

CITY OF CHILTON, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

CITY OF CHILTON, WISCONSIN
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MEMBERS OF THE CITY COUNCIL

President	Kevin Johnson
Member	Ronald Gruett
Member	Mark Willems
Member	Greg Kubichka
Member	Clayton Thornber
Member	Kurtis Stephany
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, 2016, 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Wisconsin Retirement System 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 2015 financial statements, and our report dated February 29, 2016, 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, 2015, 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 7, 2017 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 cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
April 7, 2017

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, 2016. 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

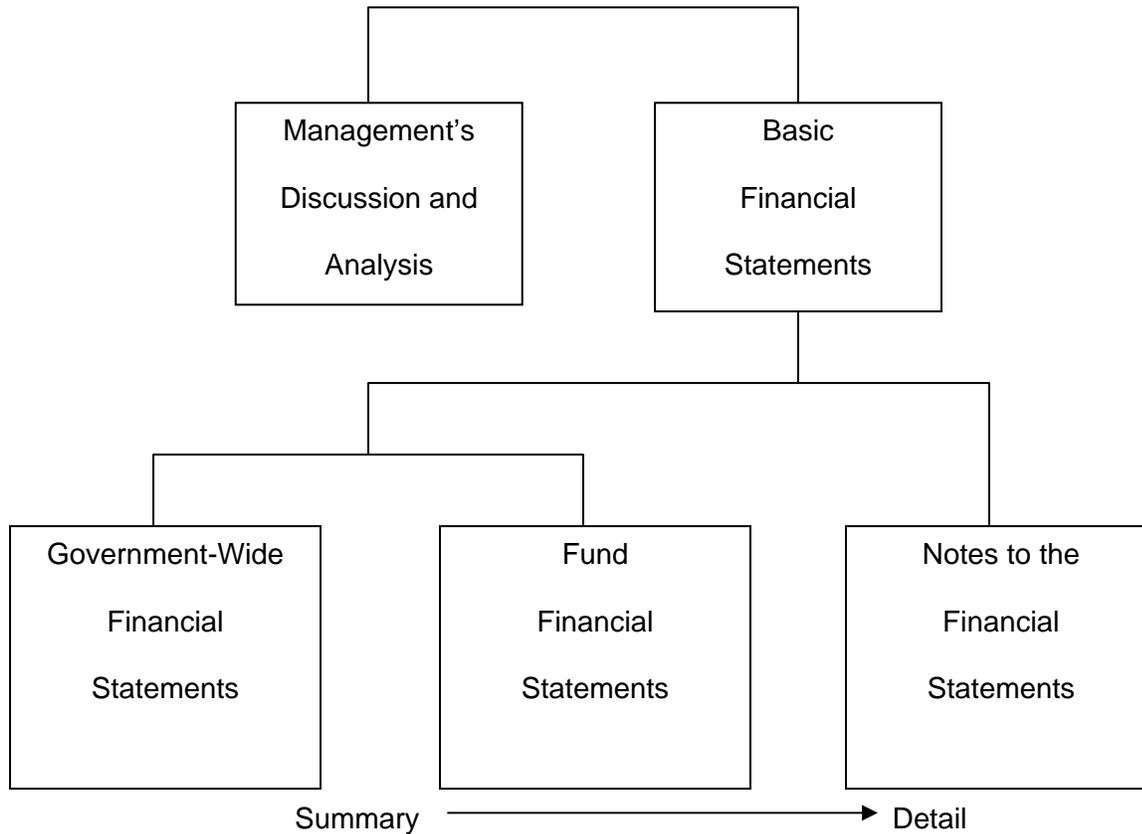
- The assets and deferred outflows of resources of the City of Chilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,578,599 (*net position*).
- The government's total net position increased by \$506,390, due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the City of Chilton's governmental funds reported total ending fund balances of \$4,327,739 an increase of \$166,005 in comparison with the prior year. Approximately 16 percent of this total amount, or \$693,394, 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 \$693,394, or 26 percent of total general fund expenditures for the fiscal year.
- The City of Chilton's total debt decreased by \$880,505 (18%) during the current fiscal year. The key factor in this decrease was the payment of principal.

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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,698	\$ 7,196	\$ 5,148	\$ 5,126	\$ 12,846	\$ 12,322
Capital assets	17,820	18,058	8,841	9,323	26,661	27,381
Total assets	<u>25,518</u>	<u>25,254</u>	<u>13,989</u>	<u>14,509</u>	<u>39,507</u>	<u>39,763</u>
Deferred outflows of resources	<u>612</u>	<u>186</u>	<u>218</u>	<u>59</u>	<u>830</u>	<u>245</u>
Long-term liabilities outstanding	1,725	2,327	2,274	2,554	3,999	4,881
Other liabilities	83	156	28	113	111	269
Total liabilities	<u>1,808</u>	<u>2,482</u>	<u>2,302</u>	<u>2,667</u>	<u>4,110</u>	<u>5,149</u>
Deferred inflows of resources	<u>2,567</u>	<u>2,300</u>	<u>82</u>	<u>-</u>	<u>2,649</u>	<u>2,300</u>
Net position:						
Net investment in capital assets	16,363	15,893	6,606	6,769	22,969	22,662
Restricted	1,202	856	999	816	2,201	1,672
Unrestricted	4,190	3,909	4,217	4,256	8,407	8,165
Total net position	<u>\$ 21,755</u>	<u>\$ 20,658</u>	<u>\$ 11,823</u>	<u>\$ 11,841</u>	<u>\$ 33,578</u>	<u>\$ 32,499</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 \$33,578,599 as of December 31, 2016. The City's net position increased by \$506,390 for the fiscal year ended December 31, 2016. However, the largest portion (68%) 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 (6.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,407,412 is unrestricted.

