918	785,918
	<u>(105,475)</u>	<u>(54,726)</u>	<u>728,187</u>	<u>782,913</u>
Net other financing sources				
Change in fund balance	-	(887,753)	678,993	1,566,746
Fund balance at beginning	<u>1,613,603</u>	<u>919,553</u>	<u>1,697,752</u>	<u>778,199</u>
Fund balance at end	<u>\$ 1,613,603</u>	<u>\$ 31,800</u>	<u>\$ 2,376,745</u>	<u>\$ 2,344,945</u>

See accompanying note to the City's budgetary comparison schedule.

**CITY OF CHETEK**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –BUDGETARY**  
**COMPARISON SCHEDULE – GENERAL FUND**  
**December 31, 2017**

**NOTE 1 BUDGETARY INFORMATION**

GASB 34 requires the presentation of budgetary comparison schedules for the general fund and for each major special revenue fund. Budgetary information is derived from the City's annual operating budget. The City did not formally adopt a budget for the CDBG revolving loan special revenue fund.

The City's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes and on a basis consistent with generally accepted accounting principles. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. The City's legal budget is adopted at the major function level in the general fund (i.e., general government) and at the fund level in all other funds.

Budget amounts in the financial statements include both the original adopted budget and the final budget. Changes to the budget during the year, if any, generally include amendments authorized by the governing body, additions of approved carryover amounts and appropriations of revenues and other sources for specified expenditures/uses. Appropriated budget amounts lapse at the end of the year unless specifically carried over for financing subsequent year expenditures.

**CITY OF CHETEK**  
**REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULES OF CITY’S**  
**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) AND**  
**CONTRIBUTIONS**  
**December 31, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2017**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY (ASSET)**  
**COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN**  
**Last 10 Fiscal Years\***

	<u>2017</u>
City's proportion of the net pension asset	0.0029985%
City's proportionate share of the net pension liability (asset)	\$ 47,778
City's covered-employee payroll	\$ 284,301
City's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll.	16.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%

**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN**  
**Last 10 Fiscal Years\***

	<u>2017</u>
Contractually required contributions	\$ 26,724
Contributions in relation to the contractually required contributions	\$ 26,724
Contribution deficiency (excess)	-
City's covered-employee payroll	\$ 284,301
Contributions as a percentage of covered-employee payroll	9.40%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Amounts are presented only for the years for which this information is available.

See accompanying note to the City’s proportionate share of net pension liability (asset) and contributions schedule.

**CITY OF CHETEK**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULES OF**  
**CITY’S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) AND**  
**CONTRIBUTIONS**  
**December 31, 2017**

**Note 1    DISCLOSURE OF CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

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

*Changes of assumptions.* There were no changes in the assumptions.

**CITY OF CHETEK**  
**SCHEDULE OF FUNDING PROGRESS**  
**December 31, 2017**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Actuarial Accrued Unfunded AAL <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a percentage of covered payroll <u>((b-a)/c)</u>
1/1/2015	\$ -	\$ 148,274	\$ 148,274	0.0%	\$ 814,000	18.2%
1/1/2012	\$ -	\$ 194,785	\$ 194,785	0.0%	\$ 766,100	25.4%
1/1/2009	\$ -	\$ 282,770	\$ 282,770	0.0%	\$ 1,019,231	27.7%

**CITY OF CHETEK  
SUPPLEMENTAL INFORMATION  
December 31, 2017**

**CITY OF CHETEK**  
**NONMAJOR FUNDS - COMBINING BALANCE SHEET**  
**December 31, 2017**

<i>Assets</i>	<b>Special Revenue Stormwater Fund</b>	<b>TIF No. 2 Fund</b>	<b>Capital Projects TIF No. 3 Fund</b>	<b>Total Nonmajor Funds</b>
Cash and investments	\$ 50,111	\$ 25,232	\$ -	\$ 75,343
Taxes receivable	-	308,363	-	308,363
Accounts receivable	4,701	-	-	4,701
<b>TOTAL ASSETS</b>	<b>\$ 54,812</b>	<b>\$ 333,595</b>	<b>\$ -</b>	<b>\$ 388,407</b>
 <i>Liabilities and Fund Balances (Deficits)</i>				
Liabilities:				
Accounts payable	\$ 71	\$ -	\$ -	\$ 71
Due to other funds	-	-	61,919	61,919
Total liabilities	71	-	61,919	61,990
Deferred inflows of resources:				
Unavailable property taxes	-	308,363	-	308,363
Total deferred inflows of resources	-	-	-	-
Fund balances (deficits):				
Restricted	-	25,232	-	25,232
Committed	54,741	-	-	54,741
Unassigned	-	-	(61,919)	(61,919)
Total fund balances (deficits)	54,741	25,232	(61,919)	18,054
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 54,812</b>	<b>\$ 333,595</b>	<b>\$ -</b>	<b>\$ 388,407</b>

**CITY OF CHETEK**  
**NONMAJOR FUNDS - COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)**  
**For the Year Ended December 31, 2017**

	<u>Special Revenue Stormwater Fund</u>	<u>TIF No. 2 Fund</u>	<u>Capital Projects TIF No. 3 Fund</u>	<u>Total Nonmajor Funds</u>
Revenues:				
Taxes	\$ -	\$ 215,864	\$ -	\$ 215,864
Intergovernmental revenues		3,498		3,498
Public charges for services	61,846	-	-	61,846
Miscellaneous	-	-	525	525
Total revenues	<u>61,846</u>	<u>219,362</u>	<u>525</u>	<u>281,733</u>
Expenditures:				
Public Works	77,915	-	-	77,915
Conservation and Development	-	2,445	793	3,238
Total expenditures	<u>77,915</u>	<u>2,445</u>	<u>793</u>	<u>81,153</u>
Excess of revenues over expenditures	<u>(16,069)</u>	<u>216,917</u>	<u>(268)</u>	<u>200,580</u>
Other Financing Sources (Uses)				
Transfer to Debt Service Fund	<u>(20,159)</u>	<u>(127,776)</u>	<u>-</u>	<u>(147,935)</u>
Change in fund balances	(36,228)	89,141	(268)	52,645
Fund balances (deficits) at beginning	<u>90,969</u>	<u>(63,909)</u>	<u>(61,651)</u>	<u>(34,591)</u>
Fund balances (deficits) at end	<u>\$ 54,741</u>	<u>\$ 25,232</u>	<u>\$ (61,919)</u>	<u>\$ 18,054</u>