

CITY OF CHETEK, WISCONSIN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

**CITY OF CHETEK, WISCONSIN
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DECEMBER 31, 2016**

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CITY OF CHETEK, WISCONSIN
LIST OF PRINCIPAL OFFICERS
2016

ELECTED

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

Jeff Martin
Cliff Bronstad

Shirley Morley
Cliff Bronstad
Bill Waite
Mark Edwards

APPOINTED

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

Dan Knapp
Carmen Newman
Associated Appraisal
Mike McGinnis
Al Zeltner
Carol Burnham
Ron Ambrozaitis



CliftonLarsonAllen LLP
CLAAconnect.com

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, 2016, 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 14%, 14%, and 83%, 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.

Basis for Qualified Opinion on the Governmental Activities

The City has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount by which the departure would affect the asset, deferred outflows of resources, liability, deferred inflows of resources, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Chetek as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chetek as of December 31, 2016, and the respective changes in the financial position, 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 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.

The City has omitted a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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, except for the effects on the supplementary information of the qualified opinion on the Governmental Activities as explained in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, 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, 2015 which are not presented with the accompanying financial statements. In our report dated April 5, 2016, based on our audit and the report of other auditors, we expressed unmodified opinions on the respective financial statements of the business-type activities, each major fund, and the aggregate remaining fund information, and a qualified opinion on the governmental activities for the reason explained in the "Basis for Qualified Opinion on the Governmental Activities" paragraph. That audit was conducted for the purpose of forming opinions on the 2015 financial statements that collectively comprise the City's 2015 basic financial statements. The 2015 individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 2015 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 2015 basic financial statements or to the 2015 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the qualified opinion on the Governmental Activities as explained in the "Basis for Qualified Opinion on the Governmental Activities" paragraph, the 2015 individual fund statements are fairly stated in all material respects in relation to the 2015 basic financial statements from which they have been derived.

The City Council
City of Chetek

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
August 1, 2017

BASIC FINANCIAL STATEMENTS

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 2,129,031	\$ 2,031,760	\$ 4,160,791
Taxes Receivable	1,054,376	-	1,054,376
Accounts Receivable	46,767	271,579	318,346
Accrued Interest Receivable	394	390	784
Long-Term Receivables	1,163,450	-	1,163,450
Special Assessments Receivable	-	8,913	8,913
Inventories	-	25,626	25,626
Prepaid Expenses	-	8,248	8,248
Internal Balances	-	(15,171)	(15,171)
Restricted Assets:			
Cash and Investments	-	288,983	288,983
Accrued Interest Receivable	-	323	323
Capital Assets:			
Capital Assets Not Being Depreciated	493,618	91,596	585,214
Capital Assets Being Depreciated	5,694,137	6,770,388	12,464,525
Accumulated Depreciation	(2,265,463)	(3,369,494)	(5,634,957)
Total Assets	8,316,310	6,113,141	14,429,451
LIABILITIES			
Vouchers and Accounts Payable	8,427	68,581	77,008
Accrued Interest Payable	2,008	2,252	4,260
Due to Other Governments	2,574	-	2,574
Trust Funds and Restricted Donations	-	387	387
Long-Term Obligations:			
Due Within One Year	330,614	203,822	534,436
Due in More than One Year	668,287	270,629	938,916
Total Liabilities	1,011,910	545,671	1,557,581
DEFERRED INFLOWS OF RESOURCES			
Subsequent Year's Property Taxes	1,464,630	-	1,464,630
NET POSITION			
Net Investment in Capital Assets	3,084,797	3,050,884	6,135,681
Restricted For:			
Capital Asset Replacement	-	198,968	198,968
Debt Retirement	19,560	89,778	109,338
Housing Loan Programs	1,233,658	-	1,233,658
Other Purposes	15,182	387	15,569
Unrestricted	1,486,573	2,227,453	3,714,026
Total Net Position	\$ 5,839,770	\$ 5,567,470	\$ 11,407,240

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

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	\$ 513,732	\$ 112,107	\$ -	\$ -	\$ (401,625)	\$ -	\$ (401,625)
Public Safety	769,726	15,624	21,480	-	(732,622)	-	(732,622)
Transportation	599,314	167,813	135,718	-	(295,783)	-	(295,783)
Sanitation	363,853	382,887	-	-	19,034	-	19,034
Health and Human Services	8,665	1,064	-	-	(7,601)	-	(7,601)
Culture, Recreation, and Education	213,346	4,655	62,914	-	(145,777)	-	(145,777)
Conservation and Development	14,074	-	-	-	(14,074)	-	(14,074)
Interest and Fiscal Charges	20,305	-	-	-	(20,305)	-	(20,305)
Total Governmental Activities	2,503,015	684,150	220,112	-	(1,598,753)	-	(1,598,753)
Business-Type Activities:							
Water Utility	268,358	401,295	-	2,990	-	135,927	135,927
Sewer Utility	442,595	468,647	-	-	-	26,052	26,052
Knapp Haven Nursing Home	4,585,930	3,711,691	418,000	-	-	(456,239)	(456,239)
Pelican Place Apartments	144,370	143,766	-	-	-	(604)	(604)
Total Business-Type Activities	5,441,253	4,725,399	418,000	2,990	-	(294,864)	(294,864)
Total Primary Government	\$ 7,944,268	\$ 5,409,549	\$ 638,112	\$ 2,990	(1,598,753)	(294,864)	(1,893,617)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					1,244,526	-	1,244,526
Property Taxes, Levied for TIF Districts					201,931	-	201,931
Other Taxes					21,452	-	21,452
State and Federal Aids Not Restricted to Specific Functions					383,122	-	383,122
Interest and Investment Earnings					12,967	5,036	18,003
Rents					14,628	6,000	20,628
Donations					3,425	-	3,425
Miscellaneous					60,723	-	60,723
Special Item - Gain on Disposal of Operations					-	408,014	408,014
Transfers					53,323	(53,323)	-
Total General Revenues and Transfers					1,996,097	365,727	2,361,824
CHANGE IN NET POSITION					397,344	70,863	468,207
Net Position - Beginning of Year					5,442,426	5,496,607	10,939,033
Net Position - End of Year					\$ 5,839,770	\$ 5,567,470	\$ 11,407,240

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	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	\$ 1,950,859	\$ 70,208	\$ 21,568	\$ -	\$ 86,396	\$ 2,129,031
Taxes Receivable	838,512	-	-	215,864	-	1,054,376
Accounts Receivable	42,194	-	-	-	4,573	46,767
Interest Receivable	394	-	-	-	-	394
Due from Other Funds	125,560	-	-	-	-	125,560
Installment Loans Receivable	-	15,775	-	-	-	15,775
Mortgage Loans Receivables	-	1,147,675	-	-	-	1,147,675
Total Assets	<u>\$ 2,957,519</u>	<u>\$ 1,233,658</u>	<u>\$ 21,568</u>	<u>\$ 215,864</u>	<u>\$ 90,969</u>	<u>\$ 4,519,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Vouchers and Accounts Payable	\$ 8,427	\$ -	\$ -	\$ -	\$ -	\$ 8,427
Due to Other Governmental Units	2,574	-	-	-	-	2,574
Due to Other Funds	-	-	-	63,909	61,651	125,560
Total Liabilities	11,001	-	-	63,909	61,651	136,561
Deferred Inflows of Resources:						
Subsequent Year's Property Taxes	1,248,766	-	-	215,864	-	1,464,630
Unavailable Revenues:						
Long-Term Receivables	-	1,163,450	-	-	-	1,163,450
Total Deferred Inflows of Resources	1,248,766	1,163,450	-	215,864	-	2,628,080
Fund Balances:						
Nonspendable	1,015	-	-	-	-	1,015
Restricted	15,182	70,208	21,568	-	-	106,958
Committed	-	-	-	-	90,969	90,969
Assigned	545,012	-	-	-	-	545,012
Unassigned	1,136,543	-	-	(63,909)	(61,651)	1,010,983
Total Fund Balances	1,697,752	70,208	21,568	(63,909)	29,318	1,754,937
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,957,519</u>	<u>\$ 1,233,658</u>	<u>\$ 21,568</u>	<u>\$ 215,864</u>	<u>\$ 90,969</u>	<u>\$ 4,519,578</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO THE
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 1,754,937

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	\$ 493,618	
Land Improvements	157,718	
Buildings	1,333,580	
Furniture and Equipment	779,671	
Vehicles	645,470	
Infrastructure	2,777,698	
Accumulated Depreciation	<u>(2,265,463)</u>	3,922,292

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		1,163,450
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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	(2,008)	
Other Postemployment Benefits Payable	(84,184)	
Estimated Employee Leave Liability	(77,222)	
Land Contract Payable	(60,000)	
General Obligation Debt Payable	<u>(765,653)</u>	(989,067)

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>(11,842)</u>
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Net Position of Governmental Activities **\$ 5,839,770**

See accompanying Notes to the Basic Financial Statements.

