



JOHNSON BLOCK

CPAs

CITY OF DODGEVILLE, WISCONSIN

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the year ended December 31, 2018

Johnson Block & Company, Inc.
Certified Public Accountants
2500 Business Park Road
Mineral Point, Wisconsin 53565
(608) 987-2206
Fax: (608) 987-3391

CITY OF DODGEVILLE, WISCONSIN
December 31, 2018

TABLE OF CONTENTS

Independent Auditor’s Report	1
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
A-1 Statement of Net Position	4
A-2 Statement of Activities	6
Fund Financial Statements	
A-3 Balance Sheet – Governmental Funds	7
A-4 Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position	9
A-5 Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds	10
A-6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	12
A-7 Statement of Net Position – Proprietary Funds.....	13
A-8 Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds.....	15
A-9 Statement of Cash Flows – Proprietary Funds.....	16
A-10 Statement of Net Position – Fiduciary Funds	18
Notes to the Basic Financial Statements.....	19
<u>Required Supplementary Information</u>	
B-1 Budgetary Comparison Schedule for the General Fund	56
B-2 Budgetary Comparison Schedule for the Special Purpose Library Fund	57
B-3 Wisconsin Retirement System Schedules	58
Notes to the Required Supplementary Information.....	59
<u>Supplementary Information</u>	
C-1 Combining Balance Sheet – Nonmajor Governmental Funds	60
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	61



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Dodgeville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dodgeville, Wisconsin ("City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the Wisconsin Retirement System schedules on pages 56-59 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.

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

Other Information

Prior Year Summarized Comparative Information

The prior year summarized information has been derived from the City's 2017 financial statements, and, in our report dated January 3, 2019, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.

February 21, 2020

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Dodgeville, Wisconsin
Statement of Net Position
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	Primary Government				Component Unit	
	Governmental	Business-type	Totals		2018	2017
	Activities	Activities	2018	2017	2018	2017
ASSETS						
Current assets:						
Cash and investments	\$ 5,046,114	\$ 3,105,899	\$ 8,152,013	\$ 8,368,571	\$	\$
Cash and investments - restricted	353,142	1,082,223	1,435,365	1,478,818	65,962	63,110
Receivables:						
Taxes	2,715,384		2,715,384	2,721,486		
Customer	20,605	169,986	190,591	200,112		
Accounts receivable	243,440	8,713	252,153	249,731	22	
Ambulance receivable, less allowance for uncollectible accounts of \$1,695	73,074		73,074	80,277		
Due from other governments	189,411		189,411	535,257		
Internal balances	2,772,451	(2,772,451)				
Prepaid insurance	427,564		427,564	35,835		
Unbilled revenue		100,478	100,478	90,614		
Materials and supplies		23,467	23,467	24,944		
Total current assets	11,841,185	1,718,315	13,559,500	13,785,645	65,984	63,110
Noncurrent assets:						
Other assets:						
Special assessments	44,650	538,831	583,481	608,025		
Net pension asset	326,370	56,322	382,692			
Total other assets	371,020	595,153	966,173	608,025		
Capital assets:						
Property, plant and equipment	25,707,633	28,772,880	54,480,513	52,559,055		
Less: accumulated depreciation	(13,747,620)	(6,859,644)	(20,607,264)	(19,789,141)		
Net book value of capital assets	11,960,013	21,913,236	33,873,249	32,769,914		
Total noncurrent assets	12,331,033	22,508,389	34,839,422	33,377,939		
Total assets	24,172,218	24,226,704	48,398,922	47,163,584	65,984	63,110
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized major repair		352,116	352,116	440,145		
Deferred pension outflows	596,560	102,948	699,508	802,020		
Deferred amount on refunding	32,987	5,403	38,390	45,370		
Total deferred outflows of resources	629,547	460,467	1,090,014	1,287,535		
Total assets and deferred outflows of resources	\$ 24,801,765	\$ 24,687,171	\$ 49,488,936	\$ 48,451,119	\$ 65,984	\$ 63,110

Exhibit A-1 (Continued)
City of Dodgeville, Wisconsin
Statement of Net Position
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	Primary Government				Component Unit	
	Governmental Activities	Business-type Activities	Totals		2018	2017
			2018	2017		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 1,058,855	\$ 31,953	\$ 1,090,808	\$ 359,377	\$ 2,920	\$ 6,331
Due to other governments				368,410		
Accrued interest	19,791	17,573	37,364	45,057		
Deposits	4,900		4,900	4,600		
Current portion of:						
General obligation bonds and notes	388,243	267,016	655,259	626,558		
Mortgage revenue bonds		142,006	142,006	483,841		
Compensated absences		49,845	49,845			
Total current liabilities	1,471,789	508,393	1,980,182	1,887,843	2,920	6,331
Noncurrent liabilities:						
General obligation bonds and notes	1,890,425	804,896	2,695,321	3,321,610		
Less: unamortized debt discount	(6,040)	(2,513)	(8,553)	(10,197)		
Mortgage revenue bonds		3,029,940	3,029,940	3,467,963		
Compensated absences	265,033	93,806	358,839	329,415		
Net pension liability				104,452		
Less: current portion of long-term debt	(388,243)	(458,867)	(847,110)	(1,110,399)		
Total noncurrent liabilities	1,761,175	3,467,262	5,228,437	6,102,844		
Total liabilities	3,232,964	3,975,655	7,208,619	7,990,687	2,920	6,331
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	650,105	112,189	762,294	337,024		
Deferred revenue	3,471,206		3,471,206	3,551,073		
Total deferred inflows of resources	4,121,311	112,189	4,233,500	3,888,097		
NET POSITION						
Net investment in capital assets	10,633,615	18,086,316	28,719,931	26,640,908		
Restricted	833,719	1,082,223	1,915,942	1,798,045	63,064	56,779
Unrestricted	5,980,156	1,430,788	7,410,944	8,133,382		
Total net position	17,447,490	20,599,327	38,046,817	36,572,335	63,064	56,779
Total liabilities, deferred inflows of resources, and net position	\$ 24,801,765	\$ 24,687,171	\$ 49,488,936	\$ 48,451,119	\$ 65,984	\$ 63,110

Exhibit A-2
City of Dodgeville, Wisconsin
Statement of Activities
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals		Component Unit	
					Governmental Activities	Business-type Activities	2018	2017	2018	2017
Primary government:										
Governmental activities:										
General government	\$ 789,948	\$ 43,438	\$	\$ 20,035	\$ (726,475)	\$	\$ (726,475)	\$ (722,767)	\$	
Public safety	1,710,997	466,036	40,078		(1,204,883)		(1,204,883)	(1,120,638)		
Public works	1,090,597	2,770	289,289	10,619	(787,919)		(787,919)	(749,555)		
Sanitation	242,249	227,397	15,094		242		242	482		
Health and social services	88,519	20,725			(67,794)		(67,794)	(51,405)		
Leisure activities	849,198	162,478	89,678	2,253	(594,789)		(594,789)	(560,782)		
Conservation & economic development	156,726	82,961			(73,765)		(73,765)	(3,596,765)		
Interest and fiscal charges	69,498				(69,498)		(69,498)	(69,255)		
Total governmental activities	<u>4,997,732</u>	<u>1,005,805</u>	<u>434,139</u>	<u>32,907</u>	<u>(3,524,881)</u>		<u>(3,524,881)</u>	<u>(6,870,685)</u>		
Business-type activities:										
Water	683,513	1,019,439				335,926	335,926	347,180		
Sewer	816,387	1,266,118				449,731	449,731	456,380		
Total business-type activities	<u>1,499,900</u>	<u>2,285,557</u>				<u>785,657</u>	<u>785,657</u>	<u>803,560</u>		
Total primary government	<u>\$ 6,497,632</u>	<u>\$ 3,291,362</u>	<u>\$ 434,139</u>	<u>\$ 32,907</u>	<u>(3,524,881)</u>	<u>785,657</u>	<u>(2,739,224)</u>	<u>(6,067,125)</u>		
Component unit:										
Housing Authority	\$ 252,819	\$	\$ 258,887	\$					6,068	(28,116)
General revenues:										
Property taxes										
General purposes					1,697,969		1,697,969	1,658,335		
Capital projects					959,001		959,001	927,800		
Tax increments					417,492		417,492	1,161,019		
Debt service					193,292		193,292	134,290		
Library					283,319		283,319	280,514		
Other taxes					16,961		16,961	12,993		
Federal and state aid not restricted for specific purposes					461,992		461,992	470,287		
Interest and investment earnings					110,837	50,085	160,922	105,603	217	184
Unrealized gain on investments					19,781	5,119	24,900	9,194		
Gain (loss) on sale of fixed assets					(10,289)		(10,289)	(187,500)		
Miscellaneous					8,147		8,147	14,593		
Transfers					195,781	(195,781)				
Total general revenues					<u>4,354,283</u>	<u>(140,577)</u>	<u>4,213,706</u>	<u>4,587,128</u>	<u>217</u>	<u>184</u>
Changes in net position					829,402	645,080	1,474,482	(1,479,997)	6,285	(27,932)
Net position - beginning					16,618,088	19,954,247	36,572,335	38,052,332	56,779	84,711
Net position - ending					<u>\$ 17,447,490</u>	<u>\$ 20,599,327</u>	<u>\$ 38,046,817</u>	<u>\$ 36,572,335</u>	<u>\$ 63,064</u>	<u>\$ 56,779</u>

