

**CITY OF CHETEK, WISCONSIN**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2012**

**CITY OF CHETEK, WISCONSIN  
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**CITY OF CHETEK, WISCONSIN  
LIST OF PRINCIPAL OFFICERS  
2012**

ELECTED

Mayor  
Council President  
Alderpersons:  
    First District  
    Second District  
    Third District  
    Fourth District

Dianne Knowlton  
Cliff Bronstad

Shirley Morley  
Cliff Bronstad  
Bill Waite  
Mike Linton

APPOINTED

Director of Public Works  
Clerk/Treasurer  
City Assessor  
Wastewater Operator  
Fire Chief  
Librarian  
Police Chief

Dan Knapp  
Carmen Newman  
Associated Appraisal  
Mike McGinnis  
Joe Atwood  
Carol Burnham  
Mark Petersen



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## INDEPENDENT AUDITORS' REPORT

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, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Knapp Haven Nursing Home and Pelican Place Apartments enterprise funds, which represent 47%, 19%, and 86%, respectively, of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Knapp Haven Nursing Home and Pelican Place Apartments enterprise funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chetek, Wisconsin as of December 31, 2012, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress as referenced in the table of contents, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual and combining fund statements and debt repayment schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2011 which are not presented with the accompanying financial statements. In our report dated April 2, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The 2011 individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

The City Council  
City of Chetek

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 individual fund statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**CliftonLarsonAllen LLP**

Eau Claire, Wisconsin  
August 18, 2013

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

As management of the City of Chetek, Wisconsin (City), we offer the readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the year ended December 31, 2012. Please consider this information in conjunction with the City's financial statements, which begin on page 16 following this narrative.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,033,525 (*net position*). Of this amount, 4,292,236 represented the City's net investment in capital assets, \$2,243,400 was held for restricted purposes, and \$3,497,889 was unrestricted. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- During the fiscal year, the City's total net position increased by \$170,736. Net position related to the business-type activities of the City increased \$128,819 while net position related to governmental activities increased \$41,917.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1,947,431, a decrease of \$48,796 from the previous year.
- The City's total long-term debt and related obligations decreased by \$523,060 during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

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

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

The government-wide financial statements can be found beginning on page 16 of this report.

### **Fund Financial Statements**

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, housing rehabilitation revolving loan program fund, debt service fund and TID #2 projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section.

The basic governmental fund financial statements can be found beginning on page 18 of this report.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

**Proprietary Funds.** Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, nursing home, and elderly housing fund.

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

The basic proprietary fund financial statements can be found beginning on page 22 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 28 of this report.

**Supplementary Information**

In addition to the basic financial statement and accompanying notes, this report presents certain required supplementary information on the City's operating budget. Required supplementary information can be found beginning on page 60 of this report.

Following the basic government-wide and fund financial statements, accompanying notes, and required supplementary information, additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the nonmajor governmental funds, and individual fund statements for selected funds as well as debt repayment schedules. This supplementary information section of the report begins on page 63.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$10,033,525 at the close of 2012. The largest portion of these net position (43%) reflect the City's investment in capital assets, including land, land improvements, buildings, machinery and equipment, infrastructure, plant in service and construction in progress, net of related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the City's statement of net position:

**Condensed Statement of Net Position  
December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 4,730,132	\$ 5,003,288	\$ 3,197,344	\$ 3,018,320	\$ 7,927,476	\$ 8,021,608
Capital Assets	3,610,378	3,601,043	6,768,461	7,059,811	10,378,839	10,660,854
Internal Balances	(36,381)	(49,948)	39,798	47,832	3,417	(2,116)
Total Assets	<u>8,304,129</u>	<u>8,554,383</u>	<u>10,005,603</u>	<u>10,125,963</u>	<u>18,309,732</u>	<u>18,680,346</u>
Long-Term Debt	1,888,365	2,201,426	4,196,084	4,431,511	6,084,449	6,632,937
Other Long-Term Obligations	112,918	93,779	23,743	17,454	136,661	111,233
Other Liabilities	1,485,543	1,483,792	569,554	589,595	2,055,097	2,073,387
Total Liabilities	<u>3,486,826</u>	<u>3,778,997</u>	<u>4,789,381</u>	<u>5,038,560</u>	<u>8,276,207</u>	<u>8,817,557</u>
Net Position						
Net Investment in						
Capital Assets	1,722,013	1,399,617	2,570,223	2,626,824	4,292,236	4,026,441
Restricted	1,321,920	1,562,248	921,480	922,016	2,243,400	2,484,264
Unrestricted	1,773,370	1,813,521	1,724,519	1,538,563	3,497,889	3,352,084
Total Net Position	<u>\$ 4,817,303</u>	<u>\$ 4,775,386</u>	<u>\$ 5,216,222</u>	<u>\$ 5,087,403</u>	<u>\$ 10,033,525</u>	<u>\$ 9,862,789</u>

An additional portion of the City's net position (22%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$3,497,889 of total net position (35%) may be used to meet the City's ongoing obligations to its citizens and creditors. It is important to note that \$1,724,519 of unrestricted net position is related to the City's business-type activities. Consequently, they generally may not be available to fund governmental activities.

At the end of 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as its separate governmental and business-type activities.

The condensed statement of changes in net position presented on the following page shows that total net position of the City increased \$170,736. The increase consisted of an increase in net position related to governmental activities in the amount of \$41,917 and an increase in net position related to business-type activities in the amount of \$128,819.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

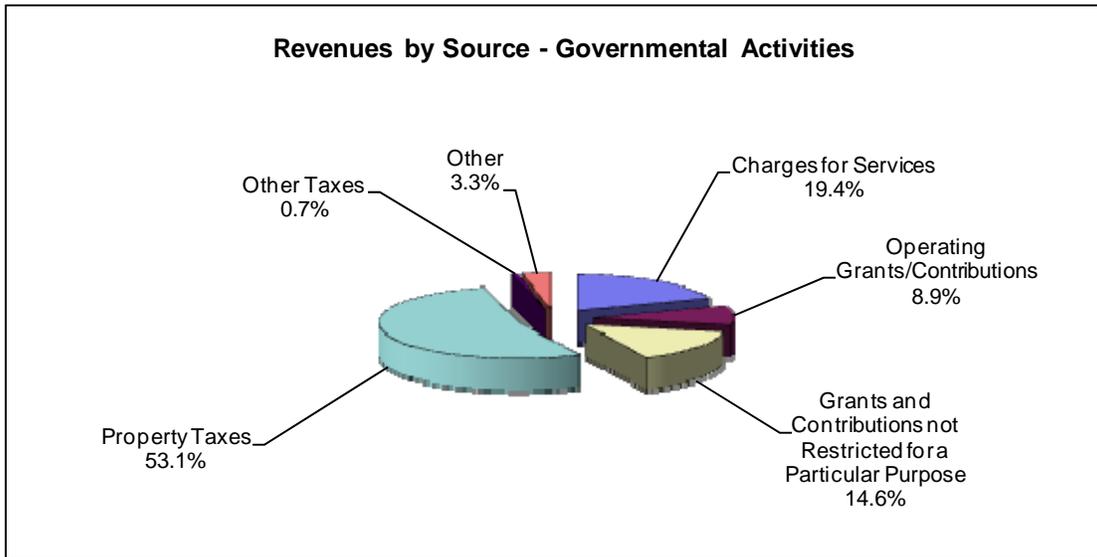
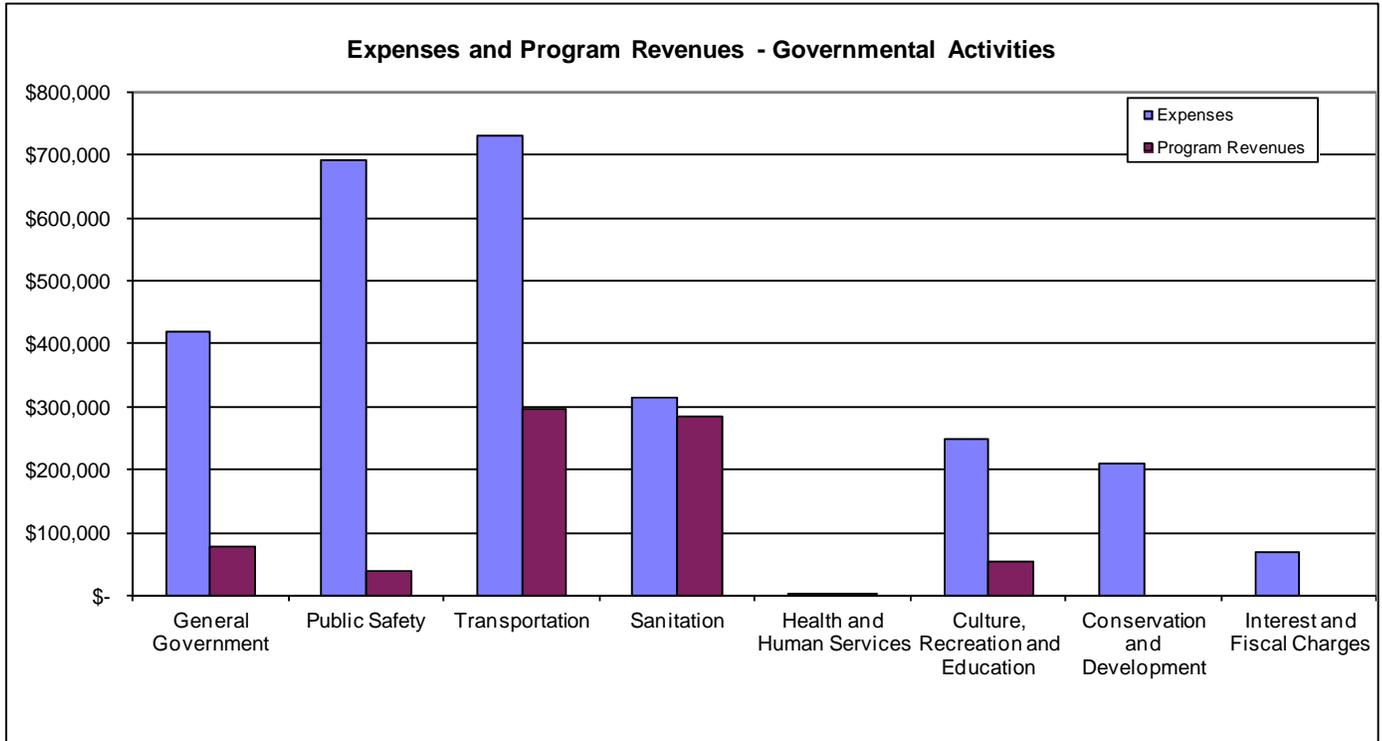
The following is a summary of the changes in the City's net position for the years ended December 31, 2012 and 2011:

**Condensed Statement of Changes in Net Position  
Years Ended December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
<u>Program Revenues</u>						
Charges for Services	\$ 517,145	\$ 473,164	\$ 6,427,696	\$ 6,311,217	\$ 6,944,841	\$ 6,784,381
Operating Grants and Contributions	236,702	252,095	539,414	515,000	776,116	767,095
<u>General Revenues</u>						
Property Taxes	1,418,004	1,412,544	-	-	1,418,004	1,412,544
Other Taxes	19,102	19,917	-	-	19,102	19,917
State and Federal Aids Not Restricted to Specific Programs	391,103	402,963	-	-	391,103	402,963
Other	88,762	389,869	19,780	23,157	108,542	413,026
Total Revenues	2,670,818	2,950,552	6,986,890	6,849,374	9,657,708	9,799,926
<b>EXPENSES</b>						
General Government	420,399	353,270	-	-	420,399	353,270
Public Safety	690,804	754,947	-	-	690,804	754,947
Transportation	730,676	569,589	-	-	730,676	569,589
Sanitation	315,618	312,418	-	-	315,618	312,418
Health and Human Services	2,155	862	-	-	2,155	862
Culture, Recreation, and Education	247,326	233,878	-	-	247,326	233,878
Conservation and Development	208,314	42,739	-	-	208,314	42,739
Interest and Fiscal Charges	70,102	89,841	-	-	70,102	89,841
Water	-	-	243,398	265,160	243,398	265,160
Sewer	-	-	404,983	439,113	404,983	439,113
Knapp Haven Nursing Home	-	-	5,981,549	5,924,182	5,981,549	5,924,182
Pelican Place Apartments	-	-	171,648	174,182	171,648	174,182
Total Expenses	2,685,394	2,357,544	6,801,578	6,802,637	9,486,972	9,160,181
<b>NET CHANGE BEFORE TRANSFERS</b>	(14,576)	593,008	185,312	46,737	170,736	639,745
Transfers - Property Tax Equivalent	56,493	55,477	(56,493)	(55,477)	-	-
<b>CHANGE IN NET POSITION</b>	\$ 41,917	\$ 648,485	\$ 128,819	\$ (8,740)	\$ 170,736	\$ 639,745

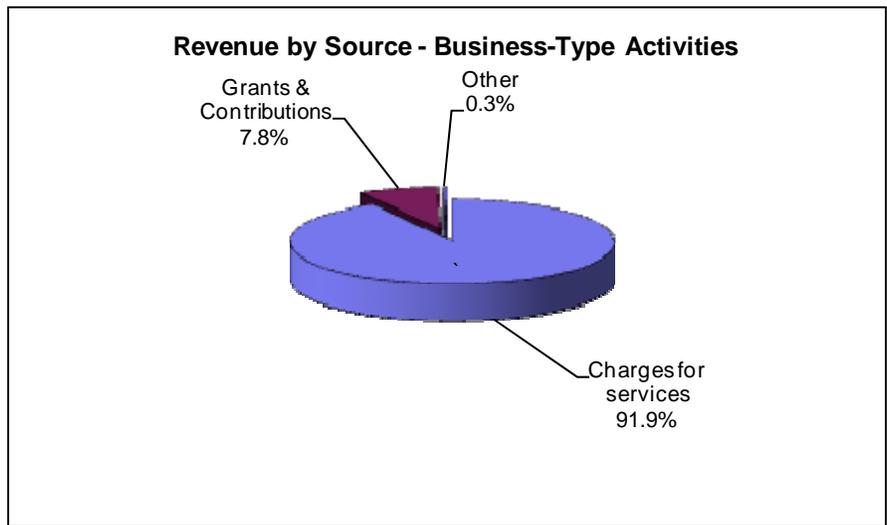
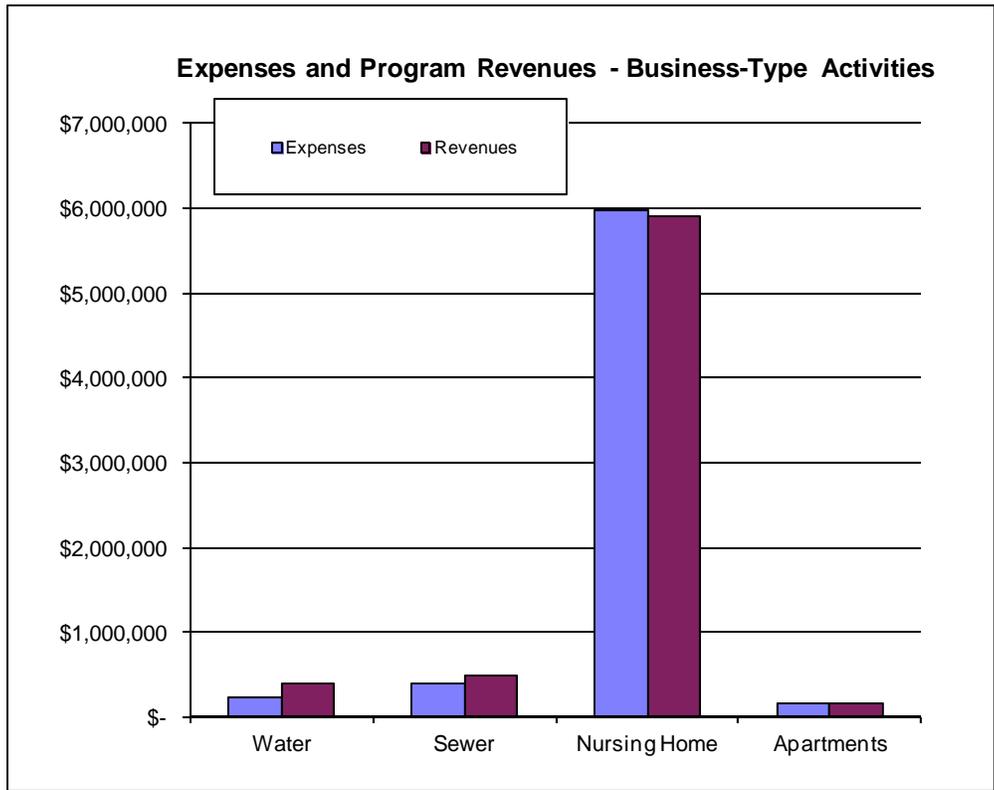
A review of statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The charts on the following page draw data from the statement of activities.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**



For governmental services, the City is primarily dependent on property taxes (53.1%) and charges for services (19.4%).