City of Chilton
Changes in Net Position

Figure 3
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 455	\$ 425	\$ 1,825	\$ 1,743	\$ 2,280	\$ 2,168
Operating grants and contributions	496	497	-	-	496	497
Capital grants and contributions	7	-	1	7	8	7
General revenues:						
Property taxes	2,094	2,111	-	-	2,094	2,111
Other taxes	12	11	-	-	12	11
Intergovernmental revenues not restricted to specific programs	525	519	-	-	525	519
Interest and investment income	43	34	10	8	53	42
Miscellaneous	122	137	-	-	122	137
Total revenues	<u>3,753</u>	<u>3,735</u>	<u>1,837</u>	<u>1,758</u>	<u>5,589</u>	<u>5,493</u>
Expenses:						
General government	264	237	-	-	264	237
Public safety	1,247	1,115	-	-	1,247	1,115
Public works	1,247	1,195	-	-	1,247	1,195
Health and human services	28	28	-	-	28	28
Culture, recreation and education	357	409	-	-	357	409
Conservation and development	159	167	-	-	159	167
Interest and fiscal charges	49	57	-	-	49	57
Water and sewer	-	-	1,731	1,933	1,731	1,933
Total expenses	<u>3,352</u>	<u>3,208</u>	<u>1,731</u>	<u>1,933</u>	<u>5,083</u>	<u>5,141</u>
Income (loss) before transfers	401	527	106	(175)	507	352
Transfers	<u>124</u>	<u>119</u>	<u>(124)</u>	<u>(119)</u>	<u>-</u>	<u>-</u>
Change in net position	525	646	(18)	(294)	507	352
Net position - beginning of year	20,658	19,658	11,841	12,020	32,499	31,678
Prior period adjustment	573	-	-	-	573	-
Change in accounting principle	-	354	-	116	-	470
Net position - end of year	<u>\$ 21,755</u>	<u>\$ 20,658</u>	<u>\$ 11,823</u>	<u>\$ 11,842</u>	<u>\$ 33,579</u>	<u>\$ 32,500</u>

Note - totals may not add due to rounding.

Governmental activities:

Governmental activities increased the City's net position by \$524,647.

Business-type activities:

Business-type activities decreased the City's net position by \$18,257.

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 \$693,394, while total fund balance reached \$2,574,220. 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 26 percent of total general fund expenditures, while total fund balance represents 97 percent of that same amount.

At December 31, 2016, the governmental funds of City of Chilton reported a combined fund balance of \$4,327,739, a 4.6 percent increase from last year. Included in this change in fund balance are decreases in fund balance in TID No. 4 and other nonmajor governmental funds and increases in the general and community rehabilitation 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 \$4,217,463. The total loss in net position was \$18,257.

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, 2016, totals \$26,661,757 (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 \$12,660 of land, \$143,550 of equipment, \$14,085 of buildings and improvements, and \$419,896 of infrastructure in governmental-type activities.
- Disposals of \$11,442 of land, \$84,270 of equipment, and \$200,414 of infrastructure in governmental-type activities.
- Additions of \$13,169 of construction in progress and \$128,275 of equipment and systems in business-type activities.
- Equipment disposals of \$19,005 in business-type activities.

City of Chilton's Capital Assets

Figure 4
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,709	\$ 5,708	\$ 130	\$ 130	\$ 5,838	\$ 5,837
Construction in progress	-	-	13	-	13	-
Land improvements	1,115	1,115	-	-	1,115	1,115
Buildings	4,842	4,828	5,769	5,769	10,611	10,597
Equipment and systems	5,527	5,468	13,360	13,251	18,888	18,719
Infrastructure	15,758	15,538	-	-	15,758	15,538
Less: Accumulated depreciation	(15,130)	(14,598)	(10,431)	(9,827)	(25,561)	(24,425)
Total	<u>\$ 17,820</u>	<u>\$ 18,058</u>	<u>\$ 8,841</u>	<u>\$ 9,323</u>	<u>\$ 26,662</u>	<u>\$ 27,381</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, 2016, the City of Chilton had total long-term obligations outstanding of \$3,999,587. Of this, \$1,457,352 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds/notes	\$ 1,457	\$ 2,165	\$ -	\$ -	\$ 1,457	\$ 2,165
Mortgage revenue bonds	-	-	2,235	2,554	2,235	2,554
Other long-term obligations	268	162	39	-	307	162
Total	<u>\$ 1,725</u>	<u>\$ 2,327</u>	<u>\$ 2,274</u>	<u>\$ 2,554</u>	<u>\$ 4,000</u>	<u>\$ 4,880</u>

Note - totals may not add due to rounding.

The City of Chilton's total debt decreased by \$880,505 or 18% during the past fiscal year, primarily due to principal payments.

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 \$12,325,285.

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 and outlook of the City has remained stable based on a relatively healthy mix of manufacturing, tourism, service industry, and retail activities which support our tax base.

Those factors were considered in preparing the City's budget for the 2017 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, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	
	ACTIVITIES	ACTIVITIES	2016	2015
ASSETS				
Cash and investments	\$ 4,140,293	\$ 3,545,722	\$ 7,686,015	\$ 7,260,983
Receivables				
Taxes	1,725,235	-	1,725,235	1,717,717
Accounts and other	4,301	385,644	389,945	375,088
Special assessments	6,501	-	6,501	7,442
Loans	1,395,961	312,500	1,708,461	1,862,180
Internal balances	52,838	(52,838)	-	-
Due from other governments	372,850	-	372,850	-
Inventories	-	22,468	22,468	19,966
Wisconsin Retirement System net pension	-	-	-	230,857
Restricted assets				
Cash and investments	-	934,333	934,333	848,357
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	5,708,743	142,786	5,851,529	5,837,142
Capital assets being depreciated	12,111,573	8,698,655	20,810,228	21,543,884
TOTAL ASSETS	<u>25,518,295</u>	<u>13,989,270</u>	<u>39,507,565</u>	<u>39,703,616</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	<u>612,492</u>	<u>218,294</u>	<u>830,786</u>	<u>245,440</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>26,130,787</u>	<u>14,207,564</u>	<u>40,338,351</u>	<u>39,949,056</u>
LIABILITIES				
Accounts payable	58,446	16,788	75,234	220,707
Accrued liabilities				
Payroll	17,651	-	17,651	17,690
Interest	4,926	-	4,926	15,859
Deposit payable	2,000	-	2,000	2,000
Unearned revenue - other	-	1,484	1,484	1,484
Current portion of long-term obligations	915,302	-	915,302	881,523
Payable from restricted assets				
Accrued revenue bond interest	-	10,000	10,000	11,413
Current portion of long-term obligations	-	326,860	326,860	318,385
Noncurrent portion of long-term obligations	<u>810,157</u>	<u>1,947,268</u>	<u>2,757,425</u>	<u>3,680,184</u>
TOTAL LIABILITIES	<u>1,808,482</u>	<u>2,302,400</u>	<u>4,110,882</u>	<u>5,149,245</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	2,336,951	-	2,336,951	2,300,452
Wisconsin Retirement System pension	<u>229,960</u>	<u>81,959</u>	<u>311,919</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,566,911</u>	<u>81,959</u>	<u>2,648,870</u>	<u>2,300,452</u>
NET POSITION				
Net investment in capital assets	16,362,964	6,606,258	22,969,222	22,662,457
Restricted for				
Special revenue	112,292	-	112,292	82,680
Capital projects	816,928	-	816,928	773,394
Other activities	273,261	999,484	1,272,745	816,118
Unrestricted	<u>4,189,949</u>	<u>4,217,463</u>	<u>8,407,412</u>	<u>8,164,710</u>
TOTAL NET POSITION	<u>21,755,394</u>	<u>11,823,205</u>	<u>33,578,599</u>	<u>32,499,359</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 26,130,787</u>	<u>\$ 14,207,564</u>	<u>\$ 40,338,351</u>	<u>\$ 39,949,056</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		TOTALS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2016	2015
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	\$ 264,415	\$ 93,341	\$ -	\$ -	\$ (171,074)		\$ (171,074)	\$ (137,967)
Public safety	1,247,130	108,498	101,914	-	(1,036,718)		(1,036,718)	(952,749)
Public works	1,247,176	222,854	239,022	6,919	(778,381)		(778,381)	(752,837)
Health and human services	27,646	10,400	-	-	(17,246)		(17,246)	(16,496)
Culture, recreation and education	357,309	18,653	152,735	-	(185,921)		(185,921)	(205,523)
Conservation and development	159,462	1,098	1,888	-	(156,476)		(156,476)	(163,814)
Interest and fiscal charges	48,916	-	-	-	(48,916)		(48,916)	(56,769)
TOTAL GOVERNMENTAL ACTIVITIES	3,352,054	454,844	495,559	6,919	(2,394,732)		(2,394,732)	(2,286,155)
BUSINESS-TYPE ACTIVITIES								
Water	685,923	836,405	-	1,200		\$ 151,682	151,682	(165,956)
Sewer	1,045,065	988,860	-	-		(56,205)	(56,205)	(17,608)
TOTAL BUSINESS-TYPE ACTIVITIES	1,730,988	1,825,265	-	1,200		95,477	95,477	(183,564)
TOTAL PRIMARY GOVERNMENT	\$ 5,083,042	\$ 2,280,109	\$ 495,559	\$ 8,119	(2,394,732)	95,477	(2,299,255)	(2,469,719)
General revenues								
Taxes								
Property taxes					2,093,858	-	2,093,858	2,111,239
Other taxes					11,986	-	11,986	11,213
Intergovernmental revenues not restricted to specific programs					524,855	-	524,855	519,489
Interest and investment income					43,094	10,349	53,443	42,042
Miscellaneous					121,503	-	121,503	137,095
Transfers					124,083	(124,083)	-	-
Total general revenues					2,919,379	(113,734)	2,805,645	2,821,078
CHANGE IN NET POSITION					524,647	(18,257)	506,390	351,359
NET POSITION - BEGINNING OF YEAR					20,657,897	11,841,462	32,499,359	31,677,996
PRIOR PERIOD ADJUSTMENT					572,850	-	572,850	-
CHANGE IN ACCOUNTING PRINCIPLE					-	-	-	470,004
NET POSITION - END OF YEAR					\$ 21,755,394	\$ 11,823,205	\$ 33,578,599	\$ 32,499,359

