

CITY OF CHETEK, WISCONSIN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

**CITY OF CHETEK, WISCONSIN
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**CITY OF CHETEK, WISCONSIN
LIST OF PRINCIPAL OFFICERS
2013**

ELECTED

Mayor
Council President
Alderspersons:
 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

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, 2013, 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 major enterprise funds, which also represent 46%, 17%, 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, 2013, 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 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 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, 2012 which are not presented with the accompanying financial statements. In our report dated August 18, 2013, based on our audit and the report of other auditors, we expressed unmodified 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 2012 financial statements that collectively comprise the City's 2012 basic financial statements. The 2012 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

The City Council
City of Chetek

directly to the underlying accounting and other records used to prepare the 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 2012 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 2012 basic financial statements or to the 2012 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 2012 individual fund statements are fairly stated in all material respects in relation to the 2012 basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 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

June 27, 2014

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 \$10,417,898 (*net position*). Of this amount, 4,991,677 represented the City's net investment in capital assets, \$2,217,108 was held for restricted purposes, and \$3,209,113 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 \$384,373. Net position related to the business-type activities of the City increased \$54,268 while net position related to governmental activities increased \$330,105.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$1,727,569, a decrease of \$219,862 from the previous year.
- The City's total long-term debt and related obligations decreased by \$532,277 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, liabilities, and deferred inflows/outflows with the difference 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, 2013**

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, 2013**

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, 2013**

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 \$10,417,898 at the close of 2013. The largest portion of these net position (48%) 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, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 4,410,588	\$ 4,730,132	\$ 3,291,115	\$ 3,197,344	\$ 7,701,703	\$ 7,927,476
Capital Assets	3,964,363	3,610,378	6,545,730	6,768,461	10,510,093	10,378,839
Internal Balances	(31,970)	(36,381)	31,792	39,798	(178)	3,417
Total Assets	<u>8,342,981</u>	<u>8,304,129</u>	<u>9,868,637</u>	<u>10,005,603</u>	<u>18,211,618</u>	<u>18,309,732</u>
Long-Term Debt	1,561,685	1,888,365	3,955,688	4,196,084	5,517,373	6,084,449
Other Long-Term Obligations	141,169	112,918	30,291	23,743	171,460	136,661
Other Liabilities	48,837	47,903	612,168	569,554	661,005	617,457
Total Liabilities	<u>1,751,691</u>	<u>2,049,186</u>	<u>4,598,147</u>	<u>4,789,381</u>	<u>6,349,838</u>	<u>6,838,567</u>
Deferred Inflows of Resources	<u>1,443,882</u>	<u>1,437,640</u>	<u>-</u>	<u>-</u>	<u>1,443,882</u>	<u>1,437,640</u>
Net Position						
Net Investment in						
Capital Assets	2,402,678	1,722,013	2,588,999	2,570,223	4,991,677	4,292,236
Restricted	1,288,762	1,321,920	928,346	921,480	2,217,108	2,243,400
Unrestricted	1,455,968	1,773,370	1,753,145	1,724,519	3,209,113	3,497,889
Total Net Position	<u>\$ 5,147,408</u>	<u>\$ 4,817,303</u>	<u>\$ 5,270,490</u>	<u>\$ 5,216,222</u>	<u>\$ 10,417,898</u>	<u>\$ 10,033,525</u>

An additional portion of the City's net position (21%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$3,209,113 of total net position (31%) may be used to meet the City's ongoing obligations to its citizens and creditors. It is important to note that \$1,753,145 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 2013, 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 \$384,373. The increase consisted of an increase in net position related to governmental activities in the amount of \$330,105 and an increase in net position related to business-type activities in the amount of \$54,268.

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

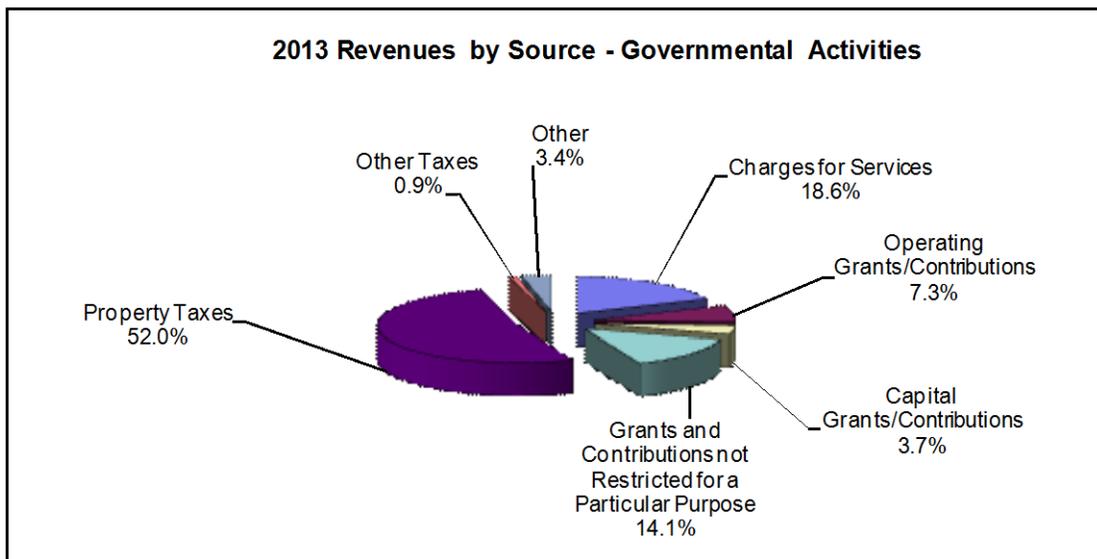
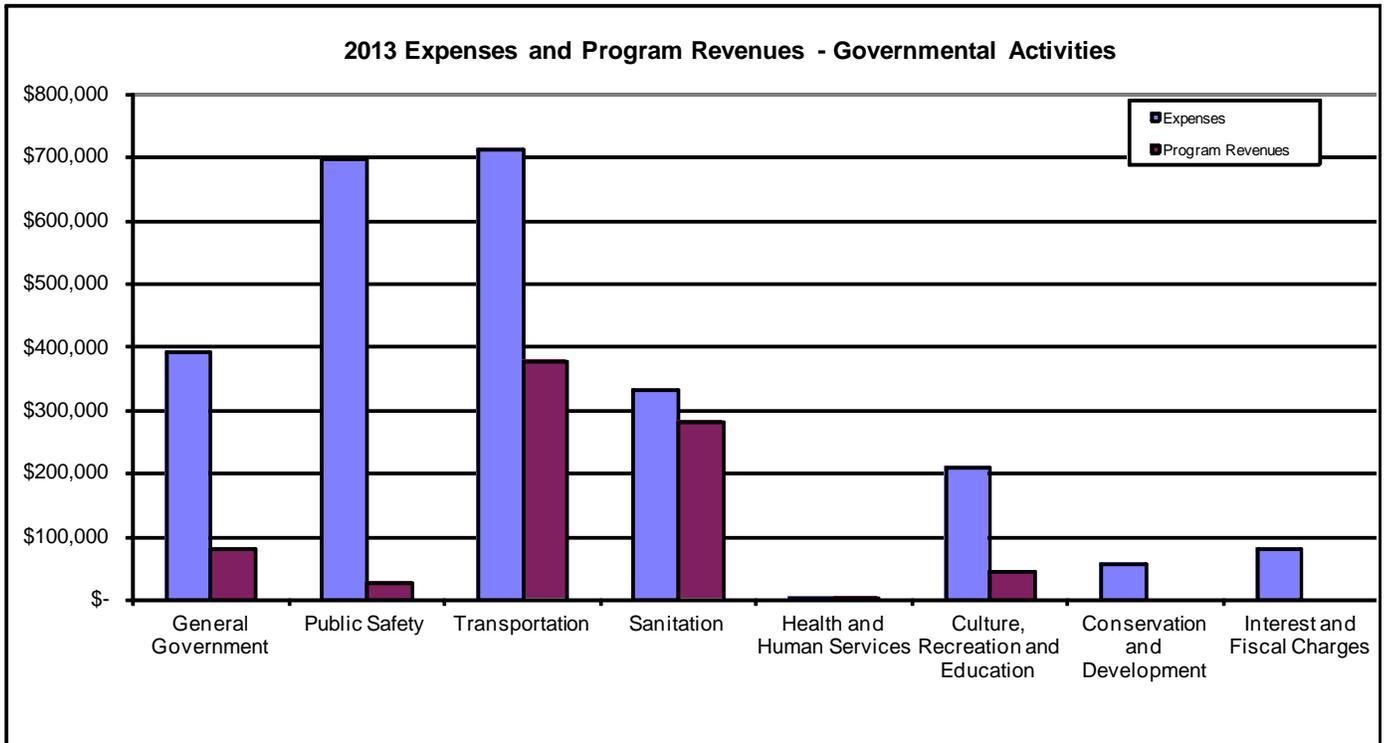
The following is a summary of the changes in the City's net position for the years ended December 31, 2013 and 2012:

**Condensed Statement of Changes in Net Position
Years Ended December 31, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 512,317	\$ 517,145	\$ 6,521,072	\$ 6,427,696	\$ 7,033,389	\$ 6,944,841
Operating Grants and Contributions	201,737	236,702	515,739	539,414	717,476	776,116
<u>General Revenues</u>						
Property Taxes	1,437,640	1,418,004	-	-	1,437,640	1,418,004
Other Taxes	23,594	19,102	-	-	23,594	19,102
State and Federal Aids Not Restricted to Specific Programs	387,815	391,103	-	-	387,815	391,103
Other	95,050	88,762	17,044	19,780	112,094	108,542
Total Revenues	<u>2,760,178</u>	<u>2,670,818</u>	<u>7,053,855</u>	<u>6,986,890</u>	<u>9,814,033</u>	<u>9,657,708</u>
EXPENSES						
General Government	392,943	420,399	-	-	392,943	420,399
Public Safety	697,417	690,804	-	-	697,417	690,804
Transportation	713,855	730,676	-	-	713,855	730,676
Sanitation	332,602	315,618	-	-	332,602	315,618
Health and Human Services	3,314	2,155	-	-	3,314	2,155
Culture, Recreation, and Education	208,817	247,326	-	-	208,817	247,326
Conservation and Development	56,729	208,314	-	-	56,729	208,314
Interest and Fiscal Charges	81,179	70,102	-	-	81,179	70,102
Water	-	-	258,045	243,398	258,045	243,398
Sewer	-	-	432,910	404,983	432,910	404,983
Knapp Haven Nursing Home	-	-	6,061,052	5,981,549	6,061,052	5,981,549
Pelican Place Apartments	-	-	190,797	171,648	190,797	171,648
Total Expenses	<u>2,486,856</u>	<u>2,685,394</u>	<u>6,942,804</u>	<u>6,801,578</u>	<u>9,429,660</u>	<u>9,486,972</u>
NET CHANGE BEFORE TRANSFERS	273,322	(14,576)	111,051	185,312	384,373	170,736
Transfers - Property Tax Equivalent	56,783	56,493	(56,783)	(56,493)	-	-
CHANGE IN NET POSITION	<u>\$ 330,105</u>	<u>\$ 41,917</u>	<u>\$ 54,268</u>	<u>\$ 128,819</u>	<u>\$ 384,373</u>	<u>\$ 170,736</u>