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (91.9%) replace property taxes as the primary source of revenue.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows and balances of spendable resources. Such information can be useful in assessing the City's financing requirements. In particular, the level of unassigned fund balances may serve as a useful measurement tool of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$1,947,431, a decrease of \$48,796 from the previous year, as shown below:

	Fund Balance at December 31, 2012					Total	Change During Year
	Nonspendable	Restricted	Committed	Assigned	Unassigned		
Major Funds:							
General Fund	\$ 43,126	\$ 14,941	\$ -	\$ 794,744	\$ 1,000,503	\$ 1,853,314	\$ (4,354)
Housing Rehab Revolving Loan Program Fund	-	56,809	-	-	-	56,809	20,450
Debt Service Fund	-	20,958	-	-	-	20,958	(166)
Tax Incremental District #2 Fund	-	6,946	-	-	-	6,946	(68,623)
Nonmajor Funds							
Stormwater Fund	-	-	71,440	-	-	71,440	4,359
Tax Incremental District #3 Fund	-	-	-	-	(62,036)	(62,036)	(462)
<b>Total Fund Balances</b>	<u>\$ 43,126</u>	<u>\$ 99,654</u>	<u>\$ 71,440</u>	<u>\$ 794,744</u>	<u>\$ 938,467</u>	<u>\$ 1,947,431</u>	<u>\$ (48,796)</u>

Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the governmental imposes upon itself by high-level action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

The general fund is the primary operating fund used to account for the governmental operations of the City. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to measures of operating volume such as fund expenditures or fund revenues. The total year-end general fund balance represented 77.9% of total general fund expenditures reported on the statement of revenues, expenditures and changes in fund balances, while the unassigned balance represented 42.1% of the same amount. The general fund's total fund balance decreased \$4,354 during the year, while the unassigned portion of the fund balance decreased \$230,579.

**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

The City's housing rehabilitation revolving loan program fund, a special revenue fund, is used to account for federal housing grants received through the Wisconsin Department of Development for the purpose of financing housing rehabilitation loans, as well as the related ongoing revolving loan fund. The balance of this fund increased \$20,450 during 2012.

The City's debt service is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund had a balance of \$20,958 at year-end.

The City's Tax Incremental District #2 (TID #2) fund is used to account for financial resources to be used for the acquisition or construction of projects within the scope of the District's plan. The District financed projects relating to the acquisition, site work, and construction of a storm water detention pond, storm sewer projects, and the demolition of the old shop. At December 31, 2012, the fund had a positive balance of \$6,946, a decrease of \$68,623 from the previous year. The decrease was primarily the result of tax increments less than current year required transfers to the debt service fund.

The remaining nonmajor governmental funds include the funds shown above. The accumulated fund balances of these funds increased \$3,897 during 2012. These funds are individually detailed in the supplementary information section of this report.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. As shown below, the net position of the enterprise-type proprietary funds at the end of 2012 totaled \$5,216,222, an increase of \$128,819 from the previous year.

**Condensed Statement of Changes in Net Position for Enterprise Funds  
Years Ended December 31, 2012 and 2011**

	Water Utility		Sewer Utility		Knapp Haven Nursing Home		Pelican Place Apartments		Totals	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Operating Revenues	\$ 405,548	\$ 397,559	\$ 486,433	\$ 450,961	\$ 5,361,964	\$ 5,298,744	\$ 173,751	\$ 163,953	\$ 6,427,696	\$ 6,311,217
Operating Expenses:										
Depreciation	66,665	64,815	97,587	96,456	162,091	134,380	40,390	40,311	366,733	335,962
Other	142,107	162,512	289,687	309,366	5,729,366	5,714,396	93,241	94,627	6,254,401	6,280,901
Operating Income (Loss)	196,776	170,232	99,159	45,139	(529,493)	(550,032)	40,120	29,015	(193,438)	(305,646)
Nonoperating Revenues (Expenses)	(25,614)	(24,733)	(8,347)	(25,437)	450,543	441,520	(37,832)	(38,967)	378,750	352,383
Net Income (Loss) before Transfers	171,162	145,499	90,812	19,702	(78,950)	(108,512)	2,288	(9,952)	185,312	46,737
Transfers	(56,493)	(55,477)	-	-	-	-	-	-	(56,493)	(55,477)
Changes in Net Position	114,669	90,022	90,812	19,702	(78,950)	(105,812)	2,288	(9,952)	128,819	(6,040)
Net Position - End of Year:										
Net Investment in										
Capital Assets	1,215,221	1,205,331	1,426,620	1,439,126	191,988	245,419	(263,606)	(263,052)	2,570,223	2,626,824
Restricted	359,783	355,295	279,499	276,330	204,319	212,179	77,879	78,212	921,480	922,016
Unrestricted	751,690	651,399	174,951	74,802	878,113	895,772	(80,235)	(83,410)	1,724,519	1,538,563
	<u>\$ 2,326,694</u>	<u>\$ 2,212,025</u>	<u>\$ 1,881,070</u>	<u>\$ 1,790,258</u>	<u>\$ 1,274,420</u>	<u>\$ 1,353,370</u>	<u>\$ (265,962)</u>	<u>\$ (268,250)</u>	<u>\$ 5,216,222</u>	<u>\$ 5,087,403</u>



**CITY OF CHETEK, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012**

**Long-Term Obligations**

At December 31, 2012, the City had outstanding \$6,221,110 of long-term debt and other obligations. A summary detail of this amount, together with the net change from the previous year, is shown below:

**Outstanding Long-Term Obligations  
December 31, 2012 and 2011**

	Governmental Activities	Business- Type Activities	Total Outstanding		% Change
			2012	2011	
Long-Term Debt:					
General Obligation Debt	\$ 1,841,908	\$ 578,739	\$ 2,420,647	\$ 2,789,841	-13.2%
Revenue Bonds	-	3,610,156	3,610,156	3,776,305	(4.40)
Subtotal	1,841,908	4,188,895	6,030,803	6,566,146	(8.20)
Other Long-Term Obligations:					
Bond Premiums	46,457	7,189	53,646	66,791	(19.70)
Other Postemployment Benefits	48,751	9,152	57,903	39,502	46.60
Estimated Employee Leave	64,167	14,591	78,758	71,731	9.80
Total	<u>\$ 2,001,283</u>	<u>\$ 4,219,827</u>	<u>\$ 6,221,110</u>	<u>\$ 6,744,170</u>	(7.80)

Additional information related to the City's long-term debt is reported in Note 3.E following the financial statements.

**CURRENTLY KNOWN FACTS**

The State of Wisconsin has imposed limits on the City's property tax levy beginning with the 2006 budget year levy. The City's allowable percentage increase for its 2013 budget year was 0.308 percent. The City approved a levy of \$1,228,237 for its 2013 budget, an increase of \$3,690 from the 2012 budget levy of \$1,224,547.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Chetek's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the City Clerk, at 220 Stout Street, P.O. Box 194, Chetek, Wisconsin 54728.

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 2,329,418	\$ 1,245,691	\$ 3,575,109
Taxes Receivable	1,064,870	-	1,064,870
Accounts Receivable	56,634	904,937	961,571
Accrued Interest Receivable	1,797	328	2,125
Long-Term Receivables	1,238,902	-	1,238,902
Special Assessments Receivable	-	18,579	18,579
Inventories	-	25,699	25,699
Prepaid Expenses	-	9,296	9,296
Unamortized Debt Issuance Costs	38,511	11,264	49,775
Internal Balances	(36,381)	39,798	3,417
Restricted Assets:			
Cash and Investments	-	979,373	979,373
Accrued Interest Receivable	-	2,177	2,177
Capital Assets:			
Capital Assets Not Being Depreciated	423,618	107,856	531,474
Capital Assets Being Depreciated	4,922,174	12,146,182	17,068,356
Accumulated Depreciation	(1,735,414)	(5,485,577)	(7,220,991)
Total Assets	8,304,129	10,005,603	18,309,732
<b>LIABILITIES</b>			
Vouchers and Accounts Payable	30,599	82,631	113,230
Accrued Liabilities	-	413,126	413,126
Accrued Interest Payable	16,636	25,184	41,820
Due to Other Governments	668	-	668
Unearned Revenues	1,437,640	731	1,438,371
Deposits	-	13,240	13,240
Trust Funds and Restricted Donations	-	34,642	34,642
Long-Term Obligations:			
Due Within One Year	391,006	254,983	645,989
Due in More than One Year	1,610,277	3,964,844	5,575,121
Total Liabilities	3,486,826	4,789,381	8,276,207
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,722,013	2,570,223	4,292,236
Restricted For:			
Capital Asset Replacement	-	435,710	435,710
Tax Increment District Plan Purposes	6,946	-	6,946
Debt Retirement	4,322	471,084	475,406
Housing Loan Programs	1,295,711	-	1,295,711
Other Purposes	14,941	14,686	29,627
Unrestricted	1,773,370	1,724,519	3,497,889
Total Net Position	\$ 4,817,303	\$ 5,216,222	\$ 10,033,525

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
Governmental Activities:						
General Government	\$ 420,399	\$ 76,719	\$ -	\$ (343,680)	\$ -	\$ (343,680)
Public Safety	690,804	20,502	20,101	(650,201)	-	(650,201)
Transportation	730,676	131,816	165,613	(433,247)	-	(433,247)
Sanitation	315,618	283,279	-	(32,339)	-	(32,339)
Health and Human Services	2,155	515	-	(1,640)	-	(1,640)
Culture, Recreation, and Education	247,326	4,314	50,988	(192,024)	-	(192,024)
Conservation and Development	208,314	-	-	(208,314)	-	(208,314)
Interest and Fiscal Charges	70,102	-	-	(70,102)	-	(70,102)
Total Governmental Activities	2,685,394	517,145	236,702	(1,931,547)	-	(1,931,547)
Business-Type Activities:						
Water Utility	243,398	405,548	-	-	162,150	162,150
Sewer Utility	404,983	486,433	-	-	81,450	81,450
Knapp Haven Nursing Home	5,981,549	5,361,964	539,414	-	(80,171)	(80,171)
Pelican Place Apartments	171,648	173,751	-	-	2,103	2,103
Total Business-Type Activities	6,801,578	6,427,696	539,414	-	165,532	165,532
Total Primary Government	\$ 9,486,972	\$ 6,944,841	\$ 776,116	(1,931,547)	165,532	(1,766,015)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				1,224,547	-	1,224,547
Property Taxes, Levied for TIF Districts				193,457	-	193,457
Other Taxes				19,102	-	19,102
State and Federal Aids Not Restricted to Specific Functions				391,103	-	391,103
Interest and Investment Earnings				10,265	13,780	24,045
Rents				14,090	6,000	20,090
Donations				21,341	-	21,341
Miscellaneous				43,066	-	43,066
Transfers				56,493	(56,493)	-
Total General Revenues and Transfers				1,973,464	(36,713)	1,936,751
<b>CHANGE IN NET POSITION</b>				41,917	128,819	170,736
Net Position - Beginning of Year				4,775,386	5,087,403	9,862,789
Net Position - End of Year				\$ 4,817,303	\$ 5,216,222	\$ 10,033,525

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	General Fund	Housing Rehabilitation Revolving Loan Program Fund	Debt Service Fund	Tax Incremental District #2 Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Treasurer's Cash and Investments	\$ 2,109,346	\$ 56,809	\$ 20,958	\$ 76,167	\$ 66,138	\$ 2,329,418
Taxes Receivable	855,468	-	-	209,402	-	1,064,870
Accounts Receivable	51,305	-	-	-	5,329	56,634
Interest Receivable	1,797	-	-	-	-	1,797
Due from Other Funds	67,583	-	-	-	-	67,583
Advance to Other Funds	27,293	-	-	-	-	27,293
Installment Loans Receivable	-	38,377	-	-	-	38,377
Deferred Loans Receivables	-	1,200,525	-	-	-	1,200,525
Total Assets	<u>\$ 3,112,792</u>	<u>\$ 1,295,711</u>	<u>\$ 20,958</u>	<u>\$ 285,569</u>	<u>\$ 71,467</u>	<u>\$ 4,786,497</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Vouchers and Accounts Payable	\$ 30,572	\$ -	\$ -	\$ -	\$ 27	\$ 30,599
Due to Other Governmental Units	668	-	-	-	-	668
Due to Other Funds	-	-	-	-	62,036	62,036
Deferred Revenue	1,228,238	1,238,902	-	209,402	-	2,676,542
Advance from Other Funds	-	-	-	69,221	-	69,221
Total Liabilities	1,259,478	1,238,902	-	278,623	62,063	2,839,066
<b>FUND BALANCES</b>						
Nonspendable	43,126	-	-	-	-	43,126
Restricted	14,941	56,809	20,958	6,946	-	99,654
Committed	-	-	-	-	71,440	71,440
Assigned	794,744	-	-	-	-	794,744
Unassigned	1,000,503	-	-	-	(62,036)	938,467
Total Fund Balance (Deficit)	<u>1,853,314</u>	<u>56,809</u>	<u>20,958</u>	<u>6,946</u>	<u>9,404</u>	<u>1,947,431</u>
Total Liabilities and Fund Balances	<u>\$ 3,112,792</u>	<u>\$ 1,295,711</u>	<u>\$ 20,958</u>	<u>\$ 285,569</u>	<u>\$ 71,467</u>	<u>\$ 4,786,497</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO THE  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 1,947,431

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These capital assets consist of:

Land	\$ 423,618	
Land Improvements	157,718	
Buildings	1,455,611	
Furniture and Equipment	693,864	
Vehicles	596,606	
Infrastructure	2,018,375	
Accumulated Depreciation	<u>(1,735,414)</u>	3,610,378

Some assets are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements:

Housing Rehabilitation Loans		1,238,902
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest Payable on Notes and Bonds	(16,636)	
Other Postemployment Benefits Payable	(48,751)	
Estimated Employee Leave Liability	(64,167)	
General Obligation Debt Payable	<u>(1,841,908)</u>	(1,971,462)

Debt issuance and refinancing costs, discounts, and premiums are deferred in the statement of net position and amortized over the lives of the related debt. In the governmental funds these costs are considered expenditures/other financing uses when incurred.

Unamortized Issuance Costs	30,640	
Unamortized Debt Premiums	(46,457)	
Unamortized Debt Refunding Costs	<u>7,871</u>	<u>(7,946)</u>

**Net Position of Governmental Activities** \$ 4,817,303

**CITY OF CHETEK, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	General Fund	Housing Rehabilitation Revolving Loan Program Fund	Debt Service Fund	Tax Incremental District #2 Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 1,243,607	\$ -	\$ -	\$ 193,457	\$ -	\$ 1,437,064
Intergovernmental	626,337	-	-	1,510	-	627,847
Licenses and Permits	55,789	-	-	-	-	55,789
Fines and Forfeits	25,708	-	-	-	-	25,708
Public Charges for Services	370,688	-	-	-	60,961	431,649
Intergovernmental Charges for Services	3,999	-	-	-	-	3,999
Miscellaneous						
Interest	11,424	27	259	-	-	11,710
Rent	13,555	-	-	-	535	14,090
Other	30,040	57,219	-	-	-	87,259
Total Revenues	2,381,147	57,246	259	194,967	61,496	2,695,115
<b>EXPENDITURES:</b>						
General Government	345,192	-	-	-	-	345,192
Public Safety	662,034	-	-	-	-	662,034
Transportation	410,095	-	-	-	36,503	446,598
Sanitation	290,902	-	-	-	-	290,902
Health and Human Services	1,855	-	-	-	-	1,855
Culture, Recreation, and Education	158,784	-	-	-	-	158,784
Conservation and Development	91	36,796	-	7,826	997	45,710
Capital Outlay	508,973	-	-	-	-	508,973
Debt Service:						
Principal Retirement	-	-	301,677	-	-	301,677
Interest and Fiscal Charges	-	-	76,170	4,190	-	80,360
Total Expenditures	2,377,926	36,796	377,847	12,016	37,500	2,842,085
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,221	20,450	(377,588)	182,951	23,996	(146,970)
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Property	41,681	-	-	-	-	41,681
Transfers In	56,493	-	377,422	-	-	433,915
Transfers Out	(105,749)	-	-	(251,574)	(20,099)	(377,422)
Total Other Financing Sources (Uses)	(7,575)	-	377,422	(251,574)	(20,099)	98,174
<b>NET CHANGE IN FUND BALANCES</b>	(4,354)	20,450	(166)	(68,623)	3,897	(48,796)
Fund Balances, January 1	1,857,668	36,359	21,124	75,569	5,507	1,996,227
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,853,314</u>	<u>\$ 56,809</u>	<u>\$ 20,958</u>	<u>\$ 6,946</u>	<u>\$ 9,404</u>	<u>\$ 1,947,431</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (48,796)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlays Reported in Governmental Fund Statements	\$ 222,863	
Depreciation Expense Reported in the Statement of Activities	<u>(204,769)</u>	18,094

In the statement of activities, only the gain or loss on the disposal of capital assets is reported whereas in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of capital assets disposed of during the year. (8,759)

Some assets not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (211,418)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year these amounts consist of:

General Obligation Bonds and Notes Principal Retirement		301,677
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Some items 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. These activities consist of:

Amortization of Debt Discount and Issuance Costs	(9,099)	
Amortization of Debt Premium	11,384	
Amortization of Debt Refunding Costs	(1,929)	
Net Change in Other Postemployment Benefits Payable	(15,177)	
Net Change in Accrued Employee Leave Liability	(3,962)	
Net Change in Accrued Interest Payable	<u>9,902</u>	<u>(8,881)</u>

