

**CITY OF CHETEK  
INDEPENDENT AUDITORS' REPORT  
ON FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL FINANCIAL INFORMATION  
December 31, 2018**

**CITY OF CHETEK**  
**December 31, 2018**  
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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, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended December 31, 2018.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules of City's proportionate share of the net pension liability (asset) and City's contributions on pages 54-57, the schedules of changes in the City's total OPEB liability and related ratios on page 58 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 59-60 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 21, 2019

**CITY OF CHETEK**  
**BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,089,403	\$ 811,505	\$ 2,900,908
Receivables:			
Property taxes	1,597,555	-	1,597,555
Accounts	126,398	70,039	196,437
Special assessments	-	8,913	8,913
Grants	-	23,622	23,622
Loans	1,096,307	-	1,096,307
Inventories	-	23,549	23,549
Prepaid expenses	29,301	5,762	35,063
Total current assets	4,938,964	943,390	5,882,354
Noncurrent assets:			
Restricted deposits	-	247,000	247,000
Net pension asset	79,405		79,405
Capital assets:			
Capital assets not being depreciated	846,354	135,435	981,789
Capital assets being depreciated, net	3,410,861	4,089,964	7,500,825
Total noncurrent assets	4,336,620	4,472,399	8,809,019
Total assets	\$ 9,275,584	\$ 5,415,789	\$ 14,691,373
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Resources related to OPEB	\$ 10,950	\$ 3,793	\$ 14,743
Resources related to pensions	157,198	-	157,198
Total deferred outflows of resources	\$ 168,148	\$ 3,793	\$ 171,941
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 58,310	\$ 2,930	\$ 61,240
Current portion of long-term obligations:			
Amounts due within one year	140,679	47,173	187,852
Total current liabilities	198,989	50,103	249,092
Noncurrent liabilities:			
Total OPEB liability	\$ 208,352	72,182	280,534
Long-term obligations due in more than one year	866,642	270,262	1,136,904
Total noncurrent liabilities	1,074,994	342,444	1,417,438
Total liabilities	\$ 1,273,983	\$ 392,547	\$ 1,666,530
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Resources related to pensions	\$ 156,326	-	\$ 156,326
Unavailable property taxes	1,585,359	-	1,585,359
Total deferred inflows of resources	\$ 1,741,685	-	\$ 1,741,685
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,075,135	\$ 3,926,802	\$ 8,001,937
Restricted	1,324,259	247,000	1,571,259
Unrestricted (deficit)	1,028,670	853,233	1,881,903
Total net position	\$ 6,428,064	\$ 5,027,035	\$ 11,455,099

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 1,202,978	\$ 72,930	\$ -	\$ -	\$ (1,130,048)	\$ -	\$ (1,130,048)
Public safety	746,780	46,167	960	-	(699,653)	-	(699,653)
Public works	1,245,254	606,954	145,874	-	(492,426)	-	(492,426)
Health and human services	17,550	2,928	-	-	(14,622)	-	(14,622)
Culture, recreation and education	264,204	96,321	21,711	-	(146,172)	-	(146,172)
Conservation and development	27,682	2,170	-	-	(25,512)	-	(25,512)
Interest and fiscal charges	32,925	-	-	-	(32,925)	-	(32,925)
Total governmental activities	3,537,373	827,470	168,545	-	(2,541,358)	-	(2,541,358)
<b>Business-type activities:</b>							
Water Utility	332,363	398,889	-	-	-	66,526	66,526
Sewer Utility	495,718	476,450	-	211,492	-	192,224	192,224
Total business-type activities	828,081	875,339	-	211,492	-	258,750	258,750
Total government	\$ 4,365,454	\$ 1,702,809	\$ 168,545	\$ 211,492	\$ (2,541,358)	\$ 258,750	\$ (2,282,608)
<b>General revenues:</b>							
Property taxes:							
Levied for general purposes					1,259,726	-	1,259,726
Levied for TIF districts					308,363	-	308,363
Other taxes					21,587	-	21,587
Intergovernmental revenues not restricted to specific programs					373,751	-	373,751
Unrestricted investment earnings					38,197	1,500	39,697
Miscellaneous unallocated revenue					22,230	6,000	28,230
Special item - loss on disposal of capital assets					(697)	-	(697)
Transfers					56,081	(56,081)	-
Total general revenues, special items and transfers					2,079,238	(48,581)	2,030,657
Change in net position					(462,120)	210,169	(251,951)
Net position - Beginning of year, as restated					6,890,184	4,816,866	11,707,050
Net position - End of year					\$ 6,428,064	\$ 5,027,035	\$ 11,455,099

See accompanying notes to financial statements.

**CITY OF CHETEK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018**

<i>Assets</i>	<b>General Fund</b>	<b>Housing Rehabilitation Revolving Loan Fund</b>	<b>Debt Service Funds</b>	<b>Special Revenue - TIF No. 2 Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 1,825,873	\$ 79,688	\$ 21,968	\$ 88,214	\$ 73,660	\$ 2,089,403
Receivables:			-	-		
Property taxes	1,271,922	-	-	325,633	-	1,597,555
Accounts	121,664	-	-	-	4,734	126,398
Long-term receivables	394	1,095,913	-	-	-	1,096,307
Due from other funds	66,519	-	-	-	-	66,519
Prepays	29,301	-	-	-	-	29,301
<b>TOTAL ASSETS</b>	<b>\$ 3,315,673</b>	<b>\$ 1,175,601</b>	<b>\$ 21,968</b>	<b>\$ 413,847</b>	<b>\$ 78,394</b>	<b>\$ 5,005,483</b>
<b><i>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</i></b>						
Liabilities:						
Accounts payable	\$ 34,804	\$ -	\$ -	\$ -	\$ 58	\$ 34,862
Due to other funds	-	-	-	-	66,519	66,519
Total liabilities	<u>34,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,577</u>	<u>101,381</u>
Deferred inflows of resources:						
Unavailable long-term receivables	-	1,095,913	-	-	-	1,095,913
Unavailable property taxes	1,259,726	-	-	325,633	-	1,585,359
Total deferred inflows of resources	<u>1,259,726</u>	<u>1,095,913</u>	<u>-</u>	<u>325,633</u>	<u>-</u>	<u>2,681,272</u>
Fund balances (deficits):						
Nonspendable	29,301	-	-	-	-	29,301
Restricted	15,235	79,688	21,968	88,214	23,241	228,346
Committed	-	-	-	-	55,095	55,095
Assigned	871,437	-	-	-	-	871,437
Unassigned	1,105,170	-	-	-	(66,519)	1,038,651
Total fund balances (deficits)	<u>2,021,143</u>	<u>79,688</u>	<u>21,968</u>	<u>88,214</u>	<u>11,817</u>	<u>2,222,830</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 3,315,673</b>	<b>\$ 1,175,601</b>	<b>\$ 21,968</b>	<b>\$ 413,847</b>	<b>\$ 78,394</b>	<b>\$ 5,005,483</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, 2018**

