

CITY OF CHILTON, WISCONSIN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

CITY OF CHILTON, WISCONSIN
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MEMBERS OF THE CITY COUNCIL

President	Tom Reinl
Member	Ronald Gruett
Member	Mark Willems
Member	Mark Wiegert
Member	Clayton Thornber
Member	Michael Goebel
Member	Kathleen Schmitzer
Member	Dan Hilton
Mayor	Rick Jaeckels
Clerk/Treasurer	Helen Schmidlkofer
Deputy Clerk/Treasurer	Lisa Meyer



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Chilton, 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 Chilton, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Chilton, Wisconsin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City has implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Wisconsin Retirement System pension schedules, and Wisconsin Retirement System local retiree life insurance fund schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chilton, Wisconsin's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The detailed statement of revenue and other financing sources - budget to actual - general fund and detailed statement of expenditures and other financing uses - budget to actual - general fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the City of Chilton, Wisconsin's 2017 financial statements, and our report dated March 23, 2018, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019 on our consideration of the City of Chilton, Wisconsin'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chilton, Wisconsin's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Manitowoc, Wisconsin
April 22, 2019

CITY OF CHILTON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS



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Management's Discussion and Analysis

As management of the City of Chilton, we offer readers of the City of Chilton's basic financial statements this narrative overview and analysis of the financial activities of the City of Chilton for the year ended December 31, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this narrative.

Financial Highlights

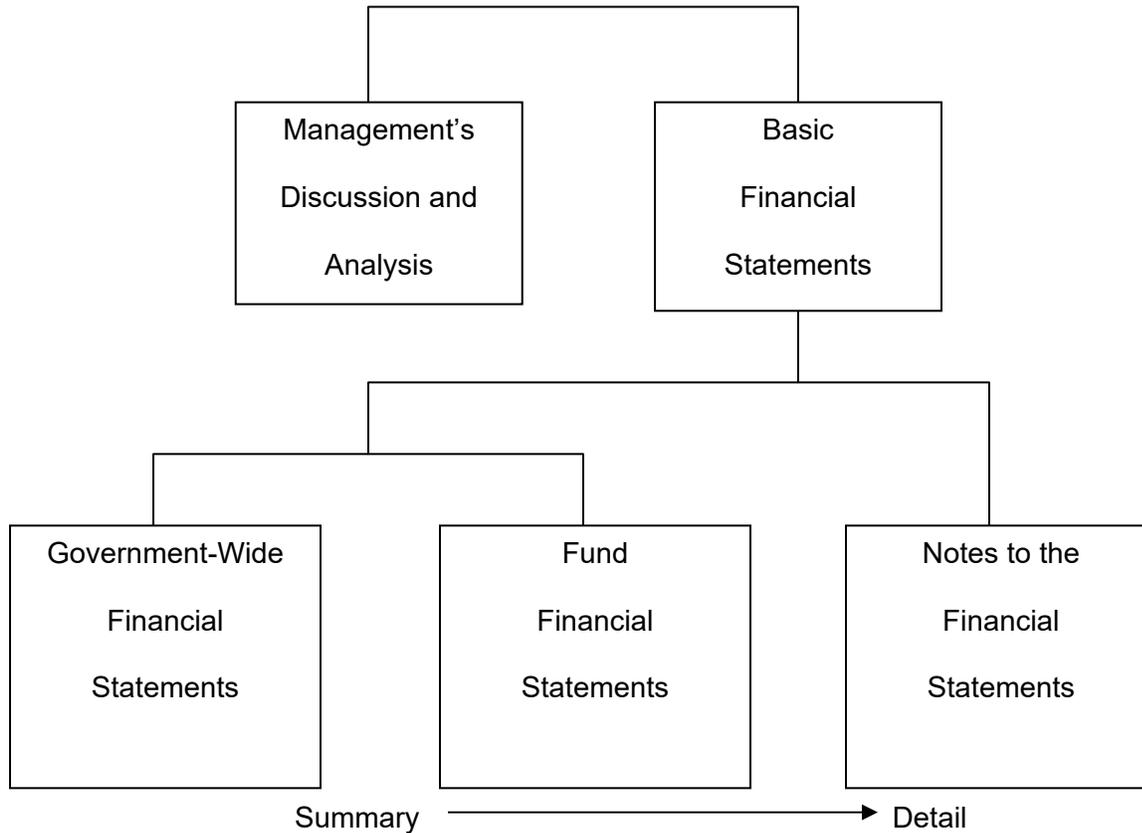
- The assets and deferred outflows of resources of the City of Chilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,779,689 (*net position*).
- The government's total net position decreased by \$730,718, due to a decrease in the governmental activities net position.
- As of the close of the current fiscal year, the City of Chilton's governmental funds reported total ending fund balances of \$4,677,550 an increase of \$282,911 in comparison with the prior year. Approximately 16 percent of this total amount, or \$746,416, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$965,686, or 28 percent of total general fund expenditures for the fiscal year.
- The City of Chilton's total debt increased by \$1,813,159 (62%) during the current fiscal year. The key factor in this increase was adding new debt for TID #6 and #7.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Chilton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Chilton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the Wisconsin State Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Chilton.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Chilton, like all other governmental entities in Wisconsin, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Wisconsin Statutes or the City's budget ordinance. All of the funds of the City of Chilton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Chilton adopts an annual budget for its general fund, as required by the State of Wisconsin Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison schedule provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the variance between the final budget and the actual revenues and expenditures.

Proprietary Funds - The City of Chilton has two proprietary funds. A *proprietary fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Chilton uses proprietary funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the statement of net position and the statement of activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Chilton's own programs. The fiduciary fund maintained by the City of Chilton is the property tax fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Chilton. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be referred to as identified in the table of contents.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Chilton. Required supplementary information can be referred to as identified in the table of contents.

City of Chilton

Net Position

Figure 2

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,041	\$ 7,728	\$ 4,989	\$ 5,127	\$ 13,030	\$ 12,855
Capital assets	17,599	17,113	8,712	8,549	26,311	25,662
Total assets	<u>25,640</u>	<u>24,841</u>	<u>13,701</u>	<u>13,676</u>	<u>39,341</u>	<u>38,517</u>
Deferred outflows of resources	<u>630</u>	<u>501</u>	<u>186</u>	<u>153</u>	<u>816</u>	<u>654</u>
Long-term liabilities outstanding	3,127	969	1,590	1,935	4,717	2,904
Other liabilities	121	80	55	30	176	110
Total liabilities	<u>3,248</u>	<u>1,049</u>	<u>1,646</u>	<u>1,965</u>	<u>4,894</u>	<u>3,014</u>
Deferred inflows of resources	<u>2,295</u>	<u>2,575</u>	<u>188</u>	<u>71</u>	<u>2,483</u>	<u>2,646</u>
Net position:						
Net investment in capital assets	14,708	16,412	7,139	6,641	21,847	23,053
Restricted	2,090	965	934	1,035	3,024	2,000
Unrestricted	3,929	4,341	3,980	4,117	7,909	8,458
Total net position	<u>\$ 20,727</u>	<u>\$ 21,718</u>	<u>\$ 12,053</u>	<u>\$ 11,793</u>	<u>\$ 32,780</u>	<u>\$ 33,511</u>

Note - totals may not add due to rounding.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Chilton exceeded liabilities by \$32,779,689 as of December 31, 2018. The City's net position decreased by \$730,718 for the fiscal year ended December 31, 2018. However, the largest portion (67%) reflects the City's investment in capital assets (e.g. land, land improvements, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items.

The City of Chilton uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Chilton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Chilton's net position (9.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,909,176 is unrestricted.