**Change in Net Position of Governmental Activities** \$ 41,917

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Investments	\$ 614,221	\$ 139,637	\$ 318,835	\$ 25	\$ 1,072,718
Customer Accounts Receivable	30,814	44,359	829,227	537	904,937
Due from Other Funds	-	-	25,075	-	25,075
Accrued Interest Receivable - TID Advance	272	56	-	-	328
Current Portion of Long-Term Advance to Tax Incremental District	10,656	1,617	-	-	12,273
Inventories	23,291	2,408	-	-	25,699
Prepayments	1,754	2,985	4,557	-	9,296
Total Current Assets	<u>681,008</u>	<u>191,062</u>	<u>1,177,694</u>	<u>562</u>	<u>2,050,326</u>
<b>Noncurrent Cash and Investments:</b>					
Resident Trust Funds	-	-	20,016	-	20,016
Flex Spending	-	-	12,963	-	12,963
Health Retirement	-	-	31,317	-	31,317
Depreciation Fund Investments	-	-	108,677	-	108,677
Total Noncurrent Cash and Investments	<u>-</u>	<u>-</u>	<u>172,973</u>	<u>-</u>	<u>172,973</u>
<b>Restricted Assets:</b>					
Cash and Investments:					
Replacement Fund	247,885	187,825	56,667	66,761	559,138
Debt Retirement Fund	113,083	91,715	189,633	11,118	405,549
Activity Fund	-	-	6,705	-	6,705
Restricted Donations	-	-	7,981	-	7,981
Accrued Interest Receivable:					
Bond Reserve Funds	1,351	826	-	-	2,177
Total Restricted Assets	<u>362,319</u>	<u>280,366</u>	<u>260,986</u>	<u>77,879</u>	<u>981,550</u>
<b>Capital Assets:</b>					
Property Plant and Equipment	2,787,457	3,661,431	4,643,925	1,084,735	12,177,548
Less: Accumulated Depreciation	959,073	1,762,384	2,151,151	612,969	5,485,577
Net Property Plant and Equipment	<u>1,828,384</u>	<u>1,899,047</u>	<u>2,492,774</u>	<u>471,766</u>	<u>6,691,971</u>
Construction in Progress	-	-	23,833	-	23,833
Land Held for Future Use	1,837	50,820	-	-	52,657
Total Capital Assets	<u>1,830,221</u>	<u>1,949,867</u>	<u>2,516,607</u>	<u>471,766</u>	<u>6,768,461</u>
<b>Other Assets:</b>					
Special Assessments Receivable	18,579	-	-	-	18,579
Long-Term Advances to Tax Incremental District #2 from Revenue Bond Proceeds (Less Current Portion)	52,097	4,851	-	-	56,948
Unamortized Debt Discount and Expense	6,804	4,460	-	-	11,264
Total Other Assets	<u>77,480</u>	<u>9,311</u>	<u>-</u>	<u>-</u>	<u>86,791</u>
<b>Total Assets</b>	<u>\$ 2,951,028</u>	<u>\$ 2,430,606</u>	<u>\$ 4,128,260</u>	<u>\$ 550,207</u>	<u>\$ 10,060,101</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
<b>LIABILITIES</b>					
<b>Current Liabilities Payable from Current Assets:</b>					
Accounts Payable	\$ 620	\$ 6,508	\$ 67,411	\$ 8,092	\$ 82,631
Due to Other Funds	-	-	-	25,075	25,075
Accrued Salaries and Employee Benefits	-	-	413,126	-	413,126
Accrued Interest Payable	-	1,349	14,042	6,390	21,781
Accrued Employee Leave Liabilities - Current Portion	3,104	11,487	-	-	14,591
Deposits	-	-	-	13,240	13,240
Unearned Revenue	-	-	-	731	731
Current Portion of Advance from Other Funds	-	-	-	4,266	4,266
Current Portion of Long-Term Debt	-	58,267	61,590	35,535	155,392
Total Current Liabilities Payable from Current Assets	<u>3,724</u>	<u>77,611</u>	<u>556,169</u>	<u>93,329</u>	<u>730,833</u>
<b>Current Liabilities Payable from Restricted Assets:</b>					
Accrued Interest Payable	2,536	867	-	-	3,403
Trust Funds and Restricted Donations	-	-	34,642	-	34,642
Current Portion of Revenue Bonds	65,000	20,000	-	-	85,000
Total Current Liabilities Payable from Restricted Assets	<u>67,536</u>	<u>20,867</u>	<u>34,642</u>	<u>-</u>	<u>123,045</u>
<b>Long-Term Liabilities (Less Current Portion):</b>					
Other Postemployment Benefits Payable	3,074	6,078	-	-	9,152
Advance from Other Funds	-	-	-	25,157	25,157
General Obligation Promissory Notes	-	205,020	276,927	27,483	509,430
Unamortized Debt Premium	-	5,571	-	-	5,571
Mortgage Revenue Bonds	550,000	234,389	1,986,102	670,200	3,440,691
Total Long-Term Liabilities (Net of Current Portion)	<u>553,074</u>	<u>451,058</u>	<u>2,263,029</u>	<u>722,840</u>	<u>3,990,001</u>
Total Liabilities	624,334	549,536	2,853,840	816,169	4,843,879
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,215,221	1,426,620	191,988	(263,606)	2,570,223
Restricted for Plant Replacement	247,885	187,825	-	-	435,710
Restricted for Debt Retirement	111,898	91,674	189,633	77,879	471,084
Restricted by Donors	-	-	14,686	-	14,686
Unrestricted	751,690	174,951	878,113	(80,235)	1,724,519
Total Net Position	<u>2,326,694</u>	<u>1,881,070</u>	<u>1,274,420</u>	<u>(265,962)</u>	<u>5,216,222</u>
Total Liabilities and Net Position	<u>\$ 2,951,028</u>	<u>\$ 2,430,606</u>	<u>\$ 4,128,260</u>	<u>\$ 550,207</u>	<u>\$ 10,060,101</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 372,414	\$ 483,601	\$ 5,241,344	\$ 160,659	\$ 6,258,018
Other Operating Revenues	33,134	2,832	120,620	13,092	169,678
<b>Total Operating Revenues</b>	<b>405,548</b>	<b>486,433</b>	<b>5,361,964</b>	<b>173,751</b>	<b>6,427,696</b>
<b>OPERATING EXPENSES:</b>					
Operation and Maintenance	142,107	289,687	5,729,366	93,241	6,254,401
Depreciation	66,665	97,587	162,091	40,390	366,733
<b>Total Operating Expenses</b>	<b>208,772</b>	<b>387,274</b>	<b>5,891,457</b>	<b>133,631</b>	<b>6,621,134</b>
<b>OPERATING INCOME (LOSS)</b>	<b>196,776</b>	<b>99,159</b>	<b>(529,493)</b>	<b>40,120</b>	<b>(193,438)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Intergovernmental Grants	-	-	539,414	-	539,414
Interest Income	9,012	3,362	1,221	185	13,780
Rental Income	-	6,000	-	-	6,000
Amortization of Debt Premium	-	1,761	-	-	1,761
Interest Expense	(33,268)	(17,312)	(90,092)	(38,017)	(178,689)
Rental Property Expense	-	(372)	-	-	(372)
Amortization of Debt Discount and Expense	(1,358)	(1,786)	-	-	(3,144)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(25,614)</b>	<b>(8,347)</b>	<b>450,543</b>	<b>(37,832)</b>	<b>378,750</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>171,162</b>	<b>90,812</b>	<b>(78,950)</b>	<b>2,288</b>	<b>185,312</b>
<b>TRANSFERS OUT</b>	<b>(56,493)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,493)</b>
<b>CHANGE IN NET POSITION</b>	<b>114,669</b>	<b>90,812</b>	<b>(78,950)</b>	<b>2,288</b>	<b>128,819</b>
Net Position - Beginning of Year	2,212,025	1,790,258	1,353,370	(268,250)	5,087,403
<b>NET POSITION - END OF YEAR</b>	<b>\$ 2,326,694</b>	<b>\$ 1,881,070</b>	<b>\$ 1,274,420</b>	<b>\$ (265,962)</b>	<b>\$ 5,216,222</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers and Users	\$ 353,535	\$ 493,125	\$ 5,290,283	\$ 162,229	\$ 6,299,172
Cash Received from Municipality for Fire Protection	38,250	-	-	-	38,250
Other Cash Received	-	-	120,620	13,092	133,712
Cash Paid to Suppliers for Goods and Services	(76,011)	(135,697)	-	-	(211,708)
Cash Paid for Employee Services	(62,449)	(133,758)	-	-	(196,207)
Cash Paid to Employees and for Operating Expenses	-	-	(5,860,116)	(94,496)	(5,954,612)
Cash Received (Paid) for Sewer Share of Meter Expense	15,931	(15,961)	-	-	(30)
Net Cash Provided (Used) by Operating Activities	269,256	207,709	(449,213)	80,825	108,577
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Cash Received from Rental Properties	-	6,000	-	-	6,000
Cash Paid for Rental Property Expense	-	(372)	-	-	(372)
Cash Received from Intergovernmental Transfer Program	-	-	539,414	-	539,414
Cash Paid to General Fund for Tax Equivalents	(56,493)	-	-	-	(56,493)
Cash Received from Special Assessments	-	-	-	-	-
Purchased from Sewer Utility Enterprise Fund	2,922	-	-	-	2,922
Net Cash Provided (Used) by Noncapital Financing Activities	(53,571)	5,628	539,414	-	491,471
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Cash Payments for Capital Assets	(11,995)	(10,514)	(50,373)	(2,941)	(75,823)
Cash Received from Salvage of Capital Assets	440	-	-	-	440
Cash Received from Payment of Special Assessments	4,216	-	-	-	4,216
Cash Received from Repayment of Advance to Tax Incremental District	14,468	1,995	-	-	16,463
Principal Paid on Long-Term Debt	(65,000)	(74,567)	(58,287)	(40,051)	(237,905)
Interest and Fiscal Agent Fees Paid on Long-Term Debt	(33,526)	(19,384)	(90,839)	(38,326)	(182,075)
Net Cash Used by Capital and Related Financing Activities	(91,397)	(102,470)	(199,499)	(81,318)	(474,684)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Withdrawals from Debt Redemption Fund	-	-	-	348	348
Withdrawals from (Deposits into) Depreciation Fund	-	-	(57,847)	(1)	(57,848)
Deposits into Debt Service Reserve	-	-	(5,084)	-	(5,084)
Reinvested Interest Income	4,743	(3,419)	(579)	(14)	731
Cash Received from Interest on Investments	(4,743)	3,421	1,221	185	84
Net Cash Provided by Investing Activities	-	2	(62,289)	518	(61,769)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	124,288	110,869	(171,587)	25	63,595
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	489,933	28,768	490,422	-	1,009,123
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 614,221</u>	<u>\$ 139,637</u>	<u>\$ 318,835</u>	<u>\$ 25</u>	<u>\$ 1,072,718</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 196,776	\$ 99,159	\$ (529,493)	\$ 40,120	\$ (193,438)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	66,665	97,587	162,091	40,390	366,733
(Increase) Decrease in Assets:					
Accounts Receivable	2,168	4,820	48,939	839	56,766
Other Accounts Receivable	-	-	(125,500)	-	(125,500)
Due from Other Funds	-	-	9,253	-	9,253
Inventories	2,352	131	-	-	2,483
Prepaid Expenses	(77)	(308)	-	-	(385)
Other Current Assets	-	-	1,559	-	1,559
Increase (Decrease) in Liabilities:					
Accounts Payable	(469)	1,872	(44,160)	1,216	(41,541)
Accrued Employee Leave Liability	548	2,517	-	-	3,065
Other Current Liabilities	-	-	28,098	(1,740)	26,358
Other Postemployment Benefits Payable	1,293	1,931	-	-	3,224
Net Cash Provided (Used) by Operating Activities	<u>\$ 269,256</u>	<u>\$ 207,709</u>	<u>\$ (449,213)</u>	<u>\$ 80,825</u>	<u>\$ 108,577</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:</b>					
Cash and Investments Per Statement of Net Position:					
Cash and Investments - Current	\$ 614,221	\$ 139,637	\$ 318,835	\$ 25	\$ 1,072,718
Cash and Investments - Noncurrent and Restricted	360,968	279,540	433,959	77,879	1,152,346
	975,189	419,177	752,794	77,904	2,225,064
Less: Certificates of Deposit with a Maturity Greater than Three Months	<u>360,968</u>	<u>279,540</u>	<u>433,959</u>	<u>77,879</u>	<u>1,152,346</u>
Total Cash and Cash Equivalents	<u>\$ 614,221</u>	<u>\$ 139,637</u>	<u>\$ 318,835</u>	<u>\$ 25</u>	<u>\$ 1,072,718</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	Agency Fund
<b>ASSETS</b>	
Cash and Investments	\$ 569,554
Taxes Receivable	1,489,141
Total Assets	\$ 2,058,695
<b>LIABILITIES</b>	
Due to Other Governmental Units	\$ 2,058,695

*See accompanying Notes to the Basic Financial Statements.*

**CITY OF CHETEK, WISCONSIN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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.

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.

Knapp Haven Nursing Home (hereinafter Nursing Home) and Pelican Place Apartments (hereinafter Apartments) are owned and operated by the City of Chetek as not-for-profit, tax exempt entities. It is the intent of the City of Chetek Council that the costs (expenses, including depreciation) of providing services to the residents on a continuing basis be financed or recovered primarily through user charges of the Nursing Home and Apartments. Operations of the Nursing Home and Apartments are under the direct supervision of a common board of directors consisting of seven members subject to appointment by the City Council. The Nursing Home and Apartments financial statements are reported on a June 30 fiscal year. Separately issued financial statements of the Nursing Home and Apartments may be obtained from the offices at 725 Knapp Street, Chetek, WI 54728-9106.

The City was also a participating member of two joint ventures as further discussed in Note 4.D.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds as described below):

**Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental 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 to external parties 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 to a specific function or segment. Program revenues include: (a) charges to customers or applicant who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (b) 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, which 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, liabilities, net position, fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the operating fund of the City. 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 Program 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.

CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

**Debt Service Fund** – The Debt Service 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.

**Tax Incremental District (TID) No. 2 Projects Fund** – The TID #2 Projects Fund, a capital projects fund, is used to account for financial resources to be used for the acquisition or construction of projects within the scope of the District's plan.

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

The City reports the following major enterprise funds:

**Water Utility** – This fund accounts for the operations of the 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.

**Knapp Haven Nursing Home** – The Knapp Haven Nursing Home fund is used to account for the operations of the City's 97-bed licensed nursing care facility. The information presented is for the fiscal year ended June 30, 2012.

**Pelican Place Apartments** – The Pelican Place Apartments enterprise fund is used to account for the operations of a 14 unit apartment complex for the elderly. The information presented is for the fiscal year ended June 30, 2012.

The City had no other enterprise funds to report as nonmajor funds.

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 governmental units. The agency fund is primarily used to account for the collection of property taxes for other governmental entities.

**CITY OF CHETEK, WISCONSIN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities 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. Unbilled receivables are recorded as revenues when services are provided. Fiduciary funds do not have a measurement focus.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are deemed to be available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues in the governmental funds 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 general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset 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 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 revenue items are generally considered to be measurable and available only when cash is received by the government.

The City reports deferred revenues on its fund balance sheets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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.

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.

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.

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

**D. Assets, Liabilities, and Net Position or Equity**

**1. 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:

- a) Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b) Bonds or securities issued or guaranteed by the federal government.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**1. Deposits and Investments (Continued)**

- c) 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, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
- d) Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- e) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- f) Bonds or securities issued under the authority of the municipality.
- g) The local government investment pool.
- h) 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.

**2. Receivables and Payables**

**Property Taxes.** Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach an enforceable lien as of January 1. The resulting tax roll is recorded as receivable in the City's agency fund with amounts due other governmental units and other funds of the City recorded as liabilities therein. Since City property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred revenues in the funds budgeted therefore. 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. Delinquent personal property taxes are retained by the City for collection. A portion of the general fund balance is nonspendable for the City's investment in delinquent taxes.

**CITY OF CHETEK, WISCONSIN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**2. Receivables and Payables (Continued)**

**Special Assessments.** Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Deferred 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 2012 tax roll are recognized as revenue in 2013). Special assessments recorded in proprietary funds are recorded as revenue at the time the assessments are subject to collection procedures.

**Accounts Receivable.** Accounts receivable in the Knapp Haven Nursing Home enterprise fund are offset by an allowance for uncollectible accounts of \$30,000 at June 30, 2012. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables. All other accounts receivable are considered to be collectible in full.

**Loans Receivable.** The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amounts recorded as economic development and 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. It is the City's policy to record deferred revenue 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.

**Interfund Balances.** 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.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**3. 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 future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. 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.

**5. 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.

Infrastructure assets for governmental activities are reported prospectively only, beginning with 2004, as allowed by GASB Statement No. 34.

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	\$ 1,000	N/A	N/A
Land Improvements	1,000	Straight-line	20 - 40 Years
Buildings	1,000	Straight-line	10 - 50 Years
Furniture and Equipment	1,000	Straight-line	5 - 20 Years
Vehicles	1,000	Straight-line	8 Years
Utility Systems	1,000	Straight-line	4 - 100 Years
Infrastructure	1,000	Straight-line	20 - 50 Years

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**5. Capital Assets (Continued)**

**Government-Wide Statements (Continued).** 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.

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

**6. Other Assets**

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

**7. Compensated Absences**

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.