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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
							2016	2015
ASSETS								
Cash and investments	\$ 2,766,048	\$ 112,292	\$ 292,089	\$ 165,485	\$ -	\$ 804,379	\$ 4,140,293	\$ 3,853,679
Receivables								
Taxes	828,806	-	832,631	48,798	-	15,000	1,725,235	1,717,717
Accounts and other	4,301	-	-	-	-	-	4,301	4,021
Special assessments	6,501	-	-	-	-	-	6,501	7,442
Loan	62,406	614,878	-	701,349	-	17,328	1,395,961	1,487,180
Due from other funds	102,747	-	-	-	-	-	102,747	-
Due from other governments	372,850	-	-	-	-	-	372,850	-
TOTAL ASSETS	4,143,659	727,170	1,124,720	915,632	-	836,707	7,747,888	7,070,039
LIABILITIES								
Accounts payable	56,371	-	747	185	-	1,143	58,446	120,123
Accrued expenses								
Payroll	17,651	-	-	-	-	-	17,651	17,690
Due to other funds	49,909	-	-	-	-	-	49,909	48,876
Deposit payable	2,000	-	-	-	-	-	2,000	2,000
Unearned revenue - other	-	614,878	-	320,000	-	17,328	952,206	988,087
TOTAL LIABILITIES	125,931	614,878	747	320,185	-	18,471	1,080,212	1,176,776
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - tax roll	1,440,522	-	832,631	48,798	-	15,000	2,336,951	2,300,452
Unavailable revenue - special assessments	2,986	-	-	-	-	-	2,986	3,927
TOTAL DEFERRED INFLOWS OF RESOURCES	1,443,508	-	832,631	48,798	-	15,000	2,339,937	2,304,379
FUND BALANCES								
Nonspendable	62,406	-	-	381,349	-	-	443,755	499,093
Restricted	-	112,292	291,342	165,300	-	360,286	929,220	856,074
Committed	1,818,420	-	-	-	-	442,950	2,261,370	2,107,509
Unassigned	693,394	-	-	-	-	-	693,394	126,208
TOTAL FUND BALANCES	2,574,220	112,292	291,342	546,649	-	803,236	4,327,739	3,588,884
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,143,659	\$ 727,170	\$ 1,124,720	\$ 915,632	\$ -	\$ 836,707		
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						\$ 32,950,515		
Governmental accumulated depreciation						(15,130,199)	17,820,316	18,058,125
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						2,986		
Other unearned revenue to be collected after year end						952,206	955,192	992,014
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.								
							382,532	361,256
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						(1,457,352)		
Accrued interest						(4,926)		
Vested employee benefits						(158,836)		
WRS liability						(109,271)	(1,730,385)	(2,342,382)
Total net position - governmental activities							\$ 21,755,394	\$ 20,657,897