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)	\$	2,222,830
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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	\$ 6,997,928	
Governmental accumulated depreciation	<u>(2,740,713)</u>	4,257,215

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 \$157,198 plus the the net pension asset of \$79,405 exceeds the deferred inflow of resources related to pension of \$156,326.

80,277

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>1,095,913</u>	1,095,913
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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	952,946	
Total OPEB liability	197,402	
Employee leave liability	54,375	
Accrued interest payable on notes and bonds	<u>23,448</u>	<u>(1,228,171)</u>

<b>Total net position - Governmental activities</b>	<b>\$</b>	<b><u>6,428,064</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, 2018**

	<u>General Fund</u>	<u>Housing Rehabilitation Revolving Loan Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue - TIF No. 2 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 1,281,686	\$ -	\$ -	\$ 308,363	\$ -	\$ 1,590,049
Intergovernmental revenues	516,980	-	-	3,550	-	520,530
Licenses and permits	75,780	-	-	-	-	75,780
Fines and forfeits	22,647	-	-	-	-	22,647
Public charges for services	640,308	-	-	-	65,245	705,553
Intergovernmental charges for services	3,043	-	-	-	-	3,043
Other	72,531	65,615	204	-	20,000	158,350
Total revenues	<u>2,612,975</u>	<u>65,615</u>	<u>204</u>	<u>311,913</u>	<u>85,245</u>	<u>3,075,952</u>
Expenditures:						
Current:						
General government	1,177,222	-	-	-	-	1,177,222
Public safety	699,488	-	-	-	-	699,488
Public works	814,884	-	-	-	41,652	856,536
Health and human services	17,250	-	-	-	-	17,250
Culture, recreation and education	168,644	-	-	-	-	168,644
Conservation and development	-	17,532	-	3,043	4,600	25,175
Capital outlay	792,278	-	-	-	-	792,278
Debt Service:						
Principal retirement	30,000	-	357,170	-	-	387,170
Interest and fiscal charges	-	-	13,400	-	-	13,400
Total expenditures	<u>3,699,766</u>	<u>17,532</u>	<u>370,570</u>	<u>3,043</u>	<u>46,252</u>	<u>4,137,163</u>
Excess of revenues over (under) expenditures	<u>(1,086,791)</u>	<u>48,083</u>	<u>(370,366)</u>	<u>308,870</u>	<u>38,993</u>	<u>(1,061,211)</u>
Other financing sources:						
Proceeds from sale of noncapital assets	8,926	-	-	-	-	8,926
Proceeds from issuance of long-term debt	770,866	-	-	-	-	770,866
Transfers out	(104,684)	-	-	(245,888)	(19,998)	(370,570)
Transfers in	56,081	-	370,570	-	-	426,651
Net other financing sources	<u>731,189</u>	<u>-</u>	<u>370,570</u>	<u>(245,888)</u>	<u>(19,998)</u>	<u>835,873</u>
Change in fund balances	(355,602)	48,083	204	62,982	18,995	(225,338)
Fund balances (deficits) at beginning	<u>2,376,745</u>	<u>31,605</u>	<u>21,764</u>	<u>25,232</u>	<u>(7,178)</u>	<u>2,448,168</u>
Fund balances (deficits) at end	<u>\$ 2,021,143</u>	<u>\$ 79,688</u>	<u>\$ 21,968</u>	<u>\$ 88,214</u>	<u>\$ 11,817</u>	<u>\$ 2,222,830</u>

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, 2018**

Net change in fund balances—Total governmental funds \$ (225,338)

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	\$ 511,659	
Loss on disposal of capital assets - reported in the statement of activities	(697)	
Depreciation expense reported in the statement of activities	<u>(277,490)</u>	233,472

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. 2,592

The employer share of pension expense incurred after the net pension asset measurement date of December 31, 2017 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. (11,873)

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:

Proceeds from issuance of long-term debt	(770,866)	
Principal payments on bonds, notes and land contract	<u>387,170</u>	(383,696)

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 issued - revolving loan fund	10,825	
Loans repaid - revolving loan fund	<u>(65,009)</u>	(54,184)

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.

Increase in accrued interest payable	(22,116)	
Decrease in total OPEB liability	7,386	
Increase in employee leave liability	<u>(8,363)</u>	<u>(23,093)</u>

Change in net position of governmental activities \$ (462,120)

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**December 31, 2018**

<i>Assets</i>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 760,092	\$ 51,413	\$ 811,505
Receivables:			
Accounts	26,548	43,491	70,039
Grants	-	23,622	23,622
Special assessments	8,913	-	8,913
Inventories	20,208	3,341	23,549
Prepayments	<u>1,374</u>	<u>4,388</u>	<u>5,762</u>
Total current assets	<u>817,135</u>	<u>126,255</u>	<u>943,390</u>
Noncurrent assets:			
Restricted deposits	<u>-</u>	<u>247,000</u>	<u>247,000</u>
	<u>-</u>	<u>247,000</u>	<u>247,000</u>
Capital assets:			
Property, plant and equipment	3,044,276	4,644,142	7,688,418
Construction work in progress	53,045	-	53,045
Accumulated depreciation	<u>(1,119,831)</u>	<u>(2,396,233)</u>	<u>(3,516,064)</u>
Total capital assets	<u>1,977,490</u>	<u>2,247,909</u>	<u>4,225,399</u>
Total noncurrent assets	<u>1,977,490</u>	<u>2,494,909</u>	<u>4,472,399</u>
Deferred outflows of resources:			
Resources related to OPEB	<u>1,474</u>	<u>2,319</u>	<u>3,793</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,796,099</u>	<u>\$ 2,623,483</u>	<u>\$ 5,419,582</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)**  
**December 31, 2018**