**8. Other Postemployment Benefits Payable**

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

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**9. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Equity Classifications**

Fund equity, representing the difference between assets and liabilities, is classified as follows in the City's financial statements:

**Government-Wide Statements.** Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted.

**Fund Financial Statements.** In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that will never be converted to cash or will not be converted to cash soon enough to affect the current period. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. 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.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**10. Equity Classifications (Continued)**

**Fund Financial Statements (Continued).** Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year end. Based on resolution of the City Council, the Clerk-Treasurer will have the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned and finally unassigned fund balance.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

The Tax Incremental District #3 fund had a deficit fund balance of \$62,036 at December 31, 2012. This deficit will be funded through future tax increment. The Pelican Place Apartments had deficit net position of \$265,962 as of June 30, 2012. This deficit will be funded through future operational results.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City's cash and investments balances at December 31, 2012 as shown in the financial statements are as follows:

Governmental Funds	\$ 2,329,418
Proprietary Funds	2,225,064
Fiduciary Funds	569,554
Total	<u>\$ 5,124,036</u>

The above cash and investments consisted of the following:

	<u>Balance 12/31/12</u>
Treasurer's Cash and Investments:	
Deposits in Financial Institutions	\$ 2,441,380
Deposits in Local Government Investment Pool	1,702,243
Petty Cash Funds	1,040
	<u>4,144,663</u>
Restricted Cash and Investments:	
Deposits in Financial Institutions	979,373
	<u>\$ 5,124,036</u>

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

**Deposits at Financial Institutions**

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 non-interest bearing 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.

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be returned. At December 31, 2012, the City's deposits were exposed to custodial credit risk in the amount of \$708,205 for amounts uninsured and uncollateralized.

**Investments**

The City's investments at December 31, 2012 consisted of investments in the Local Government Investment Pool as discussed below:

**State Local Government Pooled-Investment Fund.** The State of Wisconsin offers a Local Government Investment Pool (LGIP) to local government units to enable them to voluntarily invest idle funds in State Investment Fund. Local funds are pooled with state funds and invested by the State Investment Board. There is no minimum or maximum amount that can be invested by a local governmental unit. Interest is earned on a daily basis and withdrawals are generally available on the day of request. Deposits in the LGIP are not covered by federal depository insurance but are subject to coverage under the State Guarantee Fund. Also, the State of Wisconsin Investment Board has obtained a surety bond to protect deposits in the LGIP against defaults in principal payments on the LGIP's investments (subject to certain limitations). The average monthly weighted average maturity of the State Investment Fund's investments for 2012 was 77 days.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The City's policy is to invest its funds in accordance with provisions of the Wisconsin Statutes previously discussed in Note 1.D.1.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

**Investments (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with maturity dates farther into the future are more sensitive to changes in market interest rates. The short weighted average maturity of the investments in the LGIP mitigates this risk to the City.

**B. Receivables**

**Housing Rehabilitation Loans Receivable.** Over the years, the City was been awarded Community Development Block Grants to finance housing rehabilitation as specified in the grant agreements. Various housing rehabilitation loans have been financed with the proceeds of the grants.

At December 31, 2012 the City had outstanding six installment loans totaling \$38,377. These loans are being repaid to the City under terms established through the program. Receivables have been recorded in the special revenue fund in the amount of the outstanding balances of these loans and are equally offset by deferred revenues recorded therein. Revenue is recognized in the special revenue fund as collections are received on these loans.

The City also had 123 deferred mortgage loans outstanding at December 31, 2012 totaling \$1,200,525. 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 revenues 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.

**CITY OF CHETEK, WISCONSIN  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2012 is as follows:

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 423,618	\$ -	\$ -	\$ 423,618
Capital Assets Being Depreciated:				
Land Improvements	157,718	-	-	157,718
Buildings	1,455,611	-	-	1,455,611
Furniture and Equipment	693,864	-	-	693,864
Vehicles	539,701	91,834	34,929	596,606
Infrastructure	1,887,346	131,029	-	2,018,375
Total Capital Assets Being Depreciated	<u>4,734,240</u>	<u>222,863</u>	<u>34,929</u>	<u>4,922,174</u>
 Total Capital Assets	 5,157,858	 222,863	 34,929	 5,345,792
 Accumulated Depreciation:				
Land Improvements	75,515	2,747	-	78,262
Buildings	469,845	29,621	-	499,466
Furniture and Equipment	397,532	36,542	-	434,074
Vehicles	296,956	57,824	26,170	328,610
Infrastructure	316,967	78,035	-	395,002
Total Accumulated Depreciation	<u>1,556,815</u>	<u>204,769</u>	<u>26,170</u>	<u>1,735,414</u>
 Net Capital Assets - Governmental Activities	 <u>\$ 3,601,043</u>	 <u>\$ 18,094</u>	 <u>\$ 8,759</u>	 <u>\$ 3,610,378</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,826
Public Safety	17,463
Transportation	148,604
Sanitation	22,755
Health and Human Services	300
Culture, Recreation and Education	8,093
Conservation and Development	4,728
Total Depreciation - Governmental Activities	<u>\$ 204,769</u>

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Utility:</b>				
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 650	\$ -	\$ -	\$ 650
Utility Property	1,837	-	-	1,837
Total Capital Assets Not Being Depreciated	2,487	-	-	2,487
Capital Assets Being Depreciated:				
Source of Supply	7,096	-	-	7,096
Pumping Plant	49,204	-	-	49,204
Water Treatment	33,178	720	-	33,898
Transmission and Distribution	2,419,219	3,814	906	2,422,127
Administration and General Assets	267,020	7,462	-	274,482
Total Capital Assets Being Depreciated	2,775,717	11,996	906	2,786,807
Total Capital Assets	2,778,204	11,996	906	2,789,294
Less Accumulated Depreciation	892,873	66,665	465	959,073
Net Capital Assets - Water Utility	1,885,331	(54,669)	441	1,830,221
<b>Sewer Utility:</b>				
Capital Assets Not Being Depreciated:				
Land and Land Rights	53,359	-	-	53,359
Capital Assets Being Depreciated:				
Collection System	1,271,556	867	-	1,272,423
Collection System Pumping Installations	410,409	-	-	410,409
Treatment and Disposal Plant	1,738,860	-	-	1,738,860
Administration and General Assets	227,553	9,647	-	237,200
Total Capital Assets Being Depreciated	3,648,378	10,514	-	3,658,892
Total Capital Assets	3,701,737	10,514	-	3,712,251
Less Accumulated Depreciation	1,664,797	97,587	-	1,762,384
Net Capital Assets - Sewer Utility	2,036,940	(87,073)	-	1,949,867

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

**Business-Type Activities (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Knapp Haven Nursing Home:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 19,328	\$ -	\$ -	\$ 19,328
Construction Work in Progress	-	23,833	-	23,833
Total Capital Assets Not Being Depreciated	19,328	23,833	-	43,161
Capital Assets Being Depreciated:				
Land Improvements	111,066	-	-	111,066
Buildings	3,338,699	12,443	-	3,351,142
Fixed Equipment	663,334	-	-	663,334
Major Movable Equipment	396,173	14,097	-	410,270
Vehicles	88,785	-	-	88,785
Total Capital Assets Being Depreciated	4,598,057	26,540	-	4,624,597
Total Capital Assets	4,617,385	50,373	-	4,667,758
Less Accumulated Depreciation	1,989,060	162,091	-	2,151,151
Net Capital Assets - Knapp Haven Nursing Home	2,628,325	(111,718)	-	2,516,607
<b>Pelican Place Apartments:</b>				
Capital Assets Not Being Depreciated				
Land	8,849	-	-	8,849
Capital Assets Being Depreciated:				
Land Improvements	50,804	821	-	51,625
Buildings	642,587	2,120	-	644,707
Fixed Equipment	342,251	-	-	342,251
Major Moveable Equipment	37,303	-	-	37,303
Total Capital Assets Being Depreciated	1,072,945	2,941	-	1,075,886
Total Capital Assets	1,081,794	2,941	-	1,084,735
Less Accumulated Depreciation	572,579	40,390	-	612,969
Net Capital Assets - Pelican Place Apartments	509,215	(37,449)	-	471,766
Net Capital Assets - Business-Type Activities	<u>\$ 7,059,811</u>	<u>\$ (290,909)</u>	<u>\$ 441</u>	<u>\$ 6,768,461</u>

Depreciation was charged to business-type activities as follows:

Water Utility	\$ 66,665
Sewer Utility	97,587
Knapp Haven Nursing Home	162,091
Pelican Place Apartments	40,390
Total Depreciation - Business-Type Activities	<u>\$ 366,733</u>

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of December 31, 2012 was as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Incremental District #3 Fund	\$ 62,036
General Fund	Knapp Haven Nursing Home	5,547
Knapp Haven Nursing Home	Pelican Place Apartments	25,075
		<u>\$ 92,658</u>

The amount due the general fund from Knapp Haven enterprise fund consists of temporary financing of current year expenses to be settled in 2013. The amount reported in the Knapp Haven enterprise fund at June 30, 2012 is zero, a difference of \$5,547 due to the timing difference of the year ends. The purpose of the remaining above balances were to fund cash overdrafts in the respective funds at year end and are expected to be settled in 2013.

**Advances from/to Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pelican Place Apartments	\$ 27,293
Water Utility Enterprise Fund (Bonds)	Tax Incremental District #2 Fund	62,753
Sewer Utility Enterprise Fund (Bonds)	Tax Incremental District #2 Fund	6,468
		<u>\$ 96,514</u>

At December 31, 2012 the water utility enterprise fund and sewer utility enterprise fund had outstanding advances due from the Tax Incremental District #2 capital projects fund in the amounts of \$62,753 and \$6,468, respectively. These funds were advanced from proceeds of utility revenue bond issues during 1998. The advances are to be repaid over the life of the revenue bond issues as tax incremental revenues are realized. Future scheduled principal and interest repayments on the advances to the water and sewer utilities are presented in supplementary Schedules E-7 and E-9.

The City had outstanding advances from its general fund to the Pelican Place Apartments enterprise fund at December 31, 2012 totaling \$27,293. On January 9, 2001 the City Council approved the advance of \$63,563 to the City's Pelican Place Apartments enterprise fund. This advance is interest free and is being repaid in monthly installments of \$263. As of December 31, 2012, \$37,872 has been collected on the advance leaving a balance of \$25,691. The City's general fund also has advanced the Pelican Place enterprise fund \$12,469 to assist in the construction of a garage. The advance is being repaid by monthly payments of \$96 and has an interest rate of 2.50%. The balance at December 31, 2012 was \$1,602. The amount of these advances reported in the Pelican Place enterprise fund at June 30, 2012 is \$33,662, a difference of \$2,130 due to the timing difference of the year ends.

Interfund balances that are owed within the governmental activities and business-type activities are eliminated in the statement of net position.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Receivables, Payables and Transfers (Continued)**

**Interfund Transfers**

The following is a schedule of interfund transfers made during 2012:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Water Utility Enterprise Fund	\$ 56,493
Debt Service Fund	General Fund	105,749
Debt Service Fund	Stormwater Fund	20,099
Debt Service Fund	Tax Incremental District #2 Fund	251,574
		<u>\$ 433,915</u>

The property tax equivalent paid by the water utility 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.

**E. Long-Term Obligations**

**Changes in Long-Term Obligations**

Changes in the long-term obligations of the City for the year ended December 31, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Long-Term Debt:</b>					
<b>Governmental Activities:</b>					
General Obligation Debt	\$ 2,143,585	\$ -	\$ 301,677	\$ 1,841,908	\$ 316,382
Unamortized Debt Premium	57,841	-	11,384	46,457	10,457
	<u>2,201,426</u>	<u>-</u>	<u>313,061</u>	<u>1,888,365</u>	<u>326,839</u>
<b>Business-Type Activities:</b>					
<b>General Obligation Notes:</b>					
Sewer Utility	259,960	-	26,800	233,160	28,140
Knapp Haven Nursing Home	349,966	-	35,405	314,561	37,634
Pelican Place Apartments	36,330	-	5,312	31,018	3,535
Unamortized Debt Premium	8,950	-	1,761	7,189	1,618
<b>Mortgage Revenue Bonds:</b>					
Water Utility	680,000	-	65,000	615,000	65,000
Sewer Utility	330,665	-	47,767	282,898	48,509
Knapp Haven Nursing Home	2,032,940	-	22,882	2,010,058	23,956
Pelican Place Apartments	732,700	-	30,500	702,200	32,000
Total Business-Type Activities	<u>4,431,511</u>	<u>-</u>	<u>235,427</u>	<u>4,196,084</u>	<u>240,392</u>
Total Long-Term Debt	<u>\$ 6,632,937</u>	<u>\$ -</u>	<u>\$ 548,488</u>	<u>\$ 6,084,449</u>	<u>\$ 567,231</u>

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Changes in Long-Term Obligations (Continued)**

	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
<b>Other Long-Term Obligations:</b>					
<b>Governmental Activities:</b>					
Other Postemployment					
Benefits Payable	\$ 33,574	\$ 18,321	\$ 3,144	\$ 48,751	\$ -
Employee Leave Liability	60,205	3,962	-	64,167	64,167
	<u>93,779</u>	<u>22,283</u>	<u>3,144</u>	<u>112,918</u>	<u>64,167</u>
<b>Business-Type Activities:</b>					
Other Postemployment					
Benefits Payable	5,928	3,439	215	9,152	-
Employee Leave Liability	11,526	3,065	-	14,591	14,591
	<u>17,454</u>	<u>6,504</u>	<u>215</u>	<u>23,743</u>	<u>14,591</u>
Total Other Long-Term Obligations	<u>\$ 111,233</u>	<u>\$ 28,787</u>	<u>\$ 3,359</u>	<u>\$ 136,661</u>	<u>\$ 78,758</u>

The City's estimated liabilities for employee leave are discussed in Note 4.B.

**General Obligation Debt**

**Annual Requirements for Retirement.** Individual general obligation long-term debt issued outstanding at December 31, 2012 and annual requirements for their retirement are shown below:

	Year	Principal	Interest	Total
<b>General Obligation Notes:</b>				
General Obligation Refunding Bonds, \$1,940,000, dated 9/2/11, due 6/1/21, interest at 2.0% to 3.0%	2013	\$ 210,000	\$ 45,800	\$ 255,800
	2014	220,000	41,500	261,500
	2015	225,000	35,925	260,925
(general City \$780,850; TID #2 \$750,780; stormwater fund \$148,410; sewer utility \$259,960)	2016	230,000	29,100	259,100
	2017	240,000	22,050	262,050
	2018-2021	615,000	31,575	646,575
		<u>1,740,000</u>	<u>205,950</u>	<u>1,945,950</u>
State Trust Fund Loan, \$248,000, dated 12/22/05, due 3/15/15, interest at 4.25% (TID #2)	2013	30,056	3,997	34,053
	2014	31,333	2,720	34,053
	2015	32,664	1,389	34,053
		<u>94,053</u>	<u>8,106</u>	<u>102,159</u>
Promissory Bank Note, \$45,000, dated 10/7/03, due 10/7/13, interest at 4.25% (Knapp Haven Nursing Home)	2013	5,177	438	5,615
	2014	5,148	218	5,366
		<u>10,325</u>	<u>656</u>	<u>10,981</u>
General Obligation Promissory Notes, \$584,000 authorized, \$409,000 issued, dated 11/4/09, due 9/1/19, interest at 4.5% (Knapp Haven Nursing Home \$334,670; Pelican Place Apartments \$36,330)	2013	36,000	22,192	58,192
	2014	38,000	20,527	58,527
	2015	40,000	18,772	58,772
	2016	41,000	16,994	57,994
	2017	43,000	15,061	58,061
	2018-2020	137,254	29,105	166,359
		<u>335,254</u>	<u>122,651</u>	<u>457,905</u>

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**General Obligation Debt (Continued)**

**Annual Requirements for Retirement (Continued)**

<b>General Obligation Notes: (Continued)</b>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
State Trust Fund Loan, \$215,617, dated 10/27/06, due 3/15/16, interest at 4.25% (TID #2)	2013	\$ 25,222	\$ 4,569	\$ 29,791
	2014	26,294	3,497	29,791
	2015	27,412	2,379	29,791
	2016	28,573	1,218	29,791
			<u>107,501</u>	<u>11,663</u>
Promissory Bank Note, \$664,333, dated 1/18/08, due 1/18/18, interest at 5.00% (TID #2)	2013	79,244	6,790	86,034
	2014	54,270	2,718	56,988
		<u>133,514</u>	<u>9,508</u>	<u>143,022</u>
		<u>\$ 2,420,647</u>	<u>\$ 358,534</u>	<u>\$ 2,779,181</u>
Total General Obligation Long-term Debt				

**Mortgage Revenue Bonds**

At December 31, 2012 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 and its component unit.

**Water System Revenue Bonds.** The City issued water system revenue bonds in 1998 in the amount of \$800,000 to provide funds necessary for plant expansion. A portion of this debt was advanced to the City's tax incremental district. The City also issued \$435,000 in revenue bonds during 2003 for financing additional plant expansion. These debt issues are recorded in the City's water utility enterprise fund.

Scheduled annual principal and interest requirements on the debt outstanding at December 31, 2012 are shown below.