CITY OF CHETEK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	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	\$ 1,265,936	\$ -	\$ -	\$ 201,931	\$ -	\$ 1,467,867
Intergovernmental	598,994	-	-	4,282	-	603,276
Licenses and Permits	68,685	-	-	-	-	68,685
Fines and Forfeits	50,903	-	-	-	-	50,903
Public Charges for Services	500,887	-	-	-	61,576	562,463
Intergovernmental Charges for Services	2,099	-	-	-	-	2,099
Miscellaneous:						
Interest	14,158	32	173	-	-	14,363
Rent	14,028	-	-	-	600	14,628
Other	29,021	77,031	-	-	-	106,052
Total Revenues	2,544,711	77,063	173	206,213	62,176	2,890,336
EXPENDITURES:						
General Government	435,422	-	-	-	-	435,422
Public Safety	739,546	-	-	-	-	739,546
Transportation	447,346	-	-	-	21,728	469,074
Sanitation	336,375	-	-	-	-	336,375
Health and Human Services	8,365	-	-	-	-	8,365
Culture, Recreation, and Education	149,248	-	-	-	-	149,248
Conservation and Development	215	55,033	-	2,355	760	58,363
Capital Outlay	374,230	-	-	-	-	374,230
Debt Service:						
Principal Retirement	-	-	248,032	-	-	248,032
Interest and Fiscal Charges	-	-	28,350	42	-	28,392
Total Expenditures	2,490,747	55,033	276,382	2,397	22,488	2,847,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,964	22,030	(276,209)	203,816	39,688	43,289
OTHER FINANCING SOURCES (USES):						
Proceeds of Land Contract	70,000	-	-	-	-	70,000
Sale of Property	21,512	-	-	-	-	21,512
Transfers In	53,323	-	276,382	-	-	329,705
Transfers Out	(114,650)	-	-	(141,798)	(19,934)	(276,382)
Total Other Financing Sources (Uses)	30,185	-	276,382	(141,798)	(19,934)	144,835
NET CHANGE IN FUND BALANCES	84,149	22,030	173	62,018	19,754	188,124
Fund Balances, January 1	1,613,603	48,178	21,395	(125,927)	9,564	1,566,813
FUND BALANCES, DECEMBER 31	\$ 1,697,752	\$ 70,208	\$ 21,568	\$ (63,909)	\$ 29,318	\$ 1,754,937

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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 188,124

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	\$ 303,900	
Depreciation Expense Reported in the Statement of Activities	<u>(257,613)</u>	46,287

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. (9,712)

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. (15,349)

Long-term debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position and does not affect the statement of activities.

Long-term Debt Issued		(70,000)
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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		248,032
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Amortization of Debt Premium	6,563	
Net Change in Other Postemployment Benefits Payable	(2,776)	
Net Change in Accrued Employee Leave Liability	4,651	
Net Change in Accrued Interest Payable	<u>1,524</u>	<u>9,962</u>

Change in Net Position of Governmental Activities		<u>\$ 397,344</u>
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See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

ASSETS	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
Current Assets:					
Cash and Investments	\$ 1,176,656	\$ 206,664	\$ 646,979	\$ -	\$ 2,030,299
Customer Accounts Receivable	30,351	45,397	195,769	62	271,579
Due from Other Funds	-	-	13,272	-	13,272
Accrued Interest Receivable	390	-	-	-	390
Inventories	22,229	3,397	-	-	25,626
Prepayments	1,106	3,667	3,475	-	8,248
Total Current Assets	1,230,732	259,125	859,495	62	2,349,414
Noncurrent Cash and Investments:					
Flex Spending	-	-	769	-	769
Health Retirement	-	-	592	-	592
Rep Payee	-	-	100	-	100
Total Noncurrent Cash and Investments	-	-	1,461	-	1,461
Restricted Assets:					
Cash and Investments:					
Replacement Fund	-	198,968	-	-	198,968
Debt Retirement Fund	-	88,406	-	1,222	89,628
Activity Fund	-	-	387	-	387
Accrued Interest Receivable:					
Bond Reserve Funds	-	323	-	-	323
Total Restricted Assets	-	287,697	387	1,222	289,306
Capital Assets:					
Property Plant and Equipment	2,930,483	3,843,094	-	-	6,773,577
Less: Accumulated Depreciation	1,216,496	2,152,998	-	-	3,369,494
Net Property Plant and Equipment	1,713,987	1,690,096	-	-	3,404,083
Construction in Progress	-	35,750	-	-	35,750
Land Held for Future Use	1,837	50,820	-	-	52,657
Total Capital Assets	1,715,824	1,776,666	-	-	3,492,490
Other Assets:					
Special Assessments Receivable	8,913	-	-	-	8,913
Total Assets	\$ 2,955,469	\$ 2,323,488	\$ 861,343	\$ 1,284	\$ 6,141,584

See accompanying Notes to the Basic Financial Statements.

CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2016

	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	\$ 505	\$ 14,715	\$ 53,361	\$ -	\$ 68,581
Due to Other Funds	-	-	-	13,272	13,272
Accrued Interest Payable	1,506	573	-	-	2,079
Accrued Employee Leave Liabilities - Current Portion	5,860	11,859	-	-	17,719
Current Portion of Advance from Other Funds	-	-	-	15,171	15,171
Current Portion of Long-Term Debt	101,499	64,604	-	-	166,103
Total Current Liabilities Payable from Current Assets	<u>109,370</u>	<u>91,751</u>	<u>53,361</u>	<u>28,443</u>	<u>282,925</u>
Current Liabilities Payable from Restricted Assets:					
Accrued Interest Payable	-	173	-	-	173
Trust Funds and Restricted Donations	-	-	387	-	387
Current Portion of Revenue Bonds	-	20,000	-	-	20,000
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>20,173</u>	<u>387</u>	<u>-</u>	<u>20,560</u>
Long-Term Liabilities (Less Current Portion):					
Other Postemployment Benefits Payable	5,098	10,028	-	-	15,126
General Obligation Promissory Notes	139,497	82,410	-	-	221,907
Unamortized Debt Premium	-	1,069	-	-	1,069
Mortgage Revenue Bonds	-	32,527	-	-	32,527
Total Long-Term Liabilities (Net of Current Portion)	<u>144,595</u>	<u>126,034</u>	<u>-</u>	<u>-</u>	<u>270,629</u>
Total Liabilities	253,965	237,958	53,748	28,443	574,114
NET POSITION					
Net Investment in Capital Assets	1,474,828	1,576,056	-	-	3,050,884
Restricted for Plant Replacement	-	198,968	-	-	198,968
Restricted for Debt Retirement	-	88,556	-	1,222	89,778
Restricted by Donors	-	-	387	-	387
Unrestricted	1,226,676	221,950	807,208	(28,381)	2,227,453
Total Net Position	<u>2,701,504</u>	<u>2,085,530</u>	<u>807,595</u>	<u>(27,159)</u>	<u>5,567,470</u>
Total Liabilities and Net Position	<u>\$ 2,955,469</u>	<u>\$ 2,323,488</u>	<u>\$ 861,343</u>	<u>\$ 1,284</u>	<u>\$ 6,141,584</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, 2016

