

**CITY OF PEWAUKEE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

**CITY OF PEWAUKEE**  
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**December 31, 2018**

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## **Independent Auditors' Report**

Common Council  
City of Pewaukee  
Waukesha County, Wisconsin

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin 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.

### **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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules of the City's proportionate share of net pension liability (asset) and employer pension contributions – Wisconsin Retirement System on pages 51 - 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pewaukee, Wisconsin's basic financial statements. The combining and individual 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 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Pewaukee's basic financial statements as of and for the year ended December 31, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pewaukee's basic financial statements as a whole. The combining and individual fund financial statements for the year ended December 31, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records

used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

*Rolf Hanson & Company*

Delafield, Wisconsin  
July 8, 2019



The City in the Country

## Office of the Mayor

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

This discussion and analysis presents the highlights of financial activities and financial position for the City of Pewaukee (City) for the year ended December 31, 2018. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budgetary comparisons, and specific issues related to funds and the economic factors affecting the City. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements, which follow this section.

### Financial Highlights

The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$145,971,718 (net position). Of this amount, \$111,368,112 relates to the net investment in capital assets. \$1,965,084 is restricted for capital projects, pension benefits and other various purposes. \$32,638,522 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2018, the City's net position increased by \$4,785,451 or 3.4%. The City's governmental activities increased \$3,844,381 while the business-type activities increased by \$941,070.

At December 31, 2018, the City's governmental funds reported combined ending fund balances of \$16,684,479, a decrease of \$579,578 from the previous year. The General Fund comprised \$6,105,770, or 36.6% of the combined fund balances. The Capital Equipment Fund comprised \$4,795,187, or 28.7% of the combined fund balances. The Storm Water Management Fund comprised \$3,714,822 or 22% of the combined fund balances. The Sport Complex Capital Project Fund ended the year with a deficit fund balance of \$123,438, which the City expects to eliminate in 2019 with donations and impact fees. Additional restricted funds from various special revenue funds totaled \$775,680.

The Common Council adopted resolutions and ordinances committing \$7,343,024 for future capital projects of which \$3,714,822 is for future storm water management, \$1,446,368 for public safety capital equipment, \$1,196,976 for public works capital equipment and a new salt shed, \$681,684 for property improvements, \$207,140 for park and recreation equipment replacement and \$96,034 for other capital needs within the City.

Components of the assigned fund balance include \$1,154,055 for future debt service expenditures, \$1,374,125 for future capital purchases, \$184,755 for road construction, \$3,231 for bike path construction and \$12,002 for community policing events.

The General Fund balance increased by \$1,241,780 in 2018 to \$6,105,770. Unassigned general fund balance was \$5,710,509 or approximately 40% of current year general fund revenues.

During 2018, the City's fixed assets, net of accumulated depreciation, increased \$2,921,745, from \$124,994,137 to \$127,915,882.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

The City's long-term obligations, including \$515,889 of vested employee benefits, totaled \$17,402,985 at December 31, 2018. At December 31, 2017 total long-term obligations had been \$17,838,718.

### **Overview of the Financial Statements**

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

#### **Management's Discussion and Analysis**

This section of the report is intended to serve as an introduction to the City's basic financial statements providing an overview of financial highlights and economic factors affecting the City.

#### **Financial Report Overview**

The City's basic financial statements are comprised of government-wide financial statements, fund financial statements and notes to these financial statements. They include required supplementary information related to budgetary comparisons for the general fund and major special revenue funds and the City's net pension asset and pension contributions. They also contain other supplementary information including combining and individual fund financial statements and statistical schedules.

#### **Government-Wide Financial Statements**

The government-wide financial statements, found on pages 16 - 17, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a picture of the assets the City owns, the liabilities it owes and the net difference as of December 31, 2018. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities focuses on gross and net costs of City activities. This statement summarizes and simplifies the user's analysis to determine the extent to which activities are self-supporting and/or subsidized by general revenues, including local tax revenues. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, net of amounts estimated to be uncollectible, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods (e.g., uncollected billings and earned but unused employee benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and judicial, health and sanitation, public works, culture and recreation, and economic development. Business-type activities include operations of the City's water and sewer utility.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds and can be found in the statements on pages 18 - 25.

### ***Governmental funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Although the City of Pewaukee maintains the following twelve governmental funds, only the general, storm water management and debt service funds are "major" funds.

- General
- Special Revenue:
  - Storm water management
  - Impact fee
  - Tourism and convention
  - Public safety grants
  - Expendable cemetery
- Debt Service
- Capital Projects:
  - Road construction
  - Sports complex
  - Capital equipment
  - Bike path construction
- Permanent:
  - Non-expendable cemetery – Perpetual care

Fund financial statements focus separately on major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's three major funds – general, storm water management and debt service. The other special revenue funds, capital project funds and the permanent fund are classified as "non-major" and are combined into a column titled "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

**Proprietary funds**

The financial statements for the City's proprietary funds follow the governmental funds and include statements of net position, revenues, expenses and changes in fund net position, and cash flows for the City's water and sewer utilities.

Proprietary funds provide the same type of information as the "business-type" activities in the government-wide statements, only in more detail. They include operations for the City's water and sewer utility.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Pewaukee's own programs.

The fiduciary fund maintained by the City is used to account for assets held by the City as an agent for individuals, private organizations, or other governments but is primarily related to current year taxes levied and collected on behalf of other taxing jurisdictions. These "agency" funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 49 of this report.

**Required Supplementary Information**

In accordance with GASB 34, budgetary comparison statements are required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The budgetary comparison statement for 2018 includes the general fund and the storm water management fund.

In accordance with GASB 82, the schedule of the City's proportionate share of the net pension asset within the Wisconsin Retirement System for the year ended December 31, 2018 and the schedule of employer pension contributions are included as required supplementary information.

Notes to required supplementary information describe the City's budgetary process, amendments to the originally approved budget and additional information related to the City's pension plan.

Required supplementary information can be found on pages 51 - 53 of this report.

**Supporting Schedules**

Readers desiring additional supplementary information can find it in the supporting schedules found on pages 54- 76, immediately following the notes to required supplementary information. These schedules include information and data about the City's non-major funds as well as providing additional detail about the City's major funds including:

- Combining statements including balance sheets and statements of revenues, expenditures, changes in fund balances, and comparative statements of net position, revenues and expenses and statements of cash flow as they relate to the proprietary funds
- Budgetary information
- Capital Assets

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

## Government-Wide Financial Analysis

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Pewaukee, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$145,971,718 and \$141,186,267 at the close of the most recent fiscal years.

**Statement of Net Position at December 31, 2017 and 2018**  
(in thousands)

	Governmental		Business-Type		