	Year	<u>Repayment Requirements</u>			<u>Expected Funding</u>	
		Principal	Interest	Total	Water	TID
					Utility	Fund
Water System Revenue Bonds \$800,000, dated 5/1/98, due 12/1/18, interest at 4.60% to 5.20%	2013	\$ 45,000	\$ 17,160	\$ 62,160	\$ 48,236	\$ 13,924
	2014	50,000	14,820	64,820	50,268	14,552
	2015	55,000	12,220	67,220	52,100	15,120
	2016	55,000	9,360	64,360	49,918	14,442
	2017	60,000	6,500	66,500	51,551	14,949
	2018	65,000	3,380	68,380	68,380	-
			<u>330,000</u>	<u>63,440</u>	<u>393,440</u>	<u>\$ 320,453</u>
\$435,000, dated 10/9/03, due 12/1/23, interest at 3.00% to 5.00%	2013	20,000	13,270	33,270		
	2014	20,000	12,470	32,470		
	2015	20,000	11,590	31,590		
	2016	25,000	10,710	35,710		
	2017	25,000	9,610	34,610		
	2018-2022	140,000	30,005	170,005		
	2023	35,000	1,750	36,750		
		<u>285,000</u>	<u>89,405</u>	<u>374,405</u>		
Total Water System Revenue Bonds		<u>\$ 615,000</u>	<u>\$ 152,845</u>	<u>\$ 767,845</u>		

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Mortgage Revenue Bonds (Continued)**

**Water System Revenue Bonds (Continued).** The bonds issued in 1998 that mature in the year 2007 and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2006 or on any day thereafter at the price of par plus accrued interest to the date of redemption. The bonds issued in 2003 that mature in the year 2017 and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2013 or on any day thereafter at the price of par plus accrued interest to the date of redemption.

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

- (1) Operation and Maintenance Fund
- (2) Special Redemption Fund (Includes Debt Service and Reserve Accounts)
- (3) Depreciation Fund

Special requirements pertaining to the establishment, use and balances required in the above funds are detailed in the authorizing resolution. The special redemption fund and depreciation fund have been established by the utility. The balances in these accounts at December 31, 2012 were \$113,083 and \$247,885, respectively.

**Sewer System Revenue Bonds.** During 1998 the City authorized the issuance of two separate sewer revenue bond issues as discussed below:

**Sewer System Revenue Bonds Dated May 1, 1998.** The City issued sewer system revenue bonds dated May 1, 1998 in the amount of \$290,000 to provide funds necessary for plant expansion. This debt is recorded in the City's sewer utility enterprise fund. A portion of the debt was advanced to the City's tax incremental district. Scheduled annual principal and interest requirements on the debt outstanding at December 31, 2012 are shown below.

	Year	Repayment Requirements			Expecting Funding	
		Principal	Interest	Total	Sewer Utility	TID Fund
Sewer System Revenue Bonds	2013	\$ 20,000	\$ 4,680	\$ 24,680	\$ 22,769	\$ 1,911
\$290,000, dated 5/1/98,	2014	20,000	3,640	23,640	21,813	1,827
due 5/1/17, interest	2015	20,000	2,600	22,600	20,857	1,743
at 5.00% to 5.20%	2016	20,000	1,560	21,560	19,901	1,659
	2017	20,000	520	20,520	20,520	-
		<u>\$ 100,000</u>	<u>\$ 13,000</u>	<u>\$ 113,000</u>	<u>\$ 105,860</u>	<u>\$ 7,140</u>

Bonds maturing in the years 2010 and thereafter are subject to redemption prior to maturity at the option of the City on May 1, 2006 or on any day thereafter at the price of par plus accrued interest to the date of redemption.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Mortgage Revenue Bonds (Continued)**

**Sewer System Revenue Bonds Dated May 1, 1998 (Continued).** According to the City of Chetek resolution authorizing the issuance of the above sewer system revenue bonds, the utility is to set aside gross revenues in separate and special funds as follows:

- (1) Operation and Maintenance Fund
- (2) Special Redemption Fund (Includes Debt Service and Reserve Accounts)
- (3) Depreciation Fund

Special requirements pertaining to the establishment, use and balances required in the above funds are detailed in the authorizing resolution. The special redemption fund and depreciation fund have been established by the utility. The balances in these accounts at December 31, 2012 were \$91,715 and \$187,825, respectively. These balances meet the combined requirements of these bonds and the State of Wisconsin Clean Water Fund Loan below.

**State of Wisconsin Clean Water Fund Loan.** The City authorized, by Resolution 98-26, the issuance of up to \$527,883 in sewerage system revenue bonds for the purpose of financing 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.

Scheduled annual principal and interest requirements on the debt outstanding at December 31, 2012 are shown below.

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Sewage System Revenue Bonds, \$511,765, dated 7/8/98, due 5/1/18, interest at 2.672%	2013	\$ 28,509	\$ 4,507	\$ 33,016
	2014	29,271	3,735	33,006
	2015	30,053	2,942	32,995
	2016	30,856	2,128	32,984
	2017	31,681	1,293	32,974
	2018	32,528	435	32,963
			<u>\$ 182,898</u>	<u>\$ 15,040</u>

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.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Mortgage Revenue Bonds (Continued)**

**State of Wisconsin Clean Water Fund Loan (Continued).** 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.

**Elderly Apartment Revenue Bonds.** The City issued \$1,000,000 of mortgage revenue bonds in 1997 to the United States Department of Agriculture-Rural Development for the construction of a frail/elderly apartment complex. This debt is recorded in the City's Pelican Place Apartments enterprise fund. Scheduled annual principal and interest requirements on the debt outstanding at December 31, 2012 are shown below.

	Fiscal Year	Principal	Interest	Total
Mortgage Revenue Bonds, \$1,000,000, dated 5/8/97, due 5/1/27, interest at 5.125%	2013	\$ 32,000	\$ 34,715	\$ 66,715
	2014	33,800	33,093	66,893
	2015	35,500	31,382	66,882
	2016	37,300	29,585	66,885
	2017	39,300	27,695	66,995
	2018-2022	229,100	106,489	335,589
	2023-2027	295,200	42,139	337,339
			<u>\$ 702,200</u>	<u>\$ 305,098</u>

The bond ordinance authorizing the issuance of the bonds calls for the creation of a special redemption fund into which revenue is pledged for the retirement of principal and interest payments. In addition to the special redemption fund, a depreciation fund is to be established with a minimum annual contribution of \$6,676, until a balance of \$66,760 is accumulated. The depreciation fund is to be used only for the payment of principal and interest if insufficient funds exist in the special redemption fund. Funds accumulated in excess of the reserve may be used to make replacements or repairs.

As of June 30, 2012, the special redemption fund had a balance of \$11,118 and the depreciation fund had a balance of \$66,761.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Mortgage Revenue Bonds (Continued)**

**Nursing Home Revenue Bonds.** The City issued \$2,044,480 of mortgage revenue bonds during fiscal year 2011 to the United States Department of Agriculture-Rural Development for Knapp Haven nursing home improvements. This debt is recorded in the City's Knapp Haven Nursing Home enterprise fund. Scheduled annual principal and interest requirements on the debt outstanding at December 31, 2012 are shown below.

	Fiscal Year	Principal	Interest	Total
Mortgage Revenue Bonds, \$2,044,480, dated 11/18/10, due 11/18/50, interest at 3.75%	2013	\$ 23,956	\$ 75,162	\$ 99,118
	2014	24,863	74,255	99,118
	2015	25,804	73,314	99,118
	2016	26,583	72,535	99,118
	2017	27,787	71,331	99,118
	2018-2022	155,328	340,262	495,590
	2023-2027	187,044	308,546	495,590
	2028-2032	225,101	270,489	495,590
	2033-2037	271,251	224,339	495,590
	2038-2042	326,645	168,945	495,590
	2043-2047	393,355	102,236	495,591
	2048-2051	322,341	24,688	347,029
			<u>\$ 2,010,058</u>	<u>\$ 1,806,102</u>

The bond ordinance authorizing the issuance of the bonds calls for the creation of a special redemption fund into which revenue is pledged for the retirement of principal and interest payments. As of June 30, 2012, the special redemption fund had a balance of \$189,633.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Governmental Fund Balances**

The governmental fund balances reported on the fund financial statements at December 31, 2012 consisted of the following:

	<u>Total</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
<b>Major Funds:</b>						
General Fund						
Delinquent Taxes	\$ 15,833	\$ 15,833	\$ -	\$ -	\$ -	\$ -
Advances to Other Funds	27,293	27,293	-	-	-	-
Library Improvements	14,941	-	14,941	-	-	-
Data Processing Costs	2,763	-	-	-	2,763	-
Squad Car	12,778	-	-	-	12,778	-
Law Enforcement Equipment	3,247	-	-	-	3,247	-
Law Enforcement Radio Equipment	234	-	-	-	234	-
Street Machinery and Equipment	82,598	-	-	-	82,598	-
Snow and Ice Control	4,535	-	-	-	4,535	-
Garbage Truck	130,121	-	-	-	130,121	-
City Shop	1,953	-	-	-	1,953	-
Street Improvements	56,177	-	-	-	56,177	-
Airport	10,143	-	-	-	10,143	-
Airport Courtesy Van	1,193	-	-	-	1,193	-
Library Act 150	48,877	-	-	-	48,877	-
Parks	101,482	-	-	-	101,482	-
Docks and Boat Landing	8,462	-	-	-	8,462	-
Assessment of Property	27,351	-	-	-	27,351	-
Fixed Asset Replacement	36,422	-	-	-	36,422	-
Building Fund	260,583	-	-	-	260,583	-
Economic Development	5,825	-	-	-	5,825	-
Unassigned	1,000,503	-	-	-	-	1,000,503
Housing Rehabilitation Revolving Loan						
Program Fund	56,809	-	56,809	-	-	-
Debt Service Fund	20,958	-	20,958	-	-	-
Tax Incremental District #2 Projects Fund	6,946	-	6,946	-	-	-
<b>Nonmajor Funds:</b>						
Special Revenue Funds:						
Stormwater Fund	71,440	-	-	71,440	-	-
Capital Projects Fund:						
Tax Incremental District #3 Projects Fund	(62,036)	-	-	-	-	(62,036)
Total Governmental Fund Balances at December 31, 2012	<u>\$ 1,947,431</u>	<u>\$ 43,126</u>	<u>\$ 99,654</u>	<u>\$ 71,440</u>	<u>\$ 794,744</u>	<u>\$ 938,467</u>

**G. Tax Incremental Districts**

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.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Tax Incremental Districts (Continued)**

The City terminated TID #1 in 1996. TID #2 and TID #3 were in existence during the year ended December 31, 2012. The resolutions creating TID #2 and TID #3 were dated May 1, 1997 and April 26, 2007, respectively. A resolution subsequently amending TID #2 was dated April 8, 2003. At the creation of TID #2, the statutes provided that no project costs could be expended later than seven years after the creation date of the district. The statutes further allowed the municipality to collect tax increments for sixteen years after the last project expenditure is made or until the net project cost of the district had been recovered, whichever occurred first. The State enacted several changes relating to tax incremental districts in 2004 (with amending legislation in 2005). One of these changes extended the expenditure period for all current and future districts, effective October 1, 2004, to five years prior to the termination of the district's unextended maximum life. For those districts that had reached the end of its project expenditure period prior to October 1, 2004, it allows a municipality to expend additional project costs included in the project plan beginning October 1, 2004 (subject to certain conditions). The unextended maximum life of TID #3 is twenty years.

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

The following is a summary of TID #2 and TID #3 project costs and revenues through December 31, 2012:

	<u>TID #2</u>	<u>TID #3</u>
Accumulated Project Costs:		
From Inception to December 31, 2012	\$ 3,923,268	\$ 273,651
Accumulated Project Revenues:		
Tax Increments	2,444,427	-
Intergovernmental Revenues	317,703	-
Special Assessments Levied	29,995	-
Sale of Property	15,144	-
Rent	20,930	5,021
Interest on Investments	65,948	-
Premium on Debt Issued	27,619	-
Transfers In	-	206,594
Total Project Revenues	<u>2,921,766</u>	<u>211,615</u>
Future Project Revenues Necessary to Recover Net Costs to Date	<u>\$ 1,001,502</u>	<u>\$ 62,036</u>

The above summary of transactions is reconcilable to the TID fund balances (deficits) at December 31, 2012 as follows:

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Tax Incremental Districts (Continued)**

	TID #2	TID #3
Long-Term Debt Payable from TID Fund:		
State Trust Fund Loan Dated 12/22/05	\$ 94,053	\$ -
State Trust Fund Loan Dated 10/27/06	107,501	-
General Obligation Note Dated 1/18/08	133,514	-
G.O. Refunding Bonds Dated 9/2/11	673,380	-
	1,008,448	-
Less Unrecovered Costs Above	1,001,502	62,036
Fund Balance (Deficit) December 31, 2012	\$ 6,946	\$ (62,036)

In addition to the above long-term debt payable from TID funds, TID #2 was obligated for revenue bond proceeds and operating funds advanced to it from the water utility and sewer utility as previously discussed in Note 3.D. Advances to TID #2 from the water utility and sewer utility at December 31, 2012 totaled \$62,753 and \$6,468, respectively.

**NOTE 4 OTHER INFORMATION**

**A. Employee Retirement Plan**

All eligible City of Bloomer employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (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. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Employee Retirement Plan (Continued)**

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<b>Employee</b>	<b>Employer</b>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for the City employees covered by the WRS for the year ended December 31, 2012 was \$263,831; the employer's total payroll was \$4,496,463. The total required contribution for the year ended December 31, 2012 was \$45,643, which consisted of \$30,077, or 11.4 percent of payroll from the employer and \$15,566, or 5.9 percent of payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$42,259 and \$40,598 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Employee Leave Liabilities**

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

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 propriety fund financial statements when earned. The estimated liabilities for unused vacation and compensatory time payable from governmental funds and proprietary funds at December 31, 2012 were \$64,167 and \$14,591, respectively.

Employees of Knapp Haven Nursing Home receive all purpose paid leave ("APPL") for paid time off which encompasses sick leave, personal holidays and vacation time. Employees are granted "APPL" time based on length of service. The estimated liability for accumulated "APPL" time was \$290,929 at June 30, 2012.

**C. Other Postemployment Benefit Plan**

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

**Single-Employer Plan Description**

The City offers a supplemental retirement program for certain employees which includes certain health insurance benefits. The City provides these benefits according to negotiated agreements. The amounts vary based on age, years of service, and classification of employees. As of the actuarial study date there were approximately 15 active participants and no retired participants receiving benefits from the City's health plans.

**Funding Policy**

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2012, the City contributed an estimated \$3,360 to the plan.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefit Plan (Continued)**

**Funding Policy (Continued)**

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

Annual Required Contribution	\$ 21,689
Interest on Net OPEB Obligation	1,580
Adjustment to Annual Required Contribution	<u>(1,509)</u>
Annual OPEB Cost (Expense)	21,760
Contributions Made	<u>(3,360)</u>
Increase in Net OPEB Obligation	18,400
Net OPEB Obligation- Beginning of Year	<u>39,502</u>
Net OPEB Obligation- End of Year	<u><u>\$ 57,902</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 21,760	15.4%	\$ 57,902
12/31/2011	33,172	44.6%	39,502
12/31/2010	33,135	57.1%	21,110

**Funded Status and Funding Progress**

As of January 1, 2012, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$194,785 which is 25.4% of covered payroll in the amount of \$766,100.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefit Plan (Continued)**

**Actuarial Methods and Assumptions**

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

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% interest discount rate of return. The initial healthcare trend rate was 10%, reduced by decrements to an ultimate rate of 5.0% by the year 2023. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2012 was 29 years.

**D. 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 2012 totaled \$55,146.

**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 in order to provide ambulance and/or emergency medical services.

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.

**CITY OF CHETEK, WISCONSIN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**D. Joint Ventures (Continued)**

**Chetek Ambulance Service (Continued)**

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 2012 totaled \$34,213. 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.