City of Chilton
Changes in Net Position

Figure 3
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 481	\$ 456	\$ 1,893	\$ 1,805	\$ 2,374	\$ 2,261
Operating grants and contributions	416	436	-	-	416	436
Capital grants and contributions	306	-	412	-	718	-
General revenues:						
Property taxes	2,121	2,117	-	-	2,121	2,117
Other taxes	10	11	-	-	10	11
Intergovernmental revenues not restricted to specific programs	508	508	-	-	508	508
Interest and investment income	108	58	24	16	132	74
Miscellaneous	518	17	51	8	569	25
Total revenues	4,470	3,604	2,379	1,828	6,849	5,432
Expenses:						
General government	204	238	-	-	204	238
Public safety	1,354	1,258	-	-	1,354	1,258
Public works	1,113	1,408	-	-	1,113	1,408
Health and human services	31	26	-	-	31	26
Culture, recreation and education	402	383	-	-	402	383
Conservation and development	2,353	400	-	-	2,353	400
Interest and fiscal charges	123	13	-	-	123	13
Water and sewer	-	-	2,001	1,720	2,001	1,720
Total expenses	5,580	3,726	2,001	1,720	7,580	5,446
Income (loss) before transfers	(1,110)	(122)	378	108	(732)	(14)
Transfers	118	130	(118)	(130)	-	-
Change in net position	(991)	8	261	(22)	(732)	(14)
Net position - beginning of year	21,763	21,755	11,801	11,823	33,564	33,578
Change in accounting principle	(45)	-	(9)	-	(54)	-
Net position - end of year	\$ 20,727	\$ 21,763	\$ 12,053	\$ 11,801	\$ 32,780	\$ 33,564

Note - totals may not add due to rounding.

Governmental activities:

Governmental activities decreased the City's net position by \$991,269.

Business-type activities:

Business-type activities increased the City's net position by \$260,551.

Financial Analysis of the City's Funds

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

Governmental Funds: The focus of the City of Chilton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Chilton's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Chilton. At the end of the current fiscal year, unassigned fund balance of the general fund was \$965,686, while total fund balance was \$2,349,946. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 67 percent of that same amount.

At December 31, 2018, the governmental funds of City of Chilton reported a combined fund balance of \$4,677,550, a 6 percent increase from last year. Included in this change in fund balance are decreases in fund balance in the general fund, TID No. 4, and debt service and increases in community rehabilitation and other nonmajor governmental funds.

General Fund Budgetary Highlights: The City revised the budget during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because of miscellaneous revenues. Original budget expenditures were increased to cover additional expense in the following general fund functions: general government, public safety, public works, health and human services, culture, recreation and education, conservation and development, and capital outlay.

Proprietary Funds: The City of Chilton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the water and sewer utility at the end of the fiscal year amounted to \$3,980,406. The total increase in net position was \$260,551.

Capital Asset and Debt Administration

Capital assets: The City of Chilton's investment in capital assets for its governmental and business-type activities as of December 31, 2018, totals \$26,310,538 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, equipment and systems and infrastructure.

Major capital asset transactions during the year include the following additions and disposals:

- Additions of \$1,044,132 of equipment and infrastructure in governmental-type activities.
- Disposals of \$571,229 of equipment and infrastructure in government-type activities.
- Additions of \$107,232 of construction in progress and \$688,669 of equipment and systems in business-type activities.
- Equipment disposals of \$238,875 in business-type activities.

City of Chilton's Capital Assets

Figure 4

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,709	\$ 5,709	\$ 130	\$ 130	\$ 5,838	\$ 5,838
Construction in progress	270	-	412	305	682	305
Land improvements	1,115	1,115	-	-	1,115	1,115
Buildings	4,842	4,842	5,769	5,769	10,611	10,611
Equipment and systems	5,945	5,581	13,814	13,364	19,759	18,945
Infrastructure	15,867	15,758	-	-	15,867	15,758
Less: Accumulated depreciation	(16,148)	(15,892)	(11,414)	(11,019)	(27,562)	(26,910)
Total	<u>\$ 17,599</u>	<u>\$ 17,113</u>	<u>\$ 8,712</u>	<u>\$ 8,549</u>	<u>\$ 26,311</u>	<u>\$ 25,662</u>

Note - totals may not add due to rounding.

Additional information on the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Obligations: As of December 31, 2018, the City of Chilton had total long-term obligations outstanding of \$4,717,333. Of this, \$2,891,241 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents mortgage revenue bonds secured solely by specified revenue sources and employee benefits.

City of Chilton's Long-Term Obligations

Figure 5

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds/notes	\$ 2,891	\$ 701	\$ -	\$ -	\$ 2,891	\$ 701
Mortgage revenue bonds	-	-	1,573	1,908	1,573	1,908
Other long-term obligations	236	268	17	27	253	295
Total	<u>\$ 3,127</u>	<u>\$ 969</u>	<u>\$ 1,590</u>	<u>\$ 1,935</u>	<u>\$ 4,717</u>	<u>\$ 2,904</u>

Note - totals may not add due to rounding.

The City of Chilton's total debt increased by \$1,813,159 (62%) during the past fiscal year, primarily due to new debt for TID #6 and #7.

The State of Wisconsin statutes limit the amount of general obligation debt that a unit of government can issue to 5 percent of the total equalized value of taxable property located within that government's boundaries. The legal debt limit for City of Chilton is \$13,371,545.

Additional information regarding the City of Chilton's long-term debt can be found in Note 5.

Factors Bearing on the City's Future

The economic condition of the City shows growth in the Industrial Park and the residential development in Dairyland Estates and River Meadows subdivisions. The City has retained a stable and healthy mix of manufacturing, tourism, service industry and retail activities that support our tax base.

Those factors were considered in preparing the City's budget for the 2019 fiscal year.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Clerk-Treasurer, City of Chilton, 42 School Street, Chilton, Wisconsin 53014.

CITY OF CHILTON, WISCONSIN

**BASIC
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	
	ACTIVITIES	ACTIVITIES	2018	2017
ASSETS				
Cash and investments	\$ 4,510,527	\$ 3,686,001	\$ 8,196,528	\$ 7,803,844
Receivables				
Taxes	1,143,364	-	1,143,364	1,735,665
Accounts and other	18,646	393,100	411,746	392,865
Special assessments	298,020	-	298,020	2,315
Loans	1,435,352	-	1,435,352	1,521,610
Internal balances	53,320	(53,320)	-	-
Due from other governments	372,850	-	372,850	372,850
Inventories	-	22,484	22,484	23,627
Wisconsin Retirement System net pension	208,952	61,806	270,758	-
Restricted assets				
Cash and investments	-	879,075	879,075	1,002,112
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	5,978,475	541,862	6,520,337	6,143,373
Capital assets being depreciated	11,620,522	8,169,679	19,790,201	19,518,634
TOTAL ASSETS	<u>25,640,028</u>	<u>13,700,687</u>	<u>39,340,715</u>	<u>38,516,895</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	618,991	183,095	802,086	655,083
Wisconsin Retirement System LRLIF	11,002	3,221	14,223	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>629,993</u>	<u>186,316</u>	<u>816,309</u>	<u>655,083</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>26,270,021</u>	<u>13,887,003</u>	<u>40,157,024</u>	<u>39,171,978</u>
LIABILITIES				
Accounts payable	53,214	47,434	100,648	85,111
Accrued liabilities				
Payroll	13,860	-	13,860	7,936
Interest	51,483	-	51,483	2,920
Due to other governments	-	-	-	3,062
Deposit payable	2,000	-	2,000	2,000
Unearned revenue - other	-	1,484	1,484	1,484
Current portion of long-term obligations	544,298	-	544,298	501,745
Payable from restricted assets				
Accrued revenue bond interest	-	7,062	7,062	8,550
Current portion of long-term obligations	-	344,492	344,492	335,560
Noncurrent portion of long-term obligations	2,583,089	1,245,454	3,828,543	2,012,592
TOTAL LIABILITIES	<u>3,247,944</u>	<u>1,645,926</u>	<u>4,893,870</u>	<u>2,960,960</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	1,659,568	-	1,659,568	2,342,345
Wisconsin Retirement System pension	635,005	187,831	822,836	303,983
Wisconsin Retirement System LRLIF	818	243	1,061	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,295,391</u>	<u>188,074</u>	<u>2,483,465</u>	<u>2,646,328</u>
NET POSITION				
Net investment in capital assets	14,707,756	7,138,778	21,846,534	23,052,798
Restricted for				
Special revenue	191,816	-	191,816	146,983
Debt service	135,953	25,177	161,130	-
Capital projects	1,553,439	-	1,553,439	605,827
Other activities	208,952	908,642	1,117,594	1,247,385
Unrestricted	3,928,770	3,980,406	7,909,176	8,511,697
TOTAL NET POSITION	<u>20,726,686</u>	<u>12,053,003</u>	<u>32,779,689</u>	<u>33,564,690</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 26,270,021</u>	<u>\$ 13,887,003</u>	<u>\$ 40,157,024</u>	<u>\$ 39,171,978</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
							2018	2017
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	\$ 203,872	\$ 99,535	\$ -	\$ -	\$ (104,337)	\$ (104,337)	\$ (149,150)	
Public safety	1,354,145	110,611	71,215	-	(1,172,319)	(1,172,319)	(1,070,187)	
Public works	1,112,948	234,820	246,712	306,257	(325,159)	(325,159)	(943,243)	
Health and human services	30,939	7,350	-	-	(23,589)	(23,589)	(19,436)	
Culture, recreation and education	401,794	29,016	97,613	-	(275,165)	(275,165)	(241,649)	
Conservation and development	2,352,938	-	432	-	(2,352,506)	(2,352,506)	(396,831)	
Interest and fiscal charges	122,945	-	-	-	(122,945)	(122,945)	(13,440)	
TOTAL GOVERNMENTAL ACTIVITIES	5,579,581	481,332	415,972	306,257	(4,376,020)	(4,376,020)	(2,833,936)	
BUSINESS-TYPE ACTIVITIES								
Water	968,766	880,823	-	237,061		\$ 149,118	149,118	
Sewer	1,031,850	1,012,179	-	174,682		155,011	155,011	
TOTAL BUSINESS-TYPE ACTIVITIES	2,000,616	1,893,002	-	411,743		304,129	304,129	
TOTAL PRIMARY GOVERNMENT	\$ 7,580,197	\$ 2,374,334	\$ 415,972	\$ 718,000	(4,376,020)	304,129	(4,071,891)	
General revenues								
Taxes								
Property taxes					2,121,251	-	2,121,251	
Other taxes					10,448	-	10,448	
Intergovernmental revenues not restricted to specific programs					508,368	-	508,368	
Interest and investment income					108,492	24,163	132,655	
Miscellaneous					517,911	50,540	568,451	
Transfers					118,281	(118,281)	-	
Total general revenues					3,384,751	(43,578)	3,341,173	
CHANGE IN NET POSITION					(991,269)	260,551	(730,718)	
NET POSITION - BEGINNING OF YEAR					21,762,792	11,801,892	33,564,684	
CHANGE IN ACCOUNTING PRINCIPLE					(44,837)	(9,440)	(54,277)	
NET POSITION - END OF YEAR					\$ 20,726,686	\$ 12,053,003	\$ 32,779,689	
							\$ 33,564,684	