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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL	TOTAL		
						NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	2016	2015
REVENUES									
Taxes	\$ 1,212,539	\$ -	\$ 829,286	\$ 49,020	\$ -	\$ 14,999	\$ 2,105,844	\$ 2,122,452	
Special assessment	7,860	-	-	-	-	-	7,860	1,452	
Intergovernmental	917,966	-	1,521	210	-	157	919,854	873,249	
Licenses and permits	86,694	-	-	-	-	-	86,694	93,870	
Fines, forfeits and penalties	19,327	-	-	-	-	-	19,327	14,032	
Public charges for services	244,704	-	-	-	-	-	244,704	218,223	
Intergovernmental charges for services	100,681	-	-	-	-	-	100,681	95,529	
Miscellaneous	98,277	95,617	981	1,656	-	64,668	261,199	251,158	
Change in fair value of investments	-	-	-	-	-	1,031	1,031	-	
TOTAL REVENUES	2,688,048	95,617	831,788	50,886	-	80,855	3,747,194	3,669,965	
EXPENDITURES									
Current									
General government	204,354	-	-	-	-	144	204,498	182,834	
Public safety	1,021,851	-	-	-	-	61,973	1,083,824	1,006,564	
Public works	733,666	-	-	-	-	-	733,666	683,408	
Health and human services	27,177	-	-	-	-	-	27,177	27,470	
Culture, recreation and education	285,976	-	-	-	-	17,110	303,086	354,982	
Conservation and development	8,120	66,005	58,855	75,625	-	14,294	222,899	205,565	
Debt service									
Principal	-	-	-	-	1,700,000	-	1,700,000	660,000	
Interest	-	-	-	-	49,434	-	49,434	60,073	
Other	-	-	3,809	6,545	61	-	10,415	105	
Capital outlay	377,115	-	-	-	-	-	377,115	278,970	
TOTAL EXPENDITURES	2,658,259	66,005	62,664	82,170	1,749,495	93,521	4,712,114	3,459,971	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,789	29,612	769,124	(31,284)	(1,749,495)	(12,666)	(964,920)	209,994	
OTHER FINANCING SOURCES (USES)									
Operating transfers in	124,083	-	-	206,001	1,749,495	3,500	2,083,079	1,001,803	
Operating transfers (out)	(3,500)	-	(1,145,570)	(809,926)	-	-	(1,958,996)	(882,875)	
Sale of capital assets	3,048	-	11,442	-	-	-	14,490	112,750	
Issuance of long-term debt	-	-	365,004	627,348	-	-	992,352	-	
TOTAL OTHER FINANCING SOURCES (USES)	123,631	-	(769,124)	23,423	1,749,495	3,500	1,130,925	231,678	
NET CHANGE IN FUND BALANCE	153,420	29,612	-	(7,861)	-	(9,166)	166,005	441,672	
FUND BALANCE - BEGINNING OF YEAR	1,847,950	82,680	291,342	554,510	-	812,402	3,588,884	3,147,212	
PRIOR PERIOD ADJUSTMENT	572,850	-	-	-	-	-	572,850	-	
FUND BALANCE - END OF YEAR	\$ 2,574,220	\$ 112,292	\$ 291,342	\$ 546,649	\$ -	\$ 803,236	\$ 4,327,739	\$ 3,588,884	

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, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	TOTAL GOVERNMENTAL FUNDS	
	2016	2015
Net change in fund balances - total governmental funds	\$ 166,005	\$ 441,672
<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	\$ 377,115	
Capital outlay reported as other expenses in governmental fund statements	213,076	
Depreciation expense reported in the statement of activities	(758,104)	
Less cost of capital assets disposed	(69,896)	
Amount by which capital outlays are less than depreciation in the current period:	(237,809)	(448,354)
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:		
	(992,352)	-
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 decreased by:		
	2,687	(10,562)
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	(99,145)	(45,880)
Other unearned revenue recognized in the statement of activities	63,264	39,405
Other unearned revenue recognized in the governmental funds	(941)	(1,452)
Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes:	(87,995)	7,618
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:	1,700,000	660,000
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	\$ 59,849	
The amount of interest and other debt costs accrued during the current period	(48,916)	
Interest paid is greater than interest accrued by:	10,933	3,409
Change in net position - governmental activities	\$ 524,647	\$ 645,856

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
			<u>2016</u>	<u>2015</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 502,573	\$ 2,178,411	\$ 2,680,984	\$ 2,546,258
Investments	-	864,738	864,738	861,046
Accounts receivable				
Customer	157,759	227,885	385,644	371,067
Loans	-	312,500	312,500	375,000
Due from other funds	43,712	6,197	49,909	48,876
Inventories	22,468	-	22,468	19,966
Wisconsin Retirement System net pension	-	-	-	55,759
RESTRICTED ASSETS				
Cash and investments	-	934,333	934,333	848,357
TOTAL CURRENT ASSETS	<u>726,512</u>	<u>4,524,064</u>	<u>5,250,576</u>	<u>5,126,329</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	112,017	30,769	142,786	129,617
Capital assets being depreciated	4,719,638	3,979,017	8,698,655	9,193,284
NET CAPITAL ASSETS	<u>4,831,655</u>	<u>4,009,786</u>	<u>8,841,441</u>	<u>9,322,901</u>
TOTAL NONCURRENT ASSETS	<u>4,831,655</u>	<u>4,009,786</u>	<u>8,841,441</u>	<u>9,322,901</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	113,106	105,188	218,294	59,282
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,671,273</u>	<u>8,639,038</u>	<u>14,310,311</u>	<u>14,508,512</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	6,581	10,207	16,788	100,584
Due to other funds	92,777	9,970	102,747	-
Unearned revenue - other	1,484	-	1,484	1,484
PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	-	10,000	10,000	11,413
Current portion of long-term obligations	-	326,860	326,860	318,385
TOTAL CURRENT LIABILITIES	<u>100,842</u>	<u>357,037</u>	<u>457,879</u>	<u>431,866</u>
NONCURRENT LIABILITIES				
Long-term obligations	20,179	1,927,089	1,947,268	2,235,184
TOTAL NONCURRENT LIABILITIES	<u>20,179</u>	<u>1,927,089</u>	<u>1,947,268</u>	<u>2,235,184</u>
TOTAL LIABILITIES	<u>121,021</u>	<u>2,284,126</u>	<u>2,405,147</u>	<u>2,667,050</u>
DEFERRED INFLOWS OF RESOURCES				
Wisconsin Retirement System pension	42,466	39,493	81,959	-
NET POSITION				
Net investment in capital assets	4,831,655	1,774,603	6,606,258	6,769,332
Restricted for other	50,461	949,023	999,484	816,118
Unrestricted	625,670	3,591,793	4,217,463	4,256,012
TOTAL NET POSITION	<u>5,507,786</u>	<u>6,315,419</u>	<u>11,823,205</u>	<u>11,841,462</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,671,273</u>	<u>\$ 8,639,038</u>	<u>\$ 14,310,311</u>	<u>\$ 14,508,512</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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	WATER	SEWER	TOTALS	
			2016	2015
OPERATING REVENUES				
General customers	\$ 617,466	\$ 899,006	\$ 1,516,472	\$ 1,442,161
Private fire protection	22,532	-	22,532	22,486
Public fire protection	183,714	-	183,714	177,726
Forfeited discounts	1,093	1,397	2,490	2,609
Other revenues	11,600	78,321	89,921	85,782
TOTAL OPERATING REVENUES	836,405	978,724	1,815,129	1,730,764
OPERATING EXPENSES				
Plant and maintenance expenses:				
Salaries and wages	143,140	142,132	285,272	293,479
Power	42,841	66,604	109,445	105,236
Chemicals	90,957	29,383	120,340	97,488
Supplies and expenses	6,020	80,466	86,486	84,930
Repairs and maintenance	58,521	76,474	134,995	385,644
TOTAL PLANT AND MAINTENANCE EXPENSES	341,479	395,059	736,538	966,777
General expenses:				
Administrative and general salaries	24,344	24,330	48,674	49,232
Office supplies and other expenses	3,656	4,507	8,163	8,416
Outside services employed	4,133	3,633	7,766	9,258
Insurance expense	4,562	16,316	20,878	19,662
Employee benefits	94,974	87,455	182,429	173,694
Regulatory commission	1,130	977	2,107	1,525
Miscellaneous general expenses	2,668	4,863	7,531	7,469
Transportation	3,436	14,097	17,533	6,021
TOTAL GENERAL EXPENSES	138,903	156,178	295,081	275,277
Depreciation	191,902	431,002	622,904	604,734
Taxes	13,639	-	13,639	15,138
TOTAL OPERATING EXPENSES	685,923	982,239	1,668,162	1,861,926
OPERATING INCOME (LOSS)	150,482	(3,515)	146,967	(131,162)
NONOPERATING REVENUES (EXPENSES)				
Interest income	175	10,174	10,349	7,995
Miscellaneous revenue	-	10,136	10,136	11,826
Interest expense	-	(62,826)	(62,826)	(71,228)
TOTAL NONOPERATING REVENUES (EXPENSES)	175	(42,516)	(42,341)	(51,407)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	150,657	(46,031)	104,626	(182,569)
OPERATING TRANSFER IN (OUT)	(122,174)	(1,909)	(124,083)	(118,928)
CAPITAL CONTRIBUTIONS	1,200	-	1,200	7,000
CHANGE IN NET POSITION	29,683	(47,940)	(18,257)	(294,497)
NET POSITION - BEGINNING OF YEAR	5,478,103	6,363,359	11,841,462	12,019,593
CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	116,366
NET POSITION - END OF YEAR	\$ 5,507,786	\$ 6,315,419	\$ 11,823,205	\$ 11,841,462