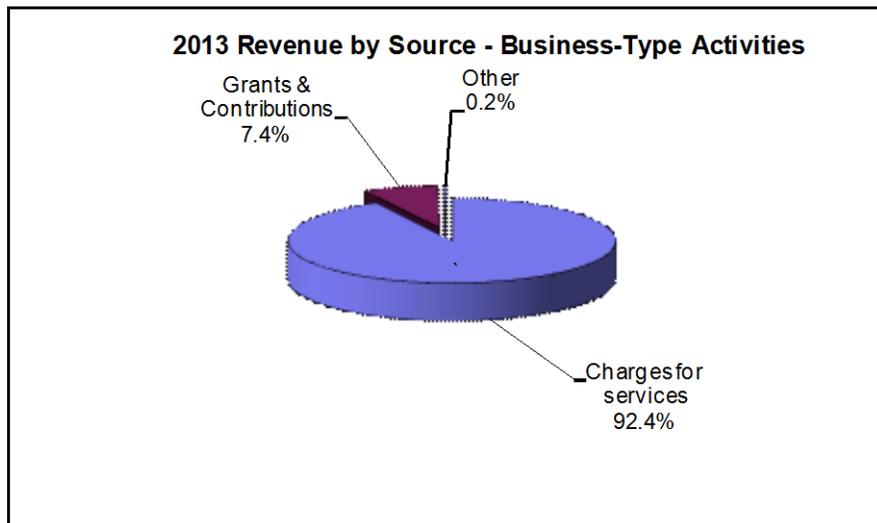
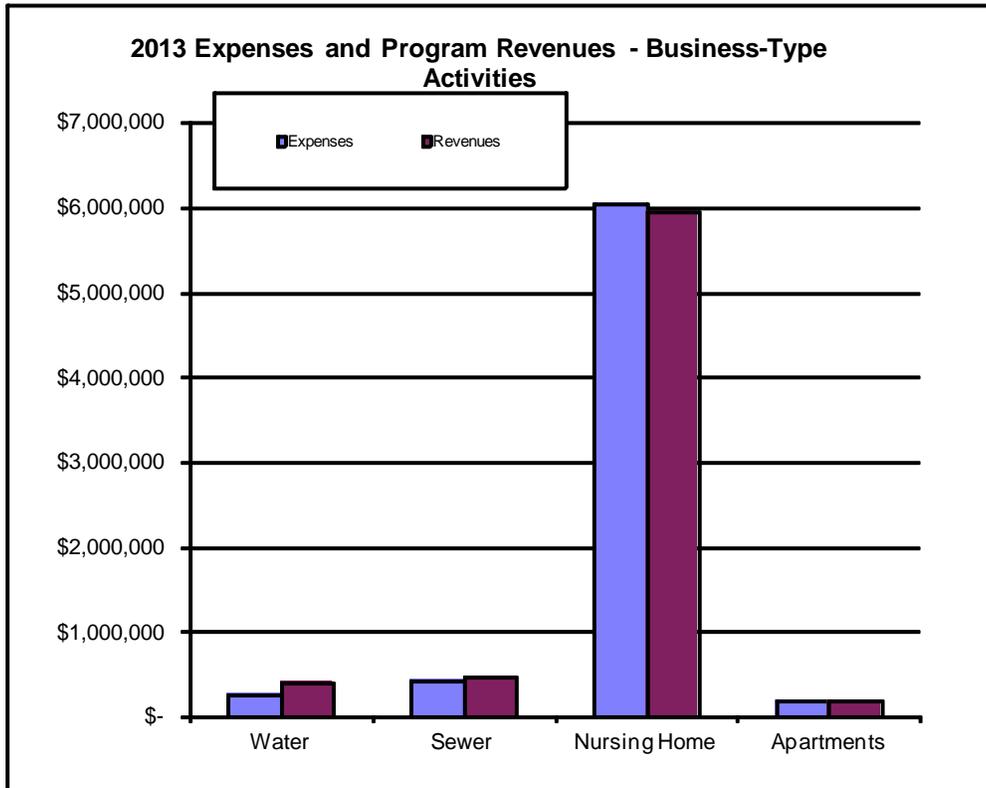
A review of statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The charts on the following page draw data from the statement of activities.

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**



For governmental services, the City is primarily dependent on property taxes (52.0%) and charges for services (18.6%).

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (92.4%) replace property taxes as the primary source of revenue.

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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, 2013, the City's governmental funds reported combined ending fund balances of \$1,727,569, a decrease of \$219,862 from the previous year, as shown below:

	Fund Balance at December 31, 2013					Total	Change During Year
	Nonspendable	Restricted	Committed	Assigned	Unassigned		
Major Funds:							
General Fund	\$ 29,712	\$ 15,023	\$ -	\$ 699,778	\$ 945,003	\$ 1,689,516	\$ (163,798)
Housing Rehab Revolving Loan Program Fund	-	94,295	-	-	-	94,295	37,486
Debt Service Fund	-	21,114	-	-	-	21,114	156
Tax Incremental District #2 Fund	-	-	-	-	(50,602)	(50,602)	(57,548)
Nonmajor Funds							
Stormwater Fund	-	-	35,097	-	-	35,097	(36,343)
Tax Incremental District #3 Fund	-	-	-	-	(61,851)	(61,851)	185
Total Fund Balances	<u>\$ 29,712</u>	<u>\$ 130,432</u>	<u>\$ 35,097</u>	<u>\$ 699,778</u>	<u>\$ 832,550</u>	<u>\$ 1,727,569</u>	<u>\$ (219,862)</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 65.7% of total general fund expenditures reported on the statement of revenues, expenditures and changes in fund balances, while the unassigned balance represented 36.7% of the same amount. The general fund's total fund balance decreased \$163,798 during the year, while the unassigned portion of the fund balance decreased \$264,563.

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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 \$37,486 during 2013.

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 \$21,114 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, 2013, the fund had a negative balance of \$50,602, a decrease of \$57,548 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 decreased \$36,158 during 2013. 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 2013 totaled \$5,270,490, an increase of \$54,268 from the previous year.

**Condensed Statement of Changes in Net Position for Enterprise Funds
Years Ended December 31, 2013 and 2012**

	Water Utility		Sewer Utility		Knapp Haven Nursing Home		Pelican Place Apartments		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Operating Revenues	\$ 401,619	\$ 405,548	\$ 481,871	\$ 486,433	\$ 5,444,392	\$ 5,361,964	\$ 193,190	\$ 173,751	\$ 6,521,072	\$ 6,427,696
Operating Expenses:										
Depreciation	67,703	66,665	104,657	97,587	161,427	162,091	40,195	40,390	373,982	366,733
Other	152,938	142,107	309,228	289,687	5,809,276	5,729,366	114,765	93,241	6,386,207	6,254,401
Operating Income (Loss)	180,978	196,776	67,986	99,159	(526,311)	(529,493)	38,230	40,120	(239,117)	(193,438)
Nonoperating Revenues (Expenses)	(30,070)	(25,614)	(10,703)	(8,347)	426,602	450,543	(35,661)	(37,832)	350,168	378,750
Net Income (Loss) before Transfers	150,908	171,162	57,283	90,812	(99,709)	(78,950)	2,569	2,288	111,051	185,312
Transfers	(56,783)	(56,493)	-	-	-	-	-	-	(56,783)	(56,493)
Changes in Net Position	94,125	114,669	57,283	90,812	(99,709)	(78,950)	2,569	2,288	54,268	128,819
Net Position - End of Year:										
Net Investment in										
Capital Assets	1,216,525	1,215,221	1,473,950	1,428,238	165,679	191,988	(267,155)	(263,606)	2,588,999	2,571,841
Restricted	363,510	359,783	282,040	279,499	204,884	204,319	77,912	77,879	928,346	921,480
Unrestricted	840,784	751,690	182,363	173,333	804,148	878,113	(74,150)	(80,235)	1,753,145	1,722,901
	<u>\$ 2,420,819</u>	<u>\$ 2,326,694</u>	<u>\$ 1,938,353</u>	<u>\$ 1,881,070</u>	<u>\$ 1,174,711</u>	<u>\$ 1,274,420</u>	<u>\$ (263,393)</u>	<u>\$ (265,962)</u>	<u>\$ 5,270,490</u>	<u>\$ 5,216,222</u>

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the *Budgetary Comparison Schedule* for the general fund (in required supplementary information), the final 2013 general fund budget was different than the original budget adopted by the City, primarily due to budget adjustments related to the appropriation of intergovernmental revenues and transfers between expenditures categories. The general fund ended the year with positive budget variances for both revenues/other financing sources and expenditures/other financing uses. Revenues were \$156,582 more than the budgeted amounts while expenditures were \$706,862 less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013 and 2012 was \$10,510,093 and \$10,378,839, respectively, (net of accumulated depreciation) as shown below:

**Capital Assets, Net of Accumulated Depreciation
December 31, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Not Subject to Depreciation						
Land and Land Rights	\$ 423,618	\$ 423,618	\$ 82,186	\$ 82,186	\$ 505,804	\$ 505,804
Construction Work in Progress	-	-	24,228	23,833	24,228	23,833
Non-Utility Property	-	-	1,837	1,837	1,837	1,837
Subject to Depreciation						
Land Improvements	157,718	157,718	166,145	162,691	323,863	320,409
Buildings	1,455,611	1,455,611	3,988,813	3,995,849	5,444,424	5,451,460
Furniture and Equipment	774,950	693,864	1,438,807	1,453,158	2,213,757	2,147,022
Vehicles	613,142	596,606	88,785	88,785	701,927	685,391
Infrastructure	2,266,865	2,018,375	-	-	2,266,865	2,018,375
Water System Plant	-	-	2,789,313	2,786,807	2,789,313	2,786,807
Sewer System Plant	-	-	3,732,611	3,658,892	3,732,611	3,658,892
Subtotal	5,691,904	5,345,792	12,312,725	12,254,038	18,004,629	17,599,830
Less: Accumulated Depreciation	(1,727,541)	(1,735,414)	(5,766,995)	(5,485,577)	(7,494,536)	(7,220,991)
Total	<u>\$ 3,964,363</u>	<u>\$ 3,610,378</u>	<u>\$ 6,545,730</u>	<u>\$ 6,768,461</u>	<u>\$ 10,510,093</u>	<u>\$ 10,378,839</u>

Major Additions During 2013

City Infrastructure Additions	\$ 248,490
Garbage Truck	217,741
Vactor Sewer Truck	117,000
Cat Payloader	133,145

Additional information related to the City's capital assets is reported in Note 3.C following the financial statements.

**CITY OF CHETEK, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

Long-Term Obligations

At December 31, 2013, the City had outstanding \$5,688,833 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, 2013 and 2012**

	Governmental Activities	Business- Type Activities	Total Outstanding		% Change
			2013	2012	
Long-Term Debt:					
General Obligation Debt	\$ 1,525,685	\$ 509,427	\$ 2,035,112	\$ 2,420,647	(15.9)%
Revenue Bonds	-	3,440,690	3,440,690	3,610,156	(4.70)
Subtotal	1,525,685	3,950,117	5,475,802	6,030,803	(9.20)
Other Long-Term Obligations:					
Bond Premiums	36,000	5,571	41,571	53,646	(22.50)
Other Postemployment Benefits	65,408	12,354	77,762	57,903	34.30
Estimated Employee Leave	75,761	17,937	93,698	78,758	19.00
Total	<u>\$ 1,702,854</u>	<u>\$ 3,985,979</u>	<u>\$ 5,688,833</u>	<u>\$ 6,221,110</u>	(8.60)

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 2014 budget year was 0.43 percent. The City approved a levy of \$1,233,500 for its 2014 budget, an increase of \$5,262 from the 2013 budget levy of \$1,228,238.

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, 2013**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 2,006,885	\$ 1,399,979	\$ 3,406,864
Taxes Receivable	1,108,097	-	1,108,097
Accounts Receivable	43,729	854,926	898,655
Accrued Interest Receivable	839	268	1,107
Receivable from Other Governments	82,025	-	82,025
Long-Term Receivables	1,169,013	-	1,169,013
Special Assessments Receivable	-	14,060	14,060
Inventories	-	24,694	24,694
Prepaid Expenses	-	9,071	9,071
Internal Balances	(31,970)	31,792	(178)
Restricted Assets:			
Cash and Investments	-	986,977	986,977
Accrued Interest Receivable	-	1,140	1,140
Capital Assets:			
Capital Assets Not Being Depreciated	423,618	108,251	531,869
Capital Assets Being Depreciated	5,268,286	12,204,474	17,472,760
Accumulated Depreciation	(1,727,541)	(5,766,995)	(7,494,536)
Total Assets	8,342,981	9,868,637	18,211,618
LIABILITIES			
Vouchers and Accounts Payable	38,154	116,031	154,185
Accrued Liabilities	-	420,400	420,400
Accrued Interest Payable	10,683	23,705	34,388
Unearned Revenue	-	732	732
Deposits	-	13,270	13,270
Trust Funds and Restricted Donations	-	38,030	38,030
Long-Term Obligations:			
Due Within One Year	378,974	269,967	648,941
Due in More than One Year	1,323,880	3,716,012	5,039,892
Total Liabilities	1,751,691	4,598,147	6,349,838
DEFERRED INFLOWS OF RESOURCES			
Subsequent Year's Property Taxes	1,443,882	-	1,443,882
NET POSITION			
Net Investment in Capital Assets	2,402,678	2,588,999	4,991,677
Restricted For:			
Capital Asset Replacement	-	443,266	443,266
Debt Retirement	10,431	471,110	481,541
Housing Loan Programs	1,263,308	-	1,263,308
Other Purposes	15,023	13,970	28,993
Unrestricted	1,455,968	1,753,145	3,209,113
Total Net Position	\$ 5,147,408	\$ 5,270,490	\$ 10,417,898

