

**LAKE COUNTRY FIRE & RESCUE**

**FINANCIAL STATEMENTS**

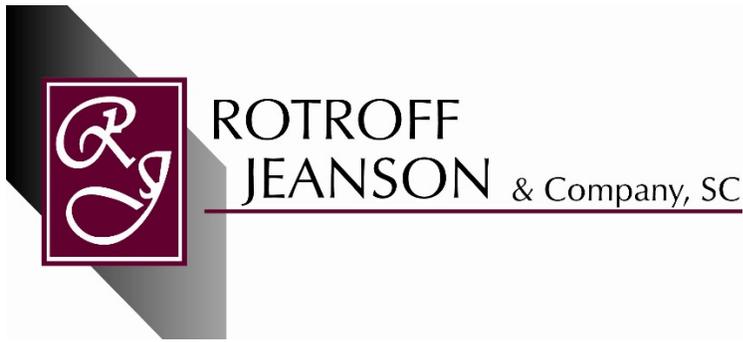
**DECEMBER 31, 2018**

LAKE COUNTRY FIRE & RESCUE

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## **Independent Auditors' Report**

Fire & Rescue Board  
Lake Country Fire & Rescue  
Waukesha County, Wisconsin

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Country Fire & Rescue as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Lake Country Fire & Rescue's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lake Country Fire & Rescue as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3(F), Lake Country Fire & Rescue adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Accordingly, beginning net position of governmental activities was restated. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 Government 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 the missing information.



Delafield, Wisconsin  
June 17, 2019

LAKE COUNTRY FIRE & RESCUE  
STATEMENT OF NET POSITION  
Governmental Activities  
December 31, 2018

Assets:	
Current assets:	
Cash and cash equivalents	\$ 692,689
Accounts receivable (net)	311,028
Prepaid expenses	19,890
Supplies inventory	22,597
Non-current assets:	
Net pension asset	305,227
Capital assets:	
Non-depreciable:	
Construction in progress	59,000
Depreciable:	
Capital assets, net of accumulated depreciation	1,467,793
Total assets	<u>2,878,224</u>
Deferred Outflows of Resources:	
Deferred outflows related to pensions and other post-employment benefits	<u>619,204</u>
Liabilities:	
Current liabilities:	
Accounts payable	21,263
Accrued payroll	42,413
Other liabilities	5,155
Non-current liabilities:	
Post-employment benefits payable	105,054
Total liabilities	<u>173,885</u>
Deferred Inflows of Resources:	
Deferred inflows related to pensions and other post-employment benefits	<u>605,663</u>
Net Position:	
Net investment in capital assets	1,526,793
Restricted	299,219
Unrestricted	891,868
Total net position	<u>\$ 2,717,880</u>

The accompanying notes are an integral part of these financial statements

LAKE COUNTRY FIRE & RESCUE  
STATEMENT OF ACTIVITIES  
Governmental Activities  
Year Ended December 31, 2018

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government:					
Direct expenses:					
Public safety	\$ <u>2,328,316</u>	<u>2,199,149</u>	<u>74,989</u>	<u>811,655</u>	<u>757,477</u>
Total primary government	\$ <u><u>2,328,316</u></u>	<u><u>2,199,149</u></u>	<u><u>74,989</u></u>	<u><u>811,655</u></u>	<u><u>757,477</u></u>
General revenues:					
					\$ <u>23,243</u>
					<u>23,243</u>
					780,720
					<u>1,937,160</u>
					\$ <u><u>2,717,880</u></u>

The accompanying notes are an integral part of these financial statements

LAKE COUNTRY FIRE & RESCUE  
BALANCE SHEET  
Governmental Funds  
December 31, 2018

		General Fund
Assets:		
Cash and cash equivalents	\$	692,689
Accounts receivable		102,325
Prepaid expenditures		19,890
Total assets	\$	814,904
Liabilities and Fund Balance:		
Liabilities:		
Accounts payable	\$	21,263
Accrued payroll		42,413
Other liabilities		5,155
Total liabilities		68,831
Fund Balance:		
Nonspendable		19,890
Restricted		3,473
Committed		151,672
Assigned		173,093
Unassigned		397,945
Total fund balance		746,073
Total liabilities and fund balance	\$	814,904