Exhibit A-3
City of Dodgeville, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	General	Capital Projects	TIF District #2	Special Purpose Library
ASSETS				
Cash and investments	\$ 3,763,745	\$ 292,719	\$ 960,324	\$ 24,617
Receivables:				
Taxes	1,036,572	915,300	285,417	286,152
Customer	20,605			
Accounts receivable	54,000	189,440		
Due from other governments	189,411			
Special assessment receivable	44,650			
Ambulance receivable, less allowance for uncollectible accounts of \$1,695	73,074			
Due from other funds	195,781			
Prepaid insurance	32,728	394,836		
Advances to other funds		3,358,432		
	<hr/>			
Total assets	\$ 5,410,566	\$ 5,150,727	\$ 1,245,741	\$ 310,769
<hr/>				
LIABILITIES				
Accounts payable	\$ 274,751	\$ 762,500	\$ 17,139	\$ 4,465
Due to other governments				
Due to other funds				
Deposits	4,900			
Advance from other funds	267,387		514,375	
	<hr/>			
Total liabilities	547,038	762,500	531,514	4,465
<hr/>				
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	1,817,810	915,300	455,782	286,152
Deferred special assessment revenue	44,650			
	<hr/>			
Total deferred inflows of resources	1,862,460	915,300	455,782	286,152
<hr/>				
FUND BALANCES				
Nonspendable	32,728	3,753,268		
Restricted	217,062		258,445	20,152
Assigned	1,090,709			
Unassigned (deficit)	1,660,569	(280,341)		
	<hr/>			
Total fund balances	3,001,068	3,472,927	258,445	20,152
<hr/>				
Total liabilities, deferred inflows of resources and fund balances	\$ 5,410,566	\$ 5,150,727	\$ 1,245,741	\$ 310,769
	<hr/>			

Debt Service	Other Governmental Funds	Totals	
		2018	2017
251,642	\$ 106,209	\$ 5,399,256	\$ 6,113,784
191,943		2,715,384	2,721,486
		20,605	20,012
		243,440	249,148
		189,411	535,257
		44,650	44,650
		73,074	80,277
		195,781	200,715
		427,564	35,835
		3,358,432	2,349,216
<u>\$ 443,585</u>	<u>\$ 106,209</u>	<u>\$ 12,667,597</u>	<u>\$ 12,350,380</u>
\$	\$	\$ 1,058,855	\$ 306,214
			368,410
			159,767
		4,900	4,600
		781,762	642,433
		1,845,517	1,481,424
191,943		3,666,987	3,751,788
		44,650	44,650
191,943		3,711,637	3,796,438
	103,000	3,888,996	2,488,051
251,642	3,209	750,510	588,152
		1,090,709	1,562,724
		1,380,228	2,433,591
251,642	106,209	7,110,443	7,072,518
<u>\$ 443,585</u>	<u>\$ 106,209</u>	<u>\$ 12,667,597</u>	<u>\$ 12,350,380</u>

Exhibit A-4
City of Dodgeville, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balances-governmental funds:	\$ 7,110,443	\$ 7,072,518
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:</p>		
Governmental capital asset	25,707,633	24,743,537
Governmental accumulated depreciation	<u>(13,747,620)</u>	<u>(13,272,827)</u>
	11,960,013	11,470,710
<p>The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements.</p>		
	326,370	
<p>Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the statement of net position and are being amortized with pension expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.</p>		
Deferred outflows of resources	596,560	677,065
Deferred inflows of resources	(650,105)	(284,516)
<p>Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred inflows on the fund statements.</p>		
Special assessments	44,650	44,650
Subsequent year tax equivalent from utility	195,781	200,715
<p>Payments for bond discounts are reported in the funds statements when expended, but are amortized over the life of the bond in the statement of net position.</p>		
	6,040	7,138
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:</p>		
Bonds payable	(1,890,425)	(2,259,205)
Deferred amount on refunding	32,987	38,985
Accrued interest on general obligation debt	(19,791)	(23,383)
Net pension liability		(88,179)
Compensated absences	<u>(265,033)</u>	<u>(238,410)</u>
Total net position of governmental activities	<u>\$ 17,447,490</u>	<u>\$ 16,618,088</u>

Exhibit A-5
City of Dodgeville, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	General	Capital Projects	TIF District #2	Special Purpose Library
REVENUES				
Taxes	\$ 1,795,993	\$ 959,001	\$ 417,492	\$ 283,319
Special assessments	921			
Intergovernmental	798,236	10,619	8,216	88,928
Licenses and permits	103,916			
Fines and forfeits	21,074			1,672
Public charges for services	373,973			3,168
Intergovernmental charges for services	406,452			
Interest	107,924	1,022		545
Miscellaneous	20,946	2,465		1,828
Total revenues	<u>3,629,435</u>	<u>973,107</u>	<u>425,708</u>	<u>379,460</u>
EXPENDITURES				
Current:				
General government	727,836			
Public safety	1,515,415			
Public works	627,064			
Sanitation	242,094			
Leisure activities	356,544			378,184
Conservation & economic development	962,292		31,550	
Health & social services	85,126			
Capital outlay:				
General government	24,215	12,800		
Public safety	73,443			
Public works	12,396	146,717		
Leisure activities	64,153	141,456		
Conservation & economic development				
Debt service:				
Principal retirement			152,285	
Interest and fiscal charges			20,522	
Total expenditures	<u>4,690,578</u>	<u>300,973</u>	<u>204,357</u>	<u>378,184</u>
Excess (deficiency) of revenues over expenditures	<u>(1,061,143)</u>	<u>672,134</u>	<u>221,351</u>	<u>1,276</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt proceeds	400,000			
Transfers in	221,172			
Transfers out	(404,168)	(20,438)		
Unrealized gain (loss) on investments	19,781			
Sale of capital assets	52,273			
Total other financing sources (uses)	<u>289,058</u>	<u>(20,438)</u>		
Net change in fund balances	(772,085)	651,696	221,351	1,276
Fund balances-beginning	<u>3,773,153</u>	<u>2,821,231</u>	<u>37,094</u>	<u>18,876</u>
Fund balances-ending	<u>\$ 3,001,068</u>	<u>\$ 3,472,927</u>	<u>\$ 258,445</u>	<u>\$ 20,152</u>

Debt Service	Other Governmental Funds	Totals	
		2018	2017
\$ 193,292	\$	\$ 3,649,097	\$ 4,264,595
		921	4,308
		905,999	1,257,241
		103,916	131,215
		22,746	27,438
		377,141	400,128
		406,452	445,458
475	672	110,638	75,092
		25,239	48,159
193,767	672	5,602,149	6,653,634
		727,836	734,061
		1,515,415	1,484,828
		627,064	579,370
		242,094	242,029
		734,728	736,807
		993,842	873,425
	645	85,771	67,628
		37,015	50,897
		73,443	102,106
		159,113	671,016
		205,609	73,565
			3,435,438
616,495		768,780	305,465
45,753		66,275	59,253
662,248	645	6,236,985	9,415,888
(468,481)	27	(634,836)	(2,762,254)
		400,000	500,000
404,168		625,340	2,277,634
	(27)	(424,633)	(2,072,610)
		19,781	7,304
		52,273	20,186
404,168	(27)	672,761	732,514
(64,313)		37,925	(2,029,740)
315,955	106,209	7,072,518	9,102,258
\$ 251,642	\$ 106,209	\$ 7,110,443	\$ 7,072,518