**E. Risk Management**

The City is exposed to various risks of loss related to torts; thefts of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

## SCHEDULE 1

**CITY OF CHETEK, WISCONSIN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
<b>REVENUES</b>				
Taxes	\$ 1,243,697	\$ 1,243,697	\$ 1,243,607	\$ (90)
Intergovernmental	555,642	619,171	626,337	7,166
Licenses and Permits	45,550	45,550	55,789	10,239
Fines and Forfeits	30,500	30,500	25,708	(4,792)
Public Charges for Services	320,500	346,262	370,688	24,426
Intergovernmental Charges for Services	3,100	3,100	3,999	899
Miscellaneous:				
Interest	10,625	10,625	11,424	799
Rent	7,300	10,300	13,555	3,255
Other	2,000	8,000	30,040	22,040
<b>Total Revenues</b>	<b>2,218,914</b>	<b>2,317,205</b>	<b>2,381,147</b>	<b>63,942</b>
<b>EXPENDITURES</b>				
General Government	371,391	370,863	345,192	25,671
Public Safety	679,150	810,593	662,034	148,559
Transportation	404,100	421,100	410,095	11,005
Sanitation	285,700	288,700	290,902	(2,202)
Health and Human Services	2,000	2,000	1,855	145
Culture, Recreation and Education	161,120	165,620	158,784	6,836
Conservation and Development	2,500	2,500	91	2,409
Capital Outlay	245,953	1,303,717	508,973	794,744
<b>Total Expenditures</b>	<b>2,151,914</b>	<b>3,365,093</b>	<b>2,377,926</b>	<b>987,167</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>67,000</b>	<b>(1,047,888)</b>	<b>3,221</b>	<b>1,051,109</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	30,645	41,681	11,036
Transfers In	48,000	48,000	56,493	8,493
Transfers Out	(115,000)	(115,000)	(105,749)	9,251
<b>Total Other Financing Sources (Uses)</b>	<b>(67,000)</b>	<b>(36,355)</b>	<b>(7,575)</b>	<b>28,780</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(1,084,243)</b>	<b>(4,354)</b>	<b>1,079,889</b>
Fund Balance, January 1	1,857,668	1,857,668	1,857,668	-
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 1,857,668</b>	<b>\$ 773,425</b>	<b>\$ 1,853,314</b>	<b>\$ 1,079,889</b>

See Notes to Required Supplementary Information

**CITY OF CHETEK, WISCONSIN  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED DECEMBER 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 194,785	\$ 194,785	0%	\$ 766,100	25.4%
1/1/2009	-	282,770	282,770	0%	1,019,231	27.7%

**CITY OF CHETEK, WISCONSIN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2012**

**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.

**SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**CITY OF CHETEK, WISCONSIN  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012**

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Funds
	Stormwater Fund	Tax Incremental District #3 Projects Fund		
<b>ASSETS</b>				
Cash and Investments	\$ 66,138	\$ -		\$ 66,138
Accounts Receivable	5,329	-		5,329
<b>Total Assets</b>	<b>\$ 71,467</b>	<b>\$ -</b>		<b>\$ 71,467</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Due to General Fund	\$ -	\$ 62,036		\$ 62,036
<b>Fund Balances:</b>				
Committed	71,440	-		71,440
Unassigned	-	(62,036)		(62,036)
<b>Total Fund Balances</b>	<b>71,440</b>	<b>(62,036)</b>		<b>9,404</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 71,467</b>	<b>\$ -</b>		<b>\$ 71,467</b>

**CITY OF CHETEK, WISCONSIN  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2012**

	Special Revenue Fund	Capital Projects Fund	
	Stormwater Fund	Tax Incremental District #3 Projects Fund	Total Nonmajor Funds
<b>REVENUES</b>			
Public Charges for Services:			
Stormwater Fees	\$ 60,961	\$ -	\$ 60,961
Miscellaneous:			
Rent	-	535	535
Total Revenues	60,961	535	61,496
<b>EXPENDITURES</b>			
Transportation	36,503	-	36,503
Conservation and Development	-	997	997
Total Expenditures	36,503	997	37,500
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	24,458	(462)	23,996
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Debt Service Fund	(20,099)	-	(20,099)
<b>NET CHANGE IN FUND BALANCES</b>	4,359	(462)	3,897
Fund Balance (Deficit), January 1	67,081	(61,574)	5,507
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>	<b>\$ 71,440</b>	<b>\$ (62,036)</b>	<b>\$ 9,404</b>

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED BALANCE SHEET  
DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Treasurer's Cash and Investments	\$ 2,109,346	\$ 2,044,392
Taxes Receivable:		
Current Tax Roll Items	839,635	937,884
Delinquent Personal Property Taxes	5,853	4,084
Delinquent Taxes Held by County	9,980	5,275
Accounts Receivable	51,305	42,467
Interest Receivable	1,797	4,210
Due from Other Funds:		
TID #3 Fund	62,036	61,574
Knapp Haven Enterprise Fund	5,547	-
Long-Term Advance to Pelican Place Enterprise Fund	27,293	31,546
Total Assets	<u>\$ 3,112,792</u>	<u>\$ 3,131,432</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Vouchers and Accounts Payable	\$ 30,572	\$ 32,987
Due to Other Governmental Units	668	1,560
Due to Other Funds	-	14,670
Deferred Revenues:		
Tax Roll Items - General Property Taxes	1,228,238	1,224,547
Total Liabilities	<u>1,259,478</u>	<u>1,273,764</u>
<b>Fund Balance:</b>		
Nonspendable	43,126	40,905
Restricted	14,941	-
Assigned	794,744	585,681
Unassigned	1,000,503	1,231,082
Total Fund Balance	<u>1,853,314</u>	<u>1,857,668</u>
Total Liabilities and Fund Balance	<u>\$ 3,112,792</u>	<u>\$ 3,131,432</u>

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2011)**

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>REVENUES:</b>				
<b>Taxes:</b>				
General Property Taxes	\$ 1,224,547	\$ 1,224,547	\$ -	\$ 1,217,548
Mobile Home Tax	7,000	5,773	(1,227)	5,911
Payments in Lieu of Taxes	12,000	13,059	1,059	13,682
Interest on Taxes	150	228	78	282
Total Taxes	<u>1,243,697</u>	<u>1,243,607</u>	<u>(90)</u>	<u>1,237,423</u>
<b>Intergovernmental:</b>				
State Shared Revenues	385,000	387,516	2,516	400,071
Fire Insurance Taxes	4,000	4,510	510	4,139
State Exempt Computer Aid	1,600	2,077	477	1,691
State Aid Police Training	-	3,050	3,050	1,080
State Aid Law Enforcement	3,954	7,903	3,949	11,456
State Transportation Aids	165,000	165,613	613	184,014
State Aid for State Owned Property	42	42	-	42
State Aid for Ambulance Service	4,638	4,638	-	4,519
State Aid for Elections	3,949	-	(3,949)	-
County Library Aid	50,988	50,988	-	46,887
Total Intergovernmental	<u>619,171</u>	<u>626,337</u>	<u>7,166</u>	<u>653,899</u>
<b>Licenses and Permits:</b>				
Liquor and Malt Beverage	4,000	4,334	334	4,151
Operators' Licenses	2,500	3,559	1,059	3,016
Electricians' Licenses	-	-	-	20
Cigarette Licenses	250	390	140	258
Television Franchise	32,000	38,069	6,069	36,318
Direct Seller License	200	275	75	250
Dog Licenses	500	515	15	723
Building Permits	5,000	7,202	2,202	6,144
Other Permits Games/Dance	600	605	5	604
Zoning Permits	500	840	340	3,405
Total Licenses and Permits	<u>45,550</u>	<u>55,789</u>	<u>10,239</u>	<u>54,889</u>
<b>Fines and Forfeits:</b>				
Court Penalties and Costs	30,000	25,228	(4,772)	41,299
Parking Violations	500	480	(20)	420
Total Fines and Forfeits	<u>30,500</u>	<u>25,708</u>	<u>(4,792)</u>	<u>41,719</u>

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2011)**

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>REVENUES: (CONTINUED)</b>				
<b>Public Charges for Services:</b>				
Clerk/Treasurer's Fees	\$ 3,000	\$ 275	\$ (2,725)	\$ 483
License Publication Fees	-	110	110	130
Police Paper Service Fees	200	100	(100)	200
Accident Reports	1,500	1,921	421	2,114
Canine Unit Revenues	8,762	9,834	1,072	4,862
Snow Removal/Street Services	-	21,727	21,727	5,081
Airport - Fuel Sales	49,000	49,128	128	36,773
Garbage Collections	280,000	278,731	(1,269)	257,104
Garbage Miscellaneous Revenues	500	4,548	4,048	1,989
Library	1,000	1,439	439	1,156
Parks	800	850	50	855
Cemetery	1,500	2,025	525	2,430
Total Public Charges for Services	346,262	370,688	24,426	313,177
<b>Intergovernmental Charges for Services:</b>				
Knapp Haven Clerical Service	3,100	3,999	899	3,131
<b>Miscellaneous:</b>				
Interest:				
Temporary Investments	10,050	9,979	(71)	29,472
Garbage Accounts	500	1,390	890	1,091
Pelican Place Advance	75	55	(20)	82
Rent:				
City Buildings	-	1,200	1,200	34,400
Community Senior Center	2,800	3,185	385	3,784
Airport	7,500	9,170	1,670	-
Other:				
Donations	6,000	21,341	15,341	42,400
Miscellaneous	2,000	8,699	6,699	1,227
Total Miscellaneous	28,925	55,019	26,094	112,456
Total Revenues	2,317,205	2,381,147	63,942	2,416,694

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Council	\$ 23,070	\$ 22,623	\$ 447	\$ 21,836
Municipal Court	32,400	29,405	2,995	12,128
Municipal Court Attorney	5,000	3,785	1,215	4,636
Mayor	9,110	9,046	64	8,459
Elections	6,500	9,053	(2,553)	5,583
Assessment of Property	-	-	-	6,690
Clerks Office	174,572	169,514	5,058	174,512
Record Checks	1,200	1,092	108	-
Independent Auditing	18,511	16,750	1,761	15,930
Legal Fees	35,000	17,404	17,596	15,020
Illegal Taxes	-	503	(503)	-
Property and Liability Insurance	29,000	28,565	435	28,630
Workers' Compensation Insurance	29,000	33,223	(4,223)	22,234
Retirement Expense	2,500	1,428	1,072	5,763
Unemployment Compensation	5,000	2,801	2,199	4,899
Total General Government	370,863	345,192	25,671	326,320
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Wages and Fringe Benefits	564,949	450,017	114,932	506,676
Training	3,200	3,226	(26)	2,391
Operation Costs	66,456	49,348	17,108	44,476
Police Station	7,500	5,728	1,772	7,048
Fire Department	55,200	55,146	54	54,968
Suppression (Hydrant Rental)	38,250	38,250	-	38,250
Ambulance Service Charge	34,238	34,213	25	37,087
Tornado Warning System	1,000	246	754	245
Inspector	39,800	25,860	13,940	34,903
Total Public Safety	810,593	662,034	148,559	726,044
<b>Transportation:</b>				
Department of Public Works	253,000	235,855	17,145	235,292
Snow and Ice Control	58,000	59,276	(1,276)	74,552
Traffic Control	600	5,324	(4,724)	5,917
Street Lighting	46,000	47,544	(1,544)	41,913
Safety Program	4,000	2,490	1,510	5,417
Airport	14,500	12,763	1,737	11,588
Airport Fuel Purchases	45,000	46,843	(1,843)	33,416
Total Transportation	421,100	410,095	11,005	408,095

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>EXPENDITURES: (CONTINUED)</b>				
<b>Sanitation:</b>				
Garbage Collection	\$ 188,700	\$ 188,573	\$ 127	\$ 202,885
Incinerator	100,000	102,329	(2,329)	84,992
Total Sanitation	288,700	290,902	(2,202)	287,877
<b>Health and Human Services:</b>				
Animal Pound	500	355	145	562
Cemetery	1,500	1,500	-	-
Total Health and Human Services	2,000	1,855	145	562
<b>Culture, Recreation and Education:</b>				
Library	94,870	91,697	3,173	91,358
Museum	-	-	-	633
Community Center	39,350	36,975	2,375	38,233
Celebrations and Entertainment	8,500	8,693	(193)	9,247
Parks	22,900	21,419	1,481	19,107
Total Culture, Recreation and Education	165,620	158,784	6,836	158,578
<b>Conservation and Development:</b>				
Economic Development	-	-	-	175
Other Conservation and Development	2,500	91	2,409	417
Total Conservation and Development	2,500	91	2,409	592
<b>Capital Outlay:</b>				
Data Processing Costs	6,563	3,800	2,763	8,411
City Hall	-	-	-	1,203
<b>Law Enforcement:</b>				
Squad Car	37,048	24,270	12,778	-
Building Maintenance	-	-	-	742
Equipment	6,328	3,081	3,247	20,041
Radio Equipment	234	-	234	9,556
Machinery and Equipment	196,473	113,875	82,598	21,236
Snow and Ice Control	5,394	859	4,535	1,575
Garbage Truck	130,121	-	130,121	-
City Shop	4,990	3,037	1,953	732
Streets	266,432	210,255	56,177	157,441

**CITY OF CHETEK, WISCONSIN  
GENERAL FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
<b>EXPENDITURES: (CONTINUED)</b>				
<b>Capital Outlay: (Continued)</b>				
GIS	\$ -	\$ -	\$ -	\$ 1,500
Airport	10,143	-	10,143	21,858
Airport Courtesy Van	4,382	3,189	1,193	-
Library Act 150 Fund	70,662	21,785	48,877	60,513
Parks	158,057	56,575	101,482	28,273
Docks and Boat Landing	8,466	4	8,462	-
Assessment of Property	60,453	33,102	27,351	-
Fixed Asset Reserve Fund	41,142	4,720	36,422	-
Building Fund	285,327	24,744	260,583	-
Contingency	2,000	2,000	-	8,274
Economic Development	9,502	3,677	5,825	346
Total Capital Outlay	<u>1,303,717</u>	<u>508,973</u>	<u>794,744</u>	<u>341,701</u>
Total Expenditures	<u>3,365,093</u>	<u>2,377,926</u>	<u>987,167</u>	<u>2,249,769</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,047,888)	3,221	1,051,109	166,925
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Property	30,645	41,681	11,036	276,525
Transfers In:				
From Water Utility Fund	48,000	56,493	8,493	55,477
Transfers Out:				
To TID #3 Fund	-	-	-	(206,594)
To Debt Service Fund	(115,000)	(105,749)	9,251	(115,225)
Total Other Financing Sources (Uses)	<u>(36,355)</u>	<u>(7,575)</u>	<u>28,780</u>	<u>10,183</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,084,243)	(4,354)	1,079,889	177,108
Fund Balance, January 1	<u>1,857,668</u>	<u>1,857,668</u>	<u>-</u>	<u>1,680,560</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 773,425</u>	<u>\$ 1,853,314</u>	<u>\$ 1,079,889</u>	<u>\$ 1,857,668</u>

**CITY OF CHETEK, WISCONSIN  
DEBT SERVICE FUND  
DETAILED BALANCE SHEET  
DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)**

	State Trust Fund Loan Dated 12/22/05	State Trust Fund Loan Dated 10/27/06	Promissory Bank Note Dated 1/18/08	Refunding Bonds Dated 9/2/11	Totals	
					2012	2011
<b>ASSETS</b>						
Cash and Investments	\$ -	\$ -	\$ -	\$ 20,958	\$ 20,958	\$ 21,124
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances:</b>						
Restricted	-	-	-	20,958	20,958	21,124
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ 20,958	\$ 20,958	\$ 21,124

**CITY OF CHETEK, WISCONSIN  
DEBT SERVICE FUND  
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	State	State	Promissory Bank Note Dated 1/18/08	Refunding Bonds Dated 9/2/11	Totals	
	Trust Fund Loan Dated 12/22/05	Trust Fund Loan Dated 10/27/06			2012	2011
<b>REVENUES</b>						
Interest on Investments	\$ -	\$ -	\$ -	\$ 259	\$ 259	\$ 335
<b>EXPENDITURES</b>						
Principal Retirement	28,817	24,179	75,481	173,200	301,677	252,639
Interest and Fees	5,236	5,612	10,572	54,750	76,170	108,329
Debt Issuance Costs	-	-	-	-	-	31,574
Total Expenditures	<u>34,053</u>	<u>29,791</u>	<u>86,053</u>	<u>227,950</u>	<u>377,847</u>	<u>392,542</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(34,053)	(29,791)	(86,053)	(227,691)	(377,588)	(392,207)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	-	-	-	-	-	1,680,040
Premium on Debt Issued	-	-	-	-	-	61,802
Transfers In:						
From General Fund	-	-	-	105,749	105,749	115,225
From Stormwater Fund	-	-	-	20,099	20,099	25,257
From TID #2 Capital Projects Fund	34,053	29,791	86,053	101,677	251,574	208,897
Principal Payments on Refinanced Debt	-	-	-	-	-	(1,411,858)
Payment to Escrow Agent	-	-	-	-	-	(285,582)
Total Other Financing Sources (Uses)	<u>34,053</u>	<u>29,791</u>	<u>86,053</u>	<u>227,525</u>	<u>377,422</u>	<u>393,781</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	(166)	(166)	1,574
Fund Balances, January 1	-	-	-	21,124	21,124	19,550
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,958</u>	<u>\$ 20,958</u>	<u>\$ 21,124</u>

**CITY OF CHETEK, WISCONSIN  
WATER UTILITY ENTERPRISE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011)**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 614,221	\$ 489,933
Customer Accounts Receivable	30,814	32,982
Accrued Interest Receivable - Tax Incremental District	272	318
Current Portion of Long-Term Advance to Tax Incremental District	10,656	10,656
Inventories	23,291	25,643
Prepayments	1,754	1,677
Total Current Assets	681,008	561,209
<b>Restricted Assets:</b>		
Cash and Investments:		
Replacement Fund	247,885	242,885
Special Redemption Fund:		
Debt Reserve	105,130	105,130
Debt Service	7,953	8,210
Accrued Interest Receivable:		
Bond Reserve Funds	1,351	1,864
Total Restricted Assets	362,319	358,089
<b>Capital Assets:</b>		
Property and Plant in Service	2,787,457	2,776,367
Less Accumulated Depreciation	959,073	892,873
Net Property and Plant in Service	1,828,384	1,883,494
Land Held for Future Use	1,837	1,837
Total Capital Assets	1,830,221	1,885,331
<b>Other Assets:</b>		
Special Assessments Receivable	18,579	24,701
Long-Term Advances to Tax Incremental District:		
From Revenue Bond Proceeds (Less Current Portion)	52,097	62,753
Unamortized Debt Discount and Expense	6,804	8,162
Total Other Assets	77,480	95,616
Total Assets	\$ 2,951,028	\$ 2,900,245