	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<i>Liabilities and Net Position</i>			
Current liabilities:			
Accounts payable	\$ 945	\$ 1,861	\$ 2,806
Accrued interest	-	124	124
Current portion of long-term obligations:			
Bonds and notes payable	-	28,335	28,335
Employee leave liabilities	7,321	11,517	18,838
Total current liabilities	8,266	41,837	50,103
Long-term liabilities:			
Total OPEB liability	28,052	44,130	72,182
Bonds and notes payable	-	270,262	270,262
Total long-term liabilities	28,052	314,392	342,444
Net position:			
Net investment in capital assets	1,977,490	1,949,312	3,926,802
Restricted	-	247,000	247,000
Unrestricted	782,291	70,942	853,233
Total net position	2,759,781	2,267,254	5,027,035
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,796,099</b>	<b>\$ 2,623,483</b>	<b>\$ 5,419,582</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, 2018**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 233,243	\$ 474,165	\$ 707,408
Public fire protection	132,063	-	132,063
Miscellaneous	<u>33,583</u>	<u>2,285</u>	<u>35,868</u>
Total operating revenues	<u>398,889</u>	<u>476,450</u>	<u>875,339</u>
Operating expenses:			
Operation and maintenance	255,424	339,390	594,814
Taxes	7,743	9,675	17,418
Depreciation	<u>68,905</u>	<u>137,802</u>	<u>206,707</u>
Total operating expenses	<u>332,072</u>	<u>486,867</u>	<u>818,939</u>
Operating income (loss)	<u>66,817</u>	<u>(10,417)</u>	<u>56,400</u>
Non-operating income (expense):			
Interest income	1,066	434	1,500
Rental income	-	6,000	6,000
Amortization of debt premium	-	400	400
Rental property expense	-	(6,420)	(6,420)
Interest expense	<u>(291)</u>	<u>(2,831)</u>	<u>(3,122)</u>
Total non-operating income (expense)	<u>775</u>	<u>(2,417)</u>	<u>(1,642)</u>
Income (loss) before contributions and transfers	67,592	(12,834)	54,758
Capital contributions	-	211,492	211,492
Transfers out	<u>(52,995)</u>	<u>(3,086)</u>	<u>(56,081)</u>
Change in net position	14,597	195,572	210,169
Net position at beginning, as restated	<u>2,745,184</u>	<u>2,071,682</u>	<u>4,816,866</u>
Net position at end	<u>\$ 2,759,781</u>	<u>\$ 2,267,254</u>	<u>\$ 5,027,035</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 394,524	\$ 476,999	\$ 871,523
Cash paid to suppliers for goods and services	(121,757)	(213,372)	(335,129)
Cash paid to employees for services	(104,112)	(95,074)	(199,186)
Cash paid by sewer to water for meter expenses	6,420	-	6,420
Cash paid on behalf of employees for benefits and taxes	<u>(35,207)</u>	<u>(50,149)</u>	<u>(85,356)</u>
Net cash provided by (used in) operating activities	<u>139,868</u>	<u>118,404</u>	<u>258,272</u>
Cash flows from noncapital financing activities:			
Cash received from rental properties	-	6,000	6,000
Cash paid to general fund for tax equivalents	(52,995)	(3,086)	(56,081)
Cash paid by sewer to water for meter expenses	<u>9,306</u>	<u>(15,726)</u>	<u>(6,420)</u>
Net cash provided by (used in) noncapital financing activities	<u>(43,689)</u>	<u>(12,812)</u>	<u>(56,501)</u>
Cash flow from capital and related financing activities:			
Acquisition and construction of capital assets	(55,633)	(612,724)	(668,357)
Principal paid on long-term debt	(139,728)	(66,871)	(206,599)
Proceeds from cash salvage (plant)	5,075	-	5,075
Proceeds from investments	85,177	42,091	127,268
Proceeds from long-term debt	-	229,618	229,618
Proceeds from capital grant	-	187,869	187,869
Interest and fees paid on long-term debt	<u>(991)</u>	<u>(3,130)</u>	<u>(4,121)</u>
Net cash provided by (used in) capital and related financing activities	<u>(106,100)</u>	<u>(223,147)</u>	<u>(329,247)</u>
Cash flows from investing activities:			
Cash received from interest income	<u>2,441</u>	<u>1,249</u>	<u>3,690</u>
Net cash provided by investing activities	<u>2,441</u>	<u>1,249</u>	<u>3,690</u>
Net increase (decrease) in cash and cash equivalents	(7,480)	(116,306)	(123,786)
Cash and cash equivalents at beginning of year	<u>477,095</u>	<u>167,719</u>	<u>644,814</u>
Cash and cash equivalents at end of year	<u>\$ 469,615</u>	<u>\$ 51,413</u>	<u>\$ 521,028</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**

	<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)	\$ 66,817	\$ (10,417)	\$ 56,400
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Provision for depreciation and amortization	68,905	137,802	206,707
Change in deferred outflows related to OPEB	(1,474)	(2,319)	(3,793)
Change in total OPEB liability	479	754	1,233
Changes in operating assets and liabilities:			
Accounts receivable	2,054	547	2,601
Inventories	2,134	(55)	2,079
Prepaid expenses	239	(534)	(295)
Accounts payable	472	(3,027)	(2,555)
Accrued employee leave liability	242	(4,347)	(4,105)
Total adjustments	<u>73,051</u>	<u>128,821</u>	<u>201,872</u>
Net cash provided by (used in) operating activities	<u>\$ 139,868</u>	<u>\$ 118,404</u>	<u>\$ 258,272</u>
Reconciliation of cash and investments to the balance sheet:			
Cash and investments	\$ 760,092	\$ 51,413	\$ 811,505
Restricted deposits	<u>-</u>	<u>247,000</u>	<u>247,000</u>
	760,092	298,413	1,058,505
Less - Certificates of deposit with an original maturity greater than three months	<u>290,477</u>	<u>247,000</u>	<u>537,477</u>
Cash and cash equivalents at end of year	<u>\$ 469,615</u>	<u>\$ 51,413</u>	<u>\$ 521,028</u>

See accompanying notes to financial statements.