Exhibit A-6
City of Dodgeville, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Net change in fund balances-total governmental funds	\$ 37,925	\$(2,029,740)
Amounts reported for governmental activities in the statement of activities are different because:		
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 expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	1,280,802	1,084,715
Depreciation expenses reported in the statement of activities	<u>(682,177)</u>	<u>(663,385)</u>
Amount by which capital outlays are greater (less) than depreciation in the current period.	598,625	421,330
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations and disposals) is to decrease net position:	(109,322)	(207,685)
Compensated absences are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year. The difference between the amount paid and earned was:	(26,623)	18,041
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:	768,780	305,465
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds but does not affect the statement of activities.	(400,000)	(500,000)
In governmental funds, special assessment collections are reflected as revenue when received. In the statement of activities, revenue is recognized when assessed.		
Amount assessed		
Amount collected		<u>(549)</u>
Governmental funds report the effect of debt discounts when the debt is issued. In the statement of activities, these amounts are deferred and amortized.		
The amount of debt discounts amortized in the current year	(7,096)	(7,096)
In governmental funds, the current year utility tax equivalent is deferred and recognized as revenue in the subsequent year. In the statement of activities, this amount is recognized as a transfer in the year accrued.		
Prior year utility tax equivalent recognized as revenue in the governmental funds	(200,715)	(205,024)
Subsequent year utility tax equivalent recognized as a transfer for the statement of activities	<u>195,781</u>	<u>200,715</u>
	(4,934)	(4,309)
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	61,476	58,904
The amount of interest accrued during the current period	<u>(57,884)</u>	<u>(61,808)</u>
Interest paid is greater than interest expensed by	3,592	(2,904)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan.		
Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit pension plan and the actuarially determined change in net pension liability between years, with adjustments.	<u>(31,545)</u>	<u>(106,791)</u>
Change in net position-governmental activities	<u>\$ 829,402</u>	<u>\$(2,114,238)</u>

Exhibit A-7
City of Dodgeville, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
ASSETS				
Current assets:				
Cash and investments	\$ 1,802,876	\$ 1,303,023	\$ 3,105,899	\$ 2,603,328
Cash and investments - restricted		1,082,223	1,082,223	1,130,277
Receivables:				
Customers	62,358	107,628	169,986	180,100
Other	54	8,659	8,713	582
Inventories	21,969	1,498	23,467	24,944
Unbilled revenue	39,111	61,367	100,478	90,614
Total current assets	1,926,368	2,564,398	4,490,766	4,029,845
Noncurrent assets:				
Other assets:				
Net pension asset	29,140	27,182	56,322	
Special assessments receivable	180,973	357,858	538,831	563,375
Capital assets:				
Property and plant	10,946,756	17,826,124	28,772,880	27,815,518
Less: accumulated provision for depreciation	(3,365,555)	(3,494,089)	(6,859,644)	(6,516,314)
Net book value of capital assets	7,581,201	14,332,035	21,913,236	21,299,204
Total noncurrent assets	7,791,314	14,717,075	22,508,389	21,862,579
Total assets	9,717,682	17,281,473	26,999,155	25,892,424
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized major repair	352,116		352,116	440,145
Deferred pension outflows	53,264	49,684	102,948	124,955
Deferred amount on refunding	3,707	1,696	5,403	6,385
Total deferred outflows of resources	409,087	51,380	460,467	571,485
Total assets and deferred outflows of resources	\$ 10,126,769	\$ 17,332,853	\$ 27,459,622	\$ 26,463,909

Exhibit A-7 (Continued)
City of Dodgeville, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 14,073	\$ 17,880	\$ 31,953	\$ 53,163
Due to other funds	195,781		195,781	200,715
Accrued interest	6,055	11,518	17,573	21,673
Current portion of:				
General obligation bonds and notes	207,966	59,050	267,016	257,499
Mortgage revenue bonds		142,006	142,006	483,841
Compensated absences	49,845		49,845	
Total current liabilities	473,720	230,454	704,174	1,016,891
Long-term liabilities:				
General obligation bonds and notes	625,972	178,924	804,896	1,062,405
Less: unamortized debt discount	(2,361)	(152)	(2,513)	(3,059)
Mortgage revenue bonds		3,029,940	3,029,940	3,467,963
Advances from other funds	1,286,200	1,290,470	2,576,670	1,547,016
Compensated absences	72,661	21,145	93,806	91,005
Net pension liability				16,273
Less: current portion	(257,811)	(201,056)	(458,867)	(741,340)
Total long-term liabilities	1,724,661	4,319,271	6,043,932	5,440,263
Total liabilities	2,198,381	4,549,725	6,748,106	6,457,154
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	58,045	54,144	112,189	52,508
NET POSITION				
Net investment in capital assets	6,961,297	11,125,019	18,086,316	16,778,280
Restricted		1,082,223	1,082,223	1,130,277
Unrestricted	909,046	521,742	1,430,788	2,045,690
Total net position	7,870,343	12,728,984	20,599,327	19,954,247
Total liabilities, deferred inflows of resources, and net position	\$ 10,126,769	\$ 17,332,853	\$ 27,459,622	\$ 26,463,909

Exhibit A-8
City of Dodgeville, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Enterprise Funds		Totals	
	Water	Sewer		
	Utility	Utility	2018	2017
OPERATING REVENUES				
Sales of water	\$ 992,171	\$	\$ 992,171	\$ 1,008,422
Measured sewer service		1,230,792	1,230,792	1,245,938
Penalties	3,083	4,916	7,999	8,632
Other	24,185	30,410	54,595	17,689
Total operating revenues	1,019,439	1,266,118	2,285,557	2,280,681
OPERATING EXPENSES				
Operation & maintenance	444,226	453,210	897,436	909,879
Depreciation	217,682	287,495	505,177	476,583
Taxes	4,951	8,438	13,389	16,374
Total operating expenses	666,859	749,143	1,416,002	1,402,836
Operating income	352,580	516,975	869,555	877,845
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	20,996	29,089	50,085	29,506
Amortization of debt expense	(1,103)	(425)	(1,528)	(1,528)
Interest expense	(15,551)	(66,819)	(82,370)	(77,528)
Unrealized gain (loss) on investments		5,119	5,119	1,890
Total nonoperating revenues (expenses)	4,342	(33,036)	(28,694)	(47,660)
Income before contributions and transfers	356,922	483,939	840,861	830,185
Receipt of contributed capital				4,771
Transfer of tax equivalent	(195,781)		(195,781)	(200,715)
Change in net position	161,141	483,939	645,080	634,241
Net position - beginning	7,709,202	12,245,045	19,954,247	19,320,006
Net position - ending	\$ 7,870,343	\$ 12,728,984	\$ 20,599,327	\$ 19,954,247

