

**CITY OF CHILTON, WISCONSIN**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2017**

**CITY OF CHILTON, WISCONSIN**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2017**

<u>Page</u>	
3-5	Independent Auditors' Report
6-14	Management's Discussion and Analysis
	<b><u>BASIC FINANCIAL STATEMENTS</u></b>
	<u>Government-Wide Financial Statements</u>
15	Statement of Net Position
16	Statement of Activities
	<u>Fund Financial Statements</u>
17	Balance Sheet - Governmental Funds
18	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
19	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20	Statement of Net Position - Proprietary Funds
21	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
22	Statement of Cash Flows - Proprietary Funds
23	Statement of Net Position - Fiduciary Fund
24-41	Notes to the Basic Financial Statements
	<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>
42	Budgetary Comparison Schedule for the General Fund - Budget and Actual
43	Notes to Required Supplementary Information on Budgetary Accounting and Control
44	Wisconsin Retirement System Schedules

**CITY OF CHILTON, WISCONSIN**  
TABLE OF CONTENTS - Continued  
DECEMBER 31, 2017

Page

**OTHER SUPPLEMENTARY INFORMATION**

45	Combining Balance Sheets - Nonmajor Governmental Funds
46	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
47	Detailed Statement of Revenues and Other Financing Sources - Budget and Actual - General Fund
48	Detailed Statement of Expenditures and Other Financing Uses - Budget and Actual - General Fund

**OTHER REPORTS**

49-51	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 <i>Government Auditing Standards</i>
-------	---

**MEMBERS OF THE CITY COUNCIL**

President	Kevin Johnson
Member	Ronald Gruett
Member	Mark Willems
Member	Greg Kubichka
Member	Clayton Thornber
Member	Mike Goebel
Member	Kathleen Schmitzer
Member	Dan Hilton
Mayor	Rick Jaeckels
Clerk/Treasurer	Helen Schmidlkofer
Deputy Clerk/Treasurer	Lisa Meyer



## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Chilton, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chilton, Wisconsin, as of and for the year ended December 31, 2017, 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, 2017, 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 2016 financial statements, and our report dated April 7, 2017, 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, 2016, 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 March 23, 2018 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  
March 23, 2018

**CITY OF CHILTON, WISCONSIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



The City of Chilton  
42 School St.  
Chilton, WI 53014  
www.chilton.govoffice.com  
info@cbilton.govoffice.com  
(920) 849-2451 (phone); (920) 849-2025 (fax)

---

## 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, 2017. 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

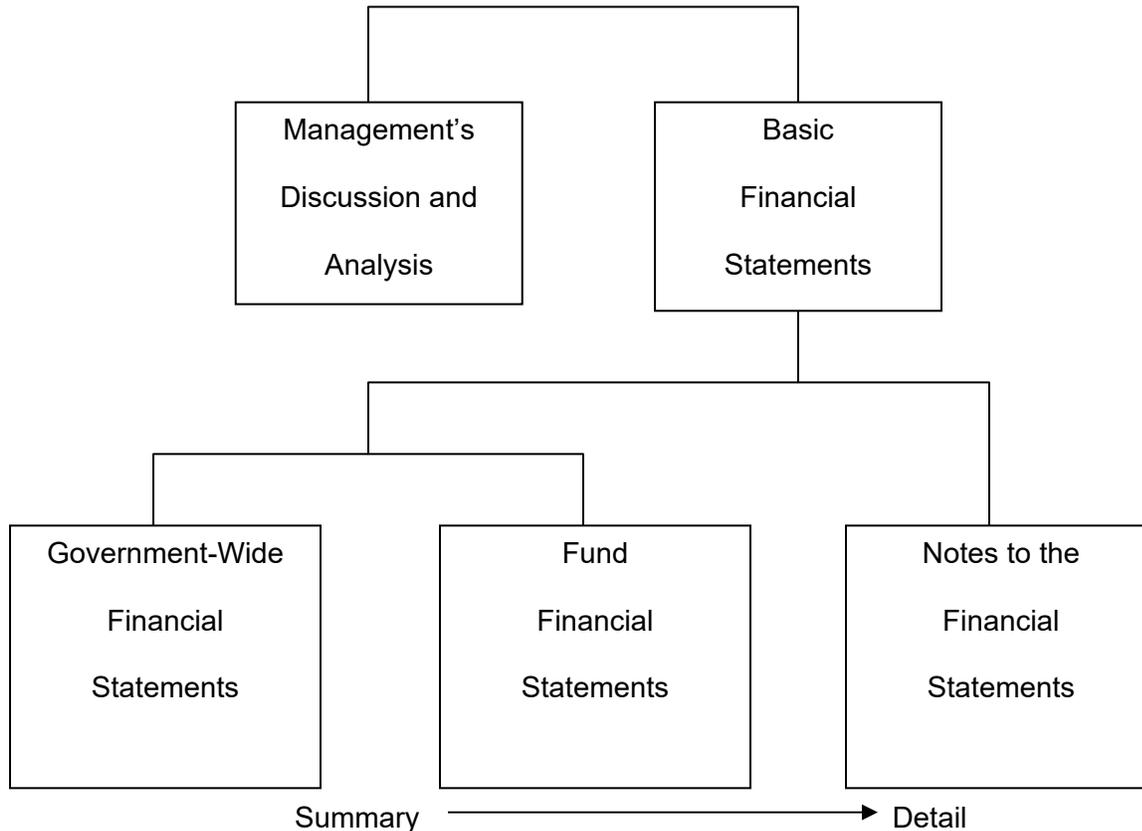
- The assets and deferred outflows of resources of the City of Chilton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,564,690 (*net position*).
- The government's total net position decreased by \$13,909, due to an decrease in the business-type activities net position.
- As of the close of the current fiscal year, the City of Chilton's governmental funds reported total ending fund balances of \$4,394,640 an increase of \$66,901 in comparison with the prior year. Approximately 16 percent of this total amount, or \$701,514, 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 \$701,514, or 28 percent of total general fund expenditures for the fiscal year.
- The City of Chilton's total debt decreased by \$1,149,690 (29%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,728	\$ 7,698	\$ 5,127	\$ 5,148	\$ 12,855	\$ 12,846
Capital assets	17,113	17,820	8,549	8,841	25,662	26,661
Total assets	<u>24,841</u>	<u>25,518</u>	<u>13,676</u>	<u>13,989</u>	<u>38,517</u>	<u>39,507</u>
Deferred outflows of resources	<u>501</u>	<u>612</u>	<u>153</u>	<u>218</u>	<u>654</u>	<u>830</u>
Long-term liabilities outstanding	924	1,725	1,926	2,274	2,850	3,999
Other liabilities	80	83	30	28	110	111
Total liabilities	<u>1,004</u>	<u>1,808</u>	<u>1,956</u>	<u>2,302</u>	<u>2,960</u>	<u>4,110</u>
Deferred inflows of resources	<u>2,575</u>	<u>2,567</u>	<u>71</u>	<u>82</u>	<u>2,646</u>	<u>2,649</u>
Net position:						
Net investment in capital assets	16,412	16,363	6,641	6,606	23,053	22,969
Restricted	965	1,202	1,035	999	2,000	2,201
Unrestricted	4,386	4,190	4,126	4,217	8,512	8,407
Total net position	<u>\$ 21,763</u>	<u>\$ 21,755</u>	<u>\$ 11,802</u>	<u>\$ 11,823</u>	<u>\$ 33,565</u>	<u>\$ 33,578</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 \$33,564,690 as of December 31, 2017. The City's net position decreased by \$13,909 for the fiscal year ended December 31, 2017. However, the largest portion (69%) 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 (6.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,511,697 is unrestricted.