The accompanying notes are an integral part of these financial statements

LAKE COUNTRY FIRE & RESCUE  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
Governmental Funds  
December 31, 2018

Total fund balances - governmental funds	\$	746,073
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain accounts receivable are not available soon enough after year-end to pay for the current year's expenditures, and therefore are not reported in the governmental funds		208,703
Inventory items on hand at the end of the year are reported as assets in the statement of net position. In the fund financial statements these are considered expenditures at the time of purchase.		22,597
The net pension asset does not relate to current financial uses and is not reported in the governmental funds.		305,227
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 2,144,142	
Less: Accumulated depreciation	<u>(617,349)</u>	1,526,793
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and therefore are not reported in the governmental funds.		13,541
The liability for post-employment benefits payable does not relate to current financial uses and is not reported in the governmental funds.		<u>(105,054)</u>
Total net position - governmental activities	\$	<u><u>2,717,880</u></u>

The accompanying notes are an integral part of these financial statements

LAKE COUNTRY FIRE & RESCUE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Governmental Funds  
Year Ended December 31, 2018

		<u>General Fund</u>
Revenues:		
Intergovernmental	\$	71,304
Public charges for services		948,214
Intergovernmental charges for services:		
Operations		1,214,315
Capital		811,655
Interest		23,243
Miscellaneous		<u>27,722</u>
		<u>3,096,453</u>
 Expenditures:		
Public safety:		
Current		2,155,149
Capital outlays		<u>935,316</u>
		<u>3,090,465</u>
 Net change in fund balance		 5,988
 Fund balance, January 1		 <u>740,085</u>
 Fund balance, December 31	\$	 <u><u>746,073</u></u>

The accompanying notes are an integral part of the financial statements

LAKE COUNTRY FIRE & RESCUE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
Governmental Funds  
Year Ended December 31, 2018

Net change in fund balances - total governmental funds	\$	5,988
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues recorded in the statement of activities include items earned in the current year, even though they do not provide financial resources for the governmental funds.		12,583
Increases of inventory at the end of the year increases assets in the statement of net position. In the fund financial statements these are considered expenditures at the time of purchase.		8,048
Governmental funds report pension and other post-employment contributions as expenditures. In the Statement of Activities, however, the cost of benefits earned net of employee contributions is reported as expense.		(11,784)
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, however, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital purchases (\$879,945) exceeds depreciation expense (\$129,098)		750,847
Repayment of long-term debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		<u>15,038</u>
Change in net position of governmental activities	\$	<u><u>780,720</u></u>

The accompanying notes are an integral part of these financial statements

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

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LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies**

The accounting and reporting policies of Lake Country Fire & Rescue (the "Department") included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

Lake Country Fire & Rescue is a joint municipal fire department created on January 1, 2010 by an intergovernmental agreement, under Section 66.0301 of the Wisconsin State Statutes between the Village of Chenequa, Village of Nashotah, and the City of Delafield. The Department provides fire protection, rescue operations, emergency medical and paramedic services, water rescue, fire prevention and education, and inspections to those municipalities.

The Department is governed by a six-member fire board. The Board is comprised of two appointed members from each of the three municipalities. The appointed board members must be residents of the municipality from which they are appointed and cannot be members of the Department in any capacity or Fire Commission members. Members serve staggered two-year terms.

The agreement remains in effect in perpetuity unless a participating member terminates the agreement by providing written notice to the other members of at least two years. In the event of termination of the current agreement the Fire Board is authorized to sell the Department's assets at appraised values.

This report includes all of the funds of Lake Country Fire & Rescue. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable and 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. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

**B. Government-Wide and Fund Financial Statements**

In June 2015, the GASB issued statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented January 1, 2018.

**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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

**B. Government-Wide and Fund Financial Statements – continued**

**Government-Wide Financial Statements - continued**

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. Other items not included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds. Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. Major individual governmental funds are reported in separate columns in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Department 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 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 fund that met the 10 percent test is at least 5 percent of the corresponding total for all funds combined.
- c. In addition, any other fund that the Department believes is particularly important to financial statement users may be reported as a major fund.

The Department reports the following major governmental fund:

*General Fund* – The general fund accounts for the Department’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

The Department has no other major or non-major governmental funds.