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

			TOTALS	
	WATER	SEWER	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 647,272	\$ 1,042,204	\$ 1,689,476	\$ 1,646,200
Receipts from municipality	275,417	10,011	285,428	174,070
Payments to suppliers for goods and services	(311,497)	(303,684)	(615,181)	(561,622)
Payments for employees wages and benefits	<u>(270,747)</u>	<u>(266,922)</u>	<u>(537,669)</u>	<u>(631,446)</u>
Net cash provided by operating activities	<u>340,445</u>	<u>481,609</u>	<u>822,054</u>	<u>627,202</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to governmental funds	<u>(122,174)</u>	<u>(1,909)</u>	<u>(124,083)</u>	<u>(118,928)</u>
Net cash (used in) noncapital financing activities	<u>(122,174)</u>	<u>(1,909)</u>	<u>(124,083)</u>	<u>(118,928)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(105,844)	(35,600)	(141,444)	(635,314)
Retirement of long-term debt	-	(318,386)	(318,386)	(310,130)
Wisconsin Retirement System pension	20,179	18,766	38,945	-
Interest paid	-	(64,239)	(64,239)	(72,604)
Contributed capital	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>7,000</u>
Net cash (used in) capital and related financing activities	<u>(84,465)</u>	<u>(399,459)</u>	<u>(483,924)</u>	<u>(1,011,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>176</u>	<u>10,171</u>	<u>10,347</u>	<u>7,993</u>
Net cash provided by investing activities	<u>176</u>	<u>10,171</u>	<u>10,347</u>	<u>7,993</u>
Net change in cash and cash equivalents	133,982	90,412	224,394	(494,781)
Cash and cash equivalents - beginning of year	<u>368,591</u>	<u>3,887,070</u>	<u>4,255,661</u>	<u>4,750,442</u>
Cash and cash equivalents - end of year	<u>502,573</u>	<u>3,977,482</u>	<u>4,480,055</u>	<u>4,255,661</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	150,482	(3,515)	146,967	(131,162)
Miscellaneous revenue	-	10,136	10,136	11,826
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	191,902	431,002	622,904	604,734
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(5,419)	(9,156)	(14,575)	18,836
(Increase) decrease in receivables - other	-	62,500	62,500	62,500
(Increase) decrease in due from other funds	(1,074)	41	(1,033)	(3,656)
(Increase) decrease in inventories	(2,502)	-	(2,502)	(1,808)
(Increase) decrease in Wisconsin Retirement System net pension	30,221	25,538	55,759	35,933
(Increase) decrease in deferred outflows - WRS pension	(80,976)	(78,036)	(159,012)	(34,608)
Increase (decrease) in accounts payable	(77,432)	(6,364)	(83,796)	64,607
Increase (decrease) in due to other funds	92,777	9,970	102,747	-
Increase (decrease) in deferred inflows - WRS pension	<u>42,466</u>	<u>39,493</u>	<u>81,959</u>	<u>-</u>
Total adjustments	<u>189,963</u>	<u>474,988</u>	<u>664,951</u>	<u>746,538</u>
Net cash provided by operating activities	<u>340,445</u>	<u>481,609</u>	<u>822,054</u>	<u>627,202</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash	502,573	2,178,411	2,680,984	2,546,258
Investments	-	864,738	864,738	861,046
Restricted cash and investments	-	934,333	934,333	848,357
Total cash and cash equivalents	<u>\$ 502,573</u>	<u>\$ 3,977,482</u>	<u>\$ 4,480,055</u>	<u>\$ 4,255,661</u>

The accompanying notes are an integral part of these statements.

CITY OF CHILTON, WISCONSIN

STATEMENT OF NET POSITION

FIDUCIARY FUND

DECEMBER 31, 2016

	<u>AGENCY FUND</u>
	<u>PROPERTY TAX</u>
ASSETS	
Cash and investments	\$ 1,579,535
Taxes receivable	<u>2,107,148</u>
TOTAL ASSETS	<u>3,686,683</u>
LIABILITIES	
Due to other governments	<u>3,686,683</u>
TOTAL LIABILITIES	<u>\$ 3,686,683</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, 2016

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 component 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, 2016

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:

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 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.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

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

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 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.

Deferred 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 one item that qualifies for reporting in this category, the Wisconsin Retirement System pension. The Wisconsin Retirement System pension results from changes in the pension plan.

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 two types of these items: unavailable revenue and Wisconsin Retirement System pension. The unavailable revenue is reported in the statement of net position and governmental funds balance sheet. 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 the amounts become available. The Wisconsin Retirement System pension results from changes in the pension plan.

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.

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 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, 2015, from which the summarized information was derived.

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, 2016, 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	\$ 929,950
Community Foundation	Less than one year	11,032
Total		<u>\$ 940,982</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

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, 2016, 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) 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)
- 2) 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)

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, 2016, \$3,719,388 of the City's bank balance of \$9,257,997 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government securities held by the bank in the bank's name. \$937,422 was uninsured and uncollateralized. The uninsured deposits are due to advance tax collections that will be remitted to other local governments in January 2017.