Exhibit A-9
City of Dodgeville, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES				
Receipts from customers	\$ 1,021,176	\$ 1,264,631	\$ 2,285,807	\$ 2,270,730
Payments to employees	158,170	(147,539)	10,631	367
Payments for employee benefits	(51,859)	(53,628)	(105,487)	(140,690)
Payments provided by other funds	(4,934)		(4,934)	(4,309)
Payments to suppliers	(437,295)	(290,137)	(727,432)	(890,237)
Net cash provided by operating activities	685,258	773,327	1,458,585	1,235,861
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES				
Repayment of advance from other funds				(195,653)
Receipt of advance from other funds	645,064	384,590	1,029,654	553,633
Paid to municipality for tax equivalent	(195,781)		(195,781)	(200,715)
Net cash from noncapital financing activities	449,283	384,590	833,873	157,265
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(686,014)	(449,673)	(1,135,687)	(2,484,330)
Cost of removal of capital assets				(28,989)
Special assessments received	20,707	3,837	24,544	4,835
Proceeds from issuance of long-term debt		47,924	47,924	2,432,554
Debt retired	(199,801)	(543,655)	(743,456)	(637,701)
Interest paid	(17,372)	(69,098)	(86,470)	(71,167)
Net cash (used by) capital and related financing activities	(882,480)	(1,010,665)	(1,893,145)	(784,798)
CASH FLOWS FROM INVESTING ACTIVITIES				
Unrealized gain (loss) on investments		5,119	5,119	1,890
Marketable securities sold	254,920	1,025,074	1,279,994	511,998
Marketable securities purchased		(317,503)	(317,503)	(511,998)
Investment income	20,996	29,089	50,085	29,506
Net cash from investing activities	275,916	741,779	1,017,695	31,396
Net change in cash and cash equivalents	527,977	889,031	1,417,008	639,724
Cash and cash equivalents - beginning of the year	1,274,899	1,178,712	2,453,611	1,813,887
Cash and cash equivalents - end of the year	\$ 1,802,876	\$ 2,067,743	\$ 3,870,619	\$ 2,453,611
Reconciliation of cash and cash equivalents to statement of net position accounts				
Cash and investments	\$ 1,802,876	\$ 1,303,023	\$ 3,105,899	\$ 2,603,328
Restricted cash and investments		1,082,223	1,082,223	1,130,277
Subtotal	1,802,876	2,385,246	4,188,122	3,733,605
Less: long-term investments		(317,503)	(317,503)	(1,279,994)
Cash and cash equivalents	\$ 1,802,876	\$ 2,067,743	\$ 3,870,619	\$ 2,453,611

Exhibit A-9 (Continued)
City of Dodgeville, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 352,580	\$ 516,975	\$ 869,555	\$ 877,845
Noncash items in operating income:				
Depreciation expense	234,160	287,495	521,655	492,549
Pension expense	3,764	5,329	9,093	27,801
Amortization of major repair	88,029		88,029	88,030
Changes in assets and liabilities:				
Customer accounts receivable	5,785	4,329	10,114	(9,957)
Other accounts receivable	528	(8,659)	(8,131)	1,605
Due from other governments				11,467
Unbilled revenue receivable	(4,048)	(5,816)	(9,864)	6
Material and supplies	1,477		1,477	183
Accounts payable	5,046	(26,256)	(21,210)	(249,094)
Due to other funds	(4,934)		(4,934)	(4,309)
Compensated absences	2,871	(70)	2,801	(265)
Net cash provided by operating activities	<u>\$ 685,258</u>	<u>\$ 773,327</u>	<u>\$ 1,458,585</u>	<u>\$ 1,235,861</u>
Noncash capital financing activities:				
Capital additions financed by developers	\$	\$	\$	\$ 4,771
Total noncash capital financing activities	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,771</u>

Exhibit A-10
City of Dodgeville, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Tax Collection Fund	
	2018	2017
ASSETS		
Cash and investments	\$ 2,490,697	\$ 2,649,825
Taxes receivable	4,172,738	4,012,339
Total assets	\$ 6,663,435	\$ 6,662,164
LIABILITIES		
Due to other taxing units	\$ 6,663,435	\$ 6,662,164
Total liabilities	\$ 6,663,435	\$ 6,662,164

NOTES TO BASIC FINANCIAL STATEMENTS

City of Dodgeville, Wisconsin
 Index to Notes to Basic Financial Statements
 December 31, 2018

	<u>Page</u>
Note 1. <u>Summary of Significant Accounting Policies</u>	
A. Reporting Entity	19
B. Government-Wide and Fund Financial Statements.....	19 – 21
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	22 – 23
D. Cash and Investments	23 – 24
E. Receivables and Allowance for Uncollectible Accounts	24
F. Inventories and Prepaid Items	24
G. Restricted Assets	25
H. Capital Assets	25
I. Compensated Absences/Postemployment Benefits.....	25 - 26
J. Advances to Other Funds	26
K. Long-Term Obligations.....	26
L. Claims and Judgments.....	26
M. Equity Classifications.....	27 – 28
N. Risk Management.....	28
O. Transfers.....	28
P. Summarized Comparative Information	28
Q. Use of Estimates.....	28
R. Pensions.....	28
S. Deferred Outflows and Deferred Inflows of Resources	29
T. Unamortized Major Repairs	29
Note 2. <u>Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements</u>	29
Note 3. <u>Cash and Investments</u>	30 – 34
Note 4. <u>Capital Assets</u>	35 – 36
Note 5. <u>Long-Term Obligations</u>	37 – 39
Note 6. <u>Defined Benefit Pension Plan</u>	40 – 44
Note 7. <u>Interfund Accounts</u>	45
Note 8. <u>Restricted Cash</u>	46
Note 9. <u>Deferred Inflows of Resources</u>	47
Note 10. <u>Governmental Activities Net Position/Governmental Fund Balances</u>	47 – 50
Note 11. <u>Net Position Restriction – Proprietary Funds</u>	51
Note 12. <u>Concentration of Risk</u>	51
Note 13. <u>Tax Levy Limit</u>	51
Note 14. <u>Tax Incremental Financing District</u>	52
Note 15. <u>Purchase Commitments/Subsequent Events</u>	53
Note 16. <u>Effect of New Accounting Standards on Current Financial Statements</u>	53
Note 17. <u>Component Unit</u>	54 – 55
A. Cash and Investments	54 – 55

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dodgeville, Wisconsin ("City") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies of the City of Dodgeville are summarized below:

A. Reporting Entity

The report includes all funds and account groups of the City of Dodgeville, Wisconsin. The reporting entity for the City consists of the (a) primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable is defined to include the following considerations: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and/or special financing relationships.

Included in the Reporting Entity

The City has determined that the Dodgeville Housing Authority is a component unit of the City. The Dodgeville Housing Authority was created by the City of Dodgeville under the provisions of Section 66.40 to 66.404 of the Wisconsin Statutes. The central purpose of the Dodgeville Housing Authority is to provide the opportunity for the City of Dodgeville residents to live in decent, affordable and standard housing. The programs at the Dodgeville Housing Authority are created to enable Dodgeville families to improve their housing conditions. Its governing board is appointed by the City Council. The information presented is for the year ended December 31, 2018.

Financial statements of the Housing Authority can be obtained from its office in Dodgeville, Wisconsin.

Excluded From the Reporting Entity

There were no organizations that have been determined not to be part of the reporting entity based on the above criteria.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Cont.)

Government-Wide Financial Statements (Cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized in major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds:

The City reports the following major governmental funds:

General Fund – The general fund is used to account for all financial resources not accounted for and reported for in another fund.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Cont.)

Capital Projects Fund – Accounts for all financial resources restricted, committed or assigned to expenditure for capital outlays.

TIF No. 2 Debt Service Fund – Accounts for the proceeds of tax incremental district No. 2, that are restricted or committed to expenditure for tax incremental district No. 2, including the payment of general long-term debt principal, interest and related costs.

Special Purpose Library – Special Revenue Fund – Accounts for the proceeds that are restricted or committed to expenditure for the City’s library program. This fund is designated as major by management.

Debt Service Fund – Accounts for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The City reports the following major enterprise funds:

- Water Utility – Accounts for operations of the water system
- Sewer Utility – Accounts for operations of the sewer system

The City reports the following nonmajor governmental funds:

Permanent Funds – Are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs – that is, for the benefit of the City or citizens.

- Smith Trust
- Campbell Trust

In addition, the city reports the following fund type:

Agency Fund - Accounts for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Tax agency

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer utility 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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 utility are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to Governmental Accounting Standards.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Investments

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

All deposits of the City are made in board designated official depositories and are secured as required by State Statute. The City may designate, as an official depository, any bank or savings association. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Cont.)

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

E. Receivables and Allowance for Uncollectible Accounts

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund balance sheet.

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale- 2018 delinquent real estate taxes	October 2021

An allowance of \$1,695 for uncollectible ambulance receivable has been reflected in the government financial statements. Delinquent real estate taxes of the City are paid in full by the County, which assumes the responsibility for collection. In addition, delinquent user charges are placed on the tax roll if not collected.