**City of Chilton**  
**Changes in Net Position**

Figure 3  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 456	\$ 455	\$ 1,805	\$ 1,825	\$ 2,261	\$ 2,280
Operating grants and contributions	436	496	-	-	436	496
Capital grants and contributions	-	7	8	1	8	8
<b>General revenues:</b>						
Property taxes	2,117	2,094	-	-	2,117	2,094
Other taxes	11	12	-	-	11	12
Intergovernmental revenues not restricted to specific programs	508	525	-	-	508	525
Interest and investment income	58	43	16	10	74	53
Miscellaneous	17	122	-	-	17	122
<b>Total revenues</b>	<b>3,604</b>	<b>3,753</b>	<b>1,828</b>	<b>1,837</b>	<b>5,432</b>	<b>5,589</b>
<b>Expenses:</b>						
General government	238	264	-	-	238	264
Public safety	1,258	1,247	-	-	1,258	1,247
Public works	1,408	1,247	-	-	1,408	1,247
Health and human services	26	28	-	-	26	28
Culture, recreation and education	383	357	-	-	383	357
Conservation and development	400	159	-	-	400	159
Interest and fiscal charges	13	49	-	-	13	49
Water and sewer	-	-	1,720	1,731	1,720	1,731
<b>Total expenses</b>	<b>3,726</b>	<b>3,352</b>	<b>1,720</b>	<b>1,731</b>	<b>5,446</b>	<b>5,083</b>
Income (loss) before transfers	(122)	401	108	106	(14)	507
Transfers	130	124	(130)	(124)	-	-
Change in net position	7	525	(21)	(18)	(14)	507
Net position - beginning of year	21,755	20,657	11,823	11,841	33,578	32,498
Prior period adjustment	-	573	-	-	-	573
<b>Net position - end of year</b>	<b>\$ 21,763</b>	<b>\$ 21,755</b>	<b>\$ 11,802</b>	<b>\$ 11,823</b>	<b>\$ 33,565</b>	<b>\$ 33,578</b>

Note - totals may not add due to rounding.

**Governmental activities:**

Governmental activities increased the City's net position by \$7,399.

**Business-type activities:**

Business-type activities decreased the City's net position by \$21,308.

## 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 \$701,514, while total fund balance reached \$2,825,979. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 113 percent of that same amount.

At December 31, 2017, the governmental funds of City of Chilton reported a combined fund balance of \$4,394,640, a 2 percent increase from last year. Included in this change in fund balance are decreases in fund balance in TID No. 2 and other nonmajor governmental funds and increases in the general, community rehabilitation funds, and debt service 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 \$4,126,083. The total decrease in net position was \$21,308.

## 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, 2017, totals \$25,662,007 (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 \$53,843 of equipment in governmental-type activities.
- There were no disposals in government-type activities.
- Additions of \$291,843 of construction in progress and \$40,158 of equipment and systems in business-type activities.
- Equipment disposals of \$36,260 in business-type activities.

**City of Chilton's Capital Assets**

Figure 4

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,709	\$ 5,709	\$ 130	\$ 130	\$ 5,838	\$ 5,838
Construction in progress	-	-	305	13	305	13
Land improvements	1,115	1,115	-	-	1,115	1,115
Buildings	4,842	4,842	5,769	5,769	10,611	10,611
Equipment and systems	5,581	5,527	13,364	13,360	18,945	18,888
Infrastructure	15,758	15,758	-	-	15,758	15,758
Less: Accumulated depreciation	(15,892)	(15,130)	(11,019)	(10,431)	(26,910)	(25,561)
Total	<u>\$ 17,113</u>	<u>\$ 17,820</u>	<u>\$ 8,549</u>	<u>\$ 8,841</u>	<u>\$ 25,662</u>	<u>\$ 26,662</u>

Note - totals may not add due to rounding.

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

**Long-Term Obligations:** As of December 31, 2017, the City of Chilton had total long-term obligations outstanding of \$2,849,897. Of this, \$700,886 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds/notes	\$ 701	\$ 1,457	\$ -	\$ -	\$ 701	\$ 1,457
Mortgage revenue bonds	-	-	1,908	2,235	1,908	2,235
Other long-term obligations	223	268	17	39	241	307
Total	<u>\$ 924</u>	<u>\$ 1,725</u>	<u>\$ 1,926</u>	<u>\$ 2,274</u>	<u>\$ 2,850</u>	<u>\$ 4,000</u>

Note - totals may not add due to rounding.

The City of Chilton's total debt decreased by \$1,149,690 or 29% 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 \$13,015,400.

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 2018 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, 2017

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
			2017	2016
<b>ASSETS</b>				
Cash and investments	\$ 4,290,078	\$ 3,513,766	\$ 7,803,844	\$ 7,686,015
Receivables				
Taxes	1,735,665	-	1,735,665	1,725,235
Accounts and other	4,566	388,299	392,865	389,945
Special assessments	2,315	-	2,315	6,501
Loans	1,271,610	250,000	1,521,610	1,708,461
Internal balances	51,135	(51,135)	-	-
Due from other governments	372,850	-	372,850	372,850
Inventories	-	23,627	23,627	22,468
Restricted assets				
Cash and investments	-	1,002,112	1,002,112	934,333
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	5,708,743	434,630	6,143,373	5,851,529
Capital assets being depreciated	11,403,980	8,114,654	19,518,634	20,810,228
TOTAL ASSETS	<u>24,840,942</u>	<u>13,675,953</u>	<u>38,516,895</u>	<u>39,507,565</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Wisconsin Retirement System pension	<u>501,694</u>	<u>153,389</u>	<u>655,083</u>	<u>830,786</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>25,342,636</b></u>	<u><b>13,829,342</b></u>	<u><b>39,171,978</b></u>	<u><b>40,338,351</b></u>
<b>LIABILITIES</b>				
Accounts payable	64,432	20,679	85,111	75,234
Accrued liabilities				
Payroll	7,936	-	7,936	17,651
Interest	2,920	-	2,920	4,926
Due to other governments	3,062	-	3,062	-
Deposit payable	2,000	-	2,000	2,000
Unearned revenue - other	-	1,484	1,484	1,484
Current portion of long-term obligations	501,745	-	501,745	915,302
Payable from restricted assets				
Accrued revenue bond interest	-	8,550	8,550	10,000
Current portion of long-term obligations	-	335,560	335,560	326,860
Noncurrent portion of long-term obligations	<u>422,598</u>	<u>1,589,994</u>	<u>2,012,592</u>	<u>2,757,425</u>
TOTAL LIABILITIES	<u>1,004,693</u>	<u>1,956,267</u>	<u>2,960,960</u>	<u>4,110,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - tax roll	2,342,345	-	2,342,345	2,336,951
Wisconsin Retirement System pension	<u>232,805</u>	<u>71,178</u>	<u>303,983</u>	<u>311,919</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,575,150</u>	<u>71,178</u>	<u>2,646,328</u>	<u>2,648,870</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,411,837	6,640,961	23,052,798	22,969,222
Restricted for				
Special revenue	146,983	-	146,983	112,292
Capital projects	605,827	-	605,827	816,928
Other activities	212,532	1,034,853	1,247,385	1,272,745
Unrestricted	<u>4,385,614</u>	<u>4,126,083</u>	<u>8,511,697</u>	<u>8,407,412</u>
TOTAL NET POSITION	<u>21,762,793</u>	<u>11,801,897</u>	<u>33,564,690</u>	<u>33,578,599</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><b>\$ 25,342,636</b></u>	<u><b>\$ 13,829,342</b></u>	<u><b>\$ 39,171,978</b></u>	<u><b>\$ 40,338,351</b></u>

The accompanying notes are an integral part of these statements.