	Business-Type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	
OPERATING REVENUES:					
Charges for Services	\$ 362,880	\$ 467,112	\$ 3,594,144	\$ 134,744	\$ 4,558,880
Other Operating Revenues	38,415	1,535	117,547	9,022	166,519
Total Operating Revenues	401,295	468,647	3,711,691	143,766	4,725,399
OPERATING EXPENSES:					
Operation and Maintenance	187,337	325,566	4,381,311	90,461	4,984,675
Depreciation	71,174	106,789	142,125	30,216	350,304
Total Operating Expenses	258,511	432,355	4,523,436	120,677	5,334,979
OPERATING INCOME (LOSS)	142,784	36,292	(811,745)	23,089	(609,580)
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental Grants	-	-	418,000	-	418,000
Interest Income	2,463	1,656	804	113	5,036
Rental Income	-	6,000	-	-	6,000
Amortization of Debt Premium	-	1,016	-	-	1,016
Interest Expense	(9,847)	(7,462)	(62,494)	(23,693)	(103,496)
Rental Property Expense	-	(3,794)	-	-	(3,794)
Total Nonoperating Revenues (Expenses)	(7,384)	(2,584)	356,310	(23,580)	322,762
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM	135,400	33,708	(455,435)	(491)	(286,818)
CAPITAL CONTRIBUTIONS	2,990	-	-	-	2,990
TRANSFERS OUT	(53,323)	-	-	-	(53,323)
SPECIAL ITEM:					
Gain on Disposal of Operations	-	-	162,333	245,681	408,014
CHANGE IN NET POSITION	85,067	33,708	(293,102)	245,190	70,863
Net Position - Beginning of Year	2,616,437	2,051,822	1,100,697	(272,349)	5,496,607
NET POSITION - END OF YEAR	<u>\$ 2,701,504</u>	<u>\$ 2,085,530</u>	<u>\$ 807,595</u>	<u>\$ (27,159)</u>	<u>\$ 5,567,470</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	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	\$ 348,531	\$ 467,324	\$ 3,840,184	\$ 133,682	\$ 4,789,721
Cash Received from Municipality for Fire Protection	38,250	-	-	-	38,250
Other Cash Received	-	-	117,547	9,022	126,569
Cash Paid to Suppliers for Goods and Services	(111,551)	(142,652)	-	-	(254,203)
Cash Paid for Employee Services	(84,191)	(161,888)	-	-	(246,079)
Cash Paid to Employees and for Operating Expenses	-	-	(4,684,081)	(181,071)	(4,865,152)
Cash Received (Paid) for Sewer Share of Meter Expense	14,379	(14,379)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>205,418</u>	<u>148,405</u>	<u>(726,350)</u>	<u>(38,367)</u>	<u>(410,894)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Received for Sale of Facility, Net of Costs	-	-	102,806	-	102,806
Cash Received from Rental Properties	-	6,000	-	-	6,000
Cash Paid for Rental Property Expense	-	(3,794)	-	-	(3,794)
Cash Received from Intergovernmental Transfer Program	-	-	418,000	-	418,000
Cash Paid to General Fund for Tax Equivalents	(53,323)	-	-	-	(53,323)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(53,323)</u>	<u>2,206</u>	<u>520,806</u>	<u>-</u>	<u>469,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Payments for Capital Assets	(90,619)	(71,503)	(8,776)	(6,547)	(177,445)
Cash Received from Salvage of Capital Assets	410	-	-	-	410
Cash Received from Repayment of Advance to Tax Incremental District	-	1,658	-	-	1,658
Principal Paid on Long-Term Debt	(98,261)	(81,676)	(36,950)	(25,054)	(241,941)
Interest and Fiscal Agent Fees Paid on Long-Term Debt	(10,461)	(7,950)	(44,764)	(15,913)	(79,088)
Net Cash Used by Capital and Related Financing Activities	<u>(198,931)</u>	<u>(159,471)</u>	<u>(90,490)</u>	<u>(47,514)</u>	<u>(496,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Deposits into Debt Redemption Fund	-	-	-	18,946	18,946
Deposits into Depreciation Fund	-	-	204,402	66,760	271,162
Deposits into Bond Reserve Account	-	-	166,789	-	166,789
Deposits into Debt Service Reserve	-	-	5,197	-	5,197
Reinvested Interest Income	2,564	(1,659)	(582)	-	323
Cash Received from Interest on Investments	(2,553)	1,659	804	113	23
Net Cash Provided (Used) by Investing Activities	<u>11</u>	<u>-</u>	<u>376,610</u>	<u>85,819</u>	<u>462,440</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(46,825)</u>	<u>(8,860)</u>	<u>80,576</u>	<u>(62)</u>	<u>24,829</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>850,527</u>	<u>215,524</u>	<u>566,403</u>	<u>62</u>	<u>1,632,516</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 803,702</u>	<u>\$ 206,664</u>	<u>\$ 646,979</u>	<u>\$ -</u>	<u>\$ 1,657,345</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Knapp Haven Nursing Home	Pelican Place Apartments	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 142,784	\$ 36,292	\$ (811,745)	\$ 23,089	\$ (609,580)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	71,174	106,789	142,125	30,216	350,304
(Increase) Decrease in Assets:					
Accounts Receivable	(135)	(1,323)	246,040	(62)	244,520
Other Accounts Receivable	-	-	(6,111)	-	(6,111)
Due from Other Funds	-	-	74,835	-	74,835
Inventories	(649)	(390)	-	-	(1,039)
Prepaid Expenses	112	445	-	-	557
Other Current Assets	-	-	40,981	-	40,981
Increase (Decrease) in Liabilities:					
Accounts Payable	(579)	6,920	(26,733)	(1,735)	(22,127)
Deposits	(7,000)	-	-	-	(7,000)
Accrued Employee Leave Liability	(117)	(27)	-	-	(144)
Other Current Liabilities	-	-	(385,742)	(89,875)	(475,617)
Other Postemployment Benefits Payable	(172)	(301)	-	-	(473)
Net Cash Provided (Used) by Operating Activities	<u>\$ 205,418</u>	<u>\$ 148,405</u>	<u>\$ (726,350)</u>	<u>\$ (38,367)</u>	<u>\$ (410,894)</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:					
Cash and Investments Per Statement of Net Position:					
Cash and Investments - Current	\$ 1,176,656	\$ 206,664	\$ 646,979	\$ -	\$ 2,030,299
Cash and Investments - Noncurrent and Restricted	-	287,374	1,848	1,222	290,444
	<u>1,176,656</u>	<u>494,038</u>	<u>648,827</u>	<u>1,222</u>	<u>2,320,743</u>
Less: Certificates of Deposit with a Maturity Greater than Three Months	<u>372,954</u>	<u>287,374</u>	<u>1,848</u>	<u>1,222</u>	<u>663,398</u>
Total Cash and Cash Equivalents	<u>\$ 803,702</u>	<u>\$ 206,664</u>	<u>\$ 646,979</u>	<u>\$ -</u>	<u>\$ 1,657,345</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Capital Assets Financed by Customers and Developers	\$ 2,990	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	\$ 591,019
Taxes Receivable	1,503,107
Total Assets	<u>\$ 2,094,126</u>
LIABILITIES	
Due to Other Governmental Units	<u>\$ 2,094,126</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016**

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, 2016

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, 2016.

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, 2016.

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, 2016**

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, 2016**

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, 2016

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 2016 tax roll are recognized as revenue in 2017.) 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 \$220,000 at June 30, 2016. 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, 2016**

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, 2016**

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

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

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, 2016**

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, 2016

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, 2016**

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 \$63,909 and \$61,651, respectively, at December 31, 2016. These deficits will be funded through future tax increments. The Pelican Place Apartments had deficit net position of \$27,159 as of June 30, 2016.

General fund expenditures exceeded budgeted amounts at the legally adopted levels in the transportation budget by \$8,036 and Health and Human Services by \$65. These excess expenditures were considered prudent and necessary by the City Council.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and investments balances at December 31, 2016 as shown in the financial statements are as follows:

Governmental Funds	\$ 2,129,031
Proprietary Funds	2,320,743
Fiduciary Funds	591,019
Total	<u>\$ 5,040,793</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

The above cash and investments consisted of the following:

	Balance 12/31/16
Treasurer's Cash and Investments:	
Deposits in Financial Institutions	\$ 4,750,770
Petty Cash Funds	1,040
	4,751,810
Restricted Cash and Investments:	
Deposits in Financial Institutions	288,983
	\$ 5,040,793

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, 2016, the City's deposits were exposed to custodial credit risk by the uninsured and uncollateralized amount of \$476,946.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2016 the City had outstanding four installment loans totaling \$15,775. 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.

The City also had 112 mortgage loans outstanding at December 31, 2016 totaling \$1,147,675. 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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2016 is as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 423,618	\$ 70,000	\$ -	\$ 493,618
Capital Assets Being Depreciated:				
Land Improvements	157,718	-	-	157,718
Buildings	1,333,580	-	-	1,333,580
Furniture and Equipment	771,375	40,748	32,452	779,671
Vehicles	636,278	65,000	55,808	645,470
Infrastructure	2,649,546	128,152	-	2,777,698
Total Capital Assets Being Depreciated	<u>5,548,497</u>	<u>233,900</u>	<u>88,260</u>	<u>5,694,137</u>
Total Capital Assets	5,972,115	303,900	88,260	6,187,755
Accumulated Depreciation:				
Land Improvements	86,503	2,747	-	89,250
Buildings	476,404	26,918	-	503,322
Furniture and Equipment	484,040	44,278	30,830	497,488
Vehicles	349,549	68,484	47,718	370,315
Infrastructure	689,902	115,186	-	805,088
Total Accumulated Depreciation	<u>2,086,398</u>	<u>257,613</u>	<u>78,548</u>	<u>2,265,463</u>
Net Capital Assets - Governmental Activities	<u>\$ 3,885,717</u>	<u>\$ 46,287</u>	<u>\$ 9,712</u>	<u>\$ 3,922,292</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,707
Public Safety	17,710
Transportation	198,367
Sanitation	27,218
Health and Human Services	300
Culture, Recreation and Education	11,311
Total Depreciation - Governmental Activities	<u>\$ 257,613</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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	77,511	45,696	-	123,207
Water Treatment	33,898	-	-	33,898
Transmission and Distribution	2,444,517	40,844	1,281	2,484,080
Administration and General Assets	274,482	7,070	-	281,552
Total Capital Assets Being Depreciated	2,837,504	93,610	1,281	2,929,833
Total Capital Assets	2,839,991	93,610	1,281	2,932,320
Less Accumulated Depreciation	1,146,192	71,174	870	1,216,496
Net Capital Assets - Water Utility	1,693,799	22,436	411	1,715,824
Sewer Utility:				
Capital Assets Not Being Depreciated:				
Land and Land Rights	53,359	-	-	53,359
Construction Work in Progress	-	35,750	-	35,750
Total Capital Assets Not Being Depreciated	53,359	35,750	-	89,109
Capital Assets Being Depreciated:				
Collection System	1,335,397	-	-	1,335,397
Collection System Pumping Installations	419,471	5,538	1,400	423,609
Treatment and Disposal Plant	1,743,131	30,215	7,751	1,765,595
Administration and General Assets	315,954	-	-	315,954
Total Capital Assets Being Depreciated	3,813,953	35,753	9,151	3,840,555
Total Capital Assets	3,867,312	71,503	9,151	3,929,664
Less Accumulated Depreciation	2,055,360	106,789	9,151	2,152,998
Net Capital Assets - Sewer Utility	1,811,952	(35,286)	-	1,776,666