**CITY OF CHETEK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2018**

<i>Assets</i>	<u>Agency Fund</u>
Cash and investments	\$ 908,935
Taxes receivable	<u>2,936,518</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,845,453</u></b>
 <i>Liabilities</i>	
Due to other governmental units	 \$ <u>3,845,453</u>

See accompanying notes to financial statements.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement replaces existing GASB statement No. 45 to improve the usefulness of information about the employer reporting in the statements of net position and activities (No.75). This statement aligns with the terminology and reporting used in the pension reporting requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The City has adopted these standards for the year ended December 31, 2018. This standard requires retroactive accounting treatment upon implementation which resulted in the following restatement of the governmental activities net position as of January 1, 2018.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

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

**New Accounting Principle (Continued)**

As a result of the implementation of these standards, the following restatements were necessary:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Major Fund - <u>Water</u>	Major Fund - <u>Sewer</u>
Net position, beginning of the year, as previously stated	\$ 7,011,590	\$ 4,873,100	\$ 2,767,852	\$ 2,105,248
Reversal of GASB 45 net OPEB obligation	83,383	14,715	4,905	9,810
Record GASB 75 net OPEB liability as of December 31, 2016 measurement date	<u>(204,789)</u>	<u>(70,949)</u>	<u>(27,573)</u>	<u>(43,376)</u>
Net position, beginning of the year, restated	\$ <u>6,890,184</u>	\$ <u>4,816,866</u>	\$ <u>2,745,184</u>	\$ <u>2,071,682</u>

**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.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

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

**Fund Financial Statements (Continued)**

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.

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.
- **TIF No. 2 Fund** – This fund is used to account for the accumulation of resources for, and the payment of approved project expenditures for this tax incremental financing district.

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 wastewater collection system and treatment facilities.
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**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

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

**E. RECEIVABLES/PROPERTY TAX CALENDAR**

The 2017 tax levy is budgeted and recognized as property tax revenue for the year ended December 31, 2018, the period when the services financed by the levy are being provided. These assessments were based on assessed valuation as of January 1, 2017. 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 – 2017 tax roll:

Levy date and tax bills mailed	December, 2017
Payment in full, or first installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018

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 2018 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, 2018, 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 2018 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 2018 tax roll are recognized as revenue in 2019). 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, 2018**

**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, 2018 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, 2018**

**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:

Assets	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, 2018**

**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, PENSIONS 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, however this 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.

*OPEB*: 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 75 and the total OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense follow the requirements of this standard.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

**K. COMPENSATED ABSENCES, PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

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

**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.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

**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”.

**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.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

O.    EQUITY CLASSIFICATIONS (Continued)

- 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.

P.    DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As applicable, the statements of net position and balance sheet 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. On the statement of net position, the City has two items reported as deferred outflows of resources (those related to the WRS pension and its OPEB benefits related to health insurance). The City has two items reported as deferred inflows of resources (property tax receivables are recorded in the current year, but the revenue will be recognized in the following year and deferred inflows related to the WRS pension). On the balance sheet, long-term receivables of notes receivable 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 and there is a deferred inflow of resources associated with the balances of these loans payable.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018. This deficit will be funded through future tax increments.

**Note 3 CASH AND INVESTMENTS**

**Deposits**

The City's cash and investments balances at December 31, 2018 as shown in the financial statements are as follows:

Cash and investments - Governmental activities	\$ 2,089,403
Cash and investments - Business-type activities	811,505
Restricted deposits - Business-type activities	247,000
Cash and investments - Fiduciary fund	<u>908,935</u>
	<u>\$ 4,056,843</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

**Deposits (continued)**

The above cash and investments consisted of the following:

	Carrying Value
Deposits	\$ 4,055,803
Cash on hand	1,040
Total cash and investments	\$ 4,056,843

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 \$4,055,803 and the bank balance was \$4,114,580. Of the bank balance, \$2,319,655 was covered by Federal depository insurance or by the State of Wisconsin Public Depository Guarantee Fund, \$1,505,092 was uninsured and collateralized with securities held by the pledging financial institution and \$289,833 was uninsured and uncollateralized.

**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, 2018, the City's deposits were exposed to custodial credit risk by the uninsured and uncollateralized amount of \$289,833.



**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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.

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 106 mortgage loans outstanding at December 31, 2018 totaling \$1,095,913. 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Tax Incremental District #3 Fund	\$ <u>66,519</u>
		\$ <u><u>66,519</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, 2018**