**CITY OF CHILTON, WISCONSIN**  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2017  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

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	2017	2016
<b>PRIMARY GOVERNMENT</b>								
<b>GOVERNMENTAL ACTIVITIES</b>								
General government	\$ 237,747	\$ 88,597	\$ -	\$ -	\$ (149,150)	\$ (149,150)	\$ (171,074)	
Public safety	1,257,839	110,310	77,342	-	(1,070,187)	(1,070,187)	(1,036,718)	
Public works	1,408,377	233,404	231,730	-	(943,243)	(943,243)	(778,381)	
Health and human services	26,186	6,750	-	-	(19,436)	(19,436)	(17,246)	
Culture, recreation and education	382,944	16,398	124,897	-	(241,649)	(241,649)	(185,921)	
Conservation and development	399,552	741	1,980	-	(396,831)	(396,831)	(156,476)	
Interest and fiscal charges	13,440	-	-	-	(13,440)	(13,440)	(48,916)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,726,085</b>	<b>456,200</b>	<b>435,949</b>	<b>-</b>	<b>(2,833,936)</b>	<b>(2,833,936)</b>	<b>(2,394,732)</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water	664,152	835,311	-	7,592		\$ 178,751	178,751	151,682
Sewer	1,055,594	969,568	-	-		(86,026)	(86,026)	(56,205)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,719,746</b>	<b>1,804,879</b>	<b>-</b>	<b>7,592</b>		<b>92,725</b>	<b>92,725</b>	<b>95,477</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,445,831</b>	<b>\$ 2,261,079</b>	<b>\$ 435,949</b>	<b>\$ 7,592</b>	<b>(2,833,936)</b>	<b>92,725</b>	<b>(2,741,211)</b>	<b>(2,299,255)</b>
<b>General revenues</b>								
Taxes								
Property taxes					2,117,257	-	2,117,257	2,093,858
Other taxes					11,066	-	11,066	11,986
Intergovernmental revenues not restricted to specific programs					508,323	-	508,323	524,855
Interest and investment income					58,005	15,634	73,639	53,443
Miscellaneous					17,017	-	17,017	121,503
Transfers					129,667	(129,667)	-	-
Total general revenues					2,841,335	(114,033)	2,727,302	2,805,645
CHANGE IN NET POSITION					7,399	(21,308)	(13,909)	506,390
NET POSITION - BEGINNING OF YEAR					21,755,394	11,823,205	33,578,599	32,499,359
PRIOR PERIOD ADJUSTMENT					-	-	-	572,850
<b>NET POSITION - END OF YEAR</b>					<b>\$ 21,762,793</b>	<b>\$ 11,801,897</b>	<b>\$ 33,564,690</b>	<b>\$ 33,578,599</b>

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, 2017**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2017	2016
<b>ASSETS</b>								
Cash and investments	\$ 2,805,604	\$ 146,983	\$ 6,782	\$ 242,614	\$ 261,098	\$ 826,997	\$ 4,290,078	\$ 4,140,293
Receivables								
Taxes	847,941	-	819,281	52,443	-	16,000	1,735,665	1,725,235
Accounts and other	4,566	-	-	-	-	-	4,566	4,301
Special assessments	2,315	-	-	-	-	-	2,315	6,501
Loan	55,861	578,491	-	623,990	-	13,268	1,271,610	1,395,961
Due from other funds	314,296	-	-	-	-	-	314,296	102,747
Due from other governments	372,850	-	-	-	-	-	372,850	372,850
<b>TOTAL ASSETS</b>	<b>4,403,433</b>	<b>725,474</b>	<b>826,063</b>	<b>919,047</b>	<b>261,098</b>	<b>856,265</b>	<b>7,991,380</b>	<b>7,747,888</b>
<b>LIABILITIES</b>								
Accounts payable	59,240	-	3,720	-	-	1,472	64,432	58,446
Accrued expenses								
Payroll	7,936	-	-	-	-	-	7,936	17,651
Due to other funds	51,612	-	-	-	-	211,549	263,161	49,909
Due to other governments	-	-	3,062	-	-	-	3,062	-
Deposit payable	2,000	-	-	-	-	-	2,000	2,000
Unearned revenue - other	-	578,491	-	320,000	-	13,268	911,759	952,206
TOTAL LIABILITIES	120,788	578,491	6,782	320,000	-	226,289	1,252,350	1,080,212
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - tax roll	1,454,621	-	819,281	52,443	-	16,000	2,342,345	2,336,951
Unavailable revenue - special assessments	2,045	-	-	-	-	-	2,045	2,986
TOTAL DEFERRED INFLOWS OF RESOURCES	1,456,666	-	819,281	52,443	-	16,000	2,344,390	2,339,937
<b>FUND BALANCES</b>								
Nonspendable	55,861	-	-	303,990	-	-	359,851	443,755
Restricted	-	146,983	-	242,614	261,098	150,259	800,954	929,220
Committed	2,068,604	-	-	-	-	463,717	2,532,321	2,261,370
Unassigned	701,514	-	-	-	-	-	701,514	693,394
TOTAL FUND BALANCES	2,825,979	146,983	-	546,604	261,098	613,976	4,394,640	4,327,739
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,403,433</b>	<b>\$ 725,474</b>	<b>\$ 826,063</b>	<b>\$ 919,047</b>	<b>\$ 261,098</b>	<b>\$ 856,265</b>		
<b>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:</b>								
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:								
Governmental capital asset						\$ 33,004,358		
Governmental accumulated depreciation						(15,891,635)	17,112,723	17,820,316
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						2,045		
Other unearned revenue to be collected after year end						911,759	913,804	955,192
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.								
							268,889	382,532
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						(700,886)		
Accrued interest						(2,920)		
Vested employee benefits						(167,100)		
WRS liability						(56,357)	(927,263)	(1,730,385)
<b>Total net position - governmental activities</b>							<b>\$ 21,762,793</b>	<b>\$ 21,755,394</b>