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.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 3 - Property Taxes - Continued

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 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 2016 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, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,707,525	\$ 12,660	\$ (11,442)	\$ 5,708,743
Capital assets being depreciated:				
Land improvements	1,114,918	-	-	1,114,918
Buildings and improvements	4,827,875	14,085	-	4,841,960
Equipment	5,467,911	143,550	(84,270)	5,527,191
Infrastructure	<u>15,538,221</u>	<u>419,896</u>	<u>(200,414)</u>	<u>15,757,703</u>
Total capital assets being depreciated	<u>26,948,925</u>	<u>577,531</u>	<u>(284,684)</u>	<u>27,241,772</u>
Less accumulated depreciation for:				
Land improvements	(91,375)	(17,901)	-	(109,276)
Buildings and improvements	(2,445,995)	(107,484)	-	(2,553,479)
Equipment	(3,967,112)	(176,726)	84,270	(4,059,568)
Infrastructure	<u>(8,093,843)</u>	<u>(455,993)</u>	<u>141,960</u>	<u>(8,407,876)</u>
Total accumulated depreciation	<u>(14,598,325)</u>	<u>(758,104)</u>	<u>226,230</u>	<u>(15,130,199)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>12,350,600</u>	<u>(180,573)</u>	<u>(58,454)</u>	<u>12,111,573</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 18,058,125</u>	<u>\$ (167,913)</u>	<u>\$ (69,896)</u>	<u>\$ 17,820,316</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	\$ 54,309
Public safety	118,799
Public works	522,455
Health and human services	499
Culture, recreation and education	<u>62,042</u>
Total	<u>\$ 758,104</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4 - Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 129,617	\$ -	\$ -	\$ 129,617
Construction in progress	-	13,169	-	13,169
Total capital assets not being depreciated	<u>129,617</u>	<u>13,169</u>	<u>-</u>	<u>142,786</u>
Capital assets being depreciated:				
Buildings	5,769,189	-	-	5,769,189
Equipment and systems	13,251,102	128,275	(19,005)	13,360,372
Total capital assets being depreciated	<u>19,020,291</u>	<u>128,275</u>	<u>(19,005)</u>	<u>19,129,561</u>
Less accumulated depreciation for:				
Buildings	(3,222,426)	(211,329)	-	(3,433,755)
Equipment and systems	(6,604,581)	(411,575)	19,005	(6,997,151)
Total accumulated depreciation	<u>(9,827,007)</u>	<u>(622,904)</u>	<u>19,005</u>	<u>(10,430,906)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>9,193,284</u>	<u>(494,629)</u>	<u>-</u>	<u>8,698,655</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 9,322,901</u>	<u>\$ (481,460)</u>	<u>\$ -</u>	<u>\$ 8,841,441</u>

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

Water	\$ 191,902
Sewer	431,002
Total	<u>\$ 622,904</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 925,000	\$ 992,352	\$ (460,000)	\$ 1,457,352	\$ 756,466
Notes payable	1,240,000	-	(1,240,000)	-	-
Vested sick pay	161,523	158,836	(161,523)	158,836	158,836
Wisconsin Retirement System					
Net pension liability	-	109,271	-	109,271	-
Total	<u>\$ 2,326,523</u>	<u>\$ 1,260,459</u>	<u>\$ (1,861,523)</u>	<u>\$ 1,725,459</u>	<u>\$ 915,302</u>

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Mortgage revenue bonds - sewer	\$ 2,553,569	\$ -	\$ (318,386)	\$ 2,235,183	\$ 326,860
Wisconsin Retirement System					
Net pension liability - water	-	20,179	-	20,179	-
Net pension liability - sewer	-	18,766	-	18,766	-
Total	<u>\$ 2,553,569</u>	<u>\$ 38,945</u>	<u>\$ (318,386)</u>	<u>\$ 2,274,128</u>	<u>\$ 326,860</u>

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$38,501 for governmental activities and \$62,826 for business-type activities. Total interest paid during the year aggregated \$49,434 for governmental activities and \$64,239 for business-type activities. Zero interest was capitalized in governmental-type 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, 2016 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	10/22/13	1.05%	11/1/17	\$ 465,000
Refunding bonds	9/2/16	1.25%	3/1/19	992,352
Total				<u>\$ 1,457,352</u>

Proprietary fund debt is expected to be repaid with water and sewer utility revenue. Proprietary fund debt at December 31, 2016, 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	\$ 658,778
Mortgage revenue bonds-sewer	6/11/08	2.703%	5/1/28	1,576,405
Total				<u>\$ 2,235,183</u>

General Obligation Debt Limit Calculation - The 2016 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$246,505,700. The legal debt limit and margin of indebtedness as of December 31, 2016, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

Debt limit (5% of \$246,505,700)	\$ 12,325,285
Applicable long-term debt	(1,457,352)
Amount available in debt service	-
Margin of indebtedness	<u>\$ 10,867,933</u>

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

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

<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>
2017	\$ 756,466	\$ 15,431	\$ 326,860	\$ 55,652
2018	334,645	6,670	335,560	46,836
2019	366,241	2,289	344,492	37,785
2020	-	-	122,374	31,546
2021	-	-	125,682	28,194
2022-2026	-	-	681,241	87,423
2027-2028	-	-	298,974	8,135
	<u>\$ 1,457,352</u>	<u>\$ 24,390</u>	<u>\$ 2,235,183</u>	<u>\$ 295,571</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.

Current Refunding - The City issued \$992,352 of refunding bonds for a current refunding of \$980,000 of an outstanding 2009 promissory note. The transaction resulted in an economic gain of \$24,407 and a reduction of \$24,946 in future debt service payments.

NOTE 6 - Wisconsin Retirement System

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.

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

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

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

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

The WRS also provides death and disability benefits for employees.

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
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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

During the reporting period, the WRS recognized \$84,017 in contributions from the employer.

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the City reported a liability (asset) of \$148,216 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City's proportion was 0.00912111%, which was a decrease of 0.00027755% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$181,449.