**CITY OF CHETEK, WISCONSIN  
WATER UTILITY ENTERPRISE FUND  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
<b>Current Liabilities Payable from Current Assets:</b>		
Accounts Payable	\$ 620	\$ 1,089
Accrued Employee Leave Liabilities - Current Portion	3,104	2,556
Total Current Liabilities Payable from Current Assets	<u>3,724</u>	<u>3,645</u>
<b>Current Liabilities Payable from Restricted Assets:</b>		
Interest Accrued	2,536	2,794
Current Portion of Revenue Bonds	65,000	65,000
Total Current Liabilities Payable from Restricted Assets	<u>67,536</u>	<u>67,794</u>
<b>Long-Term Liabilities (Less Current Portion):</b>		
Other Postemployment Benefits Payable	3,074	1,781
Mortgage Revenue Bonds	550,000	615,000
Total Long-Term Liabilities (Net of Current Portion)	<u>553,074</u>	<u>616,781</u>
 Total Liabilities	 624,334	 688,220
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,215,221	1,205,331
Restricted for Capital Asset Replacement and Construction	247,885	242,885
Restricted for Debt Retirement	111,898	112,410
Unrestricted	751,690	651,399
 Total Net Position	 <u>2,326,694</u>	 <u>2,212,025</u>
 Total Liabilities and Net Position	 <u>\$ 2,951,028</u>	 <u>\$ 2,900,245</u>

**CITY OF CHETEK, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**WATER UTILITY ENTERPRISE FUND**  
**YEAR ENDED DECEMBER 31, 2012**  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Sales of Water:		
Residential	\$ 142,112	\$ 142,663
Commercial	58,740	51,947
Industrial	12,603	11,961
Public Authorities	22,326	21,914
Private Fire Protection	5,616	5,616
Public Fire Protection	131,017	130,800
Total Sales of Water Revenues	<u>372,414</u>	<u>364,901</u>
Other Operating Revenues:		
Forfeited Discounts	1,089	1,046
Meter Charge to Sewer	15,961	15,336
Miscellaneous Operating Revenues	16,084	16,276
Total Other Operating Revenues	<u>33,134</u>	<u>32,658</u>
 Total Operating Revenues	 405,548	 397,559
<b>OPERATING EXPENSES:</b>		
Operation and Maintenance:		
Operation	73,555	65,129
Maintenance	10,422	27,625
Administrative and General	58,130	69,758
Total Operation and Maintenance	<u>142,107</u>	<u>162,512</u>
Depreciation	66,665	64,815
 Total Operating Expenses	 <u>208,772</u>	 <u>227,327</u>
 <b>OPERATING INCOME (LOSS)</b>	 196,776	 170,232
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	9,012	13,100
Interest Expense	(33,268)	(36,362)
Amortization of Debt Discount and Expense	(1,358)	(1,471)
 Total Nonoperating Revenues (Expenses)	 <u>(25,614)</u>	 <u>(24,733)</u>
 <b>INCOME (LOSS) BEFORE TRANSFERS</b>	 171,162	 145,499
<b>TRANSFERS</b>		
Transfer to Other Funds	(56,493)	(55,477)
 <b>CHANGE IN NET POSITION</b>	 114,669	 90,022
Net Position, January 1	<u>2,212,025</u>	<u>2,122,003</u>
 <b>NET POSITION, DECEMBER 31</b>	 <u>\$ 2,326,694</u>	 <u>\$ 2,212,025</u>

**CITY OF CHETEK, WISCONSIN  
WATER UTILITY ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 353,535	\$ 344,676
Cash Received from Municipality for Fire Protection	38,250	38,250
Water Meter Related Charges to Sewer Department	15,931	15,336
Cash Payments to Suppliers for Goods and Services	(76,011)	(104,253)
Cash Payments for Employee Services	(62,449)	(64,122)
Net Cash Provided by Operating Activities	<u>269,256</u>	<u>229,887</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash Received from Payment of Special Assessments		
Purchased from Sewer Utility	2,922	7,185
Cash Payment for Tax Equivalents	(56,493)	(55,477)
Net Cash Used by Noncapital Financing Activities	<u>(53,571)</u>	<u>(48,292)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash Paid for Capital Assets	(11,995)	(12,167)
Cash Received from Salvage of Capital Assets	440	-
Cash Received from Payment of Special Assessments	4,216	6,817
Cash Received from Repayment of Advance to Tax Incremental District	14,468	15,011
Principal Paid on Long-Term Debt	(65,000)	(65,000)
Interest Paid on Long-Term Debt	(33,526)	(36,620)
Net Cash Used by Capital and Related Financing Activities	<u>(91,397)</u>	<u>(91,959)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Paid for Purchase of Investments	4,743	(7,802)
Cash Received from Interest on Investments	(4,743)	7,802
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	124,288	89,636
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>489,933</u>	<u>400,297</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 614,221</u>	<u>\$ 489,933</u>

**CITY OF CHETEK, WISCONSIN**  
**WATER UTILITY ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2012**  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 196,776	\$ 170,232
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	66,665	64,815
(Increase) Decrease in Assets:		
Customer Accounts Receivable	2,168	703
Inventories	2,352	(3,161)
Prepayments	(77)	(487)
Increase (Decrease) in Liabilities:		
Accounts Payable	(469)	656
Accrued Employee Benefits Payable	548	(3,537)
Other Postemployment Benefits Payable	1,293	666
Net Cash Provided by Operating Activities	<u>\$ 269,256</u>	<u>\$ 229,887</u>
 <b>RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:</b>		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 614,221	\$ 489,933
Cash and Investments - Restricted	<u>360,968</u>	<u>356,225</u>
	975,189	846,158
Less: Investments with a Maturity Greater than Three Months	<u>360,968</u>	<u>356,225</u>
Cash and Cash Equivalents	<u>\$ 614,221</u>	<u>\$ 489,933</u>

**CITY OF CHETEK, WISCONSIN  
SEWER UTILITY ENTERPRISE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011)**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 139,637	\$ 28,768
Customer Accounts Receivable	44,359	49,179
Accrued Interest Receivable - TID Advance	56	70
Current Portion of Long-Term Advance to Tax Incremental District	1,617	1,617
Inventories	2,408	2,539
Prepaid Expenses	2,985	2,677
Total Current Assets	191,062	84,850
<b>Restricted Assets:</b>		
Cash and Investments:		
Replacement Fund	187,825	183,553
Special Redemption Fund:		
Debt Reserve Fund	57,695	58,745
Debt Service Fund	34,020	33,823
Accrued Interest Receivable:		
Bond Reserve Fund	826	1,249
Total Restricted Assets	280,366	277,370
<b>Capital Assets:</b>		
Property and Plant in Service	3,661,431	3,650,917
Less Accumulated Depreciation	1,762,384	1,664,797
Net Property and Plant in Service	1,899,047	1,986,120
Land Held for Future Use	50,820	50,820
Net Capital Assets	1,949,867	2,036,940
<b>Other Assets:</b>		
Advances to Other Funds:		
Long-Term Advance to Tax Incremental District #2 from Revenue Bond Proceeds (Less Current Portion)	4,851	6,468
Unamortized Debt Discount and Expense	4,460	6,246
Total Other Assets	9,311	12,714
 Total Assets	 \$ 2,430,606	 \$ 2,411,874

**CITY OF CHETEK, WISCONSIN  
SEWER UTILITY ENTERPRISE FUND  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES</b>		
<b>Current Liabilities Payable from Current Assets:</b>		
Accounts Payable	\$ 6,508	\$ 4,636
Accrued Interest Payable	1,349	3,248
Accrued Employee Leave Liabilities - Current Portion	11,487	8,970
Current Portion of General Obligation Debt	28,140	26,800
Current Portion of Unamortized Debt Premium	1,618	1,761
Current Portion of Revenue Bonds - Clean Water Fund	28,509	27,768
Total Current Liabilities Payable from Current Assets	<u>77,611</u>	<u>73,183</u>
<b>Current Liabilities Payable from Restricted Assets:</b>		
Interest Accrued Payable	867	1,040
Current Portion of Revenue Bonds - 1998 Issue	20,000	20,000
Total Current Liabilities Payable from Restricted Assets	<u>20,867</u>	<u>21,040</u>
<b>Long-Term Liabilities (Net of Current Portion):</b>		
Other Postemployment Benefits Payable	6,078	4,147
General Obligation Debt	205,020	233,160
Unamortized Debt Premium	5,571	7,189
Mortgage Revenue Bonds - 1998 Issue	80,000	100,000
Mortgage Revenue Bonds Series - Clean Water Fund	154,389	182,897
Total Long-Term Liabilities (Net of Current Portion)	<u>451,058</u>	<u>527,393</u>
Total Liabilities	549,536	621,616
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,426,620	1,439,126
Restricted for Capital Asset Replacement	187,825	183,553
Restricted for Debt Retirement	91,674	92,777
Unrestricted	174,951	74,802
Total Net Position	<u>1,881,070</u>	<u>1,790,258</u>
Total Liabilities and Net Position	<u>\$ 2,430,606</u>	<u>\$ 2,411,874</u>

**CITY OF CHETEK, WISCONSIN**  
**SEWER UTILITY ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2012**  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Sewerage Revenues:		
Residential	\$ 282,262	\$ 263,754
Commercial	113,572	101,867
Industrial	32,020	29,098
Public Authorities	55,747	49,755
Total Sewerage Revenues	<u>483,601</u>	<u>444,474</u>
Other Operating Revenues:		
Forfeited Discounts	2,278	2,018
Miscellaneous Revenues	554	4,469
Total Other Operating Revenues	<u>2,832</u>	<u>6,487</u>
Total Operating Revenues	486,433	450,961
<b>OPERATING EXPENSES:</b>		
Operation and Maintenance:		
Operation	159,663	156,505
Maintenance	29,214	39,946
Administrative and General	100,810	112,915
Total Operation and Maintenance	<u>289,687</u>	<u>309,366</u>
Depreciation	97,587	96,456
Total Operating Expenses	<u>387,274</u>	<u>405,822</u>
<b>OPERATING INCOME</b>	99,159	45,139
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Income	3,362	3,854
Rental Income	6,000	4,000
Amortization of Debt Premium	1,761	613
Interest Expense	(17,312)	(29,018)
Rental Property Expense	(372)	(3,584)
Amortization of Debt Discount and Expense	(1,786)	(1,302)
Total Nonoperating Revenues (Expenses)	<u>(8,347)</u>	<u>(25,437)</u>
<b>CHANGE IN NET POSITION</b>	90,812	19,702
Net Position, January 1	<u>1,790,258</u>	<u>1,770,556</u>
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 1,881,070</u>	<u>\$ 1,790,258</u>

**CITY OF CHETEK, WISCONSIN  
SEWER UTILITY ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 493,125	\$ 449,597
Water Meter Related Charges to Sewer Department	(15,961)	(15,336)
Cash Payments to Suppliers for Goods and Services	(135,697)	(143,565)
Cash Payments for Employee Services	(133,758)	(148,447)
Net Cash Provided by Operating Activities	<u>207,709</u>	<u>142,249</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash Paid on Advance from General Fund for Year-End Overdraft	-	(16,244)
Cash Received for Rents from Rental Properties	6,000	4,000
Cash Paid for Rental Property Expense	(372)	(3,584)
Net Cash Used by Noncapital Financing Activities	<u>5,628</u>	<u>(15,828)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash Paid for Capital Assets	(10,514)	(11,178)
Cash Received for Repayment of Advances to Tax Incremental Districts	1,995	208,673
Cash Received from Long-Term Debt	-	264,637
Principal Paid on Long-Term Debt	(74,567)	(523,433)
Interest Paid on Long-Term Debt	(19,384)	(36,459)
Net Cash Used by Capital and Related Financing Activities	<u>(102,470)</u>	<u>(97,760)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Paid for Purchase of Investments	(3,419)	(3,433)
Cash Received from Interest on Investments	3,421	3,540
Net Cash Provided (Used) by Investing Activities	<u>2</u>	<u>107</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	110,869	28,768
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>28,768</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 139,637</u>	<u>\$ 28,768</u>

**CITY OF CHETEK, WISCONSIN  
SEWER UTILITY ENTERPRISE FUND  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 99,159	\$ 45,139
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	97,587	96,456
(Increase) Decrease in Assets:		
Customer Accounts Receivable	4,820	(5,200)
Inventories	131	(378)
Prepayments	(308)	986
Increase (Decrease) in Liabilities:		
Accounts Payable	1,872	3,836
Accrued Employee Benefits Payable	2,517	(557)
Other Postemployment Benefits Payable	1,931	1,967
Net Cash Provided by Operating Activities	<u>\$ 207,709</u>	<u>\$ 142,249</u>
 <b>RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:</b>		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 139,637	\$ 28,768
Cash and Investments - Restricted	279,540	276,121
	<u>419,177</u>	<u>304,889</u>
Less: Investments with a Maturity Greater than Three Months	279,540	276,121
Cash and Cash Equivalents	<u>\$ 139,637</u>	<u>\$ 28,768</u>

## **DEBT REPAYMENT SCHEDULES**

CITY OF CHETEK, WISCONSIN  
STATE TRUST FUND LOAN DATED DECEMBER 22, 2005  
OUTSTANDING DECEMBER 31, 2012

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
3/15/13	\$ 34,053	\$ 30,056	\$ 3,997
3/15/14	34,053	31,333	2,720
3/15/15	<u>34,053</u>	<u>32,664</u>	<u>1,389</u>
	<u>\$ 102,159</u>	<u>\$ 94,053</u>	<u>\$ 8,106</u>

Funding Source: Tax Incremental District #2

Interest Rate: 4.25%

**CITY OF CHETEK, WISCONSIN  
STATE TRUST FUND LOAN DATED OCTOBER 27, 2006  
OUTSTANDING DECEMBER 31, 2012**

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
3/15/13	\$ 29,791	\$ 25,222	\$ 4,569
3/15/14	29,791	26,294	3,497
3/15/15	29,791	27,412	2,379
3/15/16	<u>29,791</u>	<u>28,573</u>	<u>1,218</u>
	<u>\$ 119,164</u>	<u>\$ 107,501</u>	<u>\$ 11,663</u>

Funding Source: Tax Incremental District #2

Interest Rate: 4.25%

SCHEDULE E-3

CITY OF CHETEK, WISCONSIN  
 GENERAL OBLIGATION REFUNDING BONDS DATED SEPTEMBER 2, 2011  
 OUTSTANDING DECEMBER 31, 2012

Date	Rate	Total			General City			Tax Incremental District #2			Stormwater Fund			Sewer Utility		
		Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
6/1/13	2.00%	\$ 233,950	\$ 210,000	\$ 23,950	\$ 94,165	\$ 84,525	\$ 9,640	\$ 90,539	\$ 81,270	\$ 9,269	\$ 17,897	\$ 16,065	\$ 1,832	\$ 31,349	\$ 28,140	\$ 3,209
12/1/13		21,850	-	21,850	8,795	-	8,795	8,456	-	8,456	1,671	-	1,671	2,928	-	2,928
6/1/14	2.00%	241,850	220,000	21,850	97,345	88,550	8,795	93,595	85,140	8,455	18,502	16,830	1,672	32,408	29,480	2,928
12/1/14		19,650	-	19,650	7,909	-	7,909	7,605	-	7,605	1,503	-	1,503	2,633	-	2,633
6/1/15	3.00%	244,650	225,000	19,650	98,472	90,563	7,909	94,680	87,075	7,605	18,715	17,212	1,503	32,783	30,150	2,633
12/1/15		16,275	-	16,275	6,551	-	6,551	6,298	-	6,298	1,245	-	1,245	2,181	-	2,181
6/1/16	3.00%	246,275	230,000	16,275	99,126	92,575	6,551	95,308	89,010	6,298	18,840	17,595	1,245	33,001	30,820	2,181
12/1/16		12,825	-	12,825	5,162	-	5,162	4,963	-	4,963	981	-	981	1,719	-	1,719
6/1/17	3.00%	252,825	240,000	12,825	101,762	96,600	5,162	97,843	92,880	4,963	19,341	18,360	981	33,879	32,160	1,719
12/1/17		9,225	-	9,225	3,713	-	3,713	3,570	-	3,570	706	-	706	1,236	-	1,236
6/1/18	3.00%	254,225	245,000	9,225	102,325	98,612	3,713	98,385	94,815	3,570	19,449	18,743	706	34,066	32,830	1,236
12/1/18		5,550	-	5,550	2,234	-	2,234	2,148	-	2,148	424	-	424	744	-	744
6/1/19	3.00%	125,550	120,000	5,550	50,534	48,300	2,234	48,588	46,440	2,148	9,604	9,180	424	16,824	16,080	744
12/1/19		3,750	-	3,750	1,509	-	1,509	1,451	-	1,451	288	-	288	502	-	502
6/1/20	3.00%	128,750	125,000	3,750	51,822	50,313	1,509	49,826	48,375	1,451	9,850	9,562	288	17,252	16,750	502
12/1/20		1,875	-	1,875	755	-	755	726	-	726	143	-	143	251	-	251
6/1/21	3.00%	126,875	125,000	1,875	51,067	50,312	755	49,101	48,375	726	9,706	9,563	143	17,001	16,750	251
		<u>\$ 1,945,950</u>	<u>\$ 1,740,000</u>	<u>\$ 205,950</u>	<u>\$ 783,246</u>	<u>\$ 700,350</u>	<u>\$ 82,896</u>	<u>\$ 753,082</u>	<u>\$ 673,380</u>	<u>\$ 79,702</u>	<u>\$ 148,865</u>	<u>\$ 133,110</u>	<u>\$ 15,755</u>	<u>\$ 260,757</u>	<u>\$ 233,160</u>	<u>\$ 27,597</u>