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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	\$ -
Capital Assets Being Depreciated:				
Land Improvements	171,692	-	171,692	-
Buildings	3,353,811	5,086	3,358,897	-
Fixed Equipment	642,522	-	642,522	-
Major Movable Equipment	432,464	10,885	443,349	-
Vehicles	105,745	-	105,745	-
Total Capital Assets Being Depreciated	<u>4,706,234</u>	<u>15,971</u>	<u>4,722,205</u>	<u>-</u>
Total Capital Assets	4,725,562	15,971	4,741,533	-
Less Accumulated Depreciation	<u>2,542,350</u>	<u>142,125</u>	<u>2,684,475</u>	<u>-</u>
Net Capital Assets - Knapp Haven Nursing Home	<u>2,183,212</u>	<u>(126,154)</u>	<u>2,057,058</u>	<u>-</u>
Pelican Place Apartments:				
Capital Assets Not Being Depreciated				
Land	8,849	-	8,849	-
Capital Assets Being Depreciated:				
Land Improvements	54,575	-	54,575	-
Buildings	672,887	6,020	678,907	-
Fixed Equipment	345,131	-	345,131	-
Major Moveable Equipment	37,302	527	37,829	-
Total Capital Assets Being Depreciated	<u>1,109,895</u>	<u>6,547</u>	<u>1,116,442</u>	<u>-</u>
Total Capital Assets	1,118,744	6,547	1,125,291	-
Less Accumulated Depreciation	<u>729,319</u>	<u>30,216</u>	<u>759,535</u>	<u>-</u>
Net Capital Assets - Pelican Place Apartments	<u>389,425</u>	<u>(23,669)</u>	<u>365,756</u>	<u>-</u>
Net Capital Assets - Business-Type Activities	<u>\$ 6,078,388</u>	<u>\$ (162,673)</u>	<u>\$ 2,423,225</u>	<u>\$ 3,492,490</u>

Depreciation was charged to business-type activities as follows:

Water Utility	\$ 71,174
Sewer Utility	106,789
Knapp Haven Nursing Home	142,125
Pelican Place Apartments	30,216
Total Depreciation - Business-Type Activities	<u>\$ 350,304</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2016 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	\$ 61,651
General Fund	Tax Incremental District #2 Fund	63,909
Knapp Haven Nursing Home	Pelican Place Apartments	13,272
		<u>\$ 138,832</u>

The purpose of the above balances were to fund cash overdrafts in the respective funds at year end and are expected to be settled in 2017.

Advances from/to Other Funds

On January 9, 2001 the City Council approved an advance of \$63,563 to the City's Pelican Place Apartments enterprise fund. This advance was repaid in full during 2016 and no balance reported in the general fund at December 31, 2016. The amount of the advance reported in the Pelican Place enterprise fund at June 30, 2016 is \$15,171 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.

Interfund Transfers

The following is a schedule of interfund transfers made during 2016:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Water Utility Enterprise Fund	\$ 53,323
Debt Service Fund	General Fund	114,650
Debt Service Fund	Stormwater Fund	19,934
Debt Service Fund	Tax Incremental District #2 Fund	141,798
		<u>\$ 329,705</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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

Changes in Long-Term Obligations

Changes in the long-term obligations of the City for the year ended December 31, 2016 were as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Long-Term Debt:					
Governmental Activities:					
General Obligation Debt	\$ 1,003,685	\$ -	\$ 238,032	\$ 765,653	\$ 218,460
Unamortized Debt Premium	18,405	-	6,563	11,842	4,932
	<u>1,022,090</u>	<u>-</u>	<u>244,595</u>	<u>777,495</u>	<u>223,392</u>
Business-Type Activities:					
General Obligation Notes:					
Water Utility	339,257	-	98,261	240,996	101,499
Sewer Utility	145,390	-	30,820	114,570	32,160
Knapp Haven Nursing Home	201,394	-	201,394	-	-
Pelican Place Apartments	19,819	-	19,819	-	-
Unamortized Debt Premium	2,848	-	1,016	1,832	763
Mortgage Revenue Bonds:					
Sewer Utility	135,064	-	50,856	84,208	51,681
Knapp Haven Nursing Home	1,935,436	-	1,935,436	-	-
Pelican Place Apartments	600,900	-	600,900	-	-
Total Business-Type Activities	<u>3,380,108</u>	<u>-</u>	<u>2,938,502</u>	<u>441,606</u>	<u>186,103</u>
Total Long-Term Debt	<u>\$ 4,402,198</u>	<u>\$ -</u>	<u>\$ 3,183,097</u>	<u>\$ 1,219,101</u>	<u>\$ 409,495</u>
	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Other Long-Term Obligations:					
Governmental Activities:					
Other Postemployment					
Benefits Payable	\$ 81,408	\$ 13,229	\$ 10,453	\$ 84,184	\$ -
Land Contract	-	70,000	10,000	60,000	30,000
Employee Leave Liability	81,873	-	4,651	77,222	77,222
	<u>163,281</u>	<u>83,229</u>	<u>25,104</u>	<u>221,406</u>	<u>107,222</u>
Business-Type Activities:					
Other Postemployment					
Benefits Payable	15,599	2,377	2,850	15,126	-
Employee Leave Liability	17,863	-	144	17,719	17,719
	<u>33,462</u>	<u>2,377</u>	<u>2,994</u>	<u>32,845</u>	<u>17,719</u>
Total Other Long-Term Obligations	<u>\$ 196,743</u>	<u>\$ 85,606</u>	<u>\$ 28,098</u>	<u>\$ 254,251</u>	<u>\$ 124,941</u>

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

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt

Annual Requirements for Retirement. Individual general obligation long-term debt issued outstanding at December 31, 2016 and annual requirements for their retirement are shown below:

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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%	2017	\$ 240,000	\$ 22,050	\$ 262,050
	2018	245,000	14,775	259,775
	2019	120,000	9,300	129,300
(general City \$780,850; TID #2 \$750,780; stormwater fund \$148,410; sewer utility \$259,960)	2020	125,000	5,625	130,625
	2021	125,000	1,875	126,875
		<u>855,000</u>	<u>53,625</u>	<u>908,625</u>
Promissory Bank Note, \$550,000, dated 10/20/14, due 10/20/19, interest at 3.0%	2017	112,119	7,976	120,095
	2018	115,483	4,612	120,095
	2019	38,617	1,148	39,765
(TID #2 \$52,097; water utility \$497,903)		<u>266,219</u>	<u>13,736</u>	<u>279,955</u>
Total General Obligation Long-Term Debt		<u>\$ 1,121,219</u>	<u>\$ 67,361</u>	<u>\$ 1,188,580</u>

Mortgage Revenue Bonds

At December 31, 2016 the City had several mortgage revenue bond issues outstanding as discussed below. The City's full faith and credit do not back the mortgage revenue bonds which are instead backed only by the assets and revenues of the enterprise funds.

Sewer System Revenue Bonds. During 1998 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, 2016 are shown below.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds (Continued)

	Year	Repayment Requirements		
		Principal	Interest	Total
Sewer System Revenue Bonds \$290,000, dated 5/1/98, due 5/1/17, interest at 5.00% to 5.20%	2017	\$ 20,000	\$ 520	\$ 20,520

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.

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, 2016 were \$88,406 and \$198,968, 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, 2016 are shown below.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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).

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Sewage System Revenue Bonds, \$511,765, dated 7/8/98, due 5/1/18, interest at 2.672%	2017	\$ 31,681	\$ 1,293	\$ 32,974
	2018	32,527	435	32,962
		<u>\$ 64,208</u>	<u>\$ 1,728</u>	<u>\$ 65,936</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.

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

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

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

Land Contract Payable

On December 14, 2016, the City entered into a land contract totaling \$70,000 for the purchase of a property in the City to be used for future parking. The contract is interest free with \$10,000 paid in December, 2016, and the remainder paid in two installments in January, 2017, and January, 2018. Scheduled annual payment requirements on the land contract at December 31, 2016, were as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Land Contract, \$70,000, dated 12/14/16, due 1/12/18, interest at 0.0%	2017	\$ 30,000	\$ -	\$ 30,000
	2018	30,000	-	30,000
		<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016 consisted of the following:

	<u>Total</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
Major Funds:						
General Fund						
Delinquent Taxes	\$ 1,015	\$ 1,015	\$ -	\$ -	\$ -	\$ -
Library Improvements	15,182	-	15,182	-	-	-
Data Processing Costs	7,291	-	-	-	7,291	-
Law Enforcement Equipment	8,803	-	-	-	8,803	-
Law Enforcement Radio Equipment	5,234	-	-	-	5,234	-
Vest Matching Funds	3,641	-	-	-	3,641	-
Court Special Purchases	4,150	-	-	-	4,150	-
Street Machinery and Equipment	3,663	-	-	-	3,663	-
Snow and Ice Control	9,535	-	-	-	9,535	-
Garbage Truck	50,930	-	-	-	50,930	-
City Shop	3,635	-	-	-	3,635	-
Street Improvements	1,871	-	-	-	1,871	-
Airport	500	-	-	-	500	-
Airport Courtesy Van	847	-	-	-	847	-
Future Cemetery	23,500	-	-	-	23,500	-
Library Act 150	45,882	-	-	-	45,882	-
Parks	100	-	-	-	100	-
Assessment of Property	35,732	-	-	-	35,732	-
Fixed Asset Replacement	45,580	-	-	-	45,580	-
Building Fund	149,617	-	-	-	149,617	-
Retirement Expense	136,449	-	-	-	136,449	-
Economic Development	8,052	-	-	-	8,052	-
Unassigned	1,136,543	-	-	-	-	1,136,543
Housing Rehabilitation Revolving Loan						
Program Fund	70,208	-	70,208	-	-	-
Debt Service Fund	21,568	-	21,568	-	-	-
Tax Incremental District #2 Projects Fund	(63,909)	-	-	-	-	(63,909)
Nonmajor Funds:						
Special Revenue Funds:						
Stormwater Fund	90,969	-	-	90,969	-	-
Capital Projects Fund:						
Tax Incremental District #3 Projects Fund	(61,651)	-	-	-	-	(61,651)
Total Governmental Fund Balances						
at December 31, 2016	<u>\$ 1,754,937</u>	<u>\$ 1,015</u>	<u>\$ 106,958</u>	<u>\$ 90,969</u>	<u>\$ 545,012</u>	<u>\$ 1,010,983</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, 2016**

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, 2016. 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, 2016:

	<u>TID #2</u>	<u>TID #3</u>
Accumulated Project Costs:		
From Inception to December 31, 2016	\$ 4,205,603	\$ 275,611
Accumulated Project Revenues:		
Tax Increments	3,283,153	-
Intergovernmental Revenues	329,197	-
Special Assessments Levied	29,995	-
Sale of Property	15,144	-
Rent	34,530	7,366
Interest on Investments	65,948	-
Premium on Debt Issued	27,619	-
Transfers In	-	206,594
Total Project Revenues	<u>3,785,586</u>	<u>213,960</u>
Future Project Revenues Necessary to Recover Net Costs to Date	<u>\$ 420,017</u>	<u>\$ 61,651</u>

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax Incremental Districts (Continued)

The above summary of transactions is reconcilable to the TID fund balances (deficits) at December 31, 2016 as follows:

	<u>TID #2</u>	<u>TID #3</u>
Long-Term Debt Payable from TID Fund:		
G.O. Refunding Bonds Dated 9/2/11	\$ 330,885	\$ -
General Obligation Note Dated 10/20/14	25,223	-
	<u>356,108</u>	<u>-</u>
Less Unrecovered Costs Above	420,017	61,651
Fund Balance (Deficit) December 31, 2016	<u>\$ (63,909)</u>	<u>\$ (61,651)</u>

NOTE 4 OTHER INFORMATION

A. Wisconsin Retirement System Pension Plan Benefits

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (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. 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.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

For the year ended December 31, 2016, the WRS recognized \$26,980 in contributions from the employer. Contributions for the years ended December 31, 2015 and 2014 were \$28,901 and \$30,454, respectively.

Contribution rates as of December 31, 2016 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8%	3.0%
2007	3.0	10.0
2008	6.6	0.0
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0

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, 2016 were \$77,222 and \$17,719, respectively.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

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 16 active participants and no retired participants receiving benefits from the City's health plans.

Funding Policy

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2016, the City contributed an estimated \$13,303 to the plan.

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	\$ 15,581
Interest on Net OPEB Obligation	3,880
Adjustment to Annual Required Contribution	<u>(3,855)</u>
Annual OPEB Cost (Expense)	15,606
Contributions Made	<u>(13,303)</u>
Increase in Net OPEB Obligation	2,303
Net OPEB Obligation- Beginning of Year	<u>97,007</u>
Net OPEB Obligation- End of Year	<u><u>\$ 99,310</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 2016:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB <u>Obligation</u>
12/31/2016	\$ 15,606	85.2%	\$ 99,310
12/31/2015	15,605	78.2%	97,007
12/31/2014	21,828	27.4%	93,607

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% interest discount rate of return. The initial healthcare trend rate was 9.0%, reduced by decrements to an ultimate rate of 5.0% by the year 2024. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2016 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.

**CITY OF CHETEK, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Joint Ventures (Continued)

Chetek Fire District (Continued)

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 2016 totaled \$56,660.

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.

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 2016 totaled \$36,581. The process for determining a party's interest in property should an election be made to terminate are detailed in Articles of Agreement. Generally, interest in the property is to be based on the median amount per three independent appraisals.

E. Risk Management

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

F. Special Item

On April 14, 2016, the City sold the capital assets of Knapp Haven Nursing Home and Pelican Place Apartments, enterprise funds of the City, and paid off the debt related to those capital assets. As a result of the sale, Knapp Haven Nursing Home and Pelican Place Apartments recognized a gain of \$162,333 and \$245,681, respectively, as a special item. The remaining assets and liabilities of these funds will be transferred to the general fund at the end of the Knapp Haven Nursing Home and Pelican Place Apartments fiscal year on June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

**CITY OF CHETEK, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 1,188,027	\$ 1,265,527	\$ 1,265,936	\$ 409
Intergovernmental	513,759	531,016	598,994	67,978
Licenses and Permits	52,850	54,850	68,685	13,835
Fines and Forfeits	43,250	43,250	50,903	7,653
Public Charges for Services	439,000	478,300	500,887	22,587
Intergovernmental Charges for Services	1,500	1,500	2,099	599
Miscellaneous:				
Interest	8,900	8,900	14,158	5,258
Rent	9,400	9,400	14,028	4,628
Other	-	49,629	29,021	(20,608)
Total Revenues	2,256,686	2,442,372	2,544,711	102,339
EXPENDITURES				
General Government	409,674	497,353	435,422	61,931
Public Safety	734,946	743,482	739,546	3,936
Transportation	439,310	439,310	447,346	(8,036)
Sanitation	356,188	356,188	336,375	19,813
Health and Human Services	3,800	8,300	8,365	(65)
Culture, Recreation and Education	155,488	156,186	149,248	6,938
Conservation and Development	500	500	215	285
Capital Outlay	108,500	919,242	374,230	545,012
Total Expenditures	2,208,406	3,120,561	2,490,747	629,814
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	48,280	(678,189)	53,964	732,153
OTHER FINANCING SOURCES (USES)				
Proceeds of Land Contract	-	-	70,000	70,000
Sale of Capital Assets	-	32,419	21,512	(10,907)
Transfers In	56,000	56,000	53,323	(2,677)
Transfers Out	(104,280)	(104,280)	(114,650)	(10,370)
Total Other Financing Sources (Uses)	(48,280)	(15,861)	30,185	46,046
NET CHANGE IN FUND BALANCE	-	(694,050)	84,149	778,199
Fund Balance, January 1	1,613,603	1,613,603	1,613,603	-
FUND BALANCE, DECEMBER 31	\$ 1,613,603	\$ 919,553	\$ 1,697,752	\$ 778,199

See Notes to Required Supplementary Information

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2016**

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)
1/1/2015	\$ -	\$ 148,274	\$ 148,274	0%	\$ 814,000	18.2%
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%

See Notes to Required Supplementary Information

**CITY OF CHETEK, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

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, 2016**

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Funds
	Stormwater Fund	Tax Incremental District #3 Projects Fund		
ASSETS				
Cash and Investments	\$ 86,396	\$ -		\$ 86,396
Accounts Receivable	4,573	-		4,573
Total Assets	\$ 90,969	\$ -		\$ 90,969
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to General Fund	\$ -	\$ 61,651		\$ 61,651
 Fund Balances:				
Committed	90,969	-		90,969
Unassigned	-	(61,651)		(61,651)
Total Fund Balances	90,969	(61,651)		29,318
Total Liabilities and Fund Balances	\$ 90,969	\$ -		\$ 90,969

**CITY OF CHETEK, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Fund	Capital Projects Fund	
	Stormwater Fund	Tax Incremental District #3 Projects Fund	Total Nonmajor Funds
REVENUES			
Public Charges for Services:			
Stormwater Fees	\$ 61,576	\$ -	\$ 61,576
Miscellaneous:			
Rent	-	600	600
Total Revenues	61,576	600	62,176
EXPENDITURES			
Transportation	21,728	-	21,728
Conservation and Development	-	760	760
Total Expenditures	21,728	760	22,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,848	(160)	39,688
OTHER FINANCING SOURCES (USES)			
Transfer to Debt Service Fund	(19,934)	-	(19,934)
NET CHANGE IN FUND BALANCES	19,914	(160)	19,754
Fund Balance (Deficit), January 1	71,055	(61,491)	9,564
FUND BALANCE (DEFICIT), DECEMBER 31	\$ 90,969	\$ (61,651)	\$ 29,318