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." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

F. Inventories and Prepaid Items

Inventories of governmental fund types consist of expendable supplies held for consumption. Such amounts, which are not of a material amount, are considered expenditures when purchased and, accordingly, are not reflected on the Balance Sheet – Governmental Funds.

Inventories of proprietary fund types are valued at cost using the first-in, first-out method and are charged as expenses or are capitalized when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

H. Capital Assets

Government-Wide Statements

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 initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at acquisition value.

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. No net interest was capitalized during the current year. 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 fixed 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 is as follows:

	<u>Years</u>
Buildings	20-40
Machinery and Equipment	5-20
Vehicles	5
Furniture and Fixtures	5-20
Infrastructure	20-50

Fund Financial Statements

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. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

I. Compensated Absences/Postemployment Benefits

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences/Postemployment Benefits (Cont.)

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018 are determined on a basis of current salary rates and include salary related payments.

All full-time non-union management employees and full-time employees shall earn one-day sick leave with pay for each calendar month. Unused sick leave may accumulate without limit for the employee's personal use in the event of illness or injury only. For any other purpose unused sick leave may accumulate to a maximum of one hundred fifty (150) working days.

Upon the retirement or death of an eligible employee, the value of up to seventy-five days (600 hours) of accumulated sick leave at \$15.00/hour shall be deposited in the City's retirement HRA plan. The remaining current value, if any, of the employee's accumulated sick days/hours will be deposited in the City's 457 deferred compensation plan as a nonelective employer contribution up to the annual contribution limit or catch-up contribution limit, if applicable. In the event the contribution limit has been reached for an employee in the year of retirement, the remaining value will be paid to the employee in cash. An "eligible employee" under this section means an employee who meets the "rule of 72," i.e., an employee whose age and years of service with the City total at least 72 and who regularly works at least 20 hours per week. Expenditures for these benefits are recognized in the fund statements on a pay-as-you-go-basis.

J. Advances to Other Funds

Long-term interfund advances made by governmental funds are recorded as a receivable as reserved fund balance by the advancing fund. Repayments are credited to fund balance, and corresponding reductions are made in the receivable and the reserve.

K. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums and less any discounts) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

L. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance– amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed fund balance– amounts constrained to specific purposes by the Council, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action to remove or change the constraint.
- Assigned fund balance– includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) Common Council identification 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- Unassigned fund balance– includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The City Common Council, as the City’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Common Council removes or changes the specific use through the same type of formal action taken to establish the commitment. Common Council action to commit fund balance needs to occur within the fiscal reporting period, no later than December 31st; however, the amount can be determined subsequent to the release of the financial statements. At the time of adoption of this policy, the City does not have any reserves that meet this component of fund balance.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Equity Classifications (Cont.)

The City's policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Clerk/Treasurer for the purpose of reporting these amounts in the annual financial statements.

The City will maintain an economic uncertainty reserve of at least 15% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn causes revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls (state actions, etc.).

The City considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amount to be reduced first, followed by assigned amounts and then unassigned amounts.

N. Risk Management

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

O. Transfers

Transfers include the payment in lieu of taxes from the water utility to the general fund. See Audit Note #8 for other transfers.

P. Summarized Comparative Information

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

Q. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

R. Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows and inflows of resources related to pensions, 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 determine on the same basis as they are reported for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then. The City has three items that qualify for reporting in this category. The deferred outflows of resources are for the WRS pension system, deferred amount on refunding, and unamortized major repairs.

In addition to liabilities, the statement of net position reports 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 resource (revenue) until then. The deferred inflows of resources are related to the WRS pension system and deferred property tax revenue.

T. Unamortized Major Repairs

The water utility painted the water tower in 2016 at a cost of \$616,205. This amount is being amortized to expense over seven-years per authorization from the PSC. The balance at December 31, 2018 was \$352,116.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS

At December 31, 2018, cash and investments included the following:

Wisconsin Local Government Investment Pool	\$	327,056
Petty cash		600
Deposits with financial institutions		10,933,002
U.S. agencies - implicitly guaranteed		817,417
Total cash and investments	\$	12,078,075

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Exhibit A-1:		
Cash and investments	\$	8,152,013
Cash and investments-restricted		1,435,365
Exhibit A-10:		
Cash and investments		2,490,697
Total cash and investments	\$	12,078,075

Investments Authorized by Wisconsin State Statutes

Investment of City funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City has chosen to limit its investments to 1 to 3 years in bank Certificates of Deposit or U.S. Treasury obligations of core city funds.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity	
		12 Months or Less	13 to 24 Months
Certificates of deposit	\$ 815,173	\$ 615,177	\$ 199,996
Local Government Investment Pool	327,056	327,056	
U.S. agencies - implicitly guaranteed	817,417	817,417	
Totals	\$ 1,959,646	\$ 1,759,650	\$ 199,996

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City is empowered by statute to invest in the following types of investments:

1. Time deposits in an authorized bank, savings bank, trust company, credit union or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than 3 years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government.
3. The State of Wisconsin Local Government Investment Pool.
4. The Wisconsin Investment Trust.
5. Mortgage backed securities, derivatives, and mutual funds are not permitted.

All investments reported as U.S. agencies – implicitly guaranteed have been rated AA+ by Standard & Poor's. As of December 31, 2018, the City's investments in the Wisconsin Local Government Investment Pool were not rated.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in possession of another party.

The City's investment policy states that the City shall maintain all cash and investments, which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the City, in the City's name. Collateralization in some form shall cover those deposits in excess of \$500,000.

The policy also states that because of the State of Wisconsin and FDIC insurance limits on public deposits, the City of Dodgeville will require financial institutions to secure deposits and investments by pledging as collateral, U.S. Treasury bills, notes, bonds, U. S. Government Agencies or State of Wisconsin general obligation bonds or a bank deposit guaranty bond.

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

As of December 31, 2018, \$9,152,181 of the City's deposits with financial institutions were in excess of federal depository insurance limits. Of this amount, \$9,018,987 was collateralized by securities pledged by financial institutions and \$133,194 would be insured by the of State of Wisconsin Guarantee Fund provided funds are available at the time of any potential loss.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year being exposed to custodial credit risk.

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the LGIP as of December 31, 2018 was: 87.25% in U.S. Government Securities, 2.19% in Bankers' Acceptances, and 10.56% in Corporate Notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). TD Ameritrade's SIPC membership provides account protection up to a maximum of \$500,000 per customer. The City's total investment is \$817,417, of which \$500,000 would be covered by SIPC and the remaining \$317,417 would be uninsured. This amount would be collateralized by TD Ameritrade's supplemental security protection.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. At December 31, 2018, the City's investments were concentrated as follows:

Issuer	Investment Type	Investment %
FHLB	U.S. agencies - implicitly guaranteed	29.0%
FFCB	U.S. agencies - implicitly guaranteed	12.7%

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

The District uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the District’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The District uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

	Assets at Fair Value as of December 31, 2018	
	Fair Value	Level 1
U.S. agencies - implicitly guaranteed	\$ 817,417	\$ 817,417

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Construction work in progress	\$ 105,318	\$ 25,073	\$ (99,318)	\$ 31,073
Land	1,732,325	822,616		2,554,941
Total capital assets not being depreciated	<u>1,837,643</u>	<u>847,689</u>	<u>(99,318)</u>	<u>2,586,014</u>
Other capital assets:				
Land improvements	199,079	61,360		260,439
Buildings and improvements	3,547,943			3,547,943
Equipment	2,826,980	318,500	(217,389)	2,928,091
Vehicles	3,101,546			3,101,546
Furniture and fixtures	98,539			98,539
Infrastructure	13,131,807	53,254		13,185,061
Total other capital assets at historical costs	<u>22,905,894</u>	<u>433,114</u>	<u>(217,389)</u>	<u>23,121,619</u>
Less accumulated depreciation for:				
Land improvements	21,561	7,235		28,796
Buildings and improvements	1,647,066	84,849		1,731,915
Equipment	1,872,455	163,599	(207,384)	1,828,670
Vehicles	2,405,063	112,477		2,517,540
Furniture and fixtures	98,539			98,539
Infrastructure	7,228,143	314,017		7,542,160
Total accumulated depreciation	<u>13,272,827</u>	<u>682,177</u>	<u>(207,384)</u>	<u>13,747,620</u>
Net other capital assets	<u>9,633,067</u>	<u>(249,063)</u>	<u>(10,005)</u>	<u>9,373,999</u>
Total net capital assets	<u>\$ 11,470,710</u>	<u>\$ 598,626</u>	<u>\$ (109,323)</u>	<u>\$ 11,960,013</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 32,395
Public safety	193,852
Public works, which includes the depreciation of infrastructure	356,993
Leisure activities	96,189
Health and human services	2,748
Total governmental activities depreciation expense	<u>\$ 682,177</u>