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

**FUND
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2018	2017
ASSETS								
Cash and investments	\$ 2,216,717	\$ 191,816	\$ -	\$ -	\$ 135,953	\$ 1,966,041	\$ 4,510,527	\$ 4,290,078
Receivables								
Taxes	1,040,510	-	-	53,552	-	49,302	1,143,364	1,735,665
Accounts and other	16,947	-	-	-	-	1,699	18,646	4,566
Special assessments	2,064	-	-	-	-	295,956	298,020	2,315
Loan	49,186	531,541	-	845,541	-	9,084	1,435,352	1,271,610
Due from other funds	322,067	-	-	-	-	-	322,067	314,296
Due from other governments	372,850	-	-	-	-	-	372,850	372,850
TOTAL ASSETS	<u>4,020,341</u>	<u>723,357</u>	<u>-</u>	<u>899,093</u>	<u>135,953</u>	<u>2,322,082</u>	<u>8,100,826</u>	<u>7,991,380</u>
LIABILITIES								
Accounts payable	46,861	-	-	(50)	-	6,403	53,214	64,433
Accrued expenses								
Payroll	13,860	-	-	-	-	-	13,860	7,936
Due to other funds	49,427	-	-	219,320	-	-	268,747	263,161
Due to other governments	-	-	-	-	-	-	-	3,062
Deposit payable	2,000	-	-	-	-	-	2,000	2,000
Unearned revenue - other	-	531,541	-	587,773	-	9,084	1,128,398	911,759
TOTAL LIABILITIES	<u>112,148</u>	<u>531,541</u>	<u>-</u>	<u>807,043</u>	<u>-</u>	<u>15,487</u>	<u>1,466,219</u>	<u>1,252,351</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - tax roll	1,556,714	-	-	53,552	-	49,302	1,659,568	2,342,345
Unavailable revenue - special assessments	1,533	-	-	-	-	295,956	297,489	2,045
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,558,247</u>	<u>-</u>	<u>-</u>	<u>53,552</u>	<u>-</u>	<u>345,258</u>	<u>1,957,057</u>	<u>2,344,390</u>
FUND BALANCES								
Nonspendable	49,186	-	-	257,768	-	-	306,954	359,851
Restricted	-	191,816	-	-	135,953	1,553,439	1,881,208	800,954
Committed	1,335,074	-	-	-	-	407,898	1,742,972	2,532,321
Unassigned	965,686	-	-	(219,270)	-	-	746,416	701,513
TOTAL FUND BALANCES	<u>2,349,946</u>	<u>191,816</u>	<u>-</u>	<u>38,498</u>	<u>135,953</u>	<u>1,961,337</u>	<u>4,677,550</u>	<u>4,394,639</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,020,341</u>	<u>\$ 723,357</u>	<u>\$ -</u>	<u>\$ 899,093</u>	<u>\$ 135,953</u>	<u>\$ 2,322,082</u>		
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:								
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:								
Governmental capital asset						\$ 33,746,993		
Governmental accumulated depreciation						<u>(16,147,996)</u>	17,598,997	17,112,723
Some revenues are unearned in the funds because they are not available to pay current period's expenditures:								
Special assessments to be collected after year end						297,489		
Other unearned revenue to be collected after year end						<u>1,128,398</u>	1,425,887	913,804
Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.								
							203,122	268,889
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:								
General obligation debt						(2,891,241)		
Accrued interest						(51,483)		
Vested employee benefits						(178,057)		
WRS liability						<u>(58,089)</u>	<u>(3,178,870)</u>	<u>(927,257)</u>
Total net position - governmental activities							<u>\$ 20,726,686</u>	<u>\$ 21,762,798</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL	TOTAL	
						NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	2018
REVENUES								
Taxes	\$ 1,243,974	\$ -	\$ 819,282	\$ 52,443	\$ -	\$ 16,000	\$ 2,131,699	\$ 2,128,323
Special assessment	512	-	-	-	-	10,301	10,813	941
Intergovernmental	846,776	-	-	308	-	124	847,208	871,078
Licenses and permits	93,461	-	-	-	-	-	93,461	82,589
Fines, forfeits and penalties	15,492	-	-	-	-	-	15,492	16,198
Public charges for services	265,056	-	-	-	-	-	265,056	251,487
Intergovernmental charges for services	105,271	-	-	-	-	-	105,271	103,278
Miscellaneous	300,895	56,050	-	1,036	391	151,477	509,849	202,565
Change in fair value of investments	-	-	-	-	-	(1,107)	(1,107)	1,828
TOTAL REVENUES	2,871,437	56,050	819,282	53,787	391	176,795	3,977,742	3,658,287
EXPENDITURES								
Current								
General government	150,316	-	-	-	-	187	150,503	181,351
Public safety	1,138,128	-	-	-	-	115,651	1,253,779	1,120,421
Public works	760,239	-	-	-	-	-	760,239	747,619
Health and human services	30,308	-	-	-	-	-	30,308	25,603
Culture, recreation and education	329,240	-	-	-	-	750	329,990	313,040
Conservation and development	9,976	11,217	819,282	346,113	-	1,173,635	2,360,223	251,567
Debt service								
Principal	-	-	-	-	334,645	-	334,645	756,466
Interest	-	-	-	-	6,670	-	6,670	15,431
Other	-	-	-	-	-	67,712	67,712	15
Capital outlay	1,086,666	-	-	-	-	-	1,086,666	309,540
TOTAL EXPENDITURES	3,504,873	11,217	819,282	346,113	341,315	1,357,935	6,380,735	3,721,053
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(633,436)	44,833	-	(292,326)	(340,924)	(1,181,140)	(2,402,993)	(62,766)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	118,281	-	-	-	215,779	3,500	337,560	1,391,338
Operating transfers (out)	(3,500)	-	-	(215,779)	-	-	(219,279)	(1,261,671)
Sale of capital assets	42,623	-	-	-	-	-	42,623	-
Issuance of long-term debt	-	-	-	-	-	2,525,000	2,525,000	-
TOTAL OTHER FINANCING SOURCES (USES)	157,404	-	-	(215,779)	215,779	2,528,500	2,685,904	129,667
NET CHANGE IN FUND BALANCE	(476,032)	44,833	-	(508,105)	(125,145)	1,347,360	282,911	66,901
FUND BALANCE - BEGINNING OF YEAR	2,825,978	146,983	-	546,603	261,098	613,977	4,394,639	4,327,738
FUND BALANCE - END OF YEAR	\$ 2,349,946	\$ 191,816	\$ -	\$ 38,498	\$ 135,953	\$ 1,961,337	\$ 4,677,550	\$ 4,394,639