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Treasurer's Cash and Investments	\$ 1,950,859	\$ 1,692,602
Taxes Receivable:		
Current Tax Roll Items	837,497	850,542
Delinquent Personal Property Taxes	738	505
Delinquent Taxes Held by County	277	229
Accounts Receivable	42,194	43,798
Interest Receivable	394	567
Due from Other Funds:		
TID #2 Fund	63,909	124,310
TID #3 Fund	61,651	61,491
Knapp Haven Enterprise Fund	-	2,107
Long-Term Advance to Pelican Place Enterprise Fund	-	16,223
Prepayments	-	40,748
	<u>\$ 2,957,519</u>	<u>\$ 2,833,122</u>
Total Assets		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Vouchers and Accounts Payable	\$ 8,427	\$ 30,957
Due to Other Governmental Units	2,574	-
Due to Knapp Haven Enterprise Fund	-	17,128
Special Deposits	-	4,408
Total Liabilities	<u>11,001</u>	<u>52,493</u>
Deferred Inflows of Resources:		
Subsequent Year's Property Taxes	1,248,766	1,167,026
Fund Balance:		
Nonspendable	1,015	57,705
Restricted	15,182	15,129
Assigned	545,012	661,876
Unassigned	1,136,543	878,893
Total Fund Balance	<u>1,697,752</u>	<u>1,613,603</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,957,519</u>	<u>\$ 2,833,122</u>

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES:				
Taxes:				
General Property Taxes	\$ 1,244,527	\$ 1,244,526	\$ (1)	\$ 1,238,582
Mobile Home Tax	6,500	5,169	(1,331)	6,333
Payments in Lieu of Taxes	14,000	16,044	2,044	14,037
Interest on Taxes	500	197	(303)	925
Total Taxes	<u>1,265,527</u>	<u>1,265,936</u>	<u>409</u>	<u>1,259,877</u>
Intergovernmental:				
State Shared Revenues	376,875	376,884	9	378,032
Fire Insurance Taxes	-	5,285	5,285	4,942
State Exempt Computer Aid	-	1,956	1,956	2,468
State Aid Police Training	1,100	800	(300)	1,120
State Aid Law Enforcement	9,678	9,677	(1)	3,521
State Transportation Aids	135,784	135,718	(66)	139,229
State Aid for State Owned Property	-	42	42	42
State Aid for Ambulance Service	-	5,718	5,718	5,160
Safe Routes to Schools Grant	-	-	-	56,973
County Library Aid	7,579	62,914	55,335	66,172
Total Intergovernmental	<u>531,016</u>	<u>598,994</u>	<u>67,978</u>	<u>657,659</u>
Licenses and Permits:				
Liquor and Malt Beverage	4,000	4,874	874	4,772
Operators' Licenses	2,800	3,669	869	2,914
Cigarette Licenses	300	250	(50)	597
Television Franchise	35,000	44,285	9,285	45,187
Direct Seller License	1,000	1,227	227	1,500
Dog Licenses	1,000	1,064	64	1,105
Building Permits	9,000	11,266	2,266	10,057
Other Permits Games/Dance	250	215	(35)	280
Zoning Permits	1,500	1,835	335	4,122
Total Licenses and Permits	<u>54,850</u>	<u>68,685</u>	<u>13,835</u>	<u>70,534</u>
Fines and Forfeits:				
Court Penalties and Costs	43,000	50,663	7,663	49,836
Parking Violations	250	240	(10)	360
Total Fines and Forfeits	<u>43,250</u>	<u>50,903</u>	<u>7,653</u>	<u>50,196</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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015)**

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES: (CONTINUED)				
Public Charges for Services:				
Clerk/Treasurer's Fees	\$ 500	\$ 4,800	\$ 4,300	\$ 540
License Publication Fees	-	-	-	10
Police Paper Service Fees	200	100	(100)	275
Accident Reports	1,000	1,250	250	991
Canine Unit Revenues	300	958	658	880
Snow Removal/Street Services	59,000	59,291	291	47,120
Airport - Fuel Sales	45,000	46,946	1,946	59,526
Garbage Collections	369,000	377,625	8,625	327,146
Garbage Miscellaneous Revenues	100	5,262	5,162	3,128
Library	1,200	1,210	10	1,200
Parks	1,000	850	(150)	950
Cemetery	1,000	2,595	1,595	1,350
Total Public Charges for Services	<u>478,300</u>	<u>500,887</u>	<u>22,587</u>	<u>443,116</u>
Intergovernmental Charges for Services:				
Knapp Haven Clerical Service	1,500	2,099	599	3,926
Miscellaneous:				
Interest:				
Temporary Investments	8,400	12,762	4,362	7,754
Garbage Accounts	500	1,396	896	1,097
Rent:				
City Buildings	-	4,000	4,000	4,000
Community Senior Center	2,800	4,202	1,402	3,574
Airport	6,600	5,826	(774)	5,699
Other:				
Donations	750	3,425	2,675	9,646
Miscellaneous	48,879	25,596	(23,283)	5,265
Total Miscellaneous	<u>67,929</u>	<u>57,207</u>	<u>(10,722)</u>	<u>37,035</u>
Total Revenues	2,442,372	2,544,711	102,339	2,522,343

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
EXPENDITURES:				
General Government:				
Council	\$ 20,945	\$ 19,367	\$ 1,578	\$ 20,224
Municipal Court	36,070	34,248	1,822	33,536
Municipal Court Attorney	3,000	4,883	(1,883)	2,885
Mayor	6,889	6,213	676	7,294
Elections	9,500	7,944	1,556	2,493
Assessment of Property	8,200	7,462	738	8,341
Clerks Office	215,305	224,814	(9,509)	166,606
Record Checks	1,000	614	386	694
Independent Auditing	18,000	18,484	(484)	17,300
Legal Fees	97,679	57,801	39,878	216,998
Illegal Taxes	-	-	-	1,831
City Hall	500	-	500	638
Property and Liability Insurance	31,000	27,103	3,897	29,791
Workers' Compensation Insurance	30,000	26,489	3,511	28,430
Unemployment Compensation	19,265	-	19,265	493
Total General Government	497,353	435,422	61,931	537,554
Public Safety:				
Law Enforcement:				
Wages and Fringe Benefits	505,976	521,499	(15,523)	498,740
Training	2,000	2,465	(465)	1,601
Operation Costs	37,000	29,866	7,134	30,989
Police Station	8,700	6,304	2,396	7,274
Fire Department	56,661	56,660	1	57,657
Suppression (Hydrant Rental)	38,250	38,250	-	38,250
Ambulance Service Charge	30,863	36,581	(5,718)	36,023
Tornado Warning System	500	257	243	265
Inspector	63,532	47,664	15,868	43,192
Total Public Safety	743,482	739,546	3,936	713,991
Transportation:				
Department of Public Works	271,748	274,266	(2,518)	324,728
Snow and Ice Control	55,662	63,716	(8,054)	54,275
Traffic Control	100	177	(77)	105
Street Lighting	52,000	46,014	5,986	54,093
Safety Program	3,800	3,652	148	3,027
Airport	11,000	12,846	(1,846)	14,253
Airport Fuel Purchases	45,000	46,675	(1,675)	52,845
Total Transportation	439,310	447,346	(8,036)	503,326

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
EXPENDITURES: (CONTINUED)				
Sanitation:				
Garbage Collection	\$ 218,188	\$ 198,368	\$ 19,820	\$ 208,697
Incinerator	138,000	138,007	(7)	130,943
Total Sanitation	356,188	336,375	19,813	339,640
Health and Human Services:				
Animal Pound	800	865	(65)	1,026
Cemetery	7,500	7,500	-	3,000
Total Health and Human Services	8,300	8,365	(65)	4,026
Culture, Recreation and Education:				
Library	106,054	99,536	6,518	108,377
Community Center	34,132	31,101	3,031	34,111
Celebrations and Entertainment	4,000	3,279	721	10,030
Parks	12,000	15,332	(3,332)	18,899
Total Culture, Recreation and Education	156,186	149,248	6,938	171,417
Conservation and Development:				
Other Conservation and Development	500	215	285	92
Capital Outlay:				
Data Processing Costs	9,745	2,454	7,291	-
Law Enforcement:				
Squad Car	4,408	4,408	-	25,259
Equipment	13,482	4,679	8,803	2,772
Radio Equipment	5,234	-	5,234	-
Vest Matching Funds	3,641	-	3,641	-
Canine Unit	-	-	-	2,918
Court Special Purchases	4,150	-	4,150	-
Machinery and Equipment	68,663	65,000	3,663	-
Snow and Ice Control	9,535	-	9,535	-
Garbage Truck	50,930	-	50,930	-
City Shop	3,635	-	3,635	89
Streets	130,023	128,152	1,871	149,307

**CITY OF CHETEK, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
EXPENDITURES: (CONTINUED)				
Capital Outlay: (Continued)				
Airport	\$ 500	\$ -	\$ 500	\$ -
Airport Courtesy Van	853	6	847	212
Cemetery	23,500	-	23,500	2,000
Library Act 150 Fund	94,592	48,710	45,882	42,705
Parks	45,148	45,048	100	25,124
Docks and Boat Landing	1,500	1,500	-	115,069
Assessment of Property	35,732	-	35,732	-
Fixed Asset Reserve Fund	45,580	-	45,580	2,926
Building Fund	220,339	70,722	149,617	18,922
Retirement Expense	136,449	-	136,449	-
Economic Development	11,603	3,551	8,052	5,815
Total Capital Outlay	<u>919,242</u>	<u>374,230</u>	<u>545,012</u>	<u>393,118</u>
Total Expenditures	<u>3,120,561</u>	<u>2,490,747</u>	<u>629,814</u>	<u>2,663,164</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(678,189)	53,964	732,153	(140,821)
OTHER FINANCING SOURCES (USES):				
Proceeds of Land Contract	-	70,000	70,000	-
Sale of Property	32,419	21,512	(10,907)	-
Transfers In:				
From Water Utility Fund	56,000	53,323	(2,677)	53,105
Transfers Out:				
To Debt Service Fund	(104,280)	(114,650)	(10,370)	(105,135)
Total Other Financing Sources (Uses)	<u>(15,861)</u>	<u>30,185</u>	<u>46,046</u>	<u>(52,030)</u>
NET CHANGE IN FUND BALANCE	(694,050)	84,149	778,199	(192,851)
Fund Balance, January 1	<u>1,613,603</u>	<u>1,613,603</u>	<u>-</u>	<u>1,806,454</u>
FUND BALANCE, DECEMBER 31	<u>\$ 919,553</u>	<u>\$ 1,697,752</u>	<u>\$ 778,199</u>	<u>\$ 1,613,603</u>