**Note 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, 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	\$ 523,618	\$ 322,736	\$ -	\$ 846,354
Total capital assets not being depreciated	<u>\$ 523,618</u>	<u>\$ 322,736</u>	<u>\$ -</u>	<u>\$ 846,354</u>
Other capital assets:				
Land improvements	\$ 157,718	\$ -	\$ -	\$ 157,718
Buildings	1,333,580	-		1,333,580
Vehicles	811,304	31,683	(26,030)	816,957
Furniture and equipment	791,389	200,171	(133,145)	858,415
Infrastructure	<u>2,939,835</u>	<u>45,069</u>	<u>-</u>	<u>2,984,904</u>
Total other capital assets at historical cost	<u>6,033,826</u>	<u>276,923</u>	<u>(159,175)</u>	<u>6,151,574</u>
Less accumulated depreciation for:				
Land improvements	91,997	2,747	-	94,744
Buildings	530,241	26,919	-	557,160
Vehicles	442,506	83,135	(23,138)	502,503
Furniture and equipment	541,816	37,445	(47,341)	531,920
Infrastructure	<u>927,142</u>	<u>127,244</u>	<u>-</u>	<u>1,054,386</u>
Total accumulated depreciation	<u>2,533,702</u>	<u>277,490</u>	<u>(70,479)</u>	<u>2,740,713</u>
Net other capital assets	<u>3,500,124</u>	<u>(567)</u>	<u>(88,696)</u>	<u>3,410,861</u>
Total governmental activities capital assets, net	<u>\$ 4,023,742</u>	<u>\$ 322,169</u>	<u>\$ (88,696)</u>	<u>\$ 4,257,215</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,708
Public safety	18,771
Public works (includes the depreciation of road network)	243,326
Health and human services	300
Culture, recreation, and education	12,385
Total governmental activities depreciation expense	<u>\$ 277,490</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 6 CAPITAL ASSETS (Continued)**

	<u>Beginning</u> <u>Balance</u>	<u>Additions and</u> <u>Reclassifications</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 55,846	\$ -	\$ -	\$ 55,846
Construction in progress	79,589	(26,544)	-	53,045
Total capital assets not being depreciated	<u>\$ 135,435</u>	<u>\$ (26,544)</u>	<u>\$ -</u>	<u>\$ 108,891</u>
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	2,581,775	2,590	(329)	2,584,036
Collection system - sewer utility	1,776,859	172,258	-	1,949,117
Treatment and disposal - sewer utility	1,793,652	520,060	-	2,313,712
Administration and general assets	621,506	-	-	621,506
Total other capital assets at historical cost	<u>6,937,993</u>	<u>694,908</u>	<u>(329)</u>	<u>7,632,572</u>
Less accumulated depreciation:				
Water utility	1,036,875	83,285	(329)	1,119,831
Sewer utility	2,267,736	128,497	-	2,396,233
Total accumulated depreciation	<u>3,304,611</u>	<u>211,782</u>	<u>(329)</u>	<u>3,516,064</u>
Business-type activities capital assets, net	<u>\$ 3,768,817</u>	<u>\$ 456,582</u>	<u>\$ -</u>	<u>\$ 4,225,399</u>
Depreciation expense was charged to:				
Business-type activities:				
Water utility				\$ 68,905
Sewer utility				137,802
Total business-type activities depreciation expense				<u>\$ 206,707</u>

**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, 2018**

**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, 2018 follows:

Type	Funds Liquidating	Balance at 1/1/18	Issued	Retired	Balance at 12/31/18	Due Within One Year
<b>Long-term debt:</b>						
<b>Governmental activities:</b>						
	General, TID #2, Stormwater	\$ 532,590	\$ 770,866	\$ 357,170	\$ 946,286	\$ 83,713
	Add: unamortized bond premium	<u>9,251</u>	<u>-</u>	<u>2,591</u>	<u>6,660</u>	<u>2,591</u>
	Total governmental activities	<u>541,841</u>	<u>770,866</u>	<u>359,761</u>	<u>952,946</u>	<u>86,304</u>
<b>Business-Type Activities:</b>						
	General Obligation Debt	\$ 139,728	\$ -	\$ 139,728	\$ -	\$ -
	General Obligation Debt	82,410	-	32,830	49,580	16,080
	Add: Unamortized bond premium	1,432	-	400	1,032	400
	Mortgage Revenue Bonds	<u>52,409</u>	<u>229,618</u>	<u>34,042</u>	<u>247,985</u>	<u>11,855</u>
	Total business-type activities	<u>275,979</u>	<u>229,618</u>	<u>207,000</u>	<u>298,597</u>	<u>28,335</u>
	Total long-term debt	<u>\$ 817,820</u>	<u>\$ 1,000,484</u>	<u>\$ 566,761</u>	<u>\$ 1,251,543</u>	<u>\$ 114,639</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

**Other long-term obligations:**

***Governmental activities:***

Land contract	General	\$	30,000	\$		\$	30,000	\$	-	\$	-
Employee leave liability	General		46,011		8,364		-		54,375		54,375
Total governmental activities			<u>76,011</u>		<u>8,364</u>		<u>30,000</u>		<u>54,375</u>		<u>54,375</u>

***Business-Type Activities:***

Employee leave liability	Water,sewer		22,943		-		4,105		18,838		18,838
Total business-type activities			<u>22,943</u>		<u>-</u>		<u>4,105</u>		<u>18,838</u>		<u>18,838</u>
Total other long-term obligations		\$	<u>98,954</u>	\$	<u>8,364</u>	\$	<u>34,105</u>	\$	<u>73,213</u>	\$	<u>73,213</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

Bonds and notes payable reported on the statement of net position consist of the following at December 31, 2018:

	<u>Original Issue</u>	<u>Issue Date</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/18</u>
General obligation debt:					
Refunding bonds (general fund \$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	\$ 225,000
Promissory Bank Note (General fund)	770,866	3/30/2018	3.98%	3/30/2028	<u>770,866</u>
					995,866
Unamortized debt premium					<u>7,692</u>
Total General Obligation Long-Term Debt					\$ <u>1,003,558</u>
Revenue bonds:					
Revenue bonds - Clean Water Fund	\$ 249,500	2017 and 2018	1.06%	5/1/2037	<u>247,985</u>
Total Revenue bonds					\$ <u>247,985</u>
Total long-term debt					\$ <u>1,251,543</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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	
2019	\$ 83,713	\$ 38,734	\$ 27,935	\$ 3,802	\$ 154,184
2020	87,152	34,507	28,730	3,183	153,572
2021	86,428	30,174	28,857	2,554	148,013
2022	29,492	27,422	12,234	2,175	71,323
2023	30,665	26,248	12,364	2,045	71,322
2024-2028	628,836	111,932	63,804	8,227	812,799
2029-2033	-	-	67,245	4,768	72,013
2034-2038	-	-	56,396	1,199	57,595
Totals	\$ <u>946,286</u>	\$ <u>269,017</u>	\$ <u>297,565</u>	\$ <u>27,953</u>	\$ <u>1,540,821</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 and 2018, the City recognized \$229,581 in grant funds and received \$249,500 in loan funds respectively as it completed the project authorized with resolution 2017-19 in 2018.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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. The loan was paid in full during 2018.