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 392,943	\$ 82,349	\$ -	\$ -	\$ (310,594)	\$ -	\$ (310,594)
Public Safety	697,417	15,186	10,774	-	(671,457)	-	(671,457)
Transportation	713,855	127,173	149,052	102,025	(335,605)	-	(335,605)
Sanitation	332,602	281,831	-	-	(50,771)	-	(50,771)
Health and Human Services	3,314	1,230	-	-	(2,084)	-	(2,084)
Culture, Recreation, and Education	208,817	4,548	41,911	-	(162,358)	-	(162,358)
Conservation and Development	56,729	-	-	-	(56,729)	-	(56,729)
Interest and Fiscal Charges	81,179	-	-	-	(81,179)	-	(81,179)
Total Governmental Activities	2,486,856	512,317	201,737	102,025	(1,670,777)	-	(1,670,777)
Business-Type Activities:							
Water Utility	258,045	401,619	-	-	-	143,574	143,574
Sewer Utility	432,910	481,871	-	-	-	48,961	48,961
Knapp Haven Nursing Home	6,061,052	5,444,392	515,739	-	-	(100,921)	(100,921)
Pelican Place Apartments	190,797	193,190	-	-	-	2,393	2,393
Total Business-Type Activities	6,942,804	6,521,072	515,739	-	-	94,007	94,007
Total Primary Government	<u>\$ 9,429,660</u>	<u>\$ 7,033,389</u>	<u>\$ 717,476</u>	<u>\$ 102,025</u>	(1,670,777)	94,007	(1,576,770)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					1,228,238	-	1,228,238
Property Taxes, Levied for TIF Districts					209,402	-	209,402
Other Taxes					23,594	-	23,594
State and Federal Aids Not Restricted to Specific Functions					387,815	-	387,815
Interest and Investment Earnings					8,138	11,407	19,545
Rents					9,333	5,637	14,970
Donations					20,825	-	20,825
Miscellaneous					56,754	-	56,754
Transfers					56,783	(56,783)	-
Total General Revenues and Transfers					2,000,882	(39,739)	1,961,143
CHANGE IN NET POSITION					330,105	54,268	384,373
Net Position - Beginning of Year					4,817,303	5,216,222	10,033,525
Net Position - End of Year					<u>\$ 5,147,408</u>	<u>\$ 5,270,490</u>	<u>\$ 10,417,898</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General Fund	Housing Rehabilitation Revolving Loan Program Fund	Debt Service Fund	Tax Incremental District #2 Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Treasurer's Cash and Investments	\$ 1,854,758	\$ 94,391	\$ 21,114	\$ 6,346	\$ 30,276	\$ 2,006,885
Taxes Receivable	897,715	-	-	210,382	-	1,108,097
Accounts Receivable	38,878	-	-	-	4,851	43,729
Interest Receivable	839	-	-	-	-	839
Due from Other Governments	82,025	-	-	-	-	82,025
Due from Other Funds	63,816	-	-	-	-	63,816
Advance to Other Funds	23,013	-	-	-	-	23,013
Installment Loans Receivable	-	20,175	-	-	-	20,175
Mortgage Loans Receivables	-	1,148,838	-	-	-	1,148,838
Total Assets	\$ 2,961,044	\$ 1,263,404	\$ 21,114	\$ 216,728	\$ 35,127	\$ 4,497,417
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Vouchers and Accounts Payable	\$ 38,028	\$ 96	\$ -	\$ -	\$ 30	\$ 38,154
Due to Other Funds	-	-	-	-	61,851	61,851
Advance from Other Funds	-	-	-	56,948	-	56,948
Total Liabilities	38,028	96	-	56,948	61,881	156,953
Deferred Inflows of Resources:						
Subsequent Year's Property Taxes	1,233,500	-	-	210,382	-	1,443,882
Unavailable Revenues:						
Long-Term Receivables	-	1,169,013	-	-	-	1,169,013
Total Deferred Inflows of Resources	1,233,500	1,169,013	-	210,382	-	2,612,895
Fund Balances:						
Nonspendable	29,712	-	-	-	-	29,712
Restricted	15,023	94,295	21,114	-	-	130,432
Committed	-	-	-	-	35,097	35,097
Assigned	699,778	-	-	-	-	699,778
Unassigned	945,003	-	-	(50,602)	(61,851)	832,550
Total Fund Balances	1,689,516	94,295	21,114	(50,602)	(26,754)	1,727,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,961,044	\$ 1,263,404	\$ 21,114	\$ 216,728	\$ 35,127	\$ 4,497,417

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, 2013**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS **\$ 1,727,569**

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	774,950	
Vehicles	613,142	
Infrastructure	2,266,865	
Accumulated Depreciation	<u>(1,727,541)</u>	3,964,363

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

Housing Rehabilitation Loans		1,169,013
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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	(10,683)	
Other Postemployment Benefits Payable	(65,408)	
Estimated Employee Leave Liability	(75,761)	
General Obligation Debt Payable	<u>(1,525,685)</u>	(1,677,537)

Debt refinancing costs, discounts, and premiums are reported in the governmental funds as current period expenditures, but are capitalized in the statement of net position and amortized over the lives of the related debt:

Unamortized Debt Premiums		<u>(36,000)</u>
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Net Position of Governmental Activities **\$ 5,147,408**

CITY OF CHETEK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	General Fund	Housing Rehabilitation Revolving Loan Program Fund	Debt Service Fund	Tax Incremental District #2 Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,251,790	\$ -	\$ -	\$ 209,402	\$ -	\$ 1,461,192
Intergovernmental	690,391	-	-	1,228	-	691,619
Licenses and Permits	58,352	-	-	-	-	58,352
Fines and Forfeits	28,791	-	-	-	-	28,791
Public Charges for Services	360,038	-	-	-	60,932	420,970
Intergovernmental Charges for Services	4,204	-	-	-	-	4,204
Miscellaneous						
Interest	8,977	38	263	-	-	9,278
Rent	8,798	-	-	-	535	9,333
Other	27,360	51,325	-	-	-	78,685
Total Revenues	2,438,701	51,363	263	210,630	61,467	2,762,424
EXPENDITURES:						
General Government	376,132	-	-	-	-	376,132
Public Safety	667,205	-	-	-	-	667,205
Transportation	554,237	-	-	-	77,600	631,837
Sanitation	305,114	-	-	-	-	305,114
Health and Human Services	3,014	-	-	-	-	3,014
Culture, Recreation, and Education	158,350	-	-	-	-	158,350
Conservation and Development	92	13,877	-	15,618	350	29,937
Capital Outlay	508,098	-	-	-	-	508,098
Debt Service:						
Principal Retirement	-	-	316,223	-	-	316,223
Interest and Fiscal Charges	-	-	55,516	3,562	-	59,078
Total Expenditures	2,572,242	13,877	371,739	19,180	77,950	3,054,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,541)	37,486	(371,476)	191,450	(16,483)	(292,564)
OTHER FINANCING SOURCES (USES):						
Sale of Property	15,919	-	-	-	-	15,919
Transfers In	56,783	-	371,632	-	-	428,415
Transfers Out	(102,959)	-	-	(248,998)	(19,675)	(371,632)
Total Other Financing Sources (Uses)	(30,257)	-	371,632	(248,998)	(19,675)	72,702
NET CHANGE IN FUND BALANCES	(163,798)	37,486	156	(57,548)	(36,158)	(219,862)
Fund Balances, January 1	1,853,314	56,809	20,958	6,946	9,404	1,947,431
FUND BALANCES, DECEMBER 31	<u>\$ 1,689,516</u>	<u>\$ 94,295</u>	<u>\$ 21,114</u>	<u>\$ (50,602)</u>	<u>\$ (26,754)</u>	<u>\$ 1,727,569</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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (219,862)

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	\$ 683,906	
Depreciation Expense Reported in the Statement of Activities	<u>(223,081)</u>	460,825

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. (106,840)

Some assets not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (69,889)

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		316,223
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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:

Net Change in Unamortized Debt Issuance Costs	(30,640)	
Amortization of Debt Premium	10,457	
Amortization of Debt Refunding Costs	(7,871)	
Net Change in Other Postemployment Benefits Payable	(16,657)	
Net Change in Accrued Employee Leave Liability	(11,594)	
Net Change in Accrued Interest Payable	<u>5,953</u>	<u>(50,352)</u>

Change in Net Position of Governmental Activities \$ 330,105

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

ASSETS	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
Current Assets:					
Cash and Investments	\$ 730,830	\$ 151,803	\$ 308,852	\$ 62	\$ 1,191,547
Customer Accounts Receivable	29,010	44,185	781,731	-	854,926
Due from Other Funds	-	-	23,801	-	23,801
Accrued Interest Receivable - TID Advance	226	42	-	-	268
Current Portion of Long-Term Advance to Tax Incremental District	11,840	1,617	-	-	13,457
Inventories	22,169	2,525	-	-	24,694
Prepayments	1,364	3,118	4,589	-	9,071
Total Current Assets	795,439	203,290	1,118,973	62	2,117,764
Noncurrent Cash and Investments:					
Resident Trust Funds	-	-	24,060	-	24,060
Flex Spending	-	-	11,989	-	11,989
Health Retirement	-	-	22,292	-	22,292
Rep Payee	-	-	100	-	100
Depreciation Fund Investments	-	-	149,991	-	149,991
Total Noncurrent Cash and Investments	-	-	208,432	-	208,432
Restricted Assets:					
Cash and Investments:					
Replacement Fund	251,840	191,426	56,804	66,760	566,830
Debt Retirement Fund	113,238	90,873	190,914	11,152	406,177
Activity Fund	-	-	7,016	-	7,016
Restricted Donations	-	-	6,954	-	6,954
Accrued Interest Receivable:					
Bond Reserve Funds	706	434	-	-	1,140
Total Restricted Assets	365,784	282,733	261,688	77,912	988,117
Capital Assets:					
Property Plant and Equipment	2,789,963	3,735,150	4,625,992	1,084,735	12,235,840
Less: Accumulated Depreciation	1,025,275	1,867,041	2,221,515	653,164	5,766,995
Net Property Plant and Equipment	1,764,688	1,868,109	2,404,477	431,571	6,468,845
Construction in Progress	-	-	24,228	-	24,228
Land Held for Future Use	1,837	50,820	-	-	52,657
Total Capital Assets	1,766,525	1,918,929	2,428,705	431,571	6,545,730
Other Assets:					
Special Assessments Receivable	14,060	-	-	-	14,060
Long-Term Advances to Tax Incremental District #2 from Revenue Bond Proceeds (Less Current Portion)	40,257	3,234	-	-	43,491
Total Other Assets	54,317	3,234	-	-	57,551
Total Assets	\$ 2,982,065	\$ 2,408,186	\$ 4,017,798	\$ 509,545	\$ 9,917,594

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
LIABILITIES					
Current Liabilities Payable from Current Assets:					
Accounts Payable	\$ 629	\$ 1,037	\$ 108,137	\$ 6,228	\$ 116,031
Due to Other Funds	-	-	-	23,801	23,801
Accrued Salaries and Employee Benefits	-	-	420,400	-	420,400
Accrued Interest Payable	-	1,176	13,494	6,068	20,738
Accrued Employee Leave Liabilities - Current Portion	4,179	13,758	-	-	17,937
Deposits	-	-	-	13,270	13,270
Unearned Revenue	-	-	-	732	732
Current Portion of Advance from Other Funds	-	-	-	4,199	4,199
Current Portion of Long-Term Debt	-	60,215	64,283	37,532	162,030
Total Current Liabilities Payable from Current Assets	<u>4,808</u>	<u>76,186</u>	<u>606,314</u>	<u>91,830</u>	<u>779,138</u>
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	2,274	693	-	-	2,967
Trust Funds and Restricted Donations	-	-	38,030	-	38,030
Current Portion of Revenue Bonds	70,000	20,000	-	-	90,000
Total Current Liabilities Payable from Restricted Assets	<u>72,274</u>	<u>20,693</u>	<u>38,030</u>	<u>-</u>	<u>130,997</u>
Long-Term Liabilities (Less Current Portion):					
Other Postemployment Benefits Payable	4,164	8,190	-	-	12,354
Advance from Other Funds	-	-	-	20,957	20,957
General Obligation Promissory Notes	-	175,540	237,504	23,751	436,795
Unamortized Debt Premium	-	4,107	-	-	4,107
Mortgage Revenue Bonds	480,000	185,117	1,961,239	636,400	3,262,756
Total Long-Term Liabilities (Net of Current Portion)	<u>484,164</u>	<u>372,954</u>	<u>2,198,743</u>	<u>681,108</u>	<u>3,736,969</u>
Total Liabilities	561,246	469,833	2,843,087	772,938	4,647,104
NET POSITION					
Net Investment in Capital Assets	1,216,525	1,473,950	165,679	(267,155)	2,588,999
Restricted for Plant Replacement	251,840	191,426	-	-	443,266
Restricted for Debt Retirement	111,670	90,614	190,914	77,912	471,110
Restricted by Donors	-	-	13,970	-	13,970
Unrestricted	840,784	182,363	804,148	(74,150)	1,753,145
Total Net Position	<u>2,420,819</u>	<u>1,938,353</u>	<u>1,174,711</u>	<u>(263,393)</u>	<u>5,270,490</u>
Total Liabilities and Net Position	<u>\$ 2,982,065</u>	<u>\$ 2,408,186</u>	<u>\$ 4,017,798</u>	<u>\$ 509,545</u>	<u>\$ 9,917,594</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, 2013