**CITY OF CHETEK, WISCONSIN
DEBT SERVICE FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)**

	<u>Land Contract Dated 12/14/16</u>	<u>State Trust Fund Loan Dated 10/27/06</u>	<u>Refunding Bonds Dated 9/2/11</u>	<u>Promissory Bank Note Dated 10/20/14</u>	<u>Totals</u>	
					2016	2015
ASSETS						
Cash and Investments	\$ -	\$ -	\$ 21,568	\$ -	\$ 21,568	\$ 21,395
LIABILITIES AND FUND BALANCES						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Restricted	-	-	21,568	-	21,568	21,395
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 21,568	\$ -	\$ 21,568	\$ 21,395

**CITY OF CHETEK, WISCONSIN
DEBT SERVICE FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Land	State	Refunding	Promissory	Totals	
	Contract	Trust Fund	Bonds	Bank Note	2016	2015
	Dated 12/14/16	Loan Dated 10/27/06	Dated 9/2/11	Dated 10/20/14		
REVENUES						
Interest on Investments	\$ -	\$ -	\$ 173	\$ -	\$ 173	\$ 198
EXPENDITURES						
Principal Retirement	10,000	28,573	199,180	10,279	248,032	264,892
Interest and Fees	-	1,218	26,038	1,094	28,350	36,623
Total Expenditures	<u>10,000</u>	<u>29,791</u>	<u>225,218</u>	<u>11,373</u>	<u>276,382</u>	<u>301,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,000)	(29,791)	(225,045)	(11,373)	(276,209)	(301,317)
OTHER FINANCING SOURCES (USES)						
Transfers In:						
From General Fund	10,000	-	104,650	-	114,650	105,135
From Stormwater Fund	-	-	19,934	-	19,934	20,073
From TID #2 Capital Projects Fund	-	29,791	100,634	11,373	141,798	176,307
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>29,791</u>	<u>225,218</u>	<u>11,373</u>	<u>276,382</u>	<u>301,515</u>
NET CHANGE IN FUND BALANCES	-	-	173	-	173	198
Fund Balances, January 1	-	-	21,395	-	21,395	21,197
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,568</u>	<u>\$ -</u>	<u>\$ 21,568</u>	<u>\$ 21,395</u>

**CITY OF CHETEK, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 (WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,176,656	\$ 1,220,928
Customer Accounts Receivable	30,351	30,216
Accrued Interest Receivable	390	491
Inventories	22,229	21,580
Prepayments	1,106	1,218
Total Current Assets	1,230,732	1,274,433
Capital Assets:		
Property and Plant in Service	2,930,483	2,838,154
Less Accumulated Depreciation	1,216,496	1,146,192
Net Property and Plant in Service	1,713,987	1,691,962
Land Held for Future Use	1,837	1,837
Total Capital Assets	1,715,824	1,693,799
Other Assets:		
Special Assessments Receivable	8,913	8,913
Total Assets	\$ 2,955,469	\$ 2,977,145

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 505	\$ 1,084
Accrued Interest Payable	1,506	2,120
Accrued Employee Leave Liabilities - Current Portion	5,860	5,977
Current Portion of General Obligation Debt	101,499	98,543
Special Deposits	-	7,000
Total Current Liabilities Payable from Current Assets	109,370	114,724
Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	5,098	5,270
General Obligation Debt	139,497	240,714
Total Long-Term Liabilities (Net of Current Portion)	144,595	245,984
Total Liabilities	253,965	360,708
NET POSITION		
Net Investment in Capital Assets	1,474,828	1,354,542
Unrestricted	1,226,676	1,261,895
Total Net Position	2,701,504	2,616,437
Total Liabilities and Net Position	\$ 2,955,469	\$ 2,977,145

CITY OF CHETEK, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER UTILITY ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Sales of Water:		
Residential	\$ 138,063	\$ 136,353
Commercial	54,567	60,100
Industrial	12,435	11,142
Public Authorities	20,411	21,280
Private Fire Protection	5,686	5,616
Public Fire Protection	<u>131,718</u>	<u>131,334</u>
Total Sales of Water Revenues	362,880	365,825
Other Operating Revenues:		
Forfeited Discounts	775	673
Meter Charge to Sewer	14,379	15,347
Miscellaneous Operating Revenues	<u>23,261</u>	<u>19,682</u>
Total Other Operating Revenues	<u>38,415</u>	<u>35,702</u>
 Total Operating Revenues	 401,295	 401,527
OPERATING EXPENSES:		
Operation and Maintenance:		
Operation	96,968	81,100
Maintenance	9,399	14,710
Administrative and General	<u>80,970</u>	<u>73,382</u>
Total Operation and Maintenance	187,337	169,192
Depreciation	<u>71,174</u>	<u>68,865</u>
 Total Operating Expenses	 <u>258,511</u>	 <u>238,057</u>
 OPERATING INCOME	 142,784	 163,470
NONOPERATING REVENUES (EXPENSES)		
Interest Income	2,463	2,766
Interest Expense	<u>(9,847)</u>	<u>(12,852)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(7,384)</u>	 <u>(10,086)</u>
 INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	 135,400	 153,384
TRANSFERS AND CONTRIBUTIONS		
Transfer to Other Funds	(53,323)	(53,105)
Capital Asset Contributions from Customers and Developers	2,990	3,924
Total Transfers and Contributions	<u>(50,333)</u>	<u>(49,181)</u>
 CHANGE IN NET POSITION	 85,067	 104,203
Net Position, January 1	<u>2,616,437</u>	<u>2,512,234</u>
 NET POSITION, DECEMBER 31	 <u>\$ 2,701,504</u>	 <u>\$ 2,616,437</u>

**CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 348,531	\$ 355,460
Cash Received from Municipality for Fire Protection	38,250	38,250
Water Meter Related Charges to Sewer Department	14,379	15,347
Cash Payments to Suppliers for Goods and Services	(111,551)	(86,115)
Cash Payments for Employee Services	(84,191)	(80,131)
Net Cash Provided by Operating Activities	205,418	242,811
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received from Payment of Special Assessments Purchased from Sewer Utility	-	1,118
Cash Payment for Tax Equivalents	(53,323)	(53,105)
Net Cash Used by Noncapital Financing Activities	(53,323)	(51,987)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Paid for Capital Assets	(90,619)	(46,726)
Cash Received from Salvage of Capital Assets	410	-
Cash Received from Payment of Special Assessments	-	1,538
Principal Paid on Long-Term Debt	(98,261)	(95,275)
Interest Paid on Long-Term Debt	(10,461)	(13,448)
Net Cash Used by Capital and Related Financing Activities	(198,931)	(153,911)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Purchase of Investments	2,564	(2,735)
Cash Received from Interest on Investments	(2,553)	2,735
Net Cash Provided (Used) by Investing Activities	11	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,825)	36,913
CASH AND CASH EQUIVALENTS, BEGINNING	850,527	813,614
CASH AND CASH EQUIVALENTS, ENDING	\$ 803,702	\$ 850,527

CITY OF CHETEK, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 142,784	\$ 163,470
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	71,174	68,865
(Increase) Decrease in Assets:		
Customer Accounts Receivable	(135)	530
Inventories	(649)	2,816
Prepayments	112	113
Increase (Decrease) in Liabilities:		
Accounts Payable	(579)	(943)
Deposits	(7,000)	7,000
Accrued Employee Benefits Payable	(117)	812
Other Postemployment Benefits Payable	(172)	148
Net Cash Provided by Operating Activities	<u>\$ 205,418</u>	<u>\$ 242,811</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 1,176,656	\$ 1,220,928
Less: Investments with a Maturity Greater than Three Months	<u>372,954</u>	<u>370,401</u>
Cash and Cash Equivalents	<u>\$ 803,702</u>	<u>\$ 850,527</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital Assets Financed by Customers and Developers	\$ 2,990	\$ 3,924