**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. Accordingly, all the Department’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

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

**Government-Wide Financial Statements - continued**

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. Intergovernmental charges to the participating municipalities are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

**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 Department considers revenues to be available if they are collected within sixty 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 as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Ambulance transport fees, fire inspection fees and other reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

**1. Deposits and Investments**

Wisconsin municipalities are authorized by statute to invest idle funds in the following institutions and investments:

- a. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, which is authorized to transact business in this state.
- b. 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.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.
- d. Bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district or local cultural arts district.
- e. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued**

**1. Deposits and Investments - continued**

- f. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- g. Securities of an open-end management investment company or investment trust (mutual fund), if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:
  - 1. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
  - 2. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
  - 3. Repurchase agreements fully collateralized by bonds or securities under (g) 1 or 2.
- h. Bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities.
- i. The Local Government Pooled Investment Fund.
- j. Repurchase agreements with public depositories, if federal bonds or securities secure the agreement.

Investments made during 2018 were held in the Department's name and were in accordance with those allowable by state statutes.

**2. Inventories**

**Government – Wide Statements**

Governmental inventories are valued at cost on a first in, first out basis. Inventory consists of expendable supplies held for consumption and is reported as an asset in the government-wide statements. Costs are recorded as expenditures at the time individual inventory items are consumed.

**Fund Financial Statements**

In the fund financial statements expenditures are recorded at the time individual inventory items are purchased.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

**4. Restricted Assets**

Restricted assets are reported in connection with net pension assets which must be used to fund employee benefits.

**5. Capital Assets**

**Government – Wide Statements**

In the government-wide financial statements, capital assets are defined by the Department as assets with an initial cost of more than \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their acquisition value at the date of donation.

Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

Equipment	10-20 Years
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**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This section represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – continued**

**7. Long-Term Obligations**

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist of accrued employee benefits. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements and are accrued only to the extent that they are expected to utilize current financial resources.

**8. Pension**

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

**9. Other Post-Employment Benefits**

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

**10. Claims and Judgments**

Claims and judgments are recorded as liabilities if all of 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 as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

**11. Equity Classifications**

**Government-Wide Statements**

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

- a. Net investment in capital assets includes the Department's capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position includes assets 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.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued**

**11. Equity Classifications - continued**

- c. Unrestricted net position includes all other net positions that do not meet the definition of “net investment in capital assets” or “restricted”.

**Fund Statements**

Governmental fund equity is classified as fund balance. In accordance with Governmental Standards Board Statement No. 54 fund balance is further categorized into five classifications based on the constraints imposed on the use of these resources. These five classifications are nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable form – prepaids or inventories; or are legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- a. Restricted - This classification reflects the constraints imposed on resources externally by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- b. Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Fire Board, the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- c. Assigned - This classification reflects the amounts constrained by the Fire Board’s intent to be used for a specific purpose but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- d. Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Lake Country Fire & Rescue has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. In these circumstances GASB Statement No. 54 indicates that restricted funds are to be spent first, followed by committed funds, assigned funds and unassigned funds.

**12. Use of Estimates**

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

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(2) Detailed Notes on All Funds**

**A. Deposits**

Lake Country Fire & Rescue's deposits at December 31, 2018 were comprised of the following:

	Carrying Value	Bank Balances	Associated Risks
Demand deposits	\$ 16,284	15	Custodial credit risk
Time and savings deposits	<u>676,405</u>	<u>676,405</u>	Custodial credit risk
	\$ <u>692,689</u>	<u>676,420</u>	

The difference between the carrying value and bank balance is due to outstanding checks and deposits in transit.

At December 31, 2018, idle funds were invested in time and demand deposits of authorized depositories. Such deposits are insured in any one depository institution through federal depository insurance funds. Insurance coverage for governmental depositors depends upon the type of deposit and the location of the insured depository institution.

All time and savings deposits owned by Lake Country Fire & Rescue and held by the Department's official custodian in an insured depository institution within the State of Wisconsin are combined and insured up to \$250,000. All demand deposits owned by Lake Country Fire & Rescue and held by the Department's official custodian in an insured depository institution within the State of Wisconsin are combined 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. The term 'demand deposits' means both interest bearing and non-interest 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. For accounts held by Lake Country Fire & Rescue outside the State of Wisconsin, all time, savings, and demand deposits are combined within each depository institution and insured up to \$250,000.