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	TOTAL GOVERNMENTAL FUNDS	
	2018	2017
Net change in fund balances - total governmental funds	\$ 282,911	\$ 66,901
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	\$ 1,086,666	
Capital outlay reported as other expenses in governmental fund statements	227,198	
Depreciation expense reported in the statement of activities	(772,952)	
Less cost of capital assets disposed	(54,638)	
Amount by which capital outlays are greater than depreciation in the current period:	486,274	(707,593)
Certain capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is:		
	(2,525,000)	-
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
	(10,957)	(8,264)
Certain revenues are unavailable in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year:		
Special assessment revenue recognized in the governmental funds	(512)	(941)
New special assessment revenue recognized in the statement of activities	295,956	-
Other unearned revenue recognized in the statement of activities	275,552	13,082
Other unearned revenue recognized in the governmental funds	(58,913)	(53,529)
Wisconsin Retirement System pension asset, deferred inflows of resources, liability and deferred outflows of resources changes:		
	(19,594)	(60,729)
Wisconsin Retirement System LRLIF asset, deferred inflows of resources, liability and deferred outflows of resources changes:		
	(3,068)	-
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:	334,645	756,466
In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.		
The amount of interest and other debt costs paid during the current period	\$ 74,382	
The amount of interest and other debt costs accrued during the current period	(122,945)	
Interest paid is less than interest accrued by:	(48,563)	2,006
Change in net position - governmental activities	\$ (991,269)	\$ 7,399

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
			<u>2018</u>	<u>2017</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 376,352	\$ 2,430,131	\$ 2,806,483	\$ 2,642,802
Investments	-	879,518	879,518	870,964
Accounts receivable				
Customer	168,587	224,513	393,100	388,299
Loans	-	-	-	250,000
Due from other funds	44,865	4,562	49,427	51,612
Inventories	22,484	-	22,484	23,627
Wisconsin Retirement System net pension	31,027	30,779	61,806	-
RESTRICTED ASSETS				
Cash and investments	-	879,075	879,075	1,002,112
TOTAL CURRENT ASSETS	<u>643,315</u>	<u>4,448,578</u>	<u>5,091,893</u>	<u>5,229,416</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	511,093	30,769	541,862	434,630
Capital assets being depreciated	4,601,196	3,568,483	8,169,679	8,114,654
NET CAPITAL ASSETS	<u>5,112,289</u>	<u>3,599,252</u>	<u>8,711,541</u>	<u>8,549,284</u>
TOTAL ASSETS	<u>5,755,604</u>	<u>8,047,830</u>	<u>13,803,434</u>	<u>13,778,700</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	91,913	91,182	183,095	153,389
Wisconsin Retirement System LRLIF	1,617	1,604	3,221	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>93,530</u>	<u>92,786</u>	<u>186,316</u>	<u>153,389</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,849,134</u>	<u>8,140,616</u>	<u>13,989,750</u>	<u>13,932,089</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	14,621	32,813	47,434	20,684
Due to other funds	92,777	9,970	102,747	102,747
Unearned revenue - other	1,484	-	1,484	1,484
PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	-	7,062	7,062	8,550
Current portion of long-term obligations	-	344,492	344,492	335,560
TOTAL CURRENT LIABILITIES	<u>108,882</u>	<u>394,337</u>	<u>503,219</u>	<u>469,025</u>
NONCURRENT LIABILITIES				
Long-term obligations	8,626	1,236,828	1,245,454	1,589,994
TOTAL NONCURRENT LIABILITIES	<u>8,626</u>	<u>1,236,828</u>	<u>1,245,454</u>	<u>1,589,994</u>
TOTAL LIABILITIES	<u>117,508</u>	<u>1,631,165</u>	<u>1,748,673</u>	<u>2,059,019</u>
DEFERRED INFLOWS OF RESOURCES				
Wisconsin Retirement System pension	94,291	93,540	187,831	71,178
Wisconsin Retirement System LRLIF	122	121	243	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>94,413</u>	<u>93,661</u>	<u>188,074</u>	<u>71,178</u>
NET POSITION				
Net investment in capital assets	5,112,289	2,026,489	7,138,778	6,640,961
Restricted for debt service	-	25,177	25,177	23,689
Restricted for other	31,027	877,615	908,642	1,034,853
Unrestricted	493,897	3,486,509	3,980,406	4,102,389
TOTAL NET POSITION	<u>5,637,213</u>	<u>6,415,790</u>	<u>12,053,003</u>	<u>11,801,892</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,849,134</u>	<u>\$ 8,140,616</u>	<u>\$ 13,989,750</u>	<u>\$ 13,932,089</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	WATER	SEWER	TOTALS	
			2018	2017
OPERATING REVENUES				
General customers	\$ 650,815	\$ 945,200	\$ 1,596,015	\$ 1,502,858
Private fire protection	23,155	-	23,155	22,723
Public fire protection	195,116	-	195,116	189,239
Forfeited discounts	1,033	1,313	2,346	2,620
Other revenues	10,704	62,302	73,006	78,927
TOTAL OPERATING REVENUES	880,823	1,008,815	1,889,638	1,796,367
OPERATING EXPENSES				
Plant and maintenance expenses:				
Salaries and wages	158,036	152,623	310,659	295,988
Power	52,265	62,746	115,011	106,420
Chemicals	90,854	31,677	122,531	109,641
Supplies and expenses	9,598	71,552	81,150	88,479
Repairs and maintenance	315,044	85,524	400,568	144,081
TOTAL PLANT AND MAINTENANCE EXPENSES	625,797	404,122	1,029,919	744,609
General expenses:				
Administrative and general salaries	25,961	26,040	52,001	49,205
Office supplies and other expenses	5,484	18,707	24,191	15,277
Outside services employed	4,466	3,951	8,417	9,111
Insurance expense	4,208	8,797	13,005	13,924
Employee benefits	84,156	78,430	162,586	178,574
Regulatory commission	125	160	285	844
Miscellaneous general expenses	2,600	3,812	6,412	6,684
Transportation	5,748	7,154	12,902	8,992
TOTAL GENERAL EXPENSES	132,748	147,051	279,799	282,611
Depreciation	195,315	435,329	630,644	624,160
Taxes	14,906	-	14,906	14,164
TOTAL OPERATING EXPENSES	968,766	986,502	1,955,268	1,665,544
OPERATING (LOSS) INCOME	(87,943)	22,313	(65,630)	130,823
NONOPERATING REVENUES (EXPENSES)				
Interest income	222	23,941	24,163	15,634
Miscellaneous revenue	50,540	3,364	53,904	8,512
Interest expense	-	(45,348)	(45,348)	(54,202)
TOTAL NONOPERATING REVENUES (EXPENSES)	50,762	(18,043)	32,719	(30,056)
(LOSS) INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	(37,181)	4,270	(32,911)	100,767
OPERATING TRANSFER IN (OUT)	(116,773)	(1,508)	(118,281)	(129,667)
CAPITAL CONTRIBUTIONS	237,061	174,682	411,743	7,592
CHANGE IN NET POSITION	83,107	177,444	260,551	(21,308)
NET POSITION - BEGINNING OF YEAR	5,558,826	6,243,066	11,801,892	11,823,200
CHANGE IN ACCOUNTING PRINCIPLE	(4,720)	(4,720)	(9,440)	-
NET POSITION - END OF YEAR	\$ 5,637,213	\$ 6,415,790	\$ 12,053,003	\$ 11,801,892