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, 2017**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	GENERAL FUND	COMMUNITY REHABILITATION	TID NO. 2	TID NO. 4	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2017	2016
<b>REVENUES</b>								
Taxes	\$ 1,231,894	\$ -	\$ 832,631	\$ 48,798	\$ -	\$ 15,000	\$ 2,128,323	\$ 2,105,844
Special assessment	941	-	-	-	-	-	941	7,860
Intergovernmental	869,098	-	1,554	304	-	122	871,078	919,854
Licenses and permits	82,589	-	-	-	-	-	82,589	86,694
Fines, forfeits and penalties	16,198	-	-	-	-	-	16,198	19,327
Public charges for services	251,487	-	-	-	-	-	251,487	244,704
Intergovernmental charges for services	103,278	-	-	-	-	-	103,278	100,681
Miscellaneous	73,726	49,983	379	1,033	-	77,444	202,565	261,199
Change in fair value of investments	-	-	-	-	-	1,828	1,828	1,031
<b>TOTAL REVENUES</b>	<b>2,629,211</b>	<b>49,983</b>	<b>834,564</b>	<b>50,135</b>	<b>-</b>	<b>94,394</b>	<b>3,658,287</b>	<b>3,747,194</b>
<b>EXPENDITURES</b>								
Current								
General government	181,172	-	-	-	-	179	181,351	204,498
Public safety	1,077,078	-	-	-	-	43,343	1,120,421	1,083,824
Public works	747,619	-	-	-	-	-	747,619	733,666
Health and human services	25,603	-	-	-	-	-	25,603	27,177
Culture, recreation and education	312,040	-	-	-	-	1,000	313,040	303,086
Conservation and development	11,077	15,292	58,669	84,407	-	82,122	251,567	222,899
Debt service								
Principal	-	-	-	-	756,466	-	756,466	1,700,000
Interest	-	-	-	-	15,431	-	15,431	49,434
Other	-	-	-	-	15	-	15	10,415
Capital outlay	149,030	-	-	-	-	160,510	309,540	377,115
<b>TOTAL EXPENDITURES</b>	<b>2,503,619</b>	<b>15,292</b>	<b>58,669</b>	<b>84,407</b>	<b>771,912</b>	<b>287,154</b>	<b>3,721,053</b>	<b>4,712,114</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>125,592</b>	<b>34,691</b>	<b>775,895</b>	<b>(34,272)</b>	<b>(771,912)</b>	<b>(192,760)</b>	<b>(62,766)</b>	<b>(964,920)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	129,667	-	-	225,161	1,033,010	3,500	1,391,338	2,083,079
Operating transfers (out)	(3,500)	-	(1,067,237)	(190,934)	-	-	(1,261,671)	(1,958,996)
Sale of capital assets	-	-	-	-	-	-	-	14,490
Issuance of long-term debt	-	-	-	-	-	-	-	992,352
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>126,167</b>	<b>-</b>	<b>(1,067,237)</b>	<b>34,227</b>	<b>1,033,010</b>	<b>3,500</b>	<b>129,667</b>	<b>1,130,925</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>251,759</b>	<b>34,691</b>	<b>(291,342)</b>	<b>(45)</b>	<b>261,098</b>	<b>(189,260)</b>	<b>66,901</b>	<b>166,005</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,574,220</b>	<b>112,292</b>	<b>291,342</b>	<b>546,649</b>	<b>-</b>	<b>803,236</b>	<b>4,327,739</b>	<b>3,588,884</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>572,850</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,825,979</b>	<b>\$ 146,983</b>	<b>\$ -</b>	<b>\$ 546,604</b>	<b>\$ 261,098</b>	<b>\$ 613,976</b>	<b>\$ 4,394,640</b>	<b>\$ 4,327,739</b>

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, 2017  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	TOTAL GOVERNMENTAL FUNDS	
	2017	2016
Net change in fund balances - total governmental funds	\$ 66,901	\$ 166,005
<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	\$ 309,540	
Less noncapitalized outlay	(255,697)	
Depreciation expense reported in the statement of activities	(761,436)	
Amount by which capital outlays are less than depreciation in the current period:	(707,593)	(237,809)
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 increased by:		
	(8,264)	2,687
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	(941)	(99,145)
Other unearned revenue recognized in the statement of activities	13,082	63,264
Other unearned revenue recognized in the governmental funds	(53,529)	(941)
Wisconsin Retirement System asset, deferred inflows of resources, liability and deferred outflows of resources changes:		
	(60,729)	(87,995)
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:		
	756,466	1,700,000
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	\$ 15,446	
The amount of interest and other debt costs accrued during the current period	(13,440)	
Interest paid is greater than interest accrued by:	2,006	10,933
<b>Change in net position - governmental activities</b>	<b>\$ 7,399</b>	<b>\$ 524,647</b>

The accompanying notes are an integral part of these statements.

**CITY OF CHILTON, WISCONSIN**  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
			<u>2017</u>	<u>2016</u>
<b>ASSETS</b>				
CURRENT ASSETS				
Cash	\$ 464,668	\$ 2,178,134	\$ 2,642,802	\$ 2,680,984
Investments	-	870,964	870,964	864,738
Accounts receivable				
Customer	163,778	224,521	388,299	385,644
Loans	-	250,000	250,000	312,500
Due from other funds	45,100	6,512	51,612	49,909
Inventories	23,627	-	23,627	22,468
RESTRICTED ASSETS				
Cash and investments	-	1,002,112	1,002,112	934,333
TOTAL CURRENT ASSETS	<u>697,173</u>	<u>4,532,243</u>	<u>5,229,416</u>	<u>5,250,576</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	403,861	30,769	434,630	142,786
Capital assets being depreciated	4,533,219	3,581,435	8,114,654	8,698,655
NET CAPITAL ASSETS	<u>4,937,080</u>	<u>3,612,204</u>	<u>8,549,284</u>	<u>8,841,441</u>
TOTAL NONCURRENT ASSETS	<u>4,937,080</u>	<u>3,612,204</u>	<u>8,549,284</u>	<u>8,841,441</u>
DEFERRED OUTFLOWS OF RESOURCES				
Wisconsin Retirement System pension	77,925	75,464	153,389	218,294
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>5,712,178</u></b>	<b><u>8,219,911</u></b>	<b><u>13,932,089</u></b>	<b><u>14,310,311</u></b>
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Accounts payable	14,173	6,506	20,679	16,788
Due to other funds	92,777	9,970	102,747	102,747
Unearned revenue - other	1,484	-	1,484	1,484
PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	-	8,550	8,550	10,000
Current portion of long-term obligations	-	335,560	335,560	326,860
TOTAL CURRENT LIABILITIES	<u>108,434</u>	<u>360,586</u>	<u>469,020</u>	<u>457,879</u>
NONCURRENT LIABILITIES				
Long-term obligations	8,754	1,581,240	1,589,994	1,947,268
TOTAL NONCURRENT LIABILITIES	<u>8,754</u>	<u>1,581,240</u>	<u>1,589,994</u>	<u>1,947,268</u>
TOTAL LIABILITIES	<u>117,188</u>	<u>1,941,826</u>	<u>2,059,014</u>	<u>2,405,147</u>
DEFERRED INFLOWS OF RESOURCES				
Wisconsin Retirement System pension	36,160	35,018	71,178	81,959
<b>NET POSITION</b>				
Net investment in capital assets	4,937,080	1,703,881	6,640,961	6,606,258
Restricted for other	33,011	1,001,842	1,034,853	999,484
Unrestricted	588,739	3,537,344	4,126,083	4,217,463
TOTAL NET POSITION	<u>5,558,830</u>	<u>6,243,067</u>	<u>11,801,897</u>	<u>11,823,205</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 5,712,178</u></b>	<b><u>\$ 8,219,911</u></b>	<b><u>\$ 13,932,089</u></b>	<b><u>\$ 14,310,311</u></b>