In addition to FDIC insurance, there is insurance currently available through the State of Wisconsin depository insurance program, which would provide a maximum of \$400,000 of insurance on deposits in any one institution. The amount available to fund the entire Wisconsin program is limited and, therefore, the actual benefits available at a time of claim would depend upon the remaining balance in the state fund. This coverage has not been considered in computing custodial credit risk.

Custodial credit risk is the risk that in the event of a financial institution failure, Lake Country Fire & Rescue's deposits may not be returned to it. As of December 31, 2018, the total bank balance of \$676,420 was covered by federal depository insurance. Lake Country Fire & Rescue does not have a deposit policy for custodial credit risk.

**B. Receivables**

Receivables are reported in the government-wide financial statements net of the amount estimated to be uncollectible of \$273,565.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(2) Detailed Notes on All Funds - Continued**

**C. Capital Assets**

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

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
Capital Assets Not being Depreciated:				
Construction in progress	\$ -	59,000	-	59,000
Capital Assets Being Depreciated:				
Equipment	<u>1,243,697</u>	<u>841,445</u>	<u>-</u>	<u>2,085,142</u>
Total capital assets	1,243,697	900,445	-	2,144,142
Less: Accumulated Depreciation	<u>(488,251)</u>	<u>(129,098)</u>	<u>-</u>	<u>(617,349)</u>
Capital assets, net of depreciation	\$ <u>755,446</u>	<u>771,347</u>	<u>-</u>	<u>1,526,793</u>

Depreciation expense of \$129,098 was charged to the public safety function in the government-wide financial statements.

**D. Revolving Credit Agreement**

As of August 15, 2018, the Department and the member municipalities renewed a revolving credit agreement of \$250,000 with Town Bank. As of December 31, 2018, there have been no advances on it. The agreement matures August 15, 2019.

**E. Governmental Activities Net Position/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:	
Capital assets	\$ 2,144,142
Less: Accumulated depreciation	<u>(617,349)</u>
	1,526,793
Restricted	
Expendable	
Restricted for pensions	295,746
Donations for future acquisitions	3,473
Unrestricted	<u>891,868</u>
	\$ <u>2,717,880</u>

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(2) Detailed Notes on All Funds - Continued**

**E. Governmental Activities Net Position/Fund Balances – continued**

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

Nonspendable		
Prepaid expenditures	\$	19,890
Restricted		
Donations for future acquisitions		3,473
Committed		
Capital equipment		151,672
Assigned		
Future post-employment benefits		102,839
Payments to members		40,582
Kitchen remodeling		24,672
Fencing and landscape		5,000
Unassigned		<u>397,945</u>
	\$	<u>746,073</u>

**(3) Other Information**

**A. Intergovernmental Revenues**

Lake Country Fire & Rescue annually determines the amount to be collected as an intergovernmental charge from each of the three municipalities. Distribution of costs, after other budgeted revenues, are allocated to each member based upon a three-year rolling average of the following factors: Call volume - 50%, population – 15% and equalized value of improvements - 35%.

Operating budget contributions in 2018 were:

City of Delafield	\$	941,658
Village of Chenequa		137,541
Village of Nashotah		<u>135,116</u>
	\$	<u>1,214,315</u>

Contributions to Lake Country Fire & Rescue's capital budget were:

City of Delafield	\$	601,599
Village of Chenequa		94,882
Village of Nashotah		<u>115,174</u>
	\$	<u>811,655</u>

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**B. 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, 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.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**B. Defined Benefit Pension Plan - continued**

By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, 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 \$115,673 in contributions from the employer.

Contribution rates as of December 31, 2018 are:

<u>Employee Category</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, Lake Country Fire & Rescue reported an asset of \$305,227 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension 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. Lake Country Fire & Rescue’s proportion of the net pension asset was based on Lake Country Fire & Rescue’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, Lake Country Fire & Rescue’s proportion was .01028007%, which was an increase of .00032702% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 Lake Country Fire & Rescue recognized pension expense of \$137,045. At December 31, 2018, Lake Country Fire & Rescue reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**B. Defined Benefit Pension Plan - continued**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 387,799	(181,399)
Net differences between projected and actual earnings on pension plan investments	-	(419,506)
Changes in assumptions	60,306	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,906	(3,278)
Employer contributions subsequent to the measurement date	<u>126,691</u>	<u>-</u>
Total	\$ <u>594,702</u>	<u>(604,183)</u>