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

			TOTALS	
	WATER	SEWER	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 731,438	\$ 1,262,187	\$ 1,993,625	\$ 1,675,485
Receipts from municipality	195,351	1,950	197,301	187,536
Payments to suppliers for goods and services	(503,707)	(267,773)	(771,480)	(514,885)
Payments for employees wages and benefits	(261,252)	(251,271)	(512,523)	(469,643)
Net cash provided by operating activities	<u>161,830</u>	<u>745,093</u>	<u>906,923</u>	<u>878,493</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to governmental funds	<u>(116,773)</u>	<u>(1,508)</u>	<u>(118,281)</u>	<u>(129,667)</u>
Net cash (used in) noncapital financing activities	<u>(116,773)</u>	<u>(1,508)</u>	<u>(118,281)</u>	<u>(129,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(370,524)	(422,377)	(792,901)	(332,003)
Retirement of long-term debt	-	(335,560)	(335,560)	(326,860)
Wisconsin Retirement System pension	(128)	80	(48)	(21,714)
Interest paid	-	(46,836)	(46,836)	(55,652)
Contributed capital	237,061	174,682	411,743	7,592
Net cash (used in) capital and related financing activities	<u>(133,591)</u>	<u>(630,011)</u>	<u>(763,602)</u>	<u>(728,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	218	23,940	24,158	15,634
Net cash provided by investing activities	<u>218</u>	<u>23,940</u>	<u>24,158</u>	<u>15,634</u>
Net change in cash and cash equivalents	(88,316)	137,514	49,198	35,823
Cash and cash equivalents - beginning of year	464,668	4,051,210	4,515,878	4,480,055
Cash and cash equivalents - end of year	<u>376,352</u>	<u>4,188,724</u>	<u>4,565,076</u>	<u>4,515,878</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating (loss) income	(87,943)	22,313	(65,630)	130,823
Miscellaneous revenue	50,540	3,364	53,904	8,512
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	195,315	435,329	630,644	624,160
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(4,809)	8	(4,801)	(2,655)
(Increase) decrease in receivables - other	-	250,000	250,000	62,500
(Increase) decrease in due from other funds	235	1,950	2,185	(1,703)
(Increase) decrease in inventories	1,143	-	1,143	(1,159)
(Increase) decrease in Wisconsin Retirement System pension	13,116	12,025	25,141	54,124
(Increase) decrease in Wisconsin Retirement System LRLIF	(6,215)	(6,203)	(12,418)	-
Increase (decrease) in accounts payable	448	26,307	26,755	3,891
Total adjustments	<u>199,233</u>	<u>719,416</u>	<u>918,649</u>	<u>739,158</u>
Net cash provided by operating activities	<u>161,830</u>	<u>745,093</u>	<u>906,923</u>	<u>878,493</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash	376,352	2,430,131	2,806,483	2,642,802
Investments	-	879,518	879,518	870,964
Restricted cash and investments	-	879,075	879,075	1,002,112
Total cash and cash equivalents	<u>\$ 376,352</u>	<u>\$ 4,188,724</u>	<u>\$ 4,565,076</u>	<u>\$ 4,515,878</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2018

	<u>AGENCY FUND</u> <u>PROPERTY TAX</u>
ASSETS	
Cash and investments	\$ 1,507,388
Taxes receivable	<u>2,998,730</u>
TOTAL ASSETS	<u>4,506,118</u>
LIABILITIES	
Due to other governments	<u>4,506,118</u>
TOTAL LIABILITIES	<u>\$ 4,506,118</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the City of Chilton, Wisconsin (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

Reporting Entity - The City of Chilton, Wisconsin was incorporated under the provisions of Chapter 280, Laws of Wisconsin. The City operates under a Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's basic financial statements do not include any components units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the City has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the City's financial accountability for a legally separate organization: the City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's proprietary funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer 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.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the City's primary operating fund.

Community Rehabilitation Fund - is used to account for and report the proceeds of specific revenue sources that are restricted or committed to the expenditure for specific purposes other than debt service or capital projects.

TID No. 2 - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

TID No. 4 - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest payments.

The City reports the following major proprietary funds:

Water Utility - accounts for operations of the water system.

Sewer Utility - accounts for operations of the sewer system.

In addition, the City reports the following fund type:

Agency Fund - Tax Agency - 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.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are 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.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for uncollectible accounts has been recorded since management believes all accounts are collectible. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying proprietary fund financial statements because the water and sewer utility has the right to place delinquent bills on the tax roll.

Due To/From Advance To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Eliminations have been made for amounts due to/from and advance to/from within the same fund type on the government-wide statements.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Inventories - Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Restricted Cash and Investments - Certain resources set aside for revenue bonds repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months.

Other restricted cash and investments include a "DNR Replacement Fund" which is required by the Wisconsin Department of Natural Resources for repairs and maintenance on the sewer utility plant.

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an estimated useful life in excess of five years and an initial cost of more than \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The 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. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset for governmental activities is as follows:

Land improvements	20 - 50 years
Buildings	20 - 50 years
Equipment	5 - 20 years
Infrastructure	25 - 100 years

In the fund financial statements, fixed 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 the same way as in the government-wide statements.

The range of estimated useful lives by type of asset for business-type activities is as follows:

Buildings	25 - 50 years
Equipment	3 - 10 years

Compensated Absences - The City's policy permits employees to accumulate earned, but unused sick leave, which is eligible for fifty percent payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

retirements. The liability for compensated absences includes salary related benefits where applicable.

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

Other Post Employment Benefits (OPEB) - The fiduciary net position of the local retiree life insurance fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to other post employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, the Wisconsin Retirement System pension and Wisconsin Retirement System local retiree life insurance fund (LRLIF). The Wisconsin Retirement System pension and Wisconsin Retirement System LRLIF result from changes in the actuarial study and are amortized over the average of the expected remaining service lives of participants.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has three types of these items: unavailable revenue, Wisconsin Retirement System pension, and Wisconsin Retirement System LRLIF. The unavailable revenue is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period they become available. The Wisconsin Retirement System pension and Wisconsin Retirement System LRLIF result from changes in the actuarial study and are amortized over the average of the expected remaining service lives of participants.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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.

Fund Balance Classifications - The City classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - City Council resolutions, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body, the City Council has not delegated the authority to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against restricted fund balance, committed fund balance, then assigned fund balance, and lastly to unassigned fund balance. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Summarized Comparative Information - The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Change in Accounting Principle - The City has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018.

NOTE 2 - Cash and Investments

State statutes permit the City to invest available cash balances in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2018, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Value</u>
State of Wisconsin Investment Pool	Less than one year	\$ 1,400,508
Community Foundation	Less than one year	11,873
Certificates of deposit	Less than one year	5,379,139
Certificates of deposit	More than one year	405,643
Total		<u>\$ 7,197,163</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 2 - Cash and Investments - Continued

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2018, the Pool's fair value was 100 percent of book value.

Determining Fair Value - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements:

- 1) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations. (level 2 inputs)
- 2) Beneficial interest in a Community Foundation fair value is determined monthly by the Foundation's Board of Directors based on published market information and appropriate valuation methodologies. (level 2 inputs)

Income Allocation - Interest income is allocated to the fund which owns the certificate of deposit, money market account, savings account and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The City does have a formal investment policy that does not further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that does not further limit its investment choices. The State of Wisconsin Investment Pool is not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2018, \$4,670,183 of the City's bank balance of \$9,169,372 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government and municipal government securities held by the bank in the bank's name. The City's bank balance was fully insured or collateralized.

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31 or payable in full on January 31. Personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 3 - Property Taxes - Continued

turned over to the county for collection. Delinquent personal property tax remains the collection responsibility of the City. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2018 tax roll has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,708,743	\$ -	\$ -	\$ 5,708,743
Construction in progress	-	<u>269,732</u>	-	<u>269,732</u>
Total capital assets not being depreciated	<u>5,708,743</u>	<u>269,732</u>	-	<u>5,978,475</u>
Capital assets being depreciated:				
Land improvements	1,114,918	-	-	1,114,918
Buildings and improvements	4,841,960	-	-	4,841,960
Equipment	5,581,034	831,222	(467,435)	5,944,821
Infrastructure	<u>15,757,703</u>	<u>212,910</u>	<u>(103,794)</u>	<u>15,866,819</u>
Total capital assets being depreciated	<u>27,295,615</u>	<u>1,044,132</u>	<u>(571,229)</u>	<u>27,768,518</u>
Less accumulated depreciation for:				
Land improvements	(127,177)	(17,901)	-	(145,078)
Buildings and improvements	(2,661,315)	(107,836)	-	(2,769,151)
Equipment	(4,235,645)	(181,943)	414,528	(4,003,060)
Infrastructure	<u>(8,867,498)</u>	<u>(465,272)</u>	<u>102,063</u>	<u>(9,230,707)</u>
Total accumulated depreciation	<u>(15,891,635)</u>	<u>(772,952)</u>	<u>516,591</u>	<u>(16,147,996)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>11,403,980</u>	<u>271,180</u>	<u>(54,638)</u>	<u>11,620,522</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 17,112,723</u>	<u>\$ 540,912</u>	<u>\$ (54,638)</u>	<u>\$ 17,598,997</u>