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
OPERATING REVENUES:					
Charges for Services	\$ 366,524	\$ 479,696	\$ 5,302,345	\$ 167,470	\$ 6,316,035
Other Operating Revenues	35,095	2,175	142,047	25,720	205,037
Total Operating Revenues	401,619	481,871	5,444,392	193,190	6,521,072
OPERATING EXPENSES:					
Operation and Maintenance	152,938	309,228	5,809,276	114,765	6,386,207
Depreciation	67,703	104,657	161,427	40,195	373,982
Total Operating Expenses	220,641	413,885	5,970,703	154,960	6,760,189
OPERATING INCOME (LOSS)	180,978	67,986	(526,311)	38,230	(239,117)
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental Grants	-	-	515,739	-	515,739
Interest Income	7,334	2,685	1,212	176	11,407
Rental Income	-	5,637	-	-	5,637
Amortization of Debt Premium	-	1,618	-	-	1,618
Interest Expense	(30,600)	(15,082)	(87,941)	(35,837)	(169,460)
Rental Property Expense	-	(1,101)	-	-	(1,101)
Amortization of Debt Discount and Expense	(6,804)	(4,460)	-	-	(11,264)
Loss on Disposal of Assets	-	-	(2,408)	-	(2,408)
Total Nonoperating Revenues (Expenses)	(30,070)	(10,703)	426,602	(35,661)	350,168
INCOME (LOSS) BEFORE TRANSFERS	150,908	57,283	(99,709)	2,569	111,051
TRANSFERS OUT	(56,783)	-	-	-	(56,783)
CHANGE IN NET POSITION	94,125	57,283	(99,709)	2,569	54,268
Net Position - Beginning of Year	2,326,694	1,881,070	1,274,420	(265,962)	5,216,222
NET POSITION - END OF YEAR	\$ 2,420,819	\$ 1,938,353	\$ 1,174,711	\$ (263,393)	\$ 5,270,490

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$ 349,055	\$ 482,045	\$ 5,224,244	\$ 168,622	\$ 6,223,966
Cash Received from Municipality for Fire Protection	38,250	-	-	-	38,250
Other Cash Received	-	-	142,047	25,720	167,767
Cash Paid to Suppliers for Goods and Services	(81,220)	(156,068)	-	-	(237,288)
Cash Paid for Employee Services	(68,032)	(138,380)	-	-	(206,412)
Cash Paid to Employees and for Operating Expenses	-	-	(5,624,478)	(117,074)	(5,741,552)
Cash Received (Paid) for Sewer Share of Meter Expense	16,118	(16,118)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>254,171</u>	<u>171,479</u>	<u>(258,187)</u>	<u>77,268</u>	<u>244,731</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Received from Rental Properties	-	5,637	-	-	5,637
Cash Paid for Rental Property Expense	-	(1,101)	-	-	(1,101)
Cash Received from Intergovernmental Transfer Program	-	-	515,739	-	515,739
Cash Paid to General Fund for Tax Equivalents	(56,783)	-	-	-	(56,783)
Cash Received from Special Assessments	-	-	-	-	-
Purchased from Sewer Utility Enterprise Fund	2,386	-	-	-	2,386
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(54,397)</u>	<u>4,536</u>	<u>515,739</u>	<u>-</u>	<u>465,878</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Payments for Capital Assets	(4,239)	(73,719)	(51,877)	-	(129,835)
Cash Received from Salvage of Capital Assets	232	-	-	-	232
Cash Received from Payment of Special Assessments	2,777	-	-	-	2,777
Cash Received from Repayment of Advance to Tax Incremental District	13,924	1,911	-	-	15,835
Principal Paid on Long-Term Debt	(65,000)	(76,650)	(37,637)	(39,802)	(219,089)
Interest and Fiscal Agent Fees Paid on Long-Term Debt	(30,862)	(15,429)	(88,489)	(36,159)	(170,939)
Net Cash Used by Capital and Related Financing Activities	<u>(83,168)</u>	<u>(163,887)</u>	<u>(178,003)</u>	<u>(75,961)</u>	<u>(501,019)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Deposits into Debt Redemption Fund	-	-	-	(1,433)	(1,433)
Deposits into Depreciation Fund	-	-	(65,004)	-	(65,004)
Deposits into Debt Service Reserve	-	-	(25,013)	-	(25,013)
Reinvested Interest Income	(4,110)	(2,759)	(727)	(13)	(7,609)
Cash Received from Interest on Investments	4,113	2,797	1,212	176	8,298
Net Cash Provided (Used) by Investing Activities	<u>3</u>	<u>38</u>	<u>(89,532)</u>	<u>(1,270)</u>	<u>(90,761)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>116,609</u>	<u>12,166</u>	<u>(9,983)</u>	<u>37</u>	<u>118,829</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>614,221</u>	<u>139,637</u>	<u>318,835</u>	<u>25</u>	<u>1,072,718</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 730,830</u>	<u>\$ 151,803</u>	<u>\$ 308,852</u>	<u>\$ 62</u>	<u>\$ 1,191,547</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 180,978	\$ 67,986	\$ (526,311)	\$ 38,230	\$ (239,117)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	67,703	104,657	161,427	40,195	373,982
(Increase) Decrease in Assets:					
Accounts Receivable	1,804	174	(78,101)	537	(75,586)
Other Accounts Receivable	-	-	125,597	-	125,597
Due from Other Funds	-	-	1,274	-	1,274
Inventories	1,122	(117)	-	-	1,005
Prepaid Expenses	390	(133)	-	-	257
Other Current Assets	-	-	9,556	-	9,556
Increase (Decrease) in Liabilities:					
Accounts Payable	9	(5,471)	41,739	(451)	35,826
Accrued Employee Leave Liability	1,075	2,271	-	-	3,346
Other Current Liabilities	-	-	6,632	(1,243)	5,389
Other Postemployment Benefits Payable	1,090	2,112	-	-	3,202
Net Cash Provided (Used) by Operating Activities	<u>\$ 254,171</u>	<u>\$ 171,479</u>	<u>\$ (258,187)</u>	<u>\$ 77,268</u>	<u>\$ 244,731</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:					
Cash and Investments Per Statement of Net Position:					
Cash and Investments - Current	\$ 730,830	\$ 151,803	\$ 308,852	\$ 62	\$ 1,191,547
Cash and Investments - Noncurrent and Restricted	<u>365,078</u>	<u>282,299</u>	<u>470,120</u>	<u>77,912</u>	<u>1,195,409</u>
	1,095,908	434,102	778,972	77,974	2,386,956
Less: Certificates of Deposit with a Maturity Greater than Three Months	<u>365,078</u>	<u>282,299</u>	<u>470,120</u>	<u>77,912</u>	<u>1,195,409</u>
Total Cash and Cash Equivalents	<u>\$ 730,830</u>	<u>\$ 151,803</u>	<u>\$ 308,852</u>	<u>\$ 62</u>	<u>\$ 1,191,547</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	\$ 501,885
Taxes Receivable	<u>1,571,162</u>
Total Assets	<u>\$ 2,073,047</u>
LIABILITIES	
Due to Other Governmental Units	<u>\$ 2,073,047</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013**

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

Separate financial statements are 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, 2013**

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, 2013.

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, 2013.

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, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund 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 thereafter to pay liabilities of the current period. For this purpose, the City considers revenues reported 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 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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows 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.
- 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 revenue until January 1 of the year following the levy, they are recorded as deferred inflows of resources in the funds budgeted therefore.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

2. Receivables and Payables (Continued)

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

Special Assessments. Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2013 tax roll are recognized as revenue in 2014.) 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 \$165,000 at June 30, 2013. 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 housing rehabilitation loan programs to various individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amounts recorded as housing rehabilitation loans receivable have not been reduced by an allowance for uncollectible accounts since the City does not expect such amounts to be material to the financial statements. In the fund financial statements, it is the City's policy to record deferred inflows of resources for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

2. Receivables and Payables (Continued)

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.

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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

5. Capital Assets (Continued)

Government-Wide Statements (Continued). 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

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. Deferred Outflows of Resources

The City reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position or governmental fund balance sheet. No deferred outflows of resources are reported in these financial statements in the current year.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

7. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items which are reported as deferred inflows. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

8. 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.

9. 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.

10. 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 at the time of issuance.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

11. Defining Operating Revenues and Expenses

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

12. Use of Restricted Resources

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

13. Equity Classifications

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

Government-Wide Statements. 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. There were no restrictions to net position based on enabling legislation at year-end. 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 are legally or contractually required to be maintained intact. 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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Inflows/Outflows and Net Position or Equity
(Continued)**

13. Equity Classifications (Continued)

Fund Financial Statements (Continued). 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.

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 #2 fund and Tax Incremental District #3 fund had deficit fund balances of \$50,602 and \$61,851, respectively, at December 31, 2013. These deficits will be funded through future tax increments. The Pelican Place Apartments had deficit net position of \$263,393 as of June 30, 2013. 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, 2013 as shown in the financial statements are as follows:

Governmental Funds	\$ 2,006,885
Proprietary Funds	2,386,956
Fiduciary Funds	501,885
Total	<u>\$ 4,895,726</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

The above cash and investments consisted of the following:

	Balance 12/31/13
Treasurer's Cash and Investments:	
Deposits in Financial Institutions	\$ 1,703,777
Deposits in Local Government Investment Pool	2,203,932
Petty Cash Funds	1,040
	3,908,749
Restricted Cash and Investments:	
Deposits in Financial Institutions	986,977
	\$ 4,895,726

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 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, 2013, the City's deposits were not exposed to custodial credit risk.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments

The City's investments at December 31, 2013 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 2013 was 70 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.

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 has 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, 2013 the City had outstanding five installment loans totaling \$20,175. 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 inflows or resources recorded therein. Revenue is recognized in the special revenue fund as collections are received on these loans.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Housing Rehabilitation Loans Receivable (Continued). The City also had 115 mortgage loans outstanding at December 31, 2013 totaling \$1,148,838. These notes become due and payable in the event that the maker:

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

These loans are recorded as long-term receivables and deferred inflows of resources in the special revenue fund. Collections on these loans are recognized as revenue in the special revenue fund at the time of their receipt.

Proceeds from the collection of the above loans are restricted for financing similar rehabilitation projects.