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, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	WATER	SEWER	TOTALS	
			2017	2016
<b>OPERATING REVENUES</b>				
General customers	\$ 611,470	\$ 891,388	\$ 1,502,858	\$ 1,516,472
Private fire protection	22,723	-	22,723	22,532
Public fire protection	189,239	-	189,239	183,714
Forfeited discounts	1,151	1,469	2,620	2,490
Other revenues	10,728	68,199	78,927	89,921
<b>TOTAL OPERATING REVENUES</b>	<b>835,311</b>	<b>961,056</b>	<b>1,796,367</b>	<b>1,815,129</b>
<b>OPERATING EXPENSES</b>				
Plant and maintenance expenses:				
Salaries and wages	149,121	146,867	295,988	285,272
Power	45,599	60,821	106,420	109,445
Chemicals	88,535	21,106	109,641	120,340
Supplies and expenses	8,663	79,816	88,479	86,486
Repairs and maintenance	29,762	114,319	144,081	134,995
<b>TOTAL PLANT AND MAINTENANCE EXPENSES</b>	<b>321,680</b>	<b>422,929</b>	<b>744,609</b>	<b>736,538</b>
General expenses:				
Administrative and general salaries	25,521	23,684	49,205	48,674
Office supplies and other expenses	3,829	11,448	15,277	8,163
Outside services employed	4,997	4,114	9,111	7,766
Insurance expense	4,465	9,459	13,924	20,878
Employee benefits	90,526	88,048	178,574	182,429
Regulatory commission	142	702	844	2,107
Miscellaneous general expenses	2,661	4,023	6,684	7,531
Transportation	3,571	5,421	8,992	17,533
<b>TOTAL GENERAL EXPENSES</b>	<b>135,712</b>	<b>146,899</b>	<b>282,611</b>	<b>295,081</b>
Depreciation	192,596	431,564	624,160	622,904
Taxes	14,164	-	14,164	13,639
<b>TOTAL OPERATING EXPENSES</b>	<b>664,152</b>	<b>1,001,392</b>	<b>1,665,544</b>	<b>1,668,162</b>
<b>OPERATING INCOME (LOSS)</b>	<b>171,159</b>	<b>(40,336)</b>	<b>130,823</b>	<b>146,967</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	254	15,380	15,634	10,349
Miscellaneous revenue	-	8,512	8,512	10,136
Interest expense	-	(54,202)	(54,202)	(62,826)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>254</b>	<b>(30,310)</b>	<b>(30,056)</b>	<b>(42,341)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>171,413</b>	<b>(70,646)</b>	<b>100,767</b>	<b>104,626</b>
OPERATING TRANSFER IN (OUT)	(127,962)	(1,705)	(129,667)	(124,083)
CAPITAL CONTRIBUTIONS	7,592	-	7,592	1,200
<b>CHANGE IN NET POSITION</b>	<b>51,043</b>	<b>(72,351)</b>	<b>(21,308)</b>	<b>(18,257)</b>
NET POSITION - BEGINNING OF YEAR	5,507,787	6,315,418	11,823,205	11,841,462
<b>NET POSITION - END OF YEAR</b>	<b>\$ 5,558,830</b>	<b>\$ 6,243,067</b>	<b>\$ 11,801,897</b>	<b>\$ 11,823,205</b>

The accompanying notes are an integral part of these statements.

**CITY OF CHILTON, WISCONSIN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

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

			TOTALS	
	WATER	SEWER	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 640,053	\$ 1,035,432	\$ 1,675,485	\$ 1,689,476
Receipts from municipality	187,851	(315)	187,536	285,428
Payments to suppliers for goods and services	(199,955)	(314,930)	(514,885)	(615,181)
Payments for employees wages and benefits	<u>(236,293)</u>	<u>(233,350)</u>	<u>(469,643)</u>	<u>(537,669)</u>
Net cash provided by operating activities	<u>391,656</u>	<u>486,837</u>	<u>878,493</u>	<u>822,054</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to governmental funds	<u>(127,962)</u>	<u>(1,705)</u>	<u>(129,667)</u>	<u>(124,083)</u>
Net cash (used in) noncapital financing activities	<u>(127,962)</u>	<u>(1,705)</u>	<u>(129,667)</u>	<u>(124,083)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(298,021)	(33,982)	(332,003)	(141,444)
Retirement of long-term debt	-	(326,860)	(326,860)	(318,386)
Wisconsin Retirement System pension	(11,425)	(10,289)	(21,714)	38,945
Interest paid	-	(55,652)	(55,652)	(64,239)
Contributed capital	7,592	-	7,592	1,200
Net cash (used in) capital and related financing activities	<u>(301,854)</u>	<u>(426,783)</u>	<u>(728,637)</u>	<u>(483,924)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>255</u>	<u>15,379</u>	<u>15,634</u>	<u>10,347</u>
Net cash provided by investing activities	<u>255</u>	<u>15,379</u>	<u>15,634</u>	<u>10,347</u>
Net change in cash and cash equivalents	(37,905)	73,728	35,823	224,394
Cash and cash equivalents - beginning of year	<u>502,573</u>	<u>3,977,482</u>	<u>4,480,055</u>	<u>4,255,661</u>
Cash and cash equivalents - end of year	<u>464,668</u>	<u>4,051,210</u>	<u>4,515,878</u>	<u>4,480,055</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	171,159	(40,336)	130,823	146,967
Miscellaneous revenue	-	8,512	8,512	10,136
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	192,596	431,564	624,160	622,904
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(6,019)	3,364	(2,655)	(14,575)
(Increase) decrease in receivables - other	-	62,500	62,500	62,500
(Increase) decrease in due from other funds	(1,388)	(315)	(1,703)	(1,033)
(Increase) decrease in inventories	(1,159)	-	(1,159)	(2,502)
(Increase) decrease in Wisconsin Retirement System net pension	-	-	-	55,759
(Increase) decrease in deferred outflows - WRS pension	35,181	29,724	64,905	(159,012)
Increase (decrease) in accounts payable	7,592	(3,701)	3,891	(83,796)
Increase (decrease) in due to other funds	-	-	-	102,747
Increase (decrease) in deferred inflows - WRS pension	<u>(6,306)</u>	<u>(4,475)</u>	<u>(10,781)</u>	<u>81,959</u>
Total adjustments	<u>220,497</u>	<u>518,661</u>	<u>739,158</u>	<u>664,951</u>
Net cash provided by operating activities	<u>391,656</u>	<u>486,837</u>	<u>878,493</u>	<u>822,054</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash	464,668	2,178,134	2,642,802	2,680,984
Investments	-	870,964	870,964	864,738
Restricted cash and investments	-	1,002,112	1,002,112	934,333
Total cash and cash equivalents	<u>\$ 464,668</u>	<u>\$ 4,051,210</u>	<u>\$ 4,515,878</u>	<u>\$ 4,480,055</u>

The accompanying notes are an integral part of these statements.

**CITY OF CHILTON, WISCONSIN**  
STATEMENT OF NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2017

	<u>AGENCY FUND</u> <u>PROPERTY TAX</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,613,427
Taxes receivable	<u>2,218,200</u>
<b>TOTAL ASSETS</b>	<b><u>3,831,627</u></b>
<b>LIABILITIES</b>	
Due to other governments	<u>3,831,627</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 3,831,627</u></b>

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, 2017

**NOTE 1 - Summary of Significant Accounting Policies**

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

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

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

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

**Basis of Presentation**

**Government-Wide Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

**Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

Water Utility - accounts for operations of the water system.

Sewer Utility - accounts for operations of the sewer system.

In addition, the City reports the following fund type:

Agency Fund - Tax Agency - is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

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

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

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

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

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

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

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

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

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

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

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

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

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

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

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

Buildings	25 - 50 years
Equipment	3 - 10 years

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

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

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

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

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

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

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

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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, 2016, 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, 2017, 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	\$ 350,437
Community Foundation	Less than one year	12,916
Certificates of deposit	Less than one year	6,264,045
Certificates of deposit	More than one year	349,386
Total		<u>\$ 6,976,784</u>

**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, 2017, the Pool's fair value was 100 percent of book value.

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

- 1) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations. (level 2 inputs)

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**NOTE 2 - Cash and Investments - Continued**

- 2) Beneficial interest in a Community Foundation fair value is determined monthly by the Foundation's Board of Directors based on published market information and appropriate valuation methodologies. (level 2 inputs)

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

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

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

**Custodial Credit Risk - Deposits** - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2017, \$4,567,011 of the City's bank balance of \$10,054,689 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government and municipal government securities held by the bank in the bank's name. \$1,255,448 was uninsured and uncollateralized. The uninsured deposits are due to advance tax collections that will be remitted to other local governments in January 2018.