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land and land rights:				
Sewer	\$ 35,255	\$	\$	\$ 35,255
Water	17,799			17,799
Construction work in progress	29,630		(29,630)	
Total capital assets not being depreciated	82,684		(29,630)	53,054
Capital assets being depreciated:				
Water:				
Source of supply	419,275			419,275
Pumping	1,239,654			1,239,654
Water treatment	21,430			21,430
Transmission and distribution	8,484,480	694,873	(75,325)	9,104,028
General	140,909	8,661	(5,000)	144,570
Sewer:				
Collecting system	7,114,550	396,700	(93,000)	7,418,250
Collecting system pumping plant	539,706			539,706
Treatment and disposal plant	8,753,501	57,112		8,810,613
General plant	1,019,329	7,971	(5,000)	1,022,300
Total capital assets being depreciated	27,732,834	1,165,317	(178,325)	28,719,826
Total accumulated depreciation	6,516,314	521,655	(178,325)	6,859,644
Net capital assets being depreciated	21,216,520	643,662		21,860,182
Total net capital assets	\$21,299,204	\$ 643,662	\$	\$21,913,236

Depreciation expense was charged to functions as follows:

Business-type activities:

Sewer utility	\$ 287,495
Water utility	234,160
Total depreciation expense	521,655
Less: water depreciation expense allocated to sewer	(16,478)
Total depreciation expense per exhibit A-8	\$ 505,177

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within One Year
<u>Governmental activities</u>					
Bonds and notes payable:					
General obligation debt	\$ 2,259,205	\$ 400,000	\$ (768,780)	\$ 1,890,425	\$ 388,243
Less: deferred amount on refunding	(38,985)		5,998	(32,987)	
Less: unamortized debt discount	(7,138)		1,098	(6,040)	
Total bonds and notes payable	<u>2,213,082</u>	<u>400,000</u>	<u>(761,684)</u>	<u>1,851,398</u>	<u>388,243</u>
Other liabilities:					
Compensated absences	238,410	32,337	(5,714)	265,033	
Total governmental activities long-term liabilities	<u>\$ 2,451,492</u>	<u>\$ 432,337</u>	<u>\$ (767,398)</u>	<u>\$ 2,116,431</u>	<u>\$ 388,243</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within One Year
<u>Business-type activities</u>					
Bonds and notes payable:					
General obligation debt	\$ 1,062,405	\$	\$ (257,509)	\$ 804,896	\$ 267,016
Less: deferred amount on refunding	(6,385)		982	(5,403)	
Less: unamortized debt discount	(3,059)		546	(2,513)	
Mortgage revenue bonds	3,467,963	47,924	(485,947)	3,029,940	142,006
Total bonds and notes payable	<u>4,520,924</u>	<u>47,924</u>	<u>(741,928)</u>	<u>3,826,920</u>	<u>409,022</u>
Other liabilities:					
Compensated absences	91,005	2,801		93,806	49,845
Total business-type activities long-term liabilities	<u>\$ 4,611,929</u>	<u>\$ 50,725</u>	<u>\$ (741,928)</u>	<u>\$ 3,920,726</u>	<u>\$ 458,867</u>

The compensated absences liability attributed to governmental activities are typically being liquidated in the general fund.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2018 was \$19,311,250. Total general obligation debt outstanding at year-end was \$2,695,321.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/18
<u>Governmental activities</u>					
General obligation debt:					
General obligation bonds	7/1/10	3/1/24	3.50-4.00%	\$ 2,760,233	\$ 706,932
General obligation refunding bond	4/26/12	3/1/24	2.50-3.45%	975,000	525,000
General obligation notes	9/30/16	9/29/26	1.79%	250,000	203,590
General obligation notes	6/30/17	6/29/27	2.20%	500,000	454,903
Total governmental activities - general obligation debt					<u>\$ 1,890,425</u>

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/18
<u>Business-type activities</u>					
General obligation debt:					
General obligation bonds	7/1/10	3/1/24	3.50-4.00%	\$ 1,124,767	\$ 288,068
General obligation notes	6/1/16	6/1/21	1.35%	850,000	516,828
Total business-type activities - general obligation debt					<u>\$ 804,896</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2019	\$ 388,243	\$ 50,131	\$ 267,016	\$ 15,793
2020	401,798	38,057	272,220	10,039
2021	211,448	28,817	196,234	5,532
2022	221,512	22,515	23,161	2,299
2023	226,608	15,790	24,609	1,361
2024-2028	440,816	18,297	21,656	434
Totals	<u>\$ 1,890,425</u>	<u>\$ 173,607</u>	<u>\$ 804,896</u>	<u>\$ 35,458</u>

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the utility.

Revenue debt payable at December 31, 2018 consists of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Amount	Balance 12/31/18
<u>Business-type activities</u>					
Revenue debt					
Revenue bonds	12/28/16	5/1/36	1.96%	\$3,221,580	<u>\$ 3,029,940</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities		
	Revenue Debt		
	Principal	Interest	Total
2019	\$ 142,006	\$ 57,995	\$ 200,001
2020	144,790	55,185	199,975
2021	147,628	52,319	199,947
2022	150,521	49,397	199,918
2023	153,471	46,418	199,889
2024-2028	813,674	185,318	998,992
2029-2033	896,602	101,578	998,180
2034-2036	581,248	83,832	665,080
Totals	<u>\$ 3,029,940</u>	<u>\$ 632,042</u>	<u>\$ 3,661,982</u>

Other Liabilities Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

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

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year	Core Fund Adjustment	Variable Fund Adjustment
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)
2017	2.0	4.0

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 \$131,191 in contributions from the employer. Contribution rates as of December 31, 2018 are:

	<u>2018</u>	
	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with social security	6.7%	10.7%
Protective without social security	6.7%	14.9%

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

At December 31, 2018, the City reported a liability (asset) of (\$382,692) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.01288908%, which was an increase of 0.00021648% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$163,318.

Pension amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the proprietary funds and business-type activities relative to the total contributions made by the City.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 486,219	\$ 227,437
Net differences between projected and actual earnings on pension plan investments		525,975
Changes of assumptions	75,612	
Changes in proportion and differences between employer contributions and proportionate share of contributions	856	8,882
Employer contributions subsequent to the measurement date	136,821	
Total	\$ 699,508	\$ 762,294

\$136,821 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	Net Outflows (Inflows) of Resources
2019	\$ 38,723
2020	(6,423)
2021	(132,771)
2022	(100,047)
2023	911
Total	\$ (199,607)

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

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

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Asset Allocation Targets and Expected Returns As of December 31, 2017			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0
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			

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Sensitivity of the City of Dodgeville'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)	\$990,155	\$(382,692)	\$(1,426,098)

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

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 7

INTERFUND ACCOUNTS

Interfund receivables and payables as of December 31, 2018 were as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Water utility	\$ 195,781

The following is a schedule of interfund advances at December 31, 2018:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
Capital projects	General	\$ 267,387
Capital projects	TIF #2	514,375
Capital projects	Water	1,286,200
Capital projects	Sewer	1,290,470
	Total	\$ 3,358,432

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
Governmental Funds:		
General	Water utility-tax equivalent	\$ 200,707
General	Smith trust	27
General	Capital projects	20,438
Debt service	General	404,168
	Total	\$ 625,340
Proprietary Funds:		
General	Water utility tax equivalent	\$ 195,781

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (3) move fund balances whose designated purpose has been removed.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 8

RESTRICTED CASH

Mortgage Revenue Bond Funds: Certain proceeds of the sewer utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The following mortgage revenue bond funds are required:

- Operation and Maintenance Fund - Used for the payment of current expenses.
- Debt Service Fund - Used to segregate resources accumulated for debt service payments as they become due.
- Surplus Fund - Any amount remaining after the requirements above have been completed.