CITY OF CHETEK, WISCONSIN  
PROMISSORY NOTE DATED OCTOBER 7, 2003  
OUTSTANDING DECEMBER 31, 2012

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
10/7/12	\$ 5,615	\$ 5,177	\$ 438
10/7/13	<u>5,366</u>	<u>5,148</u>	<u>218</u>
	<u>\$ 10,981</u>	<u>\$ 10,325</u>	<u>\$ 656</u>

Funding Source: Knapp Haven Nursing Home  
(Facility Improvements)

Interest Rate: 4.25%

**CITY OF CHETEK, WISCONSIN  
PROMISSORY NOTE DATED NOVEMBER 4, 2009  
OUTSTANDING DECEMBER 31, 2012**

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
9/1/12	\$ 47,592	\$ 36,000	\$ 11,592
3/1/13	10,600	-	10,600
9/1/13	48,775	38,000	10,775
3/1/14	9,752	-	9,752
9/1/14	49,913	40,000	9,913
3/1/15	8,859	-	8,859
9/1/15	50,006	41,000	9,006
3/1/16	7,988	-	7,988
9/1/16	51,076	43,000	8,076
3/1/17	6,985	-	6,985
9/1/17	52,100	45,000	7,100
3/1/18	5,980	-	5,980
9/1/18	53,080	47,000	6,080
3/1/19	4,932	-	4,932
9/1/19	50,267	45,254	5,013
	<u>\$ 457,905</u>	<u>\$ 335,254</u>	<u>\$ 122,651</u>

\$584,000 authorized, \$409,000 issued

Funding Source: Knapp Haven Nursing Home (90.18%); Pelican Place Apartments (9.82%)  
(Facility Improvements)

Interest Rate: 4.50%

CITY OF CHETEK, WISCONSIN  
PROMISSORY NOTE DATED JANUARY 18, 2008  
OUTSTANDING DECEMBER 31, 2012

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1/18/13	\$ 86,034	\$ 79,244	\$ 6,790
1/18/14	56,988	54,270	2,718
	<u>\$ 143,022</u>	<u>\$ 133,514</u>	<u>\$ 9,508</u>

Funding Source: Tax Incremental District #2

Interest Rate: 5.0%

**CITY OF CHETEK, WISCONSIN  
WATER SYSTEM REVENUE BONDS DATED MAY 1, 1998  
OUTSTANDING DECEMBER 31, 2012**

Date	Rate	Total			Water Utility			Tax Incremental District #2		
		Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
6/1/13		\$ 8,580	\$ -	\$ 8,580	\$ 6,946	\$ -	\$ 6,946	\$ 1,634	\$ -	\$ 1,634
12/1/13	5.20%	53,580	45,000	8,580	41,290	34,344	6,946	12,290	10,656	1,634
6/1/14		7,410	-	7,410	6,054	-	6,054	1,356	-	1,356
12/1/14	5.20%	57,410	50,000	7,410	44,214	38,160	6,054	13,196	11,840	1,356
6/1/15		6,110	-	6,110	5,062	-	5,062	1,048	-	1,048
12/1/15	5.20%	61,110	55,000	6,110	47,038	41,976	5,062	14,072	13,024	1,048
6/1/16		4,680	-	4,680	3,971	-	3,971	709	-	709
12/1/16	5.20%	59,680	55,000	4,680	45,947	41,976	3,971	13,733	13,024	709
6/1/17		3,250	-	3,250	2,880	-	2,880	370	-	370
12/1/17	5.20%	63,250	60,000	3,250	48,671	45,791	2,880	14,579	14,209	370
6/1/18		1,690	-	1,690	1,690	-	1,690	-	-	-
12/1/18	5.20%	66,690	65,000	1,690	66,690	65,000	1,690	-	-	-
		<u>\$ 393,440</u>	<u>\$ 330,000</u>	<u>\$ 63,440</u>	<u>\$ 320,453</u>	<u>\$ 267,247</u>	<u>\$ 53,206</u>	<u>\$ 72,987</u>	<u>\$ 62,753</u>	<u>\$ 10,234</u>

Bonds maturing in the years 2007 and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2006 or on any day thereafter at the price of par plus accrued interest to the date of redemption.

**CITY OF CHETEK, WISCONSIN**  
**WATER SYSTEM REVENUE BONDS DATED OCTOBER 9, 2003**  
**OUTSTANDING DECEMBER 31, 2012**

<u>Payment Date</u>	<u>Rate</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6/1/13		\$ 6,635	\$ -	\$ 6,635
12/1/13	4.00%	26,635	20,000	6,635
6/1/14		6,235	-	6,235
12/1/14	4.40%	26,235	20,000	6,235
6/1/15		5,795	-	5,795
12/1/15	4.40%	25,795	20,000	5,795
6/1/16		5,355	-	5,355
12/1/16	4.40%	30,355	25,000	5,355
6/1/17		4,805	-	4,805
12/1/17	4.40%	29,805	25,000	4,805
6/1/18		4,255	-	4,255
12/1/18	4.70%	29,255	25,000	4,255
6/1/19		3,668	-	3,668
12/1/19	4.70%	28,667	25,000	3,667
6/1/20		3,080	-	3,080
12/1/20	4.70%	33,080	30,000	3,080
6/1/21		2,375	-	2,375
12/1/21	5.00%	32,375	30,000	2,375
6/1/22		1,625	-	1,625
12/1/22	5.00%	31,625	30,000	1,625
6/1/23		875	-	875
12/1/23	5.00%	35,875	35,000	875
		<u>\$ 374,405</u>	<u>\$ 285,000</u>	<u>\$ 89,405</u>

**CITY OF CHETEK, WISCONSIN  
SEWER SYSTEM REVENUE BONDS DATED MAY 1, 1998  
OUTSTANDING DECEMBER 31, 2012**

Payment Date	Rate	Total			Sewer Utility			Tax Incremental District #2		
		Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
5/1/13	5.20%	\$ 22,600	\$ 20,000	\$ 2,600	\$ 20,815	\$ 18,383	\$ 2,432	\$ 1,785	\$ 1,617	\$ 168
11/1/13		2,080	-	2,080	1,954	-	1,954	126	-	126
5/1/14	5.20%	22,080	20,000	2,080	20,337	18,383	1,954	1,743	1,617	126
11/1/14		1,560	-	1,560	1,476	-	1,476	84	-	84
5/1/15	5.20%	21,560	20,000	1,560	19,859	18,383	1,476	1,701	1,617	84
11/1/15		1,040	-	1,040	998	-	998	42	-	42
5/1/16	5.20%	21,040	20,000	1,040	19,381	18,383	998	1,659	1,617	42
11/1/16		520	-	520	520	-	520	-	-	-
5/1/17	5.20%	20,520	20,000	520	20,520	20,000	520	-	-	-
		<u>\$ 113,000</u>	<u>\$ 100,000</u>	<u>\$ 13,000</u>	<u>\$ 105,860</u>	<u>\$ 93,532</u>	<u>\$ 12,328</u>	<u>\$ 7,140</u>	<u>\$ 6,468</u>	<u>\$ 672</u>

Bonds maturing in the years 2010 and thereafter are subject to redemption prior to maturity at the option of the City on May 1, 2006 or on any day thereafter at the price of par plus accrued interest to the date of redemption.

**CITY OF CHETEK, WISCONSIN  
SEWAGE SYSTEM REVENUE BONDS – CLEAN WATER FUND  
DATED JULY 8, 1998  
OUTSTANDING DECEMBER 31, 2012**

Interest Rate: 2.672%

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
5/1/13	\$ 30,953	\$ 28,509	\$ 2,444
11/1/13	2,063	-	2,063
5/1/14	31,334	29,271	2,063
11/1/14	1,672	-	1,672
5/1/15	31,725	30,053	1,672
11/1/15	1,270	-	1,270
5/1/16	32,126	30,856	1,270
11/1/16	858	-	858
5/1/17	32,539	31,681	858
11/1/17	435	-	435
5/1/18	<u>32,963</u>	<u>32,528</u>	<u>435</u>
	<u>\$ 197,938</u>	<u>\$ 182,898</u>	<u>\$ 15,040</u>

**CITY OF CHETEK, WISCONSIN**  
**NURSING HOME AND APARTMENTS MORTGAGE REVENUE BONDS**  
**DATED MAY 8, 1997**  
**OUTSTANDING DECEMBER 31, 2012**

Interest Rate: 5.00%

Payment Date	Total	Principal	Interest
11/1/12	\$ 33,355	\$ 15,800	\$ 17,555
5/1/13	33,360	16,200	17,160
11/1/13	33,455	16,700	16,755
5/1/14	33,438	17,100	16,338
11/1/14	33,410	17,500	15,910
5/1/15	33,472	18,000	15,472
11/1/15	33,423	18,400	15,023
5/1/16	33,462	18,900	14,562
11/1/16	33,490	19,400	14,090
5/1/17	33,505	19,900	13,605
11/1/17	33,507	20,400	13,107
5/1/18	33,498	20,900	12,598
11/1/18	33,575	21,500	12,075
5/1/19	33,538	22,000	11,538
11/1/19	33,587	22,600	10,987
5/1/20	33,522	23,100	10,422
11/1/20	33,545	23,700	9,845
5/1/21	33,552	24,300	9,252
11/1/21	33,645	25,000	8,645
5/1/22	33,620	25,600	8,020
11/1/22	33,680	26,300	7,380
5/1/23	33,622	26,900	6,722
11/1/23	33,650	27,600	6,050
5/1/24	33,660	28,300	5,360
11/1/24	33,752	29,100	4,652
5/1/25	33,725	29,800	3,925
11/1/25	33,780	30,600	3,180
5/1/26	33,815	31,400	2,415
11/1/26	33,830	32,200	1,630
5/1/27	33,825	33,000	825
	<u>\$ 1,007,298</u>	<u>\$ 702,200</u>	<u>\$ 305,098</u>

**CITY OF CHETEK, WISCONSIN  
NURSING HOME MORTGAGE REVENUE BONDS  
DATED NOVEMBER 18, 2010  
OUTSTANDING DECEMBER 31, 2012**

Interest Rate: 3.75%

Payment Date	Total	Principal	Interest
11/18/12	\$ 49,559	\$ 11,561	\$ 37,998
5/18/13	49,559	12,395	37,164
11/18/13	49,559	12,014	37,545
5/18/14	49,559	12,849	36,710
11/18/14	49,559	12,484	37,075
5/18/15	49,559	13,320	36,239
11/18/15	49,559	12,971	36,588
5/18/16	49,559	13,612	35,947
11/18/16	49,559	13,474	36,085
5/18/17	49,559	14,313	35,246
11/18/17	49,559	13,999	35,560
5/18/18	49,559	14,839	34,720
11/18/18	49,559	14,544	35,015
5/18/19	49,559	15,386	34,173
11/18/19	49,559	15,110	34,449
5/18/20	49,559	15,767	33,792
11/18/20	49,559	15,694	33,865
5/18/21	49,559	16,538	33,021
11/18/21	49,559	16,303	33,256
5/18/22	49,559	17,148	32,411
11/18/22	49,559	16,935	32,624
5/18/23	49,559	17,782	31,777
11/18/23	49,559	17,592	31,967
5/18/24	49,559	18,268	31,291
11/18/24	49,559	18,270	31,289
5/18/25	49,559	19,120	30,439
11/18/25	49,559	18,976	30,583
5/18/26	49,559	19,828	29,731
11/18/26	49,559	19,710	29,849
5/18/27	49,559	20,563	28,996
11/18/27	49,559	20,471	29,088
5/18/28	49,559	21,170	28,389
11/18/28	49,559	21,259	28,300
5/18/29	49,559	22,115	27,444
11/18/29	49,559	22,079	27,480
5/18/30	49,559	22,937	26,622
11/18/30	49,559	22,929	26,630
5/18/31	49,559	23,790	25,769

**CITY OF CHETEK, WISCONSIN  
NURSING HOME MORTGAGE REVENUE BONDS  
DATED NOVEMBER 18, 2010 (CONTINUED)  
OUTSTANDING DECEMBER 31, 2012**

Payment Date	Total	Principal	Interest
11/18/31	\$ 49,559	\$ 23,813	\$ 25,746
5/18/32	49,559	24,538	25,021
11/18/32	49,559	24,727	24,832
5/18/33	49,559	25,591	23,968
11/18/33	49,559	25,678	23,881
5/18/34	49,559	26,545	23,014
11/18/34	49,559	26,665	22,894
5/18/35	49,559	27,534	22,025
11/18/35	49,559	27,690	21,869
5/18/36	49,559	28,445	21,114
11/18/36	49,559	28,751	20,808
5/18/37	49,559	29,625	19,934
11/18/37	49,559	29,854	19,705
5/18/38	49,559	30,731	18,828
11/18/38	49,559	31,000	18,559
5/18/39	49,559	31,879	17,680
11/18/39	49,559	32,188	17,371
5/18/40	49,559	32,979	16,580
11/18/40	49,559	33,420	16,139
5/18/41	49,559	34,305	15,254
11/18/41	49,559	34,701	14,858
5/18/42	49,559	35,588	13,971
11/18/42	49,559	36,029	13,530
5/18/43	49,559	36,920	12,639
11/18/43	49,559	37,408	12,151
5/18/44	49,559	38,240	11,319
11/18/44	49,559	38,839	10,720
5/18/45	49,559	39,736	9,823
11/18/45	49,559	40,324	9,235
5/18/46	49,559	41,224	8,335
11/18/46	49,560	41,866	7,694
5/18/47	49,559	42,769	6,790
11/18/47	49,559	43,465	6,094
5/18/48	49,559	44,344	5,215
11/18/48	49,559	45,125	4,434
5/18/49	49,559	46,037	3,522
11/18/49	49,559	46,849	2,710
5/18/50	49,559	47,764	1,795
11/18/50	49,675	48,757	918
	<u>\$ 3,816,160</u>	<u>\$ 2,010,058</u>	<u>\$ 1,806,102</u>

## OTHER REPORTS



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

The City Council  
City of Chetek  
Chetek, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chetek (City), as of and for the year ended December 31, 2012, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 18, 2013. Our report includes a reference to other auditors who audited the financial statements of the Knapp Haven Nursing Home and Pelican Place Apartments enterprise funds, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2012-001 through 2012-003 in the accompanying schedule of findings to be material weaknesses.



### **Compliance and Other Matters**

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

### **The City of Chetek's Response to Findings**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Eau Claire, Wisconsin  
August 18, 2013

**CITY OF CHETEK, WISCONSIN  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

**FINDING: 2012-001 Limited Segregation of Duties**

**Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Condition:** The size of office staff precludes a proper separation of duties to assure adequate internal control.

**Context:** The limited size of the City's staff responsible for accounting and financial duties precludes a complete segregation of incompatible duties. The City has informed us that it may not be cost effective to hire the additional personnel required to achieve complete segregation of duties.

**Cause:** The condition is due to limited staff available.

**Effect:** The potential exists that the design of the internal controls over financial reporting could affect the ability of the City to record, process, summarize and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the City's inability to prevent or detect misappropriation of City assets.

**Recommendation:** The City should continue to evaluate its staffing in order to segregate incompatible duties whenever possible.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City continues to work to achieve segregation of duties whenever cost effective.

**Official Responsible for Ensuring CAP:**

The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The City Council will be monitoring this corrective action plan.

**CITY OF CHETEK, WISCONSIN  
SCHEDULE OF FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):**

**FINDING: 2012-002 Material Audit Adjustments**

- Criteria:** The City should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.
- Condition:** The audit firm proposed and the City posted to its general ledger accounts journal entries for correcting certain misstatements.
- Context:** The City has informed us that they will continue to rely upon the audit firm to propose such audit adjustments as are necessary to adjust accounts in accordance with Generally Accepted Accounting Principles (GAAP). Management will review and approve those entries prior to recording them.
- Cause:** The City has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.
- Effect:** The potential exists that financial statements of the City may include inaccurate information not detected or prevented by City staff.
- Recommendation:** The City should continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will continue to rely upon the audit firm to propose audit adjustments necessary to adjust accounts in accordance with GAAP. Management will review and approve these entries prior to recording them.

**Official Responsible for Ensuring CAP:**

The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The City Council will be monitoring this corrective action plan.

**CITY OF CHETEK, WISCONSIN  
SCHEDULE OF FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):**

**FINDING: 2012-003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

**Criteria:** The City must be able to prevent or detect a material misstatement in the annual financial statements, including footnote disclosures.

**Condition:** The City does not have an internal control policy in place over annual financial reporting that would enable management to conclude its annual financial statements and related footnote disclosures are complete and presented in accordance with Generally Accepted Accounting Principles (GAAP).

**Context:** The City has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Cause:** The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

**Recommendation:** The City should continue to evaluate their personnel expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

**Official Responsible for Ensuring CAP:**

The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The City Council will be monitoring this corrective action plan.