Deferred outflows of resources include \$126,691 related to pension resulting from Lake Country Fire & Rescue's contributions subsequent to the measurement date will be recognized as an addition to the net pension 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>	
2019	\$ 37,670
2020	3,417
2021	(100,012)
2022	(77,988)
2023	740

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

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

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

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**B. Defined Benefit Pension Plan - continued**

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 20012– 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	8.3	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.*

**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.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**B. Defined Benefit Pension Plan - continued**

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 Lake Country Fire & Rescue's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents Lake Country Fire & Rescue's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what Lake Country Fire & Rescue'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 <u>(6.20%)</u>	Current Discount Rate <u>(7.20%)</u>	1% Increase to Discount Rate <u>(8.20%)</u>
Lake Country Fire & Rescue's proportionate share of the net pension liability (asset)	\$ 789,727	\$ (305,227)	\$ (1,137,427)

**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>.

**C. Other Post-Employment Benefits**

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

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

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

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

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

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**C. Other Post-Employment Benefits - continued**

Contribution rates as of December 31, 2018 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

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

Attained Age	Basic
Under 30	\$ 0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$663 in contributions from the employer.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.*** At December 31, 2018, Lake Country Fire & Rescue reported a liability of \$105,054 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability 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. Lake Country Fire & Rescue's proportion of the net OPEB liability was based on the Department's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the Department's proportion was .034918%, which was an increase of .006241% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, Lake Country Fire & Rescue recognized OPEB expense of \$13,128.

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**C. Other Post-Employment Benefits - continued**

At December 31, 2018, Lake Country Fire & Rescue reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ (1,480)
Net difference between projected and actual investment earnings on plan investments	1,210	-
Changes of actuarial assumptions	10,152	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>13,140</u>	<u>-</u>
Total	\$ <u>24,502</u>	\$ <u>(1,480)</u>

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

<u>Year Ending December 31,</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2019	\$ 3,643
2020	3,643
2021	3,643
2022	3,643
2023	3,340
Thereafter	5,110

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

Actuarial Valuation Date	January 1, 2017
Measurement Date of Net OPEB Liability	December 31, 2017
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-Term Expected Rate of Return	5.00%
Discount Rate	3.63%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	0.2 - 5.6%
Mortality	Wisconsin 2012 Mortality Table

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**C. Other Post-Employment Benefits - continued**

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

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

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

**Sensitivity of Lake Country Fire & Rescue's proportionate share of the net OPEB liability (asset) to changes in the discount rate.** The following presents Lake Country Fire & Rescue's proportionate share of the net OPEB liability calculated using the discount rate of 3.63 percent, as well as what the Department's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	<u>1% Decrease to Discount Rate (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase to Discount Rate (4.63%)</u>
Lake Country Fire & Rescue's proportionate share of the net OPEB liability	\$ 148,481	\$ 105,054	\$ 71,728

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

LAKE COUNTRY FIRE & RESCUE  
NOTES TO FINANCIAL STATEMENTS

**(3) Other Information - Continued**

**D. Risk Management**

Lake Country Fire & Rescue is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

**E. Long-Term Obligation**

In December 2014 Lake Country Fire & Rescue and the former fire chief entered into a retirement agreement. As consideration Lake Country Fire & Rescue agreed to pay future health insurance premiums for the former chief utilizing his accumulated sick time until all benefits are expended. In 2018 expenditures totaled \$15,038 and utilized the remaining balance.

**F. Cumulative Effect of Change in Accounting Principle**

Lake Country Fire & Rescue adopted GASB issued statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* effective January 1, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service

The cumulative effect of implementing this Statement is reflected as a decrease in net position from \$2,021,936, as previously reported, to \$1,937,160 as of January 1, 2018 as follows:

Net OPEB liability	\$ 69,624
Deferred outflows related to OPEB	<u>15,152</u>
Cumulative effect of the change in accounting principle	\$ <u>84,776</u>

**G. Subsequent Events**

In preparing the financial statements, Lake Country Fire & Rescue has evaluated events and transactions for potential recognition or disclosure through June 17, 2019, the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