Sewer Replacement Fund: The Wisconsin Department of Natural Resources required as a condition of the sewer grant that a replacement fund be established and funded on an annual basis. The sewer utility maintains its fund to replace equipment for the utility as needs arise.

At December 31, 2018, restricted cash was as follows:

	<u>Restricted Cash</u>
Mortgage revenue bond funds	\$ 46,213
DNR replacement fund	<u>1,036,010</u>
Total	<u><u>\$ 1,082,223</u></u>

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 9

DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer inflow recognition in connection with resources that have been received, but not yet earned. At December 31, 2018 the various components of deferred inflows of resources were as follows:

Property tax receivable	\$ 3,015,424
Tax increment receivable	455,782
Special assessments not yet due	44,650
2018 tax equivalent from water utility	195,781
Total	\$ 3,711,637

Postponed special assessments are generally collectible in annual installments over five years while others have been deferred until the property is sold or placed in service.

NOTE 10

GOVERNMENTAL ACTIVITIES NET POSITION/GOVERNMENTAL FUND BALANCES

Governmental activities net position reported on the government wide statement of net position at December 31, 2018 includes the following:

GOVERNMENTAL ACTIVITIES

Net investment in capital assets:	
Land and construction work in progress	\$ 2,586,014
Other capital assets, net of accumulated depreciation	9,373,999
Less: related long-term debt outstanding	(1,365,425)
Add: deferred amount on refunding	32,987
Add: unamortized debt discount	6,040
Total net investment in capital assets	10,633,615
Restricted for:	
TIF District #2	258,445
Debt service	231,851
Donor restricted	217,062
Perpetual care endowment:	
Expendable	3,209
Leisure and culture endowment:	
Nonexpendable	103,000
Library activities	20,152
Total restricted	833,719
Unrestricted	5,980,156
Total government activities net position	\$ 17,447,490

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 GOVERNMENTAL ACTIVITIES NET POSITION/GOVERNMENTAL FUND BALANCES (CONTINUED)

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 includes the following:

Major Funds:	
General Fund:	
Nonspendable:	
Prepaid expenditures	\$ 32,728
Restricted for:	
Harris Park donation	\$ 217,062
Assigned for:	
Council	\$ 654
City attorney	7,871
Codification of ordinances	22,002
Law-outside services	5,423
Clerk	13,732
Elections	13,136
Treasurer	1,409
Assessment of property	25,681
Public notices	3,966
Flex plan administration	2,047
Police department	274,531
Police training	12,486
Criminal justice scholarship	1,935
Fire department	100,344
Ambulance	45,137
Emergency warning system	4,699
Public works director	11,375
Engineering	7,305
Cemetery	67,114
Cable TV educational programs	21,772
Parks	22,686
Historic preservation walking tour	1,805
Recreation	13,945
Swimming pool	5,489
Swimming pool concessions	890
Swim team	3,543
Historic preservation	460
Harris park fund	29,042

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 GOVERNMENTAL ACTIVITIES NET POSITION/GOVERNMENTAL FUND BALANCES (CONTINUED)

Assigned for (continued):

Assessor outlay	10,762
Ambulance outlay (building-equipment)	81,523
Police outlay	6,577
Fire outlay (equipment)	21,906
Fire outlay (building)	16,489
Cemetery outlay	15,472
Wilson park outlay	6,773
Parks outlay	40,052
Park improvement outlay	32,893
Wilson park donations	3,098
Forestry outlay (Iowa street trees)	1,834
Slag furnace restoration	5,857
Sick Leave:	
Clerk	3,258
Assessor	23,535
Police	62,720
Public works	6,618
Streets	5,198
Parks	25,665
Total assigned	<u>\$ 1,090,709</u>

Capital Improvements Fund:

Nonspendable:

Prepaid expenditures	\$ 394,836
Advances to other funds	3,358,432
Total nonspendable	<u>\$ 3,753,268</u>
Unassigned (deficit)	<u>\$ (280,341)</u>

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 GOVERNMENTAL ACTIVITIES NET POSITION/ GOVERNMENTAL FUND BALANCES (CONTINUED)

TIF District #2

Restricted for:

TIF expenditures	\$ 258,445
------------------	------------

Special Purpose Library:

Restricted for:

Library technology & equipment	\$ 7,477
--------------------------------	----------

Library - building project	4,480
----------------------------	-------

Library - other	8,195
-----------------	-------

Total restricted	<u>\$ 20,152</u>
------------------	------------------

Debt Service:

Restricted for:

Debt service	<u>\$ 251,642</u>
--------------	-------------------

Non-major Funds:

Campbell Trust:

Nonspendable:

Permanent	<u>\$ 103,000</u>
-----------	-------------------

Smith Trust:

Restricted for:

Perpetual care	<u>\$ 3,209</u>
----------------	-----------------

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 11

NET POSITION RESTRICTION – PROPRIETARY FUNDS

Portions of net position are restricted and are not available for current expenses as follows:

Proprietary Funds:	
Sewer utility	
Restricted for mortgage revenue bonds	\$ 46,213
Restricted for DNR replacement	<u>1,036,010</u>
Total	<u><u>\$ 1,082,223</u></u>

NOTE 12

CONCENTRATION OF RISK

Approximately 11.2% of the City's tax revenue is provided by one taxpayer.

NOTE 13

TAX LEVY LIMIT

Wisconsin Act 32 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under 2011 Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. All exceptions and modifications to levy limits that existed under previous law continue to apply.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the City adopts a new fee or a fee increase for covered services such as garbage collection, fire protection, snow plowing, street sweeping, and storm water management (which were partly or wholly funded by property tax levy), the City must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 14

TAX INCREMENTAL FINANCING DISTRICT

The City of Dodgeville, Wisconsin Tax Incremental Financing District (TID) was created under the provisions of Wisconsin Statute Section 66.46. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

Project costs may not be incurred up to five years before the District's mandatory termination date. Statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or for a maximum of 27 years (TIDs created before October 1, 1995). TIDs created after September 30, 1995 but before October 1, 2004 have a maximum life of 27 years for blight elimination districts and 23 years for industrial and mixed-use TIDs. TIDs created after October 1, 2004 will have a maximum life of 27 years for blight elimination districts and 20 years for industrial and mixed-use TIDs. An industrial and mixed-use TID has the option to extend the maximum life by 5 years. Project costs uncollected at the dissolution date are absorbed by the municipality.

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Final Dissolution Date</u>
District #2	9/28/98	9/28/16	9/28/21

Following is the cumulative status of the TID as of December 31, 2018:

	<u>TID #2</u>
Revenues	
Taxes	\$ 4,605,685
Interest	40,760
Intergovernmental-computer aid	123,008
Developer repayments	39,207
	4,808,660
Expenditures	
Construction	3,338,620
Administration	164,980
Professional services	31,940
Interest and refunding costs	1,503,460
	5,039,000
Amount to be (recovered) through future increments	\$ (230,340)
Cash	\$ (789,959)
Accounts Payable	17,139
Due to other funds	514,375
Long-term debt outstanding	488,785
Amount to be recovered through future increments	\$ 230,340

The amount to be recovered shown above will be increased by interest payments made in the future and may be increased by interest charged on the advances from other funds.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 15

PURCHASE COMMITMENTS/SUBSEQUENT EVENTS

Prior to December 31, 2018, the City approved purchasing accounting software, setup and training. As of December 31, 2018, the City owed \$23,917 for 2019 and \$23,916 for 2020.

On September 18, 2018, the City approved the purchase of an ambulance. The ambulance was purchased in July 2019 for \$245,037.

Subsequent to December 31, 2018, the City approved street and infrastructure reconstruction for approximately \$1,485,000, a camera project for approximately \$160,000, and property purchases totaling approximately \$234,000. The City also approved a 60 month backhoe lease for \$924.91/month and a 60 month loader lease for \$1,783.02/month.