Infrastructure information prior to January 1, 2004 is not included in the above amount.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 51,659
Public safety	122,589
Public works	541,033
Health and human services	499
Culture, recreation and education	<u>57,172</u>
Total	<u>\$ 772,952</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 4 - Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 129,618	\$ -	\$ -	\$ 129,618
Construction in progress	305,012	107,232	-	412,244
Total capital assets not being depreciated	<u>434,630</u>	<u>107,232</u>	<u>-</u>	<u>541,862</u>
Capital assets being depreciated:				
Buildings	5,769,190	-	-	5,769,190
Equipment and systems	13,364,270	688,669	(238,875)	13,814,064
Total capital assets being depreciated	<u>19,133,460</u>	<u>688,669</u>	<u>(238,875)</u>	<u>19,583,254</u>
Less accumulated depreciation for:				
Buildings	(3,645,084)	(211,329)	-	(3,856,413)
Equipment and systems	(7,373,722)	(419,315)	235,875	(7,557,162)
Total accumulated depreciation	<u>(11,018,806)</u>	<u>(630,644)</u>	<u>235,875</u>	<u>(11,413,575)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>8,114,654</u>	<u>58,025</u>	<u>(3,000)</u>	<u>8,169,679</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 8,549,284</u>	<u>\$ 165,257</u>	<u>\$ (3,000)</u>	<u>\$ 8,711,541</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 195,315
Sewer	<u>435,329</u>
Total	<u>\$ 630,644</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable	\$ 700,886	\$ 2,525,000	\$ (334,645)	\$ 2,891,241	\$ 366,241
Vested sick pay	167,100	10,957	-	178,057	178,057
Wisconsin Retirement System					
Net pension liability	56,357	-	(56,357)	-	-
LRLIF	44,837	13,252	-	58,089	-
Total	<u>\$ 969,180</u>	<u>\$ 2,549,209</u>	<u>\$ (391,002)</u>	<u>\$ 3,127,387</u>	<u>\$ 544,298</u>

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 5 - Long-Term Obligations - Continued

Business-Type Activities

Mortgage revenue bonds - sewer	\$ 1,908,323	\$ -	\$ (335,560)	\$ 1,572,763	\$ 344,492
Wisconsin Retirement System					
Net pension liability - water	8,754	-	(8,754)	-	-
LRLIF - water	4,720	3,906	-	8,626	-
Net pension liability - sewer	8,477	-	(8,477)	-	-
LRLIF - sewer	4,720	3,837	-	8,557	-
Total	<u>\$ 1,934,994</u>	<u>\$ 7,743</u>	<u>\$ (352,791)</u>	<u>\$ 1,589,946</u>	<u>\$ 344,492</u>

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$55,233 for governmental activities and \$45,348 for business-type activities. Total interest paid during the year aggregated \$6,670 for governmental activities and \$46,836 for business-type activities. Zero interest was capitalized in governmental activities and business-type capital assets.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes and special assessments. General obligation debt at December 31, 2018 is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Refunding bonds	9/2/16	1.25%	3/1/19	\$ 366,241
Bonds	5/24/18	3%	5/1/38	<u>2,525,000</u>
Total				<u>\$ 2,891,241</u>

Proprietary fund debt is expected to be repaid with water and sewer utility revenue. Proprietary fund debt at December 31, 2018, is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Mortgage revenue bonds-sewer	6/23/99	2.64%	5/1/19	\$ 225,339
Mortgage revenue bonds-sewer	6/11/08	2.703%	5/1/28	<u>1,347,424</u>
Total				<u>\$ 1,572,763</u>

General Obligation Debt Limit Calculation - The 2018 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$267,430,900. The legal debt limit and margin of indebtedness as of December 31, 2018, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

Debt limit (5% of \$267,430,900)	\$ 13,371,545
Applicable long-term debt	(2,891,241)
Amount available in debt service	<u>135,953</u>
Margin of indebtedness	<u>\$ 10,616,257</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 5 - Long-Term Obligations - Continued

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 366,241	\$ 122,725	\$ 344,492	\$ 37,785
2020	-	83,863	122,374	31,546
2021	35,000	83,338	125,682	28,194
2022	50,000	82,063	129,079	24,751
2023	50,000	80,563	132,568	21,215
2024-2028	515,000	365,388	718,568	49,593
2029-2033	805,000	261,831	-	-
2034-2038	1,070,000	99,505	-	-
	<u>\$ 2,891,241</u>	<u>\$ 1,179,276</u>	<u>\$ 1,572,763</u>	<u>\$ 193,084</u>

Bond Compliance Requirements - The 1999 and 2008 revenue bonds ordinances require segregation of the proceeds of the bond issues and creation and continual funding of redemption funds. The City is in compliance with these ordinances.

NOTE 6 - Wisconsin Retirement System Pension

General Information about the Pension Plan

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 6 - Wisconsin Retirement System Pension - Continued

military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	.5	(5)
2017	2	4

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$99,533 in contributions from the employer.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 6 - Wisconsin Retirement System Pension - Continued

Contribution rates as of December 31, 2018 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.93%
Protective without Social Security	6.7%	15.13%

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

At December 31, 2018, the City reported a liability (asset) of (\$270,758) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.00911915%, which was an increase of 0.00019117% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$121,727.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 344,005	\$ 160,914
Net differences between projected and actual earnings on pension plan investments	289,790	661,922
Changes of actuarial assumptions	53,496	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,970	-
Employer contributions subsequent to the measurement date	104,825	-
Total	\$ 802,086	\$ 822,836

\$104,825 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 6 - Wisconsin Retirement System Pension - Continued

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 279,156	\$ 245,581
2020	246,613	245,581
2021	88,944	180,089
2022	81,893	151,585
Thereafter	655	-

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns
 As of December 31, 2017

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 6 - Wisconsin Retirement System Pension - Continued

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5

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

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 700,544	\$ (270,758)	\$ (1,008,978)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 6 - Wisconsin Retirement System Pension - Continued

Payables to the Pension Plan - The City reported a payable of zero for outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund

General Information about the Other Post Employment Benefits

Plan Description - The LRLIF is a multiple-employer defined-benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post employment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position - ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

Benefits Provided - The LRLIF plan provides fully paid life insurance benefits for post age 64 retired employees and pre-65 retirees who pay for coverage.

Contributions - The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2017 are:

Coverage Type	Employer Contribution
50% post retirement coverage	40% of employee contribution
25% post retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Attained Age	Basic
Under 30	\$.05
30-34	.06
35-39	.07
40-44	.08
45-49	.12
50-54	.22
55-59	.39
60-64	.49
65-69	.57

During the reporting period, the LRLIF recognized \$475 in contributions from the employer.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEBs

At December 31, 2018, the City reported a liability (asset) of \$75,572 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was .025019%, which was an increase of .002663% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the City recognized OPEB expense of \$8,824.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,061
Net differences between projected and actual earnings on OPEB plan investments	867	-
Changes in assumption	7,274	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,607	-
Employer contributions subsequent to the measurement date	475	-
Total	\$ 14,223	\$ 1,061

\$475 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2019. Other amounts reported as

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 1,330	\$ 162
2020	1,330	162
2021	1,330	162
2022	1,330	162
Thereafter	8,428	413

Actuarial Assumptions - The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rate of Return:	5%
Discount Rate:	3.63%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

Long-Term Expected Return on Plan Assets - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance
 Asset Allocation Targets and Expected Returns
 As of December 31, 2017

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Asset Class	Index	Target Allocation %	Long-Term Expected Geometric Real Rate of Return %
US Government Bonds	Barclays Government	1	1.13
US Credit Bonds	Barclays Credit	65	2.61
US Long Credit Bonds	Barclays Long Credit	3	3.08
US Mortgages	Barclays MBS	31	2.19
Inflation			2.3
Long-term Expected Rate of Return			5

Single Discount rate - A single discount rate of 3.63% was used to measure the total OPEB liability. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
City's proportionate share of the net OPEB liability (asset)	\$ 106,387	\$ 75,272	\$ 51,394

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

Payables to the Pension Plan - The City reported a payable of zero for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2018.