LAKE COUNTRY FIRE & RESCUE  
 BUDGETARY COMPARISON STATEMENT  
 General Fund  
 Year Ended December 31, 2018

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Budgetary fund balance, January 1	\$ 740,085	740,085	740,085	-
Resources (inflows):				
Member contributions	2,025,970	2,025,970	2,025,970	-
Other	<u>918,188</u>	<u>918,188</u>	<u>1,070,483</u>	<u>152,295</u>
Amounts available for appropriation	<u>3,684,243</u>	<u>3,684,243</u>	<u>3,836,538</u>	<u>152,295</u>
Charges to appropriations (outflows):				
Current:				
Public safety	2,132,503	2,132,503	2,155,149	(22,646)
Capital outlays	<u>886,655</u>	<u>952,692</u>	<u>935,316</u>	<u>17,376</u>
Total charges to appropriations	<u>3,019,158</u>	<u>3,085,195</u>	<u>3,090,465</u>	<u>(5,270)</u>
Fund balance, December 31	<u>\$ 665,085</u>	<u>599,048</u>	<u>746,073</u>	<u>147,025</u>

See independent auditors' report and accompanying notes to required supplementary information

LAKE COUNTRY FIRE & RESCUE  
WISCONSIN RETIREMENT SYSTEM  
Year Ended December 31, 2018

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/2014	0.01114764%	(\$273,817)	1,033,683	(26.49%)	102.74%
12/31/2015	0.01055324%	171,488	985,296	17.40%	98.20%
12/31/2016	0.00995305%	82,037	1,008,329	8.14%	99.12%
12/31/2017	0.01028007%	(305,227)	1,111,056	(27.47%)	102.93%

SCHEDULE OF THE DEPARTMENT'S PENSION CONTRIBUTIONS

Department Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered - Employee Payroll
12/31/2014	\$103,097	103,097	-	1,033,683	9.97%
12/31/2015	92,263	92,263	-	985,296	9.36%
12/31/2016	93,269	93,269	-	1,008,329	9.25%
12/31/2017	115,673	115,673	-	1,111,056	10.41%
12/31/2018	126,691	126,691	-	1,206,498	10.50%

See independent auditors' report and accompanying notes to required supplementary information

LAKE COUNTRY FIRE & RESCUE  
 LOCAL RETIREE LIFE INSURANCE FUND  
 Year Ended December 31, 2018

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY

Year Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2017	0.0349180%	\$105,054	1,468,402	7.15%	44.81%

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS

Department Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered - Employee Payroll
12/31/2018	\$663	663	0	1,206,498	0.05%

See independent auditors' report and accompanying notes to required supplementary information

LAKE COUNTRY FIRE & RESCUE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**(1) Budgetary Information**

Lake Country Fire & Rescue prepares an annual budget for the fire department on a basis consistent with generally accepted accounting principles. The proposed budget consists of an operating budget and a capital budget.

The Fire Board is required to submit the budget to the participating municipalities no later than October 1. All funding and expenditures must be authorized and approved by the municipalities with the final budget adopted by the municipalities no later than December 1. If the municipalities do not adopt identical budgets for the Fire Board by December 1, the last budget approved, less amounts budgeted for capital expenditures, shall be deemed to be adopted for the next calendar year.

The Fire Chief is responsible for administering the annual budget for the department and shall be accountable to the Fire Board. At no time may the Fire Chief or Fire Board or Fire Commission exceed, by any amount, the total budget. Any expenditure over the annual budget is required to receive unanimous prior approval by the municipalities. The following amendment to the original approved 2018 budget was in accordance with these requirements:

	<u>Original</u>	<u>Amended</u>
General Fund		
Expenditures:		
Capital outlays	\$ 886,655	952,692

For the year ended December 31, 2018 total expenditures exceeded approved appropriations, as amended, by \$5,270. The excess expenditures were funded by greater than anticipated revenues.

**(2) Wisconsin Retirement System Pension**

Lake Country Fire & Rescue is required to present the last ten fiscal years' data; however, the standards allow the entity to present as many years as are available until ten fiscal years are presented.

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

There were no changes in the assumptions.

**(3) Local Retiree Life Insurance Fund**

Lake Country Fire & Rescue is required to present the last ten fiscal years data; however, the standards allow the entity to present as many years as are available until ten fiscal years are presented.

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

There were no changes in the assumptions.