NOTE 16

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 87, *Leases*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests*. When these become effective, application of these standards may restate portions of these financial statements.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 17

COMPONENT UNIT

A. Cash and Investments

At December 31, 2018, the cash and investments included the following:

Deposits with financial institutions	<u>\$ 65,962</u>
--------------------------------------	------------------

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments - restricted	<u>\$ 65,962</u>

Investments Authorized by Wisconsin State Statutes

See Note 3 for list of authorized investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Housing Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Housing Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Housing Authority's investments by maturity:

		<u>Remaining Maturity</u>
<u>Investment Type</u>	<u>Amount</u>	<u>12 Months or less</u>
Certificates of deposit	\$ 21,180	<u>\$ 21,180</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Housing Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Housing Authority would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Housing Authority would not be able to recover the value of its investment of collateral securities that are in possession of another party. The Housing Authority does not have an investment policy for custodial credit risk.

City of Dodgeville, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 17

COMPONENT UNIT (CONTINUED)

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

At December 31, 2018, all deposits were covered by FDIC insurance.

Concentration of Credit Risk

The Housing Authority places no limit on the amount the Housing Authority may invest in any one issuer.

Required Supplementary Information

Exhibit B-1
Required Supplementary Information
City of Dodgeville, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 2,226,352	\$ 1,826,352	\$ 1,795,993	\$ (430,359)	\$ (30,359)
Special assessments			921	921	921
Intergovernmental	791,333	791,333	798,236	6,903	6,903
Licenses and permits	97,700	97,700	103,916	6,216	6,216
Fines and forfeitures	20,500	20,500	21,074	574	574
Public charges for services	355,088	355,088	373,973	18,885	18,885
Intergovernmental charges for services	427,500	427,500	406,452	(21,048)	(21,048)
Interest income	27,340	27,340	107,924	80,584	80,584
Miscellaneous	25,614	25,614	20,946	(4,668)	(4,668)
Total revenues	<u>3,971,427</u>	<u>3,571,427</u>	<u>3,629,435</u>	<u>(341,992)</u>	<u>58,008</u>
EXPENDITURES					
Current:					
General government	709,651	709,651	727,836	(18,185)	(18,185)
Public safety	2,102,003	2,102,003	1,515,415	586,588	586,588
Public works	610,760	610,760	627,064	(16,304)	(16,304)
Sanitation	235,000	235,000	242,094	(7,094)	(7,094)
Leisure activities	467,302	467,302	356,544	110,758	110,758
Conservation & economic development	453,000	853,000	962,292	(509,292)	(109,292)
Health & social services	157,114	157,114	85,126	71,988	71,988
Capital outlay	385,625	385,625	174,207	211,418	211,418
Total expenditures	<u>5,120,455</u>	<u>5,520,455</u>	<u>4,690,578</u>	<u>429,877</u>	<u>829,877</u>
Excess (deficiency) of revenues over over expenditures	<u>(1,149,028)</u>	<u>(1,949,028)</u>	<u>(1,061,143)</u>	<u>87,885</u>	<u>887,885</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt proceeds		400,000	400,000	400,000	
Transfers in	190,000	190,000	221,172	31,172	31,172
Transfers out			(404,168)	(404,168)	(404,168)
Unrealized gain on investments			19,781	19,781	19,781
Sale of capital assets	5,000	5,000	52,273	47,273	47,273
Total other financing sources	<u>195,000</u>	<u>595,000</u>	<u>289,058</u>	<u>94,058</u>	<u>(305,942)</u>
Net change in fund balance	(954,028)	(1,354,028)	(772,085)	181,943	581,943
Fund balances-beginning	3,773,153	3,773,153	3,773,153		
Fund balances-ending	<u>\$ 2,819,125</u>	<u>\$ 2,419,125</u>	<u>\$ 3,001,068</u>	<u>\$ 181,943</u>	<u>\$ 581,943</u>

Exhibit B-2
Required Supplementary Information
City of Dodgeville, Wisconsin
Budgetary Comparison Schedule for the Special Purpose Library Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original	Final
	to Actual	to Actual		to Actual	to Actual
REVENUES					
Taxes	\$ 283,319	\$ 283,319	\$ 283,319	\$	\$
Intergovernmental	89,785	89,785	88,928	(857)	(857)
Fines and forfeits	3,637	3,637	1,672	(1,965)	(1,965)
Public charges for services	3,000	3,000	3,168	168	168
Interest income	150	150	545	395	395
Miscellaneous	500	500	1,828	1,328	1,328
Total revenues	<u>380,391</u>	<u>380,391</u>	<u>379,460</u>	<u>(931)</u>	<u>(931)</u>
EXPENDITURES					
Current:					
Leisure activities	<u>380,391</u>	<u>380,391</u>	<u>378,184</u>	<u>2,207</u>	<u>2,207</u>
Total expenditures	<u>380,391</u>	<u>380,391</u>	<u>378,184</u>	<u>2,207</u>	<u>2,207</u>
Excess (deficiency) of revenues over expenditures			1,276	1,276	1,276
Fund balances-beginning	<u>18,876</u>	<u>18,876</u>	<u>18,876</u>		
Fund balances-ending	<u>\$ 18,876</u>	<u>\$ 18,876</u>	<u>\$ 20,152</u>	<u>\$ 1,276</u>	<u>\$ 1,276</u>

Exhibit B-3
City of Dodgeville, Wisconsin
Wisconsin Retirement System Schedules
December 31, 2018

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

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2017	(0.01288908%)	\$ (382,692)	\$ 1,618,689	(23.64%)	(102.93%)
2016	0.01267260%	104,452	1,597,156	6.54%	99.12%
2015	0.01259840%	204,722	1,638,029	12.50%	98.20%
2014	(0.01223579%)	(300,462)	1,515,979	(19.82%)	(102.74%)

*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Calendar Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 136,821	\$ (136,821)		\$ 1,672,278	8.18%
2017	132,303	(132,303)		1,618,690	8.17%
2016	120,945	(120,945)		1,597,156	7.57%
2015	126,698	(126,698)		1,638,029	7.73%

**The contribution and other amounts presented above for each calendar year are based on information that occurred during that calendar year.

City of Dodgeville, Wisconsin
Notes to the Required Supplementary Information
December 31, 2018

NOTE 1

BUDGET SCHEDULE

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C to the financial statements.

The City budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and designated carryovers from the prior year. Revisions to the original budget are required by a statutory provision which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Revisions require a majority vote of the Common Council. Appropriations for the general fund lapse at year end unless specifically carried forward by council action. A formal budget is not required for TIF district No. 2. Control for the TIF district fund is maintained by comparison to the project plan.

The City does not utilize encumbrances in its budget process but does take into consideration certain appropriations, which do not lapse on an annual basis.

NOTE 2

EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2018:

<u>Expenditures</u>	<u>Excess</u>
General government	\$ 18,185
Public works	16,304
Sanitation	7,094
Conservation & economic development	109,292
Transfer out	404,168

NOTE 3

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively; therefore, the illustrations do not present similar information for the 6 preceding years.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

Supplementary Information

Exhibit C-1
City of Dodgeville, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Permanent Funds		
	Smith Trust	Campbell Trust	Total
ASSETS			
Cash and investments	\$ 3,209	\$ 103,000	\$ 106,209
Total assets	\$ 3,209	\$ 103,000	\$ 106,209
FUND BALANCES			
Nonspendable		103,000	103,000
Restricted	3,209		3,209
Total fund balances	3,209	103,000	106,209
Total deferred inflows of resources and fund balances	\$ 3,209	\$ 103,000	\$ 106,209

Exhibit C-2
City of Dodgeville, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Permanent Funds		Total
	Smith Trust	Campbell Trust	
REVENUES			
Interest income	\$ 27	\$ 645	\$ 672
Total revenues	27	645	672
EXPENDITURES			
Current:			
Cemetery expenditures		645	645
Total expenditures		645	645
Excess (deficiency) of revenues over expenditures	27		27
OTHER FINANCING SOURCES (USES)			
Transfers out	(27)		(27)
Total other financing sources (uses)	(27)		(27)
Net change in fund balances			
Fund balances-beginning	3,209	103,000	106,209
Fund balances-ending	\$ 3,209	\$ 103,000	\$ 106,209