**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.

	<b>Amount</b>
Equalized value at December 31, 2018	\$ 156,663,700
Legal debt margin percentage (5% of equalized value)	5%
	7,833,185
Less - Outstanding general obligation debt subject to debt limit	995,866
Legal debt margin	\$ 6,837,319

For the year ended December 31, 2018, interest expense totaling \$36,047 was incurred and recorded in the statement of activities. No interest expense was capitalized during 2018.



**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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	\$ 104,684
	Nonmajor funds	<u>265,886</u>
		370,570
General Fund	Water Utility	52,995
	Sewer Utility	<u>3,086</u>
		<u>56,081</u>
Total transfers in		<u>\$ 426,651</u>

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, 2018**

**Note 9 NET POSITION**

Net position reported on the government-wide statement of net position at December 31, 2018, including the following:

**Governmental Activities:**

Capital assets, net of accumulated depreciation	\$ 4,257,215
Less: Related long-term debt outstanding	<u>(182,080)</u>
Total net investment in capital assets	4,075,135
Restricted for:	
Debt retirement	21,968
Housing loan programs	1,175,601
Future TIF No. 2 expenditures	88,214
Park Development	23,241
Other purposes	<u>15,235</u>
Total restricted	1,324,259
Unrestricted	<u>1,028,670</u>
Total net position	<u>\$ 6,428,064</u>

**Business-Type Activities:**

Capital assets, net of accumulated depreciation	\$ 4,225,399
Less: Related long-term debt outstanding	<u>(298,597)</u>
Total net investment in capital assets	3,926,802
Restricted for:	
Capital asset replacement	210,488
Debt retirement	<u>36,512</u>
	247,000
Unrestricted	<u>853,233</u>
Total net position	<u>\$ 5,027,035</u>

\$80,277 and (\$197,402) of the unrestricted net position in the governmental activities is the result of the excess of deferred outflows related to pensions and OPEB plus net pension asset over (under) the sum of the total OPEB liability and deferred outflows related to pensions.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 10 GOVERNMENTAL FUND BALANCES**

The governmental fund balances reported on the fund financial statements at December 31, 2018 consisted of the following:

**Nonspendable:**

Prepaid expenditures	\$ <u>29,301</u>
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**Restricted for:**

Library improvements	15,235
Housing rehabilitation revolving loan fund	79,688
Debt service expenditures	21,968
Park development fund	23,241
Future TIF #2 expenditures	<u>88,214</u>
Total restricted fund balances	<u>228,346</u>

**Committed for:**

Stormwater fund operations	<u>55,095</u>
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**Assigned for:**

Future Cemetery Expense	45,035
City Hall Data Processing	5,124
Fixed Asset Reserve	20,807
Building Fund	249,733
Retirement Expense	153,686
City Shop Computers	4,138
Vest - Matching Funds	4,641
Law Enforce-Bldg maintenance	33
Law Enforce-Computer	6,445
Law Enforce-Car	1,340
Law Enforce-Equipment	7,651
Law Enforce-Radios	4,724
Court Special Purchases	6,151
Police-shop with a cop	1,290
Streets-Machinery	130
Snow / Ice Control	27,535
Street Construction	67,392
Gravel Crushing	19,473
Airport Outlay	8,500
Refuse Truck	22,160
Assessment of Property	45,713
Airport Courtesy Van	954
Sign-Community Center	200
Library Act 150/Act 520	105,229
Docks & Boat Landing	7,000
Community Center Building	100
Parks Outlay and summer music program	19,600
Economic Development Committee	6,653
Sidewalks	<u>30,000</u>
Total assigned fund balances	<u>871,437</u>

**Unassigned**

	<u>1,038,651</u>
Total fund balances - governmental funds	<u>\$ 2,222,830</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018. 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. In 2019, the City Council approved a resolution to dissolve TID #2. At the time of 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 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 and amounts over levied must be paid back to the underlying taxing authorities.

The following is a summary of TID #2 and TID #3 project costs and revenues through December 31, 2018:

	<u>TID #2</u>	<u>TID #3</u>
Accumulated project costs:		
From inception to December 31, 2018	\$ 4,228,646	\$ 281,004
Accumulated project revenues:		
Tax increments	3,807,379	-
Intergovernmental revenues	336,245	-
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>4,316,860</u>	<u>214,485</u>
Future project revenues necessary (overlevied) to recover net costs to date	<u>\$ (88,214)</u>	<u>\$ 66,519</u>

**CITY OF CHETEK  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018**

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

The summary of transactions is reconcilable to the TID fund balances (deficits) at December 31, 2018 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	\$ -	\$ -
Less (Add) - unrecovered (over-recovered) costs	(88,214)	66,519
Fund balance (deficit), December 31, 2018	\$ 88,214	\$ (66,519)

**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, 2018**

**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 executive participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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 received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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%
2017	2.0%	4.0%

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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 \$23,123 in contributions from the employer

Contribution rates as of December 31, 2018 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018, the City reported a liability (asset) of (\$79,404) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the City's proportion was .00267436%, which was a decrease of .0002592% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$34,901.

At December 31, 2018, 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	\$ 100,887	\$ 47,191
Changes in assumptions	15,688	-
Net differences between projected and actual earnings on pension plan investments	-	109,135
Changes in proportionate and difference between employer contributions and proportionate share of contributions	1,326	-
Employer contributions subsequent to the measurement date	39,297	-
Total - costing-sharing multiple-employer pension plan	\$ 157,198	\$ 156,326

\$39,297 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, 2018.