C. Capital Assets

Capital asset activity for the year ended December 31, 2013 is as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
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	191,645	110,559	774,950
Vehicles	596,606	243,771	227,235	613,142
Infrastructure	2,018,375	248,490	-	2,266,865
Total Capital Assets Being Depreciated	<u>4,922,174</u>	<u>683,906</u>	<u>337,794</u>	<u>5,268,286</u>
Total Capital Assets	5,345,792	683,906	337,794	5,691,904
Accumulated Depreciation:				
Land Improvements	78,262	2,747	-	81,009
Buildings	499,466	29,487	-	528,953
Furniture and Equipment	434,074	40,157	74,871	399,360
Vehicles	328,610	63,167	156,083	235,694
Infrastructure	395,002	87,523	-	482,525
Total Accumulated Depreciation	<u>1,735,414</u>	<u>223,081</u>	<u>230,954</u>	<u>1,727,541</u>
Net Capital Assets - Governmental Activities	<u>\$ 3,610,378</u>	<u>\$ 460,825</u>	<u>\$ 106,840</u>	<u>\$ 3,964,363</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Governmental Activities (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,826
Public Safety	19,834
Transportation	162,447
Sanitation	24,987
Health and Human Services	300
Culture, Recreation and Education	7,959
Conservation and Development	4,728
Total Depreciation - Governmental Activities	<u>\$ 223,081</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
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	33,898	-	-	33,898
Transmission and Distribution	2,422,127	4,239	1,733	2,424,633
Administration and General Assets	274,482	-	-	274,482
Total Capital Assets Being Depreciated	<u>2,786,807</u>	<u>4,239</u>	<u>1,733</u>	<u>2,789,313</u>
Total Capital Assets	2,789,294	4,239	1,733	2,791,800
Less Accumulated Depreciation	959,073	67,703	1,501	1,025,275
Net Capital Assets - Water Utility	<u>1,830,221</u>	<u>(63,464)</u>	<u>232</u>	<u>1,766,525</u>
Sewer Utility:				
Capital Assets Not Being Depreciated:				
Land and Land Rights	53,359	-	-	53,359
Capital Assets Being Depreciated:				
Collection System	1,272,423	-	-	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	237,200	73,719	-	310,919
Total Capital Assets Being Depreciated	<u>3,658,892</u>	<u>73,719</u>	<u>-</u>	<u>3,732,611</u>
Total Capital Assets	3,712,251	73,719	-	3,785,970
Less Accumulated Depreciation	1,762,384	104,657	-	1,867,041
Net Capital Assets - Sewer Utility	<u>1,949,867</u>	<u>(30,938)</u>	<u>-</u>	<u>1,918,929</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-Type Activities (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Knapp Haven Nursing Home:				
Capital Assets Not Being Depreciated				
Land	\$ 19,328	\$ -	\$ -	\$ 19,328
Construction Work in Progress	23,833	395	-	24,228
Total Capital Assets Not Being Depreciated	43,161	395	-	43,556
Capital Assets Being Depreciated:				
Land Improvements	111,066	8,787	5,333	114,520
Buildings	3,351,142	21,277	28,313	3,344,106
Fixed Equipment	663,334	13,756	30,707	646,383
Major Movable Equipment	410,270	31,718	29,118	412,870
Vehicles	88,785	-	-	88,785
Total Capital Assets Being Depreciated	4,624,597	75,538	93,471	4,606,664
Total Capital Assets	4,667,758	75,933	93,471	4,650,220
Less Accumulated Depreciation	2,151,151	161,427	91,063	2,221,515
Net Capital Assets - Knapp Haven Nursing Home	2,516,607	(85,494)	2,408	2,428,705
Pelican Place Apartments:				
Capital Assets Not Being Depreciated				
Land	8,849	-	-	8,849
Capital Assets Being Depreciated:				
Land Improvements	51,625	-	-	51,625
Buildings	644,707	-	-	644,707
Fixed Equipment	342,251	-	-	342,251
Major Moveable Equipment	37,303	-	-	37,303
Total Capital Assets Being Depreciated	1,075,886	-	-	1,075,886
Total Capital Assets	1,084,735	-	-	1,084,735
Less Accumulated Depreciation	612,969	40,195	-	653,164
Net Capital Assets - Pelican Place Apartments	471,766	(40,195)	-	431,571
Net Capital Assets - Business-Type Activities	\$ 6,768,461	\$ (220,091)	\$ 2,640	\$ 6,545,730

Depreciation was charged to business-type activities as follows:

Water Utility	\$ 67,703
Sewer Utility	104,657
Knapp Haven Nursing Home	161,427
Pelican Place Apartments	40,195
Total Depreciation - Business-Type Activities	<u>\$ 373,982</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2013 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	\$ 61,851
General Fund	Knapp Haven Nursing Home	1,965
Knapp Haven Nursing Home	Pelican Place Apartments	23,801
		<u>\$ 87,617</u>

The amount due the general fund from Knapp Haven enterprise fund consists of temporary financing of current year expenses to be settled in 2014. The amount reported in the Knapp Haven enterprise fund at June 30, 2013 is zero, a difference of \$1,965 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 2014.

Advances from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pelican Place Apartments	\$ 23,013
Water Utility Enterprise Fund (Bonds)	Tax Incremental District #2 Fund	52,097
Sewer Utility Enterprise Fund (Bonds)	Tax Incremental District #2 Fund	4,851
		<u>\$ 79,961</u>

At December 31, 2013 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 \$52,097 and \$4,851, 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, 2013 totaling \$23,013. 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, 2013, \$41,028 has been collected on the advance leaving a balance of \$22,535. 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, 2013 was \$478. The amount of these advances reported in the Pelican Place enterprise fund at June 30, 2013 is \$25,156, a difference of \$2,143 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, 2013**

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 2013:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Water Utility Enterprise Fund	\$ 56,783
Debt Service Fund	General Fund	102,959
Debt Service Fund	Stormwater Fund	19,675
Debt Service Fund	Tax Incremental District #2 Fund	248,998
		<u>\$ 428,415</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, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-Term Debt:					
Governmental Activities:					
General Obligation Debt	\$ 1,841,908	\$ -	\$ 316,223	\$ 1,525,685	\$ 302,576
Unamortized Debt Premium	46,457	-	10,457	36,000	9,462
	<u>1,888,365</u>	<u>-</u>	<u>326,680</u>	<u>1,561,685</u>	<u>312,038</u>
Business-Type Activities:					
General Obligation Notes:					
Sewer Utility	233,160	-	28,140	205,020	29,480
Knapp Haven Nursing Home	314,561	-	37,637	276,924	39,420
Pelican Place Apartments	31,018	-	3,535	27,483	3,732
Unamortized Debt Premium	7,189	-	1,618	5,571	1,464
Mortgage Revenue Bonds:					
Water Utility	615,000	-	65,000	550,000	70,000
Sewer Utility	282,898	-	48,510	234,388	49,271
Knapp Haven Nursing Home	2,010,058	-	23,956	1,986,102	24,863
Pelican Place Apartments	702,200	-	32,000	670,200	33,800
Total Business-Type Activities	<u>4,196,084</u>	<u>-</u>	<u>240,396</u>	<u>3,955,688</u>	<u>252,030</u>
Total Long-Term Debt	<u>\$ 6,084,449</u>	<u>\$ -</u>	<u>\$ 567,076</u>	<u>\$ 5,517,373</u>	<u>\$ 564,068</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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
Other Long-Term Obligations:					
Governmental Activities:					
Other Postemployment Benefits Payable	\$ 48,751	\$ 18,330	\$ 1,673	\$ 65,408	\$ -
Employee Leave Liability	64,167	11,594	-	75,761	66,936
	<u>112,918</u>	<u>29,924</u>	<u>1,673</u>	<u>141,169</u>	<u>66,936</u>
Business-Type Activities:					
Other Postemployment Benefits Payable	9,152	3,462	260	12,354	-
Employee Leave Liability	14,591	3,346	-	17,937	17,937
	<u>23,743</u>	<u>6,808</u>	<u>260</u>	<u>30,291</u>	<u>17,937</u>
Total Other Long-Term Obligations	<u>\$ 136,661</u>	<u>\$ 36,732</u>	<u>\$ 1,933</u>	<u>\$ 171,460</u>	<u>\$ 84,873</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, 2013 and annual requirements for their retirement are shown below (Knapp Haven Nursing Home and Pelican Place Apartments debt balances are as of their June 30, 2013 fiscal year end):

	Year	Principal	Interest	Total
General Obligation Notes:				
General Obligation Refunding Bonds, \$1,940,000, dated 9/2/11, due 6/1/21, interest at 2.0% to 3.0%	2014	\$ 220,000	\$ 41,500	\$ 261,500
	2015	225,000	35,925	260,925
	2016	230,000	29,100	259,100
(general City \$780,850; TID #2 \$750,780; stormwater fund \$148,410; sewer utility \$259,960)	2017	240,000	22,050	262,050
	2018	245,000	14,775	259,775
	2019-2021	370,000	16,800	386,800
		<u>1,530,000</u>	<u>160,150</u>	<u>1,690,150</u>
State Trust Fund Loan, \$248,000, dated 12/22/05, due 3/15/15, interest at 4.25% (TID #2)	2014	31,333	2,720	34,053
	2015	32,664	1,389	34,053
		<u>63,997</u>	<u>4,109</u>	<u>68,106</u>
Promissory Bank Note, \$45,000, dated 10/7/03, due 10/7/13, interest at 4.25% (Knapp Haven Nursing Home)	2014	5,152	218	5,370
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)	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	45,000	13,080	58,080
	2019-2020	92,255	16,025	108,280
		<u>299,255</u>	<u>100,459</u>	<u>399,714</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Annual Requirements for Retirement (Continued)

	Year	Principal	Interest	Total
General Obligation Notes: (Continued)				
State Trust Fund Loan, \$215,617, dated 10/27/06, due 3/15/16, interest at 4.25% (TID #2)	2014	\$ 26,294	\$ 3,497	\$ 29,791
	2015	27,412	2,379	29,791
	2016	28,573	1,218	29,791
		<u>82,279</u>	<u>7,094</u>	<u>89,373</u>
Promissory Bank Note, \$664,333, dated 1/18/08, due 1/18/18, interest at 5.00% (TID #2)	2014	54,429	2,721	57,150
Total General Obligation Long-term Debt		<u>\$ 2,035,112</u>	<u>\$ 274,751</u>	<u>\$ 2,309,863</u>

Mortgage Revenue Bonds

At December 31, 2013 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, 2013 are shown below.

	Year	Repayment Requirements			Expected Funding	
		Principal	Interest	Total	Water Utility	TID Fund
Water System Revenue Bonds \$800,000, dated 5/1/98, due 12/1/18, interest at 4.60% to 5.20%	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>285,000</u>	<u>46,280</u>	<u>331,280</u>	<u>\$ 272,217</u>	<u>\$ 59,063</u>
Water System Revenue Bonds \$435,000, dated 10/9/03, due 12/1/23, interest at 3.00% to 5.00%	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	25,000	8,510	33,510		
	2019-2023	150,000	23,245	173,245		
		<u>265,000</u>	<u>76,135</u>	<u>341,135</u>		
Total Water System Revenue Bonds		<u>\$ 550,000</u>	<u>\$ 122,415</u>	<u>\$ 672,415</u>		

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013 were \$113,238 and \$251,840, 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, 2013 are shown below.

	Year	Repayment Requirements			Expecting Funding	
		Principal	Interest	Total	Sewer Utility	TID Fund
Sewer System Revenue Bonds \$290,000, dated 5/1/98, due 5/1/17, interest at 5.00% to 5.20%	2014	\$ 20,000	\$ 3,640	\$ 23,640	\$ 21,813	\$ 1,827
	2015	20,000	2,600	22,600	20,857	1,743
	2016	20,000	1,560	21,560	19,901	1,659
	2017	20,000	520	20,520	20,520	-
		<u>\$ 80,000</u>	<u>\$ 8,320</u>	<u>\$ 88,320</u>	<u>\$ 83,091</u>	<u>\$ 5,229</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, 2013**

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, 2013 were \$90,873 and \$191,426, 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, 2013 are shown below.

	Year	Principal	Interest	Total
Sewage System Revenue Bonds, \$511,765, dated 7/8/98, due 5/1/18, interest at 2.672%	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	32,527	435	32,962
			<u>\$ 154,388</u>	<u>\$ 10,533</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, 2013**

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 June 30, 2013 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%	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	41,300	25,705	67,005
	2019-2023	241,000	94,886	335,886
	2024-2027	242,000	28,037	270,037
			<u>\$ 670,200</u>	<u>\$ 270,383</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, 2013, the special redemption fund had a balance of \$11,152 and the depreciation fund had a balance of \$66,760.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 June 30, 2013 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%	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	28,838	70,280	99,118
	2019-2023	161,207	334,383	495,590
	2024-2028	193,968	301,622	495,590
	2029-2033	233,778	261,812	495,590
	2034-2038	281,518	214,072	495,590
	2039-2043	339,009	156,581	495,590
	2044-2048	408,215	87,376	495,591
	2049-2051	234,532	13,379	247,911
			<u>\$ 1,986,102</u>	<u>\$ 1,730,940</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, 2013, the special redemption fund had a balance of \$190,914.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013 consisted of the following:

	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned
Major Funds:						
General Fund						
Delinquent Taxes	\$ 6,699	\$ 6,699	\$ -	\$ -	\$ -	\$ -
Advances to Other Funds	23,013	23,013	-	-	-	-
Library Improvements	15,023	-	15,023	-	-	-
Data Processing Costs	4,245	-	-	-	4,245	-
Squad Car	31	-	-	-	31	-
Law Enforcement Equipment	4,056	-	-	-	4,056	-
Law Enforcement Radio Equipment	1,734	-	-	-	1,734	-
Vest Matching Funds	9,131	-	-	-	9,131	-
Canine Unit	6,162	-	-	-	6,162	-
Court Special Purchases	650	-	-	-	650	-
Street Machinery and Equipment	54,663	-	-	-	54,663	-
Snow and Ice Control	9,535	-	-	-	9,535	-
Garbage Truck	6,930	-	-	-	6,930	-
City Shop	4,453	-	-	-	4,453	-
Street Improvements	16,610	-	-	-	16,610	-
Airport Courtesy Van	1,068	-	-	-	1,068	-
Future Cemetery	30,000	-	-	-	30,000	-
Library Act 150	58,314	-	-	-	58,314	-
Parks	108,141	-	-	-	108,141	-
Docks and Boat Landing	13,439	-	-	-	13,439	-
Assessment of Property	20,455	-	-	-	20,455	-
Fixed Asset Replacement	24,222	-	-	-	24,222	-
Building Fund	177,165	-	-	-	177,165	-
Retirement Expense	136,449	-	-	-	136,449	-
Economic Development	12,325	-	-	-	12,325	-
Unassigned	945,003	-	-	-	-	945,003
Housing Rehabilitation Revolving Loan						
Program Fund	94,295	-	94,295	-	-	-
Debt Service Fund	21,114	-	21,114	-	-	-
Tax Incremental District #2 Projects Fund	(50,602)	-	-	-	-	(50,602)
Nonmajor Funds:						
Special Revenue Funds:						
Stormwater Fund	35,097	-	-	35,097	-	-
Capital Projects Fund:						
Tax Incremental District #3 Projects Fund	(61,851)	-	-	-	-	(61,851)
Total Governmental Fund Balances at December 31, 2013	<u>\$ 1,727,569</u>	<u>\$ 29,712</u>	<u>\$ 130,432</u>	<u>\$ 35,097</u>	<u>\$ 699,778</u>	<u>\$ 832,550</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, 2013**