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Utility	\$ 92,777
General	Sewer Utility	9,970
General	TID No. 4	219,320
Water Utility	General	44,865
Sewer Utility	General	<u>4,562</u>
		<u>\$ 371,494</u>

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental and business activities are netted and eliminated.

Interfund transfers at December 31, 2018 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Water Utility	\$ 116,773
General	Sewer Utility	1,508
Fire Department Donations	General	3,500
Debt Service	TID No. 4	<u>215,779</u>
		<u>\$ 337,560</u>

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - Fund Balance and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General	Loans	\$ 49,186
TID No. 4	Loans	\$ 257,768
Restricted		
Community Rehabilitation	Loans	\$ 191,816
Debt Service	Principal and interest	\$ 135,953
Nonmajor Capital Projects	Capital expenses	\$ 1,553,439
Committed		
General	Specific expenses	\$ 1,335,074
Nonmajor Special Revenue	Lake, library, economic, redevelopment, and fire department expenses	\$ 407,898
<u>Net Position</u>		
Governmental Activities		
Restricted		
Special Revenue	Loans	\$ 191,816

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 9 - Fund Balance and Net Position - Continued

Debt Service	Principal and interest	\$ 135,953
Capital Projects	Capital expenses	\$ 1,553,439
Other activities	Wisconsin Retirement System pension	\$ 208,952
Business-Type Activities		
Restricted		
Sewer	Debt service	\$ 25,177
Sewer	Equipment replacement	\$ 846,836
Water	Wisconsin Retirement System pension	\$ 31,027
Sewer	Wisconsin Retirement System pension	\$ 30,779

The City has adopted a minimum fund balance policy in the amount of 7 - 12% of current year general fund expenditures be maintained for working capital and emergency expenditures.

NOTE 10 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the City's policy is to purchase commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

NOTE 11 - Concentration of Risk

The water utility has a significant customer which represents 31.03% of operating revenues and 28.28% of customer accounts receivable at December 31, 2018. The sewer utility has a significant customer which represents 38.61% of operating revenues and 33.70% of customer accounts receivable at December 31, 2018.

NOTE 12 - Change in Accounting Principle

The change in accounting principles adjustments of \$54,277 on the statement of activities and \$9,440 on the statement of revenues, expenses and changes in net position - proprietary funds are due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 13 - Subsequent Events

During February through April, the City borrowed \$788,000 to finance TID #4 development loans for Uptown Commons II, LLC.

CITY OF CHILTON, WISCONSIN
REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,244,503	\$ 1,244,503	\$ 1,243,974	\$ (529)
Special assessment	510	510	512	2
Intergovernmental	843,337	843,337	846,776	3,439
Licenses and permits	84,516	84,516	93,461	8,945
Fines, forfeits and penalties	17,750	17,750	15,492	(2,258)
Public charges for services	249,786	261,854	265,056	3,202
Intergovernmental charges for services	100,150	104,302	105,271	969
Miscellaneous	59,588	75,277	300,895	225,618
TOTAL REVENUES	<u>2,600,140</u>	<u>2,632,049</u>	<u>2,871,437</u>	<u>239,388</u>
EXPENDITURES				
Current				
General government	150,401	283,017	150,316	132,701
Public safety	1,197,050	1,251,216	1,138,128	113,088
Public works	552,603	1,674,671	760,239	914,432
Health and human services	29,441	71,535	30,308	41,227
Culture, recreation and education	274,060	531,058	329,240	201,818
Conservation and development	6,385	25,868	9,976	15,892
Capital outlay	515,200	980,686	1,086,666	(105,980)
TOTAL EXPENDITURES	<u>2,725,140</u>	<u>4,818,051</u>	<u>3,504,873</u>	<u>1,313,178</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>(125,000)</u>	<u>(2,186,002)</u>	<u>(633,436)</u>	<u>1,552,566</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	125,000	125,000	118,281	(6,719)
Operating transfers (out)	-	-	(3,500)	(3,500)
Sale of capital assets	-	42,623	42,623	-
TOTAL OTHER FINANCING SOURCES	<u>125,000</u>	<u>167,623</u>	<u>157,404</u>	<u>(10,219)</u>
NET CHANGE IN FUND BALANCE	-	(2,018,379)	(476,032)	1,542,347
FUND BALANCE - BEGINNING OF YEAR	<u>2,825,978</u>	<u>2,825,978</u>	<u>2,825,978</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,825,978</u>	<u>\$ 807,599</u>	<u>\$ 2,349,946</u>	<u>\$ 1,542,347</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2018

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. During November or December, City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted for taxpayers to approve the budget. This includes all required public notifications and publications prior to the public hearing.
3. In December, the budget is legally enacted through passage of a Resolution.
4. The department heads are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the City Council.
9. Appropriations lapse at year-end, except those specifically carried forward by Council action.
10. Encumbrance accounting is not used.
11. No budget was adopted for the Community Rehabilitation Fund.

NOTE 2 - Excess of Actual Expenditures over Budget - The following expenditure classifications were in excess of \$1,000 over budget.

General Fund		
Capital outlay	\$	105,980
Operating transfer out		3,500

CITY OF CHILTON, WISCONSIN
OTHER
SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN
WISCONSIN RETIREMENT SYSTEM PENSION SCHEDULES
YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.00911915%	0.00892798%	0.00912111%	0.00939866%
Proportionate share of the net pension liability (asset)	\$ (270,758)	\$ 73,588	\$ 148,216	\$ (230,857)
Covered payroll	\$ 1,207,555	\$ 1,116,942	\$ 1,093,698	\$ 1,131,992
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-22.42%	6.59%	13.55%	-20.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 98,663	\$ 84,510	\$ 84,017	\$ 90,376
Contributions in relation to the contractually required contributions	<u>(98,663)</u>	<u>(84,510)</u>	<u>(84,017)</u>	<u>(90,376)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,207,555	\$ 1,116,942	\$ 1,093,698	\$ 1,131,992
Contributions as a percentage of covered payroll	8.17%	7.57%	7.68%	7.98%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.

CITY OF CHILTON, WISCONSIN
WISCONSIN RETIREMENT SYSTEM LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2018</u>
Proportion of the net OPEB liability (asset)	0.02501900%
Proportionate share of the net OPEB liability (asset)	\$ 75,272
Covered payroll	\$ 1,052,121
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2018</u>
Contractually required contributions	\$ 475
Contributions in relation to the contractually required contributions	<u>(475)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 1,052,121
Contributions as a percentage of covered payroll	0.05%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 75 for the year ended December 31, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the local retiree life insurance fund.

Changes of assumptions - there were no changes in the assumptions.

CITY OF CHILTON, WISCONSIN
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	TID NO. 6	TID NO. 7	GENERAL CAPITAL IMPROVEMENTS	2018	2017
ASSETS										
Cash and investments	\$ 34,620	\$ 225,700	\$ 61,546	\$ 46,835	\$ 40,103	\$ 1,095,173	\$ 93,829	\$ 368,235	\$ 1,966,041	\$ 826,997
Receivable										
Taxes	16,000	-	-	-	-	33,302	-	-	49,302	16,000
Accounts and other	-	-	-	-	-	-	1,699	-	1,699	-
Special assessments	-	-	-	-	-	262,853	33,103	-	295,956	-
Loan	-	-	9,084	-	-	-	-	-	9,084	13,268
TOTAL ASSETS	50,620	225,700	70,630	46,835	40,103	1,391,328	128,631	368,235	2,322,082	856,265
LIABILITIES										
Accounts payable	906	-	-	-	-	5,387	110	-	6,403	1,472
Due to other funds	-	-	-	-	-	-	-	-	-	211,549
Unearned revenue - other	-	-	9,084	-	-	-	-	-	9,084	13,268
TOTAL LIABILITIES	906	-	9,084	-	-	5,387	110	-	15,487	226,289
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - tax roll	16,000	-	-	-	-	33,302	-	-	49,302	16,000
Unavailable revenue - special assessments	-	-	-	-	-	262,853	33,103	-	295,956	-
TOTAL DEFERRED INFLOWS OF RESOURCES	16,000	-	-	-	-	296,155	33,103	-	345,258	16,000
FUND BALANCES										
Restricted	-	-	-	-	-	1,089,786	95,418	368,235	1,553,439	150,259
Committed	33,714	225,700	61,546	46,835	40,103	-	-	-	407,898	463,718
TOTAL FUND BALANCES	33,714	225,700	61,546	46,835	40,103	1,089,786	95,418	368,235	1,961,337	613,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 50,620	\$ 225,700	\$ 70,630	\$ 46,835	\$ 40,103	\$ 1,391,328	\$ 128,631	\$ 368,235	\$ 2,322,082	\$ 856,266