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	2016	2015
ASSETS		
Current Assets:		
Cash and Investments	\$ 206,664	\$ 215,524
Customer Accounts Receivable	45,397	44,074
Accrued Interest Receivable - TID Advance	-	14
Current Portion of Long-Term Advance to Tax Incremental District	-	1,617
Inventories	3,397	3,007
Prepaid Expenses	3,667	4,112
Total Current Assets	259,125	268,348
Restricted Assets:		
Cash and Investments:		
Replacement Fund	198,968	196,496
Special Redemption Fund:		
Debt Reserve Fund	53,493	54,544
Debt Service Fund	34,913	34,674
Accrued Interest Receivable:		
Bond Reserve Fund	323	354
Total Restricted Assets	287,697	286,068
Capital Assets:		
Property and Plant in Service	3,843,094	3,816,492
Less Accumulated Depreciation	2,152,998	2,055,360
Net Property and Plant in Service	1,690,096	1,761,132
Land Held for Future Use	50,820	50,820
Construction Work in Progress	35,750	-
Net Capital Assets	1,776,666	1,811,952
Total Assets	\$ 2,323,488	\$ 2,366,368

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Accounts Payable	\$ 14,715	\$ 7,795
Accrued Interest Payable	573	887
Accrued Employee Leave Liabilities - Current Portion	11,859	11,886
Current Portion of General Obligation Debt	32,160	30,820
Current Portion of Unamortized Debt Premium	763	1,016
Current Portion of Revenue Bonds - Clean Water Fund	31,681	30,856
Total Current Liabilities Payable from Current Assets	<u>91,751</u>	<u>83,260</u>
Current Liabilities Payable from Restricted Assets:		
Interest Accrued Payable	173	347
Current Portion of Revenue Bonds - 1998 Issue	20,000	20,000
Total Current Liabilities Payable from Restricted Assets	<u>20,173</u>	<u>20,347</u>
Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	10,028	10,329
General Obligation Debt	82,410	114,570
Unamortized Debt Premium	1,069	1,832
Mortgage Revenue Bonds - 1998 Issue	-	20,000
Mortgage Revenue Bonds Series - Clean Water Fund	32,527	64,208
Total Long-Term Liabilities (Net of Current Portion)	<u>126,034</u>	<u>210,939</u>
Total Liabilities	237,958	314,546
NET POSITION		
Net Investment in Capital Assets	1,576,056	1,529,666
Restricted for Capital Asset Replacement	198,968	196,496
Restricted for Debt Retirement	88,556	89,225
Unrestricted	221,950	236,435
Total Net Position	<u>2,085,530</u>	<u>2,051,822</u>
Total Liabilities and Net Position	<u>\$ 2,323,488</u>	<u>\$ 2,366,368</u>

CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Sewerage Revenues:		
Residential	\$ 279,737	\$ 282,011
Commercial	108,223	112,709
Industrial	29,334	27,454
Public Authorities	49,818	43,777
Total Sewerage Revenues	<u>467,112</u>	<u>465,951</u>
Other Operating Revenues:		
Forfeited Discounts	1,535	1,571
Miscellaneous Revenues	-	525
Total Other Operating Revenues	<u>1,535</u>	<u>2,096</u>
Total Operating Revenues	468,647	468,047
OPERATING EXPENSES:		
Operation and Maintenance:		
Operation	159,472	184,882
Maintenance	34,954	38,521
Administrative and General	131,140	124,430
Total Operation and Maintenance	<u>325,566</u>	<u>347,833</u>
Depreciation	106,789	105,947
Total Operating Expenses	<u>432,355</u>	<u>453,780</u>
OPERATING INCOME	36,292	14,267
NONOPERATING REVENUES (EXPENSES):		
Interest Income	1,656	1,783
Rental Income	6,000	6,025
Amortization of Debt Premium	1,016	1,259
Interest Expense	(7,462)	(10,186)
Rental Property Expense	(3,794)	(4,035)
Total Nonoperating Revenues (Expenses)	<u>(2,584)</u>	<u>(5,154)</u>
INCOME BEFORE CONTRIBUTIONS	33,708	9,113
CAPITAL CONTRIBUTIONS:		
Capital Asset Contributions from Customers and Developers	-	3,566
CHANGE IN NET POSITION	33,708	12,679
Net Position, January 1	<u>2,051,822</u>	<u>2,039,143</u>
NET POSITION, DECEMBER 31	<u><u>\$ 2,085,530</u></u>	<u><u>\$ 2,051,822</u></u>

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 467,324	\$ 469,602
Water Meter Related Charges to Sewer Department	(14,379)	(15,347)
Cash Payments to Suppliers for Goods and Services	(142,652)	(171,047)
Cash Payments for Employee Services	(161,888)	(160,237)
Net Cash Provided by Operating Activities	148,405	122,971
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received for Rents from Rental Properties	6,000	6,025
Cash Paid for Rental Property Expense	(3,794)	(4,035)
Net Cash Provided (Used) by Noncapital Financing Activities	2,206	1,990
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Paid for Capital Assets	(71,503)	(10,807)
Cash Received for Repayment of Advances to Tax Incremental Districts	1,658	1,745
Principal Paid on Long-Term Debt	(81,676)	(80,203)
Interest Paid on Long-Term Debt	(7,950)	(10,468)
Net Cash Used by Capital and Related Financing Activities	(159,471)	(99,733)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Purchase of Investments	(1,659)	(1,714)
Cash Received from Interest on Investments	1,659	1,714
Net Cash Provided (Used) by Investing Activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,860)	25,228
CASH AND CASH EQUIVALENTS, BEGINNING	215,524	190,296
CASH AND CASH EQUIVALENTS, ENDING	\$ 206,664	\$ 215,524

**CITY OF CHETEK, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 36,292	\$ 14,267
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	106,789	105,947
(Increase) Decrease in Assets:		
Customer Accounts Receivable	(1,323)	1,555
Inventories	(390)	(1,072)
Prepayments	445	(1,154)
Increase (Decrease) in Liabilities:		
Accounts Payable	6,920	619
Accrued Employee Benefits Payable	(27)	2,288
Other Postemployment Benefits Payable	(301)	521
Net Cash Provided by Operating Activities	\$ 148,405	\$ 122,971
 RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statements of Net Position:		
Cash and Investments	\$ 206,664	\$ 215,524
Cash and Investments - Restricted	287,374	285,714
	494,038	501,238
Less: Investments with a Maturity Greater than Three Months	287,374	285,714
Cash and Cash Equivalents	\$ 206,664	\$ 215,524
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital Assets Financed by Customers and Developers	\$ -	\$ 3,566

DEBT REPAYMENT SCHEDULES

**CITY OF CHETEK, WISCONSIN
 GENERAL OBLIGATION REFUNDING BONDS DATED SEPTEMBER 2, 2011
 OUTSTANDING DECEMBER 31, 2016**

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
6/1/17	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>\$ 908,625</u>	<u>\$ 855,000</u>	<u>\$ 53,625</u>	<u>\$ 365,721</u>	<u>\$ 344,137</u>	<u>\$ 21,584</u>	<u>\$ 351,638</u>	<u>\$ 330,885</u>	<u>\$ 20,753</u>	<u>\$ 69,511</u>	<u>\$ 65,408</u>	<u>\$ 4,103</u>	<u>\$ 121,755</u>	<u>\$ 114,570</u>	<u>\$ 7,185</u>

CITY OF CHETEK, WISCONSIN
 PROMISSORY NOTE DATED OCTOBER 20, 2014
 OUTSTANDING DECEMBER 31, 2016

Date	Total			Water Utility			Tax Incremental District #2		
	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
10/20/17	\$ 120,095	\$ 112,119	\$ 7,976	\$ 108,719	\$ 101,499	\$ 7,220	\$ 11,376	\$ 10,620	\$ 756
10/20/18	120,095	115,483	4,612	108,719	104,544	4,175	11,376	10,939	437
10/20/19	39,765	38,617	1,148	35,992	34,953	1,039	3,773	3,664	109
	<u>\$ 279,955</u>	<u>\$ 266,219</u>	<u>\$ 13,736</u>	<u>\$ 253,430</u>	<u>\$ 240,996</u>	<u>\$ 12,434</u>	<u>\$ 26,525</u>	<u>\$ 25,223</u>	<u>\$ 1,302</u>

Interest Rate: 3.0%

CITY OF CHETEK, WISCONSIN
 SEWAGE SYSTEM REVENUE BONDS – CLEAN WATER FUND
 DATED JULY 8, 1998
 OUTSTANDING DECEMBER 31, 2016

<u>Payment Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
5/1/17	\$ 32,539	\$ 31,681	\$ 858
11/1/17	435	-	435
5/1/18	32,962	32,527	435
	<u>\$ 65,936</u>	<u>\$ 64,208</u>	<u>\$ 1,728</u>

Interest Rate: 2.672%

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, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 1, 2017. The City has not adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. We have modified our auditors' report to qualify our opinion on the governmental activities due to this departure. 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 2016-001 through 2016-003 in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

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

The City of Chetek's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Eau Claire, Wisconsin

August 1, 2017

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

FINDING: 2016-001 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.

Views of Responsible Officials and Planned Corrective Actions: The City continues to work to achieve segregation of duties whenever cost effective. The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):

FINDING: 2016-002 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.

Views of Responsible Officials and Planned Corrective Actions: 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. The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency.

**CITY OF CHETEK, WISCONSIN
SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED):

FINDING: 2016-003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Criteria: The City is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including related disclosures, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

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 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 capacity to prepare 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 internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Actions: 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. The City Clerk-Treasurer is the official responsible for ensuring corrective action of the deficiency.