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

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

The following is a summary of TID #2 and TID #3 project costs and revenues through December 31, 2013:

	<u>TID #2</u>	<u>TID #3</u>
Accumulated Project Costs:		
From Inception to December 31, 2013	\$ 3,975,813	\$ 274,001
Accumulated Project Revenues:		
Tax Increments	2,653,829	-
Intergovernmental Revenues	318,931	-
Special Assessments Levied	29,995	-
Sale of Property	15,144	-
Rent	20,930	5,556
Interest on Investments	65,948	-
Premium on Debt Issued	27,619	-
Transfers In	-	206,594
Total Project Revenues	<u>3,132,396</u>	<u>212,150</u>
Future Project Revenues Necessary to Recover Net Costs to Date	<u>\$ 843,417</u>	<u>\$ 61,851</u>

The above summary of transactions is reconcilable to the TID fund balances (deficits) at December 31, 2013 as follows:

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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	\$ 63,997	\$ -
State Trust Fund Loan Dated 10/27/06	82,279	-
General Obligation Note Dated 1/18/08	54,429	-
G.O. Refunding Bonds Dated 9/2/11	592,110	-
	792,815	-
Less Unrecovered Costs Above	843,417	61,851
Fund Balance (Deficit) December 31, 2013	\$ (50,602)	\$ (61,851)

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, 2013 totaled \$52,097 and \$4,851, 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, 2013**

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 2013 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.0%	7.0%
Protective with Social Security	6.65%	11.65%
Protective without Social Security	6.65%	14.25%

The payroll for the City employees covered by the WRS for the year ended December 31, 2013 was \$278,144; the employer's total payroll was \$4,555,642. The total required contribution for the year ended December 31, 2013 was \$52,291, which consisted of \$33,794, or 12.15 percent of payroll from the employer and \$18,497, or 6.65 percent of payroll from employees. Total contributions for the years ending December 31, 2012 and 2011 were \$45,643 and \$42,259 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, 2013**

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, 2013 were \$75,761 and \$17,937, 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 \$264,821 at June 30, 2013.

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 2013, the City contributed an estimated \$1,932 to the plan.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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	2,316
Adjustment to Annual Required Contribution	<u>(2,213)</u>
Annual OPEB Cost (Expense)	21,792
Contributions Made	<u>(1,932)</u>
Increase in Net OPEB Obligation	19,860
Net OPEB Obligation- Beginning of Year	<u>57,902</u>
Net OPEB Obligation- End of Year	<u><u>\$ 77,762</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 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 21,792	8.9%	\$ 77,762
12/31/2012	21,760	15.4%	57,902
12/31/2011	33,172	44.6%	39,502

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, 2013**

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, 2013 was 28 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 2013 totaled \$53,453.

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, 2013**

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 2013 totaled \$34,649. 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. Construction Commitment

As of December 31, 2013, the City has a commitment on a construction contract of approximately \$77,106 for costs to complete a contract for sidewalk construction which have not yet been incurred. It is anticipated that these costs will be reimbursed in full by the "Safe Routes to Schools" grant through the State of Wisconsin.

F. 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 1,246,837	\$ 1,246,837	\$ 1,251,790	\$ 4,953
Intergovernmental	536,542	599,573	690,391	90,818
Licenses and Permits	45,700	45,700	58,352	12,652
Fines and Forfeits	25,350	25,350	28,791	3,441
Public Charges for Services	325,875	335,693	360,038	24,345
Intergovernmental Charges for Services	3,600	3,600	4,204	604
Miscellaneous:				
Interest	10,590	10,590	8,977	(1,613)
Rent	6,900	6,900	8,798	1,898
Other	1,200	7,876	27,360	19,484
Total Revenues	2,202,594	2,282,119	2,438,701	156,582
EXPENDITURES				
General Government	372,660	374,160	376,132	(1,972)
Public Safety	674,153	669,259	667,205	2,054
Transportation	425,000	556,314	554,237	2,077
Sanitation	294,311	299,911	305,114	(5,203)
Health and Human Services	3,000	3,014	3,014	-
Culture, Recreation and Education	163,470	168,070	158,350	9,720
Conservation and Development	500	500	92	408
Capital Outlay	214,500	1,207,876	508,098	699,778
Total Expenditures	2,147,594	3,279,104	2,572,242	706,862
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	55,000	(996,985)	(133,541)	863,444
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	15,220	15,919	699
Transfers In	48,000	48,000	56,783	8,783
Transfers Out	(103,000)	(103,000)	(102,959)	41
Total Other Financing Sources (Uses)	(55,000)	(39,780)	(30,257)	9,523
NET CHANGE IN FUND BALANCE	-	(1,036,765)	(163,798)	872,967
Fund Balance, January 1	1,853,314	1,853,314	1,853,314	-
FUND BALANCE, DECEMBER 31	\$ 1,853,314	\$ 816,549	\$ 1,689,516	\$ 872,967

See Notes to Required Supplementary Information

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2013**

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, 2013**

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, 2013**

	Special Revenue Fund	Capital Projects Fund	
		Tax Incremental District #3 Projects Fund	Total Nonmajor Funds
	Stormwater Fund	Fund	Funds
ASSETS			
Cash and Investments	\$ 30,276	\$ -	\$ 30,276
Accounts Receivable	4,851	-	4,851
	\$ 35,127	\$ -	\$ 35,127
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to General Fund	\$ -	\$ 61,851	\$ 61,851
Fund Balances:			
Committed	35,097	-	35,097
Unassigned	-	(61,851)	(61,851)
	35,097	(61,851)	(26,754)
Total Fund Balances	35,097	(61,851)	(26,754)
Total Liabilities and Fund Balances	\$ 35,127	\$ -	\$ 35,127

**CITY OF CHETEK, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Fund	Capital Projects Fund	
	Stormwater Fund	Tax Incremental District #3 Projects Fund	Total Nonmajor Funds
REVENUES			
Public Charges for Services:			
Stormwater Fees	\$ 60,932	\$ -	\$ 60,932
Miscellaneous:			
Rent	-	535	535
Total Revenues	60,932	535	61,467
EXPENDITURES			
Transportation	77,600	-	77,600
Conservation and Development	-	350	350
Total Expenditures	77,600	350	77,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,668)	185	(16,483)
OTHER FINANCING SOURCES (USES)			
Transfer to Debt Service Fund	(19,675)	-	(19,675)
NET CHANGE IN FUND BALANCES	(36,343)	185	(36,158)
Fund Balance (Deficit), January 1	71,440	(62,036)	9,404
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ 35,097</u>	<u>\$ (61,851)</u>	<u>\$ (26,754)</u>

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
ASSETS		
Treasurer's Cash and Investments	\$ 1,854,758	\$ 2,109,346
Taxes Receivable:		
Current Tax Roll Items	891,016	839,635
Delinquent Personal Property Taxes	1,214	5,853
Delinquent Taxes Held by County	5,485	9,980
Accounts Receivable	38,878	51,305
Interest Receivable	839	1,797
Due from Other Governments	82,025	-
Due from Other Funds:		
TID #3 Fund	61,851	62,036
Knapp Haven Enterprise Fund	1,965	5,547
Long-Term Advance to Pelican Place Enterprise Fund	23,013	27,293
	<u>\$ 2,961,044</u>	<u>\$ 3,112,792</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Vouchers and Accounts Payable	\$ 38,028	\$ 30,572
Due to Other Governmental Units	-	668
Total Liabilities	<u>38,028</u>	<u>31,240</u>
Deferred Inflows of Resources:		
Subsequent Year's Property Taxes	1,233,500	1,228,238
Fund Balance:		
Nonspendable	29,712	43,126
Restricted	15,023	14,941
Assigned	699,778	585,681
Unassigned	945,003	1,209,566
Total Fund Balance	<u>1,689,516</u>	<u>1,853,314</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,961,044</u>	<u>\$ 3,112,792</u>

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012)**

	2013		Variance Positive (Negative)	2012 Actual
	Final Budget	Actual		
REVENUES:				
Taxes:				
General Property Taxes	\$ 1,228,237	\$ 1,228,238	\$ 1	\$ 1,224,547
Mobile Home Tax	6,500	6,825	325	5,773
Payments in Lieu of Taxes	12,000	14,169	2,169	13,059
Interest on Taxes	100	2,558	2,458	228
Total Taxes	<u>1,246,837</u>	<u>1,251,790</u>	<u>4,953</u>	<u>1,243,607</u>
Intergovernmental:				
State Shared Revenues	383,500	383,702	202	387,516
Fire Insurance Taxes	4,000	4,580	580	4,510
State Exempt Computer Aid	-	2,885	2,885	2,077
State Aid Police Training	1,120	1,120	-	3,050
State Aid Law Enforcement	-	-	-	7,903
State Transportation Aids	149,000	149,052	52	165,613
State Aid for State Owned Property	42	42	-	42
State Aid for Ambulance Service	-	5,074	5,074	4,638
Safe Routes to Schools Grant	20,000	102,025	82,025	-
County Library Aid	41,911	41,911	-	50,988
Total Intergovernmental	<u>599,573</u>	<u>690,391</u>	<u>90,818</u>	<u>626,337</u>
Licenses and Permits:				
Liquor and Malt Beverage	4,300	4,190	(110)	4,334
Operators' Licenses	2,500	3,664	1,164	3,559
Cigarette Licenses	300	300	-	390
Television Franchise	32,000	40,090	8,090	38,069
Direct Seller License	250	775	525	275
Dog Licenses	350	1,230	880	515
Building Permits	5,000	6,004	1,004	7,202
Other Permits Games/Dance	600	550	(50)	605
Zoning Permits	400	1,549	1,149	840
Total Licenses and Permits	<u>45,700</u>	<u>58,352</u>	<u>12,652</u>	<u>55,789</u>
Fines and Forfeits:				
Court Penalties and Costs	25,000	28,056	3,056	25,228
Parking Violations	350	735	385	480
Total Fines and Forfeits	<u>25,350</u>	<u>28,791</u>	<u>3,441</u>	<u>25,708</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, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012)**

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES: (CONTINUED)				
Public Charges for Services:				
Clerk/Treasurer's Fees	\$ -	\$ 325	\$ 325	\$ 275
License Publication Fees	-	10	10	110
Police Paper Service Fees	75	300	225	100
Accident Reports	1,500	1,252	(248)	1,921
Canine Unit Revenues	5,418	5,531	113	9,834
Snow Removal/Street Services	-	20,847	20,847	21,727
Airport - Fuel Sales	44,400	45,394	994	49,128
Garbage Collections	280,000	279,073	(927)	278,731
Garbage Miscellaneous Revenues	1,000	2,758	1,758	4,548
Library	1,000	1,448	448	1,439
Parks	800	1,075	275	850
Cemetery	1,500	2,025	525	2,025
Total Public Charges for Services	335,693	360,038	24,345	370,688
Intergovernmental Charges for Services:				
Knapp Haven Clerical Service	3,600	4,204	604	3,999
Miscellaneous:				
Interest:				
Temporary Investments	10,050	7,837	(2,213)	9,979
Garbage Accounts	500	1,113	613	1,390
Pelican Place Advance	40	27	(13)	55
Rent:				
City Buildings	-	2,000	2,000	1,200
Community Senior Center	2,400	2,293	(107)	3,185
Airport	4,500	4,505	5	9,170
Other:				
Donations	4,600	20,825	16,225	21,341
Miscellaneous	3,276	6,535	3,259	8,699
Total Miscellaneous	25,366	45,135	19,769	55,019
Total Revenues	2,282,119	2,438,701	156,582	2,381,147