At December 31, 2016, 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	\$ 25,074	\$ 311,919
Changes in assumptions	606,839	-
Net differences between projected and actual earnings on pension plan investments	103,699	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,317	-
Employer contributions subsequent to the measurement date	84,857	-
Total	\$ 830,786	\$ 311,919

\$84,857 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, 2017. 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, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 193,746	\$ 75,485
2017	193,746	75,485
2018	193,746	75,485
2019	161,196	75,485
Thereafter	3,495	9,979

Actuarial Assumptions - The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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:

Retirement Funds Asset Allocation Targets and Expected Returns
 As of December 31, 2015

CITY OF CHILTON, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Core Fund	100%	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 3.56%. 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)	\$ 1,039,592	\$ 148,216	\$ (547,964)

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

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

Payables to the Pension Plan - The City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Utility	\$ 92,777
General	Sewer Utility	9,970
Water Utility	General	43,712
Sewer Utility	General	6,197
		<u>\$ 152,656</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, 2016 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Water Utility	\$ 122,174
General	Sewer Utility	1,909
Fire Department Donations	General	3,500
TID No. 4	TID No. 2	206,001
Debt Service	TID No. 2	939,569
Debt Service	TID No. 4	809,926
		<u>\$ 2,083,079</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 8 - 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	\$ 62,406
TID No. 4	Loans	\$ 381,349

CITY OF CHILTON, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 8 - Fund Balance and Net Position - Continued

Restricted			
Community Rehabilitation	Specific expenses	\$	112,292
TID No. 2	Specific expenses	\$	291,342
TID No. 4	Specific expenses	\$	165,300
Nonmajor Capital Projects	Specific expenses	\$	360,286
Committed			
General	Specific expenses	\$	1,818,420
Nonmajor Special Revenue	Specific expenses	\$	442,950

Net Position

Governmental Activities

Restricted

Special Revenue	Specific expenses	\$	112,292
Capital Projects	Specific expenses	\$	816,928
Other activities	Wisconsin Retirement System pension	\$	273,261

Business-Type Activities

Restricted

Water	Wisconsin Retirement System pension	\$	50,461
Sewer	Equipment replacement	\$	902,094
Sewer	Wisconsin Retirement System pension	\$	46,929

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 9 - 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 10 - Concentration of Risk

The water utility has a significant customer which represents 31% of operating revenues and 28% of customer accounts receivable at December 31, 2016. The sewer utility has a significant customer which represents 30% of operating revenues and 38% of customer accounts receivable at December 31, 2016.

NOTE 11 - Prior Period Adjustment

The City recorded a prior period adjustment to the beginning unassigned fund balance in the general fund for \$572,850. The adjustment increased unassigned fund balance for a receivable due from the Wisconsin Department of Transportation.

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, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,209,760	\$ 1,209,760	\$ 1,212,539	\$ 2,779
Special assessment	940	940	7,860	6,920
Intergovernmental	871,147	905,118	917,966	12,848
Licenses and permits	77,470	77,470	86,694	9,224
Fines, forfeits and penalties	16,500	16,500	19,327	2,827
Public charges for services	240,036	241,719	244,704	2,985
Intergovernmental charges for services	92,115	97,625	100,681	3,056
Miscellaneous	30,260	56,605	98,277	41,672
TOTAL REVENUES	<u>2,538,228</u>	<u>2,605,737</u>	<u>2,688,048</u>	<u>82,311</u>
EXPENDITURES				
Current				
General government	205,039	344,946	204,354	140,592
Public safety	1,070,677	1,334,625	1,021,851	312,774
Public works	802,376	1,686,064	733,666	952,398
Health and human services	30,075	65,433	27,177	38,256
Culture, recreation and education	317,534	529,443	285,976	243,467
Conservation and development	7,100	29,300	8,120	21,180
Capital outlay	220,427	298,985	377,115	(78,130)
TOTAL EXPENDITURES	<u>2,653,228</u>	<u>4,288,796</u>	<u>2,658,259</u>	<u>1,630,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(115,000)</u>	<u>(1,683,059)</u>	<u>29,789</u>	<u>1,712,848</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	115,000	115,000	124,083	9,083
Operating transfers (out)	-	-	(3,500)	(3,500)
Sale of capital assets	-	3,048	3,048	-
TOTAL OTHER FINANCING SOURCES	<u>115,000</u>	<u>118,048</u>	<u>123,631</u>	<u>5,583</u>
NET CHANGE IN FUND BALANCE	-	(1,565,011)	153,420	1,718,431
FUND BALANCE - BEGINNING OF YEAR	1,847,950	1,847,950	1,847,950	-
PRIOR PERIOD ADJUSTMENT	-	-	572,850	572,850
FUND BALANCE - END OF YEAR	<u>\$ 1,847,950</u>	<u>\$ 282,939</u>	<u>\$ 2,574,220</u>	<u>\$ 2,291,281</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, 2016

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 had an excess of actual expenditure over budget for the year ended.

General Fund	
Capital outlay	\$ 78,130
Operating transfer out	3,500

CITY OF CHILTON, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
DECEMBER 31, 2016

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

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.00912111%	0.00939866%
Proportionate share of the net pension liability (asset)	\$ 148,216	\$ (230,857)
Covered payroll	\$ 1,093,698	\$ 1,131,992
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.55%	-20.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 84,017	\$ 90,376
Contributions in relation to the contractually required contributions	<u>(84,017)</u>	<u>(90,376)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,093,698	\$ 1,131,992
Contributions as a percentage of covered payroll	7.68%	7.98%

* 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. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2016

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
OTHER
SUPPLEMENTARY INFORMATION

CITY OF CHILTON, WISCONSIN
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	GENERAL CAPITAL IMPROVEMENTS	2016	2015
ASSETS								
Cash and investments	\$ 44,057	\$ 213,627	\$ 78,035	\$ 30,708	\$ 77,666	\$ 360,286	\$ 804,379	\$ 812,477
Receivable								
Taxes	15,000	-	-	-	-	-	15,000	15,000
Loan	-	-	17,328	-	-	-	17,328	21,269
TOTAL ASSETS	59,057	213,627	95,363	30,708	77,666	360,286	836,707	848,746
LIABILITIES								
Accounts payable	1,143	-	-	-	-	-	1,143	75
Unearned revenue - other	-	-	17,328	-	-	-	17,328	21,269
TOTAL LIABILITES	1,143	-	17,328	-	-	-	18,471	21,344
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - tax roll	15,000	-	-	-	-	-	15,000	15,000
FUND BALANCES								
Restricted	-	-	-	-	-	360,286	360,286	358,081
Committed	42,914	213,627	78,035	30,708	77,666	-	442,950	454,321
TOTAL FUND BALANCES	42,914	213,627	78,035	30,708	77,666	360,286	803,236	812,402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 59,057	\$ 213,627	\$ 95,363	\$ 30,708	\$ 77,666	\$ 360,286	\$ 836,707	\$ 848,746