**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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	\$ 47,112	\$ 46,657
2019	41,675	46,657
2020	15,045	34,214
2021	13,959	28,798
2022	110	-
Thereafter	-	-

**Actuarial Assumptions**

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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>	<u>Current Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	50.0%	8.2%	5.3%
Fixed Income	24.5%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	3.8%	1.0%
Real Estate	8.0%	6.5%	3.6%
Private Equity/Debt	8.0%	9.4%	6.5%
Multi-Asset	4.0%	6.5%	3.6%
Total Core Fund	110.0%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0%	7.8%	4.9%
Total Variable Fund	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, 2018**

**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 3.31%. 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%)
District's proportionate share of the net pension liability (asset)	\$ <u>205,447</u>	\$ <u>(79,405)</u>	\$ <u>(295,901)</u>

*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, 2018 the City has payables of \$3,004 relating to the pension plan. This amount represents legally required contributions based on the December 2018 payroll reporting period.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the OPEB Plan**

*Plan Description.* The City offers continued health care benefits for certain employees as an OPEB. These benefits are accounted for as a single-employer defined benefit OPEB in the City’s government-wide and proprietary fund financial statements and the City engaged an actuary to determine the City's total OPEB. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Benefits Provided.* The City offers continued health care benefits for certain employees in the form of contributions to an HRA to be used to reimburse eligible Section 213(d) health expenses, and for reimbursement of health insurance premiums to remain on the City’s plan or another health plan until exhaustion of the HRA funds. For employees classified as general, the employee must be at least age 55 and then at least age 57 with a minimum number of 30 years of service or at least age 65. For eligible general retirees, the City will contribute an amount to an HRA equal to the number of unused accumulated sick days as of the date of termination up to a maximum of one-hundred eighty (180) days times the form employee’s per diem rate at the time of termination. For employees classified as special services, the employee must be eligible for WRS and at least age 50 and then at least age 53 with a minimum number of 25 years of service or at least age 54. For eligible special services retirees, the City will contribute an amount to an HRA equal to the number of unused accumulated sick days as of the date of termination up to a maximum of seventy-five (75) days times the form employee’s per diem rate at the time of termination.

*Employees covered by benefit terms.* At December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries - waived coverage *	3
Active plan members	17
	20
	20

\* - These individuals are using their sick leave benefit towards eligible expenses not affiliated with the City's group health plan.

**Total OPEB Liability**

The City’s total OPEB liability of \$280,534 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Total OPEB Liability (Continued)**

*Actuarial Assumptions and other inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%		
Actuarial cost method	Entry age normal (level % of salary)		
Salary increases	<u>Years of Service</u>	<u>General</u>	<u>Protective</u>
	1	3.5%	4.8%
	2	3.5%	4.8%
	3	3.1%	4.1%
	4	2.8%	3.5%
	5	2.5%	2.8%
	10	1.5%	1.1%
	15	1.1%	0.8%
	20	0.9%	0.7%
	25	0.6%	0.6%
	30	0.4%	0.5%
Discount rate used to calculate the City's OPEB liability	3.5% based on the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as the week of the measurement date		
Healthcare cost trend rates	<u>Year</u>	<u>Medical</u>	
	1	7.5%	
	2	7.0%	
	3-17	6.5% and decreasing .1% each year until year 17 at 5.1%	
	18 & over	5.0%	
Age-related health care cost	2018 monthly medical premium rates (as of 6/1/2018) under the City's plan were \$803 and \$1,967 for single and family coverage, respectively. Health care cost trend follows: Under 40 - 4%, ages 40-44 - 3.75%, 45-49 - 3.5%, 50-54 - 3% and 55-64 3.25%		
Average expected remaining service lives	9 years		
Actuarial assumptions	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.		
Mortality assumptions	Wisconsin 2012 Mortality Table		

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balances at 12/31/2016</b>	\$ <u>275,738</u>
<b>Changes for the year:</b>	
Service cost	12,447
Interest	9,567
Benefit payments	<u>(17,218)</u>
<b>Net changes</b>	<u>4,796</u>
<b>Balances at 12/31/2017</b>	\$ <u><u>280,534</u></u>

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, as well as, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ <u>290,788</u>	<u>280,534</u>	<u>270,537</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB liability	\$ <u>279,922</u>	<u>280,534</u>	<u>281,029</u>

**CITY OF CHETEK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the City recognized OPEB expense of \$22,014. At December 31, 2018 the City reported deferred outflows of resources and had no deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
City contributions subsequent to the measurement date	<u>14,743</u>	<u>-</u>
Total	<u>\$ 14,743</u>	<u>\$ -</u>

Deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year

**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, 2018**

**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 2018 totaled \$58,306.

**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 2018 totaled \$22,719. 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    SUBSEQUENT EVENTS**

March 12, 2019, the City Council approved a resolution to terminate TID #2 since sufficient increments were collected as of the 2018 tax roll, payable in 2019 to cover TID #2 project costs. The City has filed a PE-223 form with the WI DOR and will provide a final accounting by September 10<sup>th</sup>.

On June 11, the City approved a resolution to issue water system revenue bonds to finance capital improvements in an amount not to exceed \$320,806. The City plans on closing on this funding with the Wisconsin Departments of Natural Resources and Administration through the Safe Drinking Water Loan Program at the end of June 2019.