**NOTE 3 - Property Taxes**

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31 or payable in full on January 31. Personal property taxes are payable in full on January 31.

The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are 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 2017 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.

**CITY OF CHILTON, WISCONSIN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2017**

**NOTE 4 - Capital Assets**

Capital asset balances and activity for the year ended December 31, 2017 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	\$ 5,708,743	\$ -	\$ -	\$ 5,708,743
Capital assets being depreciated:				
Land improvements	1,114,918	-	-	1,114,918
Buildings and improvements	4,841,960	-	-	4,841,960
Equipment	5,527,191	53,843	-	5,581,034
Infrastructure	<u>15,757,703</u>	<u>-</u>	<u>-</u>	<u>15,757,703</u>
Total capital assets being depreciated	<u>27,241,772</u>	<u>53,843</u>	<u>-</u>	<u>27,295,615</u>
Less accumulated depreciation for:				
Land improvements	(109,276)	(17,901)	-	(127,177)
Buildings and improvements	(2,553,479)	(107,836)	-	(2,661,315)
Equipment	(4,059,568)	(176,077)	-	(4,235,645)
Infrastructure	<u>(8,407,876)</u>	<u>(459,622)</u>	<u>-</u>	<u>(8,867,498)</u>
Total accumulated depreciation	<u>(15,130,199)</u>	<u>(761,436)</u>	<u>-</u>	<u>(15,891,635)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>12,111,573</u>	<u>(707,593)</u>	<u>-</u>	<u>11,403,980</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 17,820,316</u>	<u>\$ (707,593)</u>	<u>\$ -</u>	<u>\$ 17,112,723</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	\$ 52,770
Public safety	118,201
Public works	529,591
Health and human services	499
Culture, recreation and education	<u>60,375</u>
Total	<u>\$ 761,436</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 129,617	\$ 1	\$ -	\$ 129,618
Construction in progress	<u>13,169</u>	<u>291,843</u>	<u>-</u>	<u>305,012</u>
Total capital assets not being depreciated	<u>142,786</u>	<u>291,844</u>	<u>-</u>	<u>434,630</u>

**CITY OF CHILTON, WISCONSIN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2017**

**NOTE 4 - Capital Assets - Continued**

Capital assets being depreciated:

Buildings	5,769,189	1	-	5,769,190
Equipment and systems	<u>13,360,372</u>	<u>40,158</u>	<u>(36,260)</u>	<u>13,364,270</u>
Total capital assets being depreciated	<u>19,129,561</u>	<u>40,159</u>	<u>(36,260)</u>	<u>19,133,460</u>

Less accumulated depreciation for:

Buildings	(3,433,755)	(211,329)	-	(3,645,084)
Equipment and systems	<u>(6,997,151)</u>	<u>(412,831)</u>	<u>36,260</u>	<u>(7,373,722)</u>
Total accumulated depreciation	<u>(10,430,906)</u>	<u>(624,160)</u>	<u>36,260</u>	<u>(11,018,806)</u>

Total capital assets being depreciated,  
net of accumulated depreciation

<u>8,698,655</u>	<u>(584,001)</u>	<u>-</u>	<u>8,114,654</u>
------------------	------------------	----------	------------------

Business-type activities capital assets,  
net of accumulated depreciation

<u>\$ 8,841,441</u>	<u>\$ (292,157)</u>	<u>\$ -</u>	<u>\$ 8,549,284</u>
---------------------	---------------------	-------------	---------------------

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

Water	\$ 192,596
Sewer	<u>431,564</u>
Total	<u>\$ 624,160</u>

**NOTE 5 - Long-Term Obligations**

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds payable	\$ 1,457,352	\$ -	\$ (756,466)	\$ 700,886	\$ 334,645
Vested sick pay	158,836	8,264	-	167,100	167,100
<b>Wisconsin Retirement System</b>					
Net pension liability	<u>109,271</u>	<u>-</u>	<u>(52,914)</u>	<u>56,357</u>	<u>-</u>
Total	<u>\$ 1,725,459</u>	<u>\$ 8,264</u>	<u>\$ (809,380)</u>	<u>\$ 924,343</u>	<u>\$ 501,745</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Mortgage revenue bonds - sewer	\$ 2,235,183	\$ -	\$ (326,860)	\$ 1,908,323	\$ 335,560
<b>Wisconsin Retirement System</b>					
Net pension liability - water	20,179	-	(11,425)	8,754	-
Net pension liability - sewer	<u>18,766</u>	<u>-</u>	<u>(10,289)</u>	<u>8,477</u>	<u>-</u>
Total	<u>\$ 2,274,128</u>	<u>\$ -</u>	<u>\$ (348,574)</u>	<u>\$ 1,925,554</u>	<u>\$ 335,560</u>

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$13,425 for governmental activities and \$54,202 for business-type activities. Total interest paid during the year aggregated \$15,431 for governmental activities

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

and \$55,652 for business-type activities. Zero interest was capitalized in governmental activities and business-type capital assets.

**NOTE 5 - Long-Term Obligations - Continued**

**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, 2017 is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Refunding bonds	9/2/16	1.25%	3/1/19	\$700,886

Proprietary fund debt is expected to be repaid with water and sewer utility revenue. Proprietary fund debt at December 31, 2017, 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	\$ 444,882
Mortgage revenue bonds-sewer	6/11/08	2.703%	5/1/28	1,463,441
Total				<u>\$ 1,908,323</u>

**General Obligation Debt Limit Calculation** - The 2017 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$260,308,000. The legal debt limit and margin of indebtedness as of December 31, 2017, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

Debt limit (5% of \$260,308,000)	\$ 13,015,400
Applicable long-term debt	(700,886)
Amount available in debt service	<u>261,098</u>
Margin of indebtedness	<u>\$ 12,575,612</u>

**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>
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	-	-	129,079	24,751
2023-2027	-	-	699,655	68,760
2028	-	-	151,481	2,047
	<u>\$ 700,886</u>	<u>\$ 8,959</u>	<u>\$ 1,908,323</u>	<u>\$ 239,919</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.

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

**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.

**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:

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

**NOTE 6 - Wisconsin Retirement System - Continued**

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

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

During the reporting period, the WRS recognized \$84,510 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.8%
Protective without Social Security	6.8%	15.1%

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

At December 31, 2017, the City reported a liability (asset) of \$73,588 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the City's proportion was 0.00892798%, which was a decrease of 0.00019313% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$193,126.

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

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

**NOTE 6 - Wisconsin Retirement System - Continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,059	\$ 231,427
Net differences between projected and actual earnings on pension plan investments	438,853	72,556
Changes of actuarial assumptions	76,939	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,698	-
Employer contributions subsequent to the measurement date	99,534	-
<b>Total</b>	<b>\$ 655,083</b>	<b>\$ 303,983</b>

\$99,534 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 193,382	\$ 92,025
2019	193,382	92,025
2020	161,504	92,026
2021	7,104	27,907
Thereafter	177	-

**Actuarial Assumptions** - The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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.*

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

**NOTE 6 - Wisconsin Retirement System - Continued**

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

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

Asset Allocation Targets and Expected Returns  
 As of December 31, 2016

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable 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 3.78%. 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

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 6 - Wisconsin Retirement System - Continued**

**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)	\$ 968,096	\$ 73,587	\$ (615,224)

**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, 2017.

**NOTE 7 - Interfund Balance and Activity**

Interfund receivable and payable balances on December 31, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Utility	\$ 92,777
General	Sewer Utility	9,970
General	TID No. 6	180,957
General	TID No. 7	30,592
Water Utility	General	45,100
Sewer Utility	General	6,512
		<u>\$ 365,908</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, 2017 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Water Utility	\$ 127,962
General	Sewer Utility	1,705
Fire Department Donations	General	3,500
TID No. 4	TID No. 2	225,161
Debt Service	TID No. 2	842,076