CITY OF CHILTON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	GENERAL CAPITAL IMPROVEMENTS	2016	2015
REVENUES								
Taxes	\$ 14,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,999	\$ 15,000
Intergovernmental	157	-	-	-	-	-	157	77
Miscellaneous	127	881	4,557	754	56,144	2,205	64,668	143,300
Change in fair value of investments	-	1,031	-	-	-	-	1,031	-
TOTAL REVENUES	<u>15,283</u>	<u>1,912</u>	<u>4,557</u>	<u>754</u>	<u>56,144</u>	<u>2,205</u>	<u>80,855</u>	<u>158,377</u>
EXPENDITURES								
Current								
General government	-	144	-	-	-	-	144	-
Public safety	-	-	-	-	61,973	-	61,973	45,289
Culture, recreation and education	-	17,110	-	-	-	-	17,110	2,858
Conservation and development	14,294	-	-	-	-	-	14,294	15,181
TOTAL EXPENDITURES	<u>14,294</u>	<u>17,254</u>	<u>-</u>	<u>-</u>	<u>61,973</u>	<u>-</u>	<u>93,521</u>	<u>63,328</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>989</u>	<u>(15,342)</u>	<u>4,557</u>	<u>754</u>	<u>(5,829)</u>	<u>2,205</u>	<u>(12,666)</u>	<u>95,049</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	3,500	-	3,500	53,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	989	(15,342)	4,557	754	(2,329)	2,205	(9,166)	148,549
FUND BALANCE - BEGINNING OF YEAR	41,925	228,969	73,478	29,954	79,995	358,081	812,402	663,853
FUND BALANCE - END OF YEAR	<u>\$ 42,914</u>	<u>\$ 213,627</u>	<u>\$ 78,035</u>	<u>\$ 30,708</u>	<u>\$ 77,666</u>	<u>\$ 360,286</u>	<u>\$ 803,236</u>	<u>\$ 812,402</u>

CITY OF CHILTON, WISCONSIN
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Property	\$ 1,200,220	\$1,200,553	\$ 333
General sales	40	40	-
Other tax exempt entities	9,500	11,946	2,446
TOTAL	<u>1,209,760</u>	<u>1,212,539</u>	<u>2,779</u>
Special assessments	940	7,860	6,920
Intergovernmental			
State shared taxes	520,887	535,846	14,959
State grants - public safety	35,411	35,091	(320)
State grants - transportation	217,014	216,371	(643)
Other state payments	23,800	22,651	(1,149)
County and other local grants	108,006	108,007	1
TOTAL	<u>905,118</u>	<u>917,966</u>	<u>12,848</u>
Licenses and Permits			
Business and occupational licenses	40,020	40,705	685
Nonbusiness licenses	1,500	1,644	144
Building permits and inspection fees	27,200	35,892	8,692
Zoning permits and fees	200	200	-
Other regulatory permits and fees	8,550	8,253	(297)
TOTAL	<u>77,470</u>	<u>86,694</u>	<u>9,224</u>
Fines, Forfeits and Penalties			
Law and ordinance violations	16,500	19,327	2,827
Public Charges for Services			
General government	3,400	4,307	907
Transportation	2,000	1,778	(222)
Sanitation and utilities	208,610	209,566	956
Health	8,885	10,400	1,515
Culture, recreation and education	18,824	18,653	(171)
TOTAL	<u>241,719</u>	<u>244,704</u>	<u>2,985</u>
Intergovernmental Charges for Service			
Other local governments - public safety	86,115	89,171	3,056
Other local governments - other	11,510	11,510	-
TOTAL	<u>97,625</u>	<u>100,681</u>	<u>3,056</u>
Miscellaneous			
Interest	26,475	35,216	8,741
Rent	2,500	2,340	(160)
Donations	26,345	59,169	32,824
Other miscellaneous	1,285	1,552	267
TOTAL	<u>56,605</u>	<u>98,277</u>	<u>41,672</u>
TOTAL REVENUES	<u>2,605,737</u>	<u>2,688,048</u>	<u>82,311</u>
OTHER FINANCING SOURCES			
Operating transfers in	115,000	124,083	9,083
Sale of capital assets	3,048	3,048	-
TOTAL OTHER FINANCING SOURCES	<u>118,048</u>	<u>127,131</u>	<u>9,083</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,723,785</u>	<u>\$ 2,815,179</u>	<u>\$ 91,394</u>

CITY OF CHILTON, WISCONSIN
DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES			
General Government			
Legislative	\$ 26,726	\$ 24,546	\$ 2,180
Legal	12,904	10,904	2,000
General administration	178,036	99,845	78,191
Financial administration	18,034	14,479	3,555
General buildings and plant	82,693	46,926	35,767
Other insurance	<u>26,553</u>	<u>7,654</u>	<u>18,899</u>
TOTAL	<u>344,946</u>	<u>204,354</u>	<u>140,592</u>
Public Safety			
Law enforcement	759,453	707,883	51,570
Fire protection	536,318	283,448	252,870
Building inspection	32,212	29,955	2,257
Other public safety	<u>6,642</u>	<u>565</u>	<u>6,077</u>
TOTAL	<u>1,334,625</u>	<u>1,021,851</u>	<u>312,774</u>
Public Works			
Administration	109,155	57,656	51,499
Street maintenance and construction	1,039,725	266,559	773,166
Road related facilities	197,968	114,743	83,225
Sanitation	<u>339,216</u>	<u>294,708</u>	<u>44,508</u>
TOTAL	<u>1,686,064</u>	<u>733,666</u>	<u>952,398</u>
Health and Human Services			
Public health services	800	800	-
Cemetery	<u>64,633</u>	<u>26,377</u>	<u>38,256</u>
TOTAL	<u>65,433</u>	<u>27,177</u>	<u>38,256</u>
Culture, Recreation and Education			
Library	265,230	186,909	78,321
Parks	203,523	84,757	118,766
Recreation programs and events	55,998	14,310	41,688
Recreation facilities	<u>4,692</u>	<u>-</u>	<u>4,692</u>
TOTAL	<u>529,443</u>	<u>285,976</u>	<u>243,467</u>
Conservation and Development			
Housing	1,700	1,700	-
Economic development	22,239	5,441	16,798
Other conservation and development	<u>5,361</u>	<u>979</u>	<u>4,382</u>
TOTAL	<u>29,300</u>	<u>8,120</u>	<u>21,180</u>
Capital Outlay			
General government	5,000	-	5,000
Public safety	32,800	18,677	14,123
Transportation	249,187	346,440	(97,253)
Culture, recreation and education	<u>11,998</u>	<u>11,998</u>	<u>-</u>
TOTAL	<u>298,985</u>	<u>377,115</u>	<u>(78,130)</u>
TOTAL EXPENDITURES	<u>4,288,796</u>	<u>2,658,259</u>	<u>1,630,537</u>
OTHER FINANCING USES			
Operating transfers out	-	3,500	(3,500)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,288,796</u>	<u>\$ 2,661,759</u>	<u>\$ 1,627,037</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, 2016, 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 7, 2017.

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.

2016-001 - 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 2015-001.

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.

2016-002 - 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 2015-002.

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 cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
April 7, 2017