**CITY OF CHETEK  
REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2018**

**CITY OF CHETEK**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 1,281,526	\$ 1,281,526	\$ 1,281,686	\$ 160
Intergovernmental revenues	519,874	519,874	516,980	(2,894)
Licenses and permits	63,300	63,300	75,780	12,480
Fines and forfeits	31,100	31,100	22,647	(8,453)
Public charges for services	461,200	461,200	643,351	182,151
Other	21,300	27,300	72,531	45,231
<b>Total revenues</b>	<u>2,378,300</u>	<u>2,384,300</u>	<u>2,612,975</u>	<u>228,675</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	401,705	1,177,571	1,177,222	349
Public safety	709,208	705,008	699,488	5,520
Public works	833,515	844,415	814,884	29,531
Health and human services	9,000	9,000	17,250	(8,250)
Culture, recreation and education	169,767	169,823	168,644	1,179
Conservation and development	500	500	-	500
Debt service	30,000	30,000	30,000	-
Capital outlay	172,605	800,130	792,278	7,852
<b>Total expenditures</b>	<u>2,326,300</u>	<u>3,736,447</u>	<u>3,699,766</u>	<u>36,681</u>
Excess of revenues over (under) expenditures	<u>52,000</u>	<u>(1,352,147)</u>	<u>(1,086,791)</u>	<u>265,356</u>
<b>Other financing sources:</b>				
Proceeds from sale of noncapital assets	-	-	8,926	8,926
Proceeds from issuance of long-term del	-	770,866	770,866	-
Transfers out	(105,000)	(105,000)	(104,684)	316
Transfers in	53,000	53,000	56,081	3,081
<b>Net other financing sources</b>	<u>(52,000)</u>	<u>718,866</u>	<u>731,189</u>	<u>12,323</u>
Change in fund balance	-	(633,281)	(355,602)	277,679
Fund balance at beginning	<u>2,376,745</u>	<u>2,376,745</u>	<u>2,376,745</u>	<u>-</u>
Fund balance at end	<u>\$ 2,376,745</u>	<u>\$ 1,743,464</u>	<u>\$ 2,021,143</u>	<u>\$ 277,679</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, 2018**

**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**  
**Year Ended December 31, 2018**

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

	<u>2018</u>	<u>2017</u>
City's proportion of the net pension asset	0.0026744%	0.0029335%
City's proportionate share of the net pension liability (asset)	\$ (79,405)	\$ 24,179
City's covered-employee payroll	\$ 218,141	\$ 284,301
City's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll.	-36.40%	8.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	99.12%

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

	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 23,123	\$ 26,724
Contributions in relation to the contractually required contributions	\$ 23,123	\$ 26,724
Contribution deficiency (excess)	-	-
City's covered-employee payroll	\$ 218,141	\$ 284,301
Contributions as a percentage of covered-employee payroll	10.60%	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, 2018**

**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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2018**

**SCHEDULE OF CHANGES IN THE CITY'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years\*

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 12,447
Interest	9,567
Changes in benefit terms	-
Differences between expected and actual	-
Changes in assumptions	-
Benefit payments	<u>(17,218)</u>
<b>Net change in total OPEB liability</b>	4,796
<b>Total OPEB liability - beginning</b>	<u>275,738</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 280,534</u></u>
<b>Covered-employee payroll</b>	\$ 831,745

**Total OPEB liability as a percentage of covered-employee payroll** 33.73%

\* - Contains only data for years in which the 10-year trend information is available until 10 years are available.

**Note 1 DISCLOSURES**

*General.* The City has not accumulated assets in a trust to pay benefits related to this OPEB.

*Changes of benefit terms.* There were no changes of benefit terms in the City's OPEB plan.

*Changes of assumptions.* There were no changes in the assumptions or other inputs. A discount rate of 3.5% to calculate the total OPEB liability was used for the lone period presented.

**CITY OF CHETEK  
SUPPLEMENTAL INFORMATION  
December 31, 2018**

**CITY OF CHETEK**  
**NONMAJOR FUNDS - COMBINING BALANCE SHEET**  
**December 31, 2018**

<i>Assets</i>	<b>Special Revenue - Stormwater Fund</b>	<b>Special Revenue - Park Development Fund</b>	<b>Capital Projects - TIF No. 3 Fund</b>	<b>Total Nonmajor Funds</b>
Cash and investments	\$ 50,419	\$ 23,241	\$ -	\$ 73,660
Taxes receivable	-	-	-	-
Accounts receivable	4,734	-	-	4,734
<b>TOTAL ASSETS</b>	<b>\$ 55,153</b>	<b>\$ 23,241</b>	<b>\$ -</b>	<b>\$ 78,394</b>
 <i>Liabilities and Fund Balances (Deficits)</i>				
Liabilities:				
Accounts payable	\$ 58	\$ -	\$ -	\$ 58
Due to other funds	-	-	66,519	66,519
Total liabilities	58	-	66,519	66,577
Deferred inflows of resources:				
Unavailable property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances (deficits):				
Restricted	-	23,241	-	23,241
Committed	55,095	-	-	55,095
Unassigned	-	-	(66,519)	(66,519)
Total fund balances (deficits)	55,095	23,241	(66,519)	11,817
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 55,153</b>	<b>\$ 23,241</b>	<b>\$ -</b>	<b>\$ 78,394</b>



**CITY OF CHETEK**  
**NONMAJOR FUNDS - COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)**  
**For the Year Ended December 31, 2018**

	<b>Special Revenue - Stormwater Fund</b>	<b>Special Revenue - Park Development Fund</b>	<b>Capital Projects - TIF No. 3 Fund</b>	<b>Total Nonmajor Funds</b>
Revenues:				
Public charges for services	\$ 62,004	\$ 3,241	\$ -	\$ 65,245
Miscellaneous	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total revenues	<u>62,004</u>	<u>23,241</u>	<u>-</u>	<u>85,245</u>
Expenditures:				
Public Works	41,652	-	-	41,652
Conservation and Development	<u>-</u>	<u>-</u>	<u>4,600</u>	<u>4,600</u>
Total expenditures	<u>41,652</u>	<u>-</u>	<u>4,600</u>	<u>46,252</u>
Excess of revenues over expenditures	<u>20,352</u>	<u>23,241</u>	<u>(4,600)</u>	<u>38,993</u>
Other Financing Sources (Uses)				
Transfer to Debt Service Fund	<u>(19,998)</u>	<u>-</u>	<u>-</u>	<u>(19,998)</u>
Change in fund balances	354	23,241	(4,600)	18,995
Fund balances (deficits) at beginning	<u>54,741</u>	<u>-</u>	<u>(61,919)</u>	<u>(7,178)</u>
Fund balances (deficits) at end	<u>\$ 55,095</u>	<u>\$ 23,241</u>	<u>\$ (66,519)</u>	<u>\$ 11,817</u>