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
EXPENDITURES:				
General Government:				
Council	\$ 22,500	\$ 21,899	\$ 601	\$ 22,623
Municipal Court	33,750	32,473	1,277	29,405
Municipal Court Attorney	5,000	3,726	1,274	3,785
Mayor	9,110	8,514	596	9,046
Elections	4,500	3,864	636	9,053
Clerks Office	174,800	172,666	2,134	169,514
Record Checks	1,000	938	62	1,092
Independent Auditing	18,000	17,825	175	16,750
Legal Fees	35,000	45,232	(10,232)	17,404
Illegal Taxes	-	2,474	(2,474)	503
City Hall	2,000	2,000	-	-
Property and Liability Insurance	31,000	32,355	(1,355)	28,565
Workers' Compensation Insurance	34,000	31,167	2,833	33,223
Retirement Expense	1,000	-	1,000	1,428
Unemployment Compensation	2,500	999	1,501	2,801
Total General Government	374,160	376,132	(1,972)	345,192
Public Safety:				
Law Enforcement:				
Wages and Fringe Benefits	470,800	468,501	2,299	450,017
Training	3,120	2,087	1,033	3,226
Operation Costs	38,200	37,710	490	48,622
Police Station	7,200	6,080	1,120	5,728
Fire Department	53,453	53,453	-	55,146
Suppression (Hydrant Rental)	38,250	38,250	-	38,250
Ambulance Service Charge	29,600	34,649	(5,049)	34,213
Tornado Warning System	986	257	729	246
Inspector	27,650	26,218	1,432	25,860
Total Public Safety	669,259	667,205	2,054	661,308
Transportation:				
Department of Public Works	280,200	261,842	18,358	235,855
Snow and Ice Control	64,576	69,936	(5,360)	59,276
Traffic Control	102,325	104,407	(2,082)	5,324
Street Lighting	48,000	51,267	(3,267)	47,544
Safety Program	3,500	3,328	172	2,490
Airport	13,313	13,359	(46)	12,763
Airport Fuel Purchases	44,400	50,098	(5,698)	46,843
Total Transportation	556,314	554,237	2,077	410,095

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	2013		Variance Positive (Negative)	2012 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Sanitation:				
Garbage Collection	\$ 190,311	\$ 190,822	\$ (511)	\$ 188,573
Incinerator	109,600	114,292	(4,692)	102,329
Total Sanitation	299,911	305,114	(5,203)	290,902
Health and Human Services:				
Animal Pound	514	514	-	355
Cemetery	2,500	2,500	-	1,500
Total Health and Human Services	3,014	3,014	-	1,855
Culture, Recreation and Education:				
Library	97,800	95,233	2,567	91,697
Museum	-	17	(17)	-
Community Center	41,370	39,383	1,987	36,975
Recreation Programs and Events	5,500	5,098	402	-
Celebrations and Entertainment	4,000	3,500	500	8,693
Parks	19,400	15,119	4,281	21,419
Total Culture, Recreation and Education	168,070	158,350	9,720	158,784
Conservation and Development:				
Other Conservation and Development	500	92	408	91
Capital Outlay:				
Data Processing Costs	4,763	518	4,245	3,800
Law Enforcement:				
Squad Car	26,878	26,847	31	24,270
Equipment	4,247	191	4,056	3,081
Radio Equipment	1,734	-	1,734	-
Vest Matching Funds	9,131	-	9,131	-
Canine Unit	8,015	1,853	6,162	726
Court Special Purchases	650	-	650	-
Machinery and Equipment	162,818	108,155	54,663	113,875
Snow and Ice Control	9,535	-	9,535	859
Garbage Truck	145,121	138,191	6,930	-
City Shop	4,453	-	4,453	3,037
Streets	185,871	169,261	16,610	210,255

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	2013		Variance Positive (Negative)	2012 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Capital Outlay: (Continued)				
Airport	\$ 10,330	\$ 10,330	\$ -	\$ -
Airport Courtesy Van	1,193	125	1,068	3,189
Cemetery	30,000	-	30,000	-
Library Act 150 Fund	90,788	32,474	58,314	21,785
Parks	116,482	8,341	108,141	56,575
Docks and Boat Landing	13,462	23	13,439	4
Assessment of Property	27,351	6,896	20,455	33,102
Fixed Asset Reserve Fund	24,222	-	24,222	4,720
Building Fund	178,558	1,393	177,165	24,744
Contingency	-	-	-	2,000
Retirement Expense	136,449	-	136,449	-
Economic Development	15,825	3,500	12,325	3,677
Total Capital Outlay	<u>1,207,876</u>	<u>508,098</u>	<u>699,778</u>	<u>509,699</u>
Total Expenditures	<u>3,279,104</u>	<u>2,572,242</u>	<u>706,862</u>	<u>2,377,926</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(996,985)	(133,541)	863,444	3,221
OTHER FINANCING SOURCES (USES):				
Sale of Property	15,220	15,919	699	41,681
Transfers In:				
From Water Utility Fund	48,000	56,783	8,783	56,493
Transfers Out:				
To Debt Service Fund	(103,000)	(102,959)	41	(105,749)
Total Other Financing Sources (Uses)	<u>(39,780)</u>	<u>(30,257)</u>	<u>9,523</u>	<u>(7,575)</u>
NET CHANGE IN FUND BALANCE	(1,036,765)	(163,798)	872,967	(4,354)
Fund Balance, January 1	<u>1,853,314</u>	<u>1,853,314</u>	-	<u>1,857,668</u>
FUND BALANCE, DECEMBER 31	<u>\$ 816,549</u>	<u>\$ 1,689,516</u>	<u>\$ 872,967</u>	<u>\$ 1,853,314</u>

CITY OF CHETEK, WISCONSIN
 DEBT SERVICE FUND
 DETAILED BALANCE SHEET
 DECEMBER 31, 2013
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

	State	State	Promissory Bank Note Dated 1/18/08	Refunding	Totals	
	Trust Fund Loan Dated 12/22/05	Trust Fund Loan Dated 10/27/06		Bonds Dated 9/2/11	2013	2012
ASSETS						
Cash and Investments	\$ -	\$ -	\$ -	\$ 21,114	\$ 21,114	\$ 20,958
LIABILITIES AND FUND BALANCES						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Restricted	-	-	-	21,114	21,114	20,958
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ 21,114	\$ 21,114	\$ 20,958

**CITY OF CHETEK, WISCONSIN
DEBT SERVICE FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	State	State	Promissory Bank Note	Refunding Bonds	Totals	
	Trust Fund Loan	Trust Fund Loan			2013	2012
	Dated 12/22/05	Dated 10/27/06	Dated 1/18/08	Dated 9/2/11		
REVENUES						
Interest on Investments	\$ -	\$ -	\$ -	\$ 263	\$ 263	\$ 259
EXPENDITURES						
Principal Retirement	30,056	25,222	79,085	181,860	316,223	301,677
Interest and Fees	3,997	4,569	6,968	39,982	55,516	76,170
Total Expenditures	<u>34,053</u>	<u>29,791</u>	<u>86,053</u>	<u>221,842</u>	<u>371,739</u>	<u>377,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(34,053)	(29,791)	(86,053)	(221,579)	(371,476)	(377,588)
OTHER FINANCING SOURCES (USES)						
Transfers In:						
From General Fund	-	-	-	102,959	102,959	105,749
From Stormwater Fund	-	-	-	19,675	19,675	20,099
From TID #2 Capital Projects Fund	34,053	29,791	86,053	99,101	248,998	251,574
Total Other Financing Sources (Uses)	<u>34,053</u>	<u>29,791</u>	<u>86,053</u>	<u>221,735</u>	<u>371,632</u>	<u>377,422</u>
NET CHANGE IN FUND BALANCES	-	-	-	156	156	(166)
Fund Balances, January 1	-	-	-	20,958	20,958	21,124
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,114</u>	<u>\$ 21,114</u>	<u>\$ 20,958</u>

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2012)**

	2013	2012
ASSETS		
Current Assets:		
Cash and Investments	\$ 730,830	\$ 614,221
Customer Accounts Receivable	29,010	30,814
Accrued Interest Receivable - Tax Incremental District	226	272
Current Portion of Long-Term Advance to Tax Incremental District	11,840	10,656
Inventories	22,169	23,291
Prepayments	1,364	1,754
Total Current Assets	795,439	681,008
Restricted Assets:		
Cash and Investments:		
Replacement Fund	251,840	247,885
Special Redemption Fund:		
Debt Reserve	105,130	105,130
Debt Service	8,108	7,953
Accrued Interest Receivable:		
Bond Reserve Funds	706	1,351
Total Restricted Assets	365,784	362,319
Capital Assets:		
Property and Plant in Service	2,789,963	2,787,457
Less Accumulated Depreciation	1,025,275	959,073
Net Property and Plant in Service	1,764,688	1,828,384
Land Held for Future Use	1,837	1,837
Total Capital Assets	1,766,525	1,830,221
Other Assets:		
Special Assessments Receivable	14,060	18,579
Long-Term Advances to Tax Incremental District:		
From Revenue Bond Proceeds (Less Current Portion)	40,257	52,097
Unamortized Debt Discount and Expense	-	6,804
Total Other Assets	54,317	77,480
Total Assets	\$ 2,982,065	\$ 2,951,028

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 629	\$ 620
Accrued Employee Leave Liabilities - Current Portion	4,179	3,104
Total Current Liabilities Payable from Current Assets	<u>4,808</u>	<u>3,724</u>
Current Liabilities Payable from Restricted Assets:		
Interest Accrued	2,274	2,536
Current Portion of Revenue Bonds	70,000	65,000
Total Current Liabilities Payable from Restricted Assets	<u>72,274</u>	<u>67,536</u>
Long-Term Liabilities (Less Current Portion):		
Other Postemployment Benefits Payable	4,164	3,074
Mortgage Revenue Bonds	480,000	550,000
Total Long-Term Liabilities (Net of Current Portion)	<u>484,164</u>	<u>553,074</u>
Total Liabilities	561,246	624,334
NET POSITION		
Net Investment in Capital Assets	1,216,525	1,215,221
Restricted for Capital Asset Replacement and Construction	251,840	247,885
Restricted for Debt Retirement	111,670	111,898
Unrestricted	840,784	751,690
Total Net Position	<u>2,420,819</u>	<u>2,326,694</u>
Total Liabilities and Net Position	<u>\$ 2,982,065</u>	<u>\$ 2,951,028</u>

CITY OF CHETEK, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER UTILITY ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Sales of Water:		
Residential	\$ 140,087	\$ 142,112
Commercial	55,744	58,740
Industrial	11,398	12,603
Public Authorities	22,342	22,326
Private Fire Protection	5,616	5,616
Public Fire Protection	131,337	131,017
Total Sales of Water Revenues	<u>366,524</u>	<u>372,414</u>
Other Operating Revenues:		
Forfeited Discounts	924	1,089
Meter Charge to Sewer	16,118	15,961
Miscellaneous Operating Revenues	18,053	16,084
Total Other Operating Revenues	<u>35,095</u>	<u>33,134</u>
 Total Operating Revenues	 401,619	 405,548
OPERATING EXPENSES:		
Operation and Maintenance:		
Operation	71,347	73,555
Maintenance	13,521	10,422
Administrative and General	68,070	58,130
Total Operation and Maintenance	<u>152,938</u>	<u>142,107</u>
Depreciation	67,703	66,665
 Total Operating Expenses	 <u>220,641</u>	 <u>208,772</u>
 OPERATING INCOME	 180,978	 196,776
NONOPERATING REVENUES (EXPENSES)		
Interest Income	7,334	9,012
Interest Expense	(30,600)	(33,268)
Amortization of Debt Discount and Expense	(6,804)	(1,358)
 Total Nonoperating Revenues (Expenses)	 <u>(30,070)</u>	 <u>(25,614)</u>
 INCOME BEFORE TRANSFERS	 150,908	 171,162
TRANSFERS		
Transfer to Other Funds	(56,783)	(56,493)
 CHANGE IN NET POSITION	 94,125	 114,669
Net Position, January 1	<u>2,326,694</u>	<u>2,212,025</u>
 NET POSITION, DECEMBER 31	 <u>\$ 2,420,819</u>	 <u>\$ 2,326,694</u>