**CITY OF CHILTON, WISCONSIN**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2017

Debt Service	TID No. 4	190,934
		\$ 1,391,338

**NOTE 7 - Interfund Balance and Activity - Continued**

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>
<b>Nonspendable</b>		
General	Loans	\$ 55,861
TID No. 4	Loans	\$ 303,990
<b>Restricted</b>		
Community Rehabilitation	Loans	\$ 146,983
TID No. 4	Capital expenses	\$ 242,614
Debt Service	Principal and interest	\$ 261,098
Nonmajor Capital Projects	Capital expenses	\$ 363,213
<b>Committed</b>		
General	Specific expenses	\$ 2,068,604
Nonmajor Special Revenue	Capital expenses	\$ 463,717
 <b><u>Net Position</u></b>		
<b>Governmental Activities</b>		
<b>Restricted</b>		
Special Revenue	Loans	\$ 146,983
Capital Projects	Capital expenses	\$ 605,827
Other activities	Wisconsin Retirement System pension	\$ 212,532
 <b>Business-Type Activities</b>		
<b>Restricted</b>		
Sewer	Equipment replacement	\$ 969,873
Water	Wisconsin Retirement System pension	\$ 33,011
Sewer	Wisconsin Retirement System pension	\$ 31,969

**Deficits**

The following individual funds had deficits at December 31, 2017:

TID 6	\$ 181,296
TID 7	\$ 31,658

The deficits will be funded by future revenues.

**CITY OF CHILTON, WISCONSIN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2017

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 30% of operating revenues and 28% of customer accounts receivable at December 31, 2017. The sewer utility has a significant customer which represents 38% of operating revenues and 37% of customer accounts receivable at December 31, 2017.

**NOTE 11 - Subsequent Event**

On January 19, 2018, the City paid \$532,500 for a new fire truck.

**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, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	\$ 1,231,292	\$ 1,231,292	\$ 1,231,894	\$ 602
Special assessment	940	940	941	1
Intergovernmental	859,594	867,905	869,098	1,193
Licenses and permits	77,361	77,361	82,589	5,228
Fines, forfeits and penalties	16,800	16,800	16,198	(602)
Public charges for services	249,079	248,967	251,487	2,520
Intergovernmental charges for services	101,325	104,491	103,278	(1,213)
Miscellaneous	35,712	48,716	73,726	25,010
<b>TOTAL REVENUES</b>	<u>2,572,103</u>	<u>2,596,472</u>	<u>2,629,211</u>	<u>32,739</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	158,222	305,546	181,172	124,374
Public safety	1,132,172	1,450,218	1,077,078	373,140
Public works	795,008	1,775,408	747,619	1,027,789
Health and human services	29,441	67,697	25,603	42,094
Culture, recreation and education	314,175	557,953	312,040	245,913
Conservation and development	6,385	27,563	11,077	16,486
Capital outlay	281,700	299,414	149,030	150,384
<b>TOTAL EXPENDITURES</b>	<u>2,717,103</u>	<u>4,483,799</u>	<u>2,503,619</u>	<u>1,980,180</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(145,000)</u>	<u>(1,887,327)</u>	<u>125,592</u>	<u>2,012,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	120,000	120,000	129,667	9,667
Operating transfers (out)	-	-	(3,500)	(3,500)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>120,000</u>	<u>120,000</u>	<u>126,167</u>	<u>6,167</u>
<b>NET CHANGE IN FUND BALANCE</b>	(25,000)	(1,767,327)	251,759	2,019,086
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,574,220</u>	<u>2,574,220</u>	<u>2,574,220</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><b>\$ 2,549,220</b></u>	<u><b>\$ 806,893</b></u>	<u><b>\$ 2,825,979</b></u>	<u><b>\$ 2,019,086</b></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, 2017

**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		
Operating transfer out	\$	3,500

**CITY OF CHILTON, WISCONSIN**  
**WISCONSIN RETIREMENT SYSTEM SCHEDULES**  
**YEAR ENDED DECEMBER 31, 2017**

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

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

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 84,510	\$ 84,017	\$ 90,376
Contributions in relation to the contractually required contributions	<u>(84,510)</u>	<u>(84,017)</u>	<u>(90,376)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,116,942	\$ 1,093,698	\$ 1,131,992
Contributions as a percentage of covered payroll	7.57%	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 7 proceeding years.

**Notes to Required Supplementary Information for the Year Ended December 31, 2017**

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, 2017  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	TID NO. 6	TID NO. 7	GENERAL CAPITAL IMPROVEMENTS	2017	2016
<b>ASSETS</b>										
Cash and investments	\$ 42,934	\$ 215,319	\$ 82,604	\$ 27,588	\$ 95,339	\$ -	\$ -	\$ 363,213	\$ 826,997	\$ 804,379
Receivable										
Taxes	16,000	-	-	-	-	-	-	-	16,000	15,000
Loan	-	-	13,268	-	-	-	-	-	13,268	17,328
<b>TOTAL ASSETS</b>	<b>58,934</b>	<b>215,319</b>	<b>95,872</b>	<b>27,588</b>	<b>95,339</b>	<b>-</b>	<b>-</b>	<b>363,213</b>	<b>856,265</b>	<b>836,707</b>
<b>LIABILITIES</b>										
Accounts payable	67	-	-	-	-	339	1,066	-	1,472	1,143
Due to other funds	-	-	-	-	-	180,957	30,592	-	211,549	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Deposit payable	-	-	-	-	-	-	-	-	-	-
Unearned revenue - other	-	-	13,268	-	-	-	-	-	13,268	17,328
Advances from other funds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>67</b>	<b>-</b>	<b>13,268</b>	<b>-</b>	<b>-</b>	<b>181,296</b>	<b>31,658</b>	<b>-</b>	<b>226,289</b>	<b>18,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable revenue - tax rol	16,000	-	-	-	-	-	-	-	16,000	15,000
Unavailable revenue - special assessments	-	-	-	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,000</b>	<b>15,000</b>
<b>FUND BALANCES</b>										
Restricted	-	-	-	-	-	(181,296)	(31,658)	363,213	150,259	360,286
Committed	42,867	215,319	82,604	27,588	95,339	-	-	-	463,717	442,950
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>42,867</b>	<b>215,319</b>	<b>82,604</b>	<b>27,588</b>	<b>95,339</b>	<b>(181,296)</b>	<b>(31,658)</b>	<b>363,213</b>	<b>613,976</b>	<b>803,236</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 58,934</b>	<b>\$ 215,319</b>	<b>\$ 95,872</b>	<b>\$ 27,588</b>	<b>\$ 95,339</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 363,213</b>	<b>\$ 856,265</b>	<b>\$ 836,707</b>