CITY OF CHILTON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	TID NO. 6	TID NO. 7	GENERAL CAPITAL IMPROVEMENTS	2018	2017
REVENUES										
Taxes	\$ 16,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ 15,000
Special assessment	-	-	-	-	-	-	10,301	-	10,301	-
Intergovernmental	124	-	-	-	-	-	-	-	124	122
Miscellaneous	142	12,425	4,571	19,717	56,915	48,379	4,306	5,022	151,477	77,444
Change in fair value of investments	-	(1,107)	-	-	-	-	-	-	(1,107)	1,828
TOTAL REVENUES	16,266	11,318	4,571	19,717	56,915	48,379	14,607	5,022	176,795	94,394
EXPENDITURES										
Current										
General government	-	187	-	-	-	-	-	-	187	179
Public safety	-	-	-	-	-	115,651	-	-	115,651	43,343
Culture, recreation and education	-	750	-	-	-	-	-	-	750	1,000
Conservation and development	25,420	-	25,629	470	-	897,907	224,209	-	1,173,635	82,122
Debt service										160,510
Other	-	-	-	-	-	59,390	8,322	-	67,712	-
TOTAL EXPENDITURES	25,420	937	25,629	470	115,651	957,297	232,531	-	1,357,935	287,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,154)	10,381	(21,058)	19,247	(58,736)	(908,918)	(217,924)	5,022	(1,181,140)	(192,760)
OTHER FINANCING SOURCES (USES)										
Operating transfers in	-	-	-	-	3,500	-	-	-	3,500	3,500
Issuance of long-term debt	-	-	-	-	-	2,180,000	345,000	-	2,525,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	3,500	2,180,000	345,000	-	2,528,500	3,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(9,154)	10,381	(21,058)	19,247	(55,236)	1,271,082	127,076	5,022	1,347,360	(189,260)
FUND BALANCE - BEGINNING OF YEAR	42,868	215,319	82,604	27,588	95,339	(181,296)	(31,658)	363,213	613,977	803,237
FUND BALANCE - END OF YEAR	\$ 33,714	\$ 225,700	\$ 61,546	\$ 46,835	\$ 40,103	\$ 1,089,786	\$ 95,418	\$ 368,235	\$ 1,961,337	\$ 613,977

CITY OF CHILTON, WISCONSIN
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Property	\$ 1,233,553	\$1,233,526	\$ (27)
General sales	40	40	-
Other tax exempt entities	10,900	10,399	(501)
Interest and penalties on delinquent taxes	10	9	(1)
TOTAL	<u>1,244,503</u>	<u>1,243,974</u>	<u>(529)</u>
Special assessments	510	512	2
Intergovernmental			
State shared taxes	519,291	520,234	943
State grants - public safety	1,120	2,880	1,760
State grants - transportation	222,976	222,845	(131)
Other state payments	23,000	23,867	867
County and other local grants	76,950	76,950	-
TOTAL	<u>843,337</u>	<u>846,776</u>	<u>3,439</u>
Licenses and Permits			
Business and occupational licenses	39,440	40,555	1,115
Nonbusiness licenses	1,550	2,000	450
Building permits and inspection fees	35,750	42,929	7,179
Zoning permits and fees	200	400	200
Other regulatory permits and fees	7,576	7,577	1
TOTAL	<u>84,516</u>	<u>93,461</u>	<u>8,945</u>
Fines, Forfeits and Penalties			
Law and ordinance violations	17,750	15,492	(2,258)
Public Charges for Services			
General government	3,720	4,022	302
Transportation	1,500	2,197	697
Sanitation and utilities	222,160	222,471	311
Health	6,045	7,350	1,305
Culture, recreation and education	28,429	29,016	587
TOTAL	<u>261,854</u>	<u>265,056</u>	<u>3,202</u>
Intergovernmental Charges for Service			
Other local governments - public safety	94,150	95,119	969
Other local governments - other	10,152	10,152	-
TOTAL	<u>104,302</u>	<u>105,271</u>	<u>969</u>
Miscellaneous			
Interest	56,138	76,781	20,643
Rent	2,100	2,052	(48)
Donations	15,689	19,314	3,625
Other miscellaneous	1,350	202,748	201,398
TOTAL	<u>75,277</u>	<u>300,895</u>	<u>225,618</u>
TOTAL REVENUES	<u>2,632,049</u>	<u>2,871,437</u>	<u>239,388</u>
OTHER FINANCING SOURCES			
Operating transfers in	125,000	118,281	(6,719)
Sale of capital assets	42,623	42,623	-
TOTAL OTHER FINANCING SOURCES	<u>167,623</u>	<u>160,904</u>	<u>(6,719)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,799,672</u>	<u>\$ 3,032,341</u>	<u>\$ 232,669</u>

CITY OF CHILTON, WISCONSIN
DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES			
General Government			
Legislative	\$ 26,123	\$ 24,775	\$ 1,348
Legal	10,400	7,919	2,481
General administration	127,764	73,882	53,882
Financial administration	17,870	15,455	2,415
General buildings and plant	76,497	40,083	36,414
Other insurance	<u>24,363</u>	<u>(11,798)</u>	<u>36,161</u>
TOTAL	<u>283,017</u>	<u>150,316</u>	<u>132,701</u>
Public Safety			
Law enforcement	844,271	812,201	32,070
Fire protection	365,555	295,076	70,479
Building inspection	33,921	30,121	3,800
Other public safety	<u>7,469</u>	<u>730</u>	<u>6,739</u>
TOTAL	<u>1,251,216</u>	<u>1,138,128</u>	<u>113,088</u>
Public Works			
Administration	112,535	65,455	47,080
Street maintenance and construction	1,007,965	273,831	734,134
Road related facilities	227,771	122,515	105,256
Sanitation	<u>326,400</u>	<u>298,438</u>	<u>27,962</u>
TOTAL	<u>1,674,671</u>	<u>760,239</u>	<u>914,432</u>
Health and Human Services			
Public health services	800	800	-
Cemetery	<u>70,735</u>	<u>29,508</u>	<u>41,227</u>
TOTAL	<u>71,535</u>	<u>30,308</u>	<u>41,227</u>
Culture, Recreation and Education			
Library	265,854	230,336	35,518
Parks	215,713	82,825	132,888
Recreation programs and events	<u>49,491</u>	<u>16,079</u>	<u>33,412</u>
TOTAL	<u>531,058</u>	<u>329,240</u>	<u>201,818</u>
Conservation and Development			
Housing	3,000	3,000	-
Economic development	19,699	5,531	14,168
Other conservation and development	<u>3,169</u>	<u>1,445</u>	<u>1,724</u>
TOTAL	<u>25,868</u>	<u>9,976</u>	<u>15,892</u>
Capital Outlay			
General government	24,195	5,195	19,000
Public safety	377,591	532,571	(154,980)
Transportation	513,205	513,205	-
Culture, recreation and education	<u>65,695</u>	<u>35,695</u>	<u>30,000</u>
TOTAL	<u>980,686</u>	<u>1,086,666</u>	<u>(105,980)</u>
TOTAL EXPENDITURES	<u>4,818,051</u>	<u>3,504,873</u>	<u>1,313,178</u>
OTHER FINANCING USES			
Operating transfers out	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,818,051</u>	<u>\$ 3,508,373</u>	<u>\$ 1,309,678</u>

CITY OF CHILTON, WISCONSIN
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

To the City Council
City of Chilton, Wisconsin

We have audited, in accordance with the 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 Chilton, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Chilton, Wisconsin's basic financial statements and have issued our report thereon dated April 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Chilton, Wisconsin'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 City of Chilton, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Chilton, Wisconsin's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

2018-001 - Management's Responsibility for Preparation of Financial Statements

Program: Government Wide.

Criteria: Adequate internal controls necessitate personnel (management or others) of the City have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2017-001.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2018-002 - Material Audit Adjustments

Program: Government Wide.

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding numbered 2017-002.

Recommendation: Improve the City's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The City will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chilton, Wisconsin'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*.

City of Chilton, Wisconsin's Responses to Findings

The City of Chilton, Wisconsin's responses to the findings identified in our audit are described above. The City of Chilton, Wisconsin'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 results 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.

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Manitowoc, Wisconsin
April 22, 2019