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 349,055	\$ 353,535
Cash Received from Municipality for Fire Protection	38,250	38,250
Water Meter Related Charges to Sewer Department	16,118	15,931
Cash Payments to Suppliers for Goods and Services	(81,220)	(76,011)
Cash Payments for Employee Services	(68,032)	(62,449)
Net Cash Provided by Operating Activities	254,171	269,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received from Payment of Special Assessments		
Purchased from Sewer Utility	2,386	2,922
Cash Payment for Tax Equivalents	(56,783)	(56,493)
Net Cash Used by Noncapital Financing Activities	(54,397)	(53,571)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Paid for Capital Assets	(4,239)	(11,995)
Cash Received from Salvage of Capital Assets	232	440
Cash Received from Payment of Special Assessments	2,777	4,216
Cash Received from Repayment of Advance to Tax Incremental District	13,924	14,468
Principal Paid on Long-Term Debt	(65,000)	(65,000)
Interest Paid on Long-Term Debt	(30,862)	(33,526)
Net Cash Used by Capital and Related Financing Activities	(83,168)	(91,397)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Purchase of Investments	(4,110)	(4,743)
Cash Received from Interest on Investments	4,113	4,743
Net Cash Provided (Used) by Investing Activities	3	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	116,609	124,288
CASH AND CASH EQUIVALENTS, BEGINNING	614,221	489,933
CASH AND CASH EQUIVALENTS, ENDING	\$ 730,830	\$ 614,221

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 180,978	\$ 196,776
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	67,703	66,665
(Increase) Decrease in Assets:		
Customer Accounts Receivable	1,804	2,168
Inventories	1,122	2,352
Prepayments	390	(77)
Increase (Decrease) in Liabilities:		
Accounts Payable	9	(469)
Accrued Employee Benefits Payable	1,075	548
Other Postemployment Benefits Payable	1,090	1,293
Net Cash Provided by Operating Activities	<u>\$ 254,171</u>	<u>\$ 269,256</u>
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 730,830	\$ 614,221
Cash and Investments - Restricted	365,078	360,968
	<u>1,095,908</u>	<u>975,189</u>
Less: Investments with a Maturity Greater than Three Months	<u>365,078</u>	<u>360,968</u>
Cash and Cash Equivalents	<u>\$ 730,830</u>	<u>\$ 614,221</u>

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2012)**

	2013	2012
ASSETS		
Current Assets:		
Cash and Investments	\$ 151,803	\$ 139,637
Customer Accounts Receivable	44,185	44,359
Accrued Interest Receivable - TID Advance	42	56
Current Portion of Long-Term Advance to Tax Incremental District	1,617	1,617
Inventories	2,525	2,408
Prepaid Expenses	3,118	2,985
Total Current Assets	203,290	191,062
Restricted Assets:		
Cash and Investments:		
Replacement Fund	191,426	187,825
Special Redemption Fund:		
Debt Reserve Fund	56,645	57,695
Debt Service Fund	34,228	34,020
Accrued Interest Receivable:		
Bond Reserve Fund	434	826
Total Restricted Assets	282,733	280,366
Capital Assets:		
Property and Plant in Service	3,735,150	3,661,431
Less Accumulated Depreciation	1,867,041	1,762,384
Net Property and Plant in Service	1,868,109	1,899,047
Land Held for Future Use	50,820	50,820
Net Capital Assets	1,918,929	1,949,867
Other Assets:		
Advances to Other Funds:		
Long-Term Advance to Tax Incremental District #2 from Revenue Bond Proceeds (Less Current Portion)	3,234	4,851
Unamortized Debt Discount and Expense	-	4,460
Total Other Assets	3,234	9,311
Total Assets	\$ 2,408,186	\$ 2,430,606

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2012)**

	2013	2012
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 1,037	\$ 6,508
Accrued Interest Payable	1,176	1,349
Accrued Employee Leave Liabilities - Current Portion	13,758	11,487
Current Portion of General Obligation Debt	29,480	28,140
Current Portion of Unamortized Debt Premium	1,464	1,618
Current Portion of Revenue Bonds - Clean Water Fund	29,271	28,509
Total Current Liabilities Payable from Current Assets	76,186	77,611
 Current Liabilities Payable from Restricted Assets:		
Interest Accrued Payable	693	867
Current Portion of Revenue Bonds - 1998 Issue	20,000	20,000
Total Current Liabilities Payable from Restricted Assets	20,693	20,867
 Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	8,190	6,078
General Obligation Debt	175,540	205,020
Unamortized Debt Premium	4,107	5,571
Mortgage Revenue Bonds - 1998 Issue	60,000	80,000
Mortgage Revenue Bonds Series - Clean Water Fund	125,117	154,389
Total Long-Term Liabilities (Net of Current Portion)	372,954	451,058
Total Liabilities	469,833	549,536
 NET POSITION		
Net Investment in Capital Assets	1,473,950	1,428,238
Restricted for Capital Asset Replacement	191,426	187,825
Restricted for Debt Retirement	90,614	91,674
Unrestricted	182,363	173,333
Total Net Position	1,938,353	1,881,070
Total Liabilities and Net Position	\$ 2,408,186	\$ 2,430,606

CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Sewerage Revenues:		
Residential	\$ 282,517	\$ 282,262
Commercial	111,952	113,572
Industrial	29,040	32,020
Public Authorities	56,187	55,747
Total Sewerage Revenues	<u>479,696</u>	<u>483,601</u>
Other Operating Revenues:		
Forfeited Discounts	1,995	2,278
Miscellaneous Revenues	180	554
Total Other Operating Revenues	<u>2,175</u>	<u>2,832</u>
Total Operating Revenues	481,871	486,433
OPERATING EXPENSES:		
Operation and Maintenance:		
Operation	166,267	159,663
Maintenance	38,239	29,214
Administrative and General	104,722	100,810
Total Operation and Maintenance	<u>309,228</u>	<u>289,687</u>
Depreciation	104,657	97,587
Total Operating Expenses	<u>413,885</u>	<u>387,274</u>
OPERATING INCOME	67,986	99,159
NONOPERATING REVENUES (EXPENSES):		
Interest Income	2,685	3,362
Rental Income	5,637	6,000
Amortization of Debt Premium	1,618	1,761
Interest Expense	(15,082)	(17,312)
Rental Property Expense	(1,101)	(372)
Amortization of Debt Discount and Expense	(4,460)	(1,786)
Total Nonoperating Revenues (Expenses)	<u>(10,703)</u>	<u>(8,347)</u>
CHANGE IN NET POSITION	57,283	90,812
Net Position, January 1	<u>1,881,070</u>	<u>1,790,258</u>
NET POSITION, DECEMBER 31	<u>\$ 1,938,353</u>	<u>\$ 1,881,070</u>

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 482,045	\$ 493,125
Water Meter Related Charges to Sewer Department	(16,118)	(15,961)
Cash Payments to Suppliers for Goods and Services	(156,068)	(135,697)
Cash Payments for Employee Services	(138,380)	(133,758)
Net Cash Provided by Operating Activities	<u>171,479</u>	<u>207,709</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received for Rents from Rental Properties	5,637	6,000
Cash Paid for Rental Property Expense	(1,101)	(372)
Net Cash Used by Noncapital Financing Activities	<u>4,536</u>	<u>5,628</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Paid for Capital Assets	(73,719)	(10,514)
Cash Received for Repayment of Advances to Tax Incremental Districts	1,911	1,995
Principal Paid on Long-Term Debt	(76,650)	(74,567)
Interest Paid on Long-Term Debt	(15,429)	(19,384)
Net Cash Used by Capital and Related Financing Activities	<u>(163,887)</u>	<u>(102,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Purchase of Investments	(2,759)	(3,419)
Cash Received from Interest on Investments	2,797	3,421
Net Cash Provided (Used) by Investing Activities	<u>38</u>	<u>2</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,166	110,869
CASH AND CASH EQUIVALENTS, BEGINNING	<u>139,637</u>	<u>28,768</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 151,803</u>	<u>\$ 139,637</u>

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)**

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 67,986	\$ 99,159
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	104,657	97,587
(Increase) Decrease in Assets:		
Customer Accounts Receivable	174	4,820
Inventories	(117)	131
Prepayments	(133)	(308)
Increase (Decrease) in Liabilities:		
Accounts Payable	(5,471)	1,872
Accrued Employee Benefits Payable	2,271	2,517
Other Postemployment Benefits Payable	2,112	1,931
Net Cash Provided by Operating Activities	<u>\$ 171,479</u>	<u>\$ 207,709</u>
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 151,803	\$ 139,637
Cash and Investments - Restricted	<u>282,299</u>	<u>279,540</u>
	434,102	419,177
Less: Investments with a Maturity Greater than Three Months	<u>282,299</u>	<u>279,540</u>
Cash and Cash Equivalents	<u>\$ 151,803</u>	<u>\$ 139,637</u>

DEBT REPAYMENT SCHEDULES

**CITY OF CHETEK, WISCONSIN
STATE TRUST FUND LOAN DATED DECEMBER 22, 2005
OUTSTANDING DECEMBER 31, 2013**

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 68,106</u>	<u>\$ 63,997</u>	<u>\$ 4,109</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, 2013

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
3/15/14	\$ 29,791	\$ 26,294	\$ 3,497
3/15/15	29,791	27,412	2,379
3/15/16	29,791	28,573	1,218
	<u>\$ 89,373</u>	<u>\$ 82,279</u>	<u>\$ 7,094</u>

Funding Source: Tax Incremental District #2

Interest Rate: 4.25%

**CITY OF CHETEK, WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS DATED SEPTEMBER 2, 2011
OUTSTANDING DECEMBER 31, 2013**

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
6/1/14	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>\$ 1,690,150</u>	<u>\$ 1,530,000</u>	<u>\$ 160,150</u>	<u>\$ 680,286</u>	<u>\$ 615,825</u>	<u>\$ 64,461</u>	<u>\$ 654,087</u>	<u>\$ 592,110</u>	<u>\$ 61,977</u>	<u>\$ 129,297</u>	<u>\$ 117,045</u>	<u>\$ 12,252</u>	<u>\$ 226,480</u>	<u>\$ 205,020</u>	<u>\$ 21,460</u>

CITY OF CHETEK, WISCONSIN
 PROMISSORY NOTE DATED OCTOBER 7, 2003
 OUTSTANDING DECEMBER 31, 2013

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
10/7/13	<u>\$ 5,370</u>	<u>\$ 5,152</u>	<u>\$ 218</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, 2013**

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	<u>50,268</u>	<u>45,255</u>	<u>5,013</u>
	<u>\$ 399,714</u>	<u>\$ 299,255</u>	<u>\$ 100,459</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, 2013

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1/18/14	<u>\$ 57,150</u>	<u>\$ 54,429</u>	<u>\$ 2,721</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, 2013**

Date	Rate	Total			Water Utility			Tax Incremental District #2		
		Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
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>\$ 331,280</u>	<u>\$ 285,000</u>	<u>\$ 46,280</u>	<u>\$ 272,217</u>	<u>\$ 232,903</u>	<u>\$ 39,314</u>	<u>\$ 59,063</u>	<u>\$ 52,097</u>	<u>\$ 6,966</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, 2013**

<u>Payment Date</u>	<u>Rate</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 341,135</u>	<u>\$ 265,000</u>	<u>\$ 76,135</u>

**CITY OF CHETEK, WISCONSIN
SEWER SYSTEM REVENUE BONDS DATED MAY 1, 1998
OUTSTANDING DECEMBER 31, 2013**

Payment Date	Rate	Total			Sewer Utility			Tax Incremental District #2		
		Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
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>\$ 88,320</u>	<u>\$ 80,000</u>	<u>\$ 8,320</u>	<u>\$ 83,091</u>	<u>\$ 75,149</u>	<u>\$ 7,942</u>	<u>\$ 5,229</u>	<u>\$ 4,851</u>	<u>\$ 378</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, 2013**

Interest Rate: 2.672%

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>32,962</u>	<u>32,527</u>	<u>435</u>
	<u>\$ 164,921</u>	<u>\$ 154,388</u>	<u>\$ 10,533</u>

**CITY OF CHETEK, WISCONSIN
NURSING HOME AND APARTMENTS MORTGAGE REVENUE BONDS
DATED MAY 8, 1997
OUTSTANDING DECEMBER 31, 2013**

Interest Rate: 5.00%

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 940,583</u>	<u>\$ 670,200</u>	<u>\$ 270,383</u>

**CITY OF CHETEK, WISCONSIN
NURSING HOME MORTGAGE REVENUE BONDS
DATED NOVEMBER 18, 2010
OUTSTANDING DECEMBER 31, 2013**

Interest Rate: 3.75%

Payment Date	Total	Principal	Interest
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, 2013**

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>\$ 3,717,042</u>	<u>\$ 1,986,102</u>	<u>\$ 1,730,940</u>

OTHER REPORTS

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

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, 2013, 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 June 27, 2014. 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 2013-001 through 2013-003 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

June 27, 2014

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

FINDING: 2013-001 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, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):

FINDING: 2013-002 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, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):

FINDING: 2013-003 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.