**CITY OF CHILTON, WISCONSIN**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2017  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	CHILTON LAKE DISTRICT	LIBRARY DONATIONS	ECONOMIC DEVELOPMENT	REDEVELOPMENT AUTHORITY	FIRE DEPARTMENT DONATIONS	TID NO. 6	TID NO. 7	GENERAL CAPITAL IMPROVEMENTS	2017	2016
<b>REVENUES</b>										
Taxes	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 14,999
Intergovernmental	122	-	-	-	-	-	-	-	122	157
Miscellaneous	131	1,043	4,569	758	57,516	10,500	-	2,927	77,444	64,668
Change in fair value of investments	-	1,828	-	-	-	-	-	-	1,828	1,031
<b>TOTAL REVENUES</b>	<b>15,253</b>	<b>2,871</b>	<b>4,569</b>	<b>758</b>	<b>57,516</b>	<b>10,500</b>	<b>-</b>	<b>2,927</b>	<b>94,394</b>	<b>80,855</b>
<b>EXPENDITURES</b>										
Current										
General government	-	179	-	-	-	-	-	-	179	144
Public safety	-	-	-	-	43,343	-	-	-	43,343	61,973
Culture, recreation and education	-	1,000	-	-	-	-	-	-	1,000	17,110
Conservation and development	15,300	-	-	3,878	-	31,286	31,658	-	82,122	14,294
Capital outlay	-	-	-	-	-	160,510	-	-	160,510	-
<b>TOTAL EXPENDITURES</b>	<b>15,300</b>	<b>1,179</b>	<b>-</b>	<b>3,878</b>	<b>43,343</b>	<b>191,796</b>	<b>31,658</b>	<b>-</b>	<b>287,154</b>	<b>93,521</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(47)</b>	<b>1,692</b>	<b>4,569</b>	<b>(3,120)</b>	<b>14,173</b>	<b>(181,296)</b>	<b>(31,658)</b>	<b>2,927</b>	<b>(192,760)</b>	<b>(12,666)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Operating transfers in	-	-	-	-	3,500	-	-	-	3,500	3,500
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(47)</b>	<b>1,692</b>	<b>4,569</b>	<b>(3,120)</b>	<b>17,673</b>	<b>(181,296)</b>	<b>(31,658)</b>	<b>2,927</b>	<b>(189,260)</b>	<b>(9,166)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>42,914</b>	<b>213,627</b>	<b>78,035</b>	<b>30,708</b>	<b>77,666</b>	<b>-</b>	<b>-</b>	<b>360,286</b>	<b>803,236</b>	<b>812,402</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 42,867</b>	<b>\$ 215,319</b>	<b>\$ 82,604</b>	<b>\$ 27,588</b>	<b>\$ 95,339</b>	<b>\$ (181,296)</b>	<b>\$ (31,658)</b>	<b>\$ 363,213</b>	<b>\$ 613,976</b>	<b>\$ 803,236</b>

**CITY OF CHILTON, WISCONSIN**  
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2017

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Taxes			
Property	\$ 1,220,252	\$1,220,828	\$ 576
General sales	40	40	-
Other tax exempt entities	11,000	10,977	(23)
Interest and penalties on delinquent taxes	-	49	49
<b>TOTAL</b>	<u>1,231,292</u>	<u>1,231,894</u>	<u>602</u>
Special assessments	<u>940</u>	<u>941</u>	<u>1</u>
Intergovernmental			
State shared taxes	518,655	520,174	1,519
State grants - public safety	9,431	8,311	(1,120)
State grants - transportation	208,236	207,908	(328)
Other state payments	22,700	23,822	1,122
County and other local grants	108,883	108,883	-
<b>TOTAL</b>	<u>867,905</u>	<u>869,098</u>	<u>1,193</u>
Licenses and Permits			
Business and occupational licenses	38,150	37,058	(1,092)
Nonbusiness licenses	1,661	1,551	(110)
Building permits and inspection fees	28,750	34,903	6,153
Zoning permits and fees	200	200	-
Other regulatory permits and fees	8,600	8,877	277
<b>TOTAL</b>	<u>77,361</u>	<u>82,589</u>	<u>5,228</u>
Fines, Forfeits and Penalties			
Law and ordinance violations	<u>16,800</u>	<u>16,198</u>	<u>(602)</u>
Public Charges for Services			
General government	3,400	4,101	701
Transportation	2,000	2,220	220
Sanitation and utilities	219,538	222,018	2,480
Health	8,000	6,750	(1,250)
Culture, recreation and education	16,029	16,398	369
<b>TOTAL</b>	<u>248,967</u>	<u>251,487</u>	<u>2,520</u>
Intergovernmental Charges for Service			
Other local governments - public safety	95,325	94,112	(1,213)
Other local governments - other	9,166	9,166	-
<b>TOTAL</b>	<u>104,491</u>	<u>103,278</u>	<u>(1,213)</u>
Miscellaneous			
Interest	32,212	49,288	17,076
Rent	2,100	1,907	(193)
Donations	13,004	20,354	7,350
Other miscellaneous	1,400	2,177	777
<b>TOTAL</b>	<u>48,716</u>	<u>73,726</u>	<u>25,010</u>
<b>TOTAL REVENUES</b>	<u>2,596,472</u>	<u>2,629,211</u>	<u>32,739</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>120,000</u>	<u>129,667</u>	<u>9,667</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 2,716,472</u>	<u>\$ 2,758,878</u>	<u>\$ 42,406</u>

**CITY OF CHILTON, WISCONSIN**  
**DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>EXPENDITURES</b>			
<b>General Government</b>			
Legislative	\$ 26,688	\$ 26,688	\$ -
Legal	13,158	13,158	-
General administration	148,335	83,075	65,260
Financial administration	18,606	15,605	3,001
General buildings and plant	78,025	36,428	41,597
Illegal taxes refunded	-	3,515	(3,515)
Other insurance	20,734	2,703	18,031
<b>TOTAL</b>	<b>305,546</b>	<b>181,172</b>	<b>124,374</b>
<b>Public Safety</b>			
Law enforcement	798,166	763,712	34,454
Fire protection	612,269	282,945	329,324
Building inspection	32,891	29,874	3,017
Other public safety	6,892	547	6,345
<b>TOTAL</b>	<b>1,450,218</b>	<b>1,077,078</b>	<b>373,140</b>
<b>Public Works</b>			
Administration	104,314	58,271	46,043
Street maintenance and construction	1,105,596	253,346	852,250
Road related facilities	217,488	117,185	100,303
Sanitation	348,010	318,817	29,193
<b>TOTAL</b>	<b>1,775,408</b>	<b>747,619</b>	<b>1,027,789</b>
<b>Health and Human Services</b>			
Public health services	800	800	-
Cemetery	66,897	24,803	42,094
<b>TOTAL</b>	<b>67,697</b>	<b>25,603</b>	<b>42,094</b>
<b>Culture, Recreation and Education</b>			
Library	301,307	224,481	76,826
Parks	209,693	73,579	136,114
Recreation programs and events	46,261	13,980	32,281
Recreation facilities	692	-	692
<b>TOTAL</b>	<b>557,953</b>	<b>312,040</b>	<b>245,913</b>
<b>Conservation and Development</b>			
Economic development	24,366	9,054	15,312
Other conservation and development	3,197	2,023	1,174
<b>TOTAL</b>	<b>27,563</b>	<b>11,077</b>	<b>16,486</b>
<b>Capital Outlay</b>			
General government	14,500	-	14,500
Public safety	33,000	34,316	(1,316)
Transportation	231,514	109,314	122,200
Culture, recreation and education	20,400	5,400	15,000
<b>TOTAL</b>	<b>299,414</b>	<b>149,030</b>	<b>150,384</b>
<b>TOTAL EXPENDITURES</b>	<b>4,483,799</b>	<b>2,503,619</b>	<b>1,980,180</b>
<b>OTHER FINANCING USES</b>			
Operating transfers out	-	3,500	(3,500)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 4,483,799</b>	<b>\$ 2,507,119</b>	<b>\$ 1,976,680</b>

**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, 2017, 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 March 23, 2018.

**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.

**2017-001 - 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 2016-001.

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.

## **2017-002 - 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 2016-002.

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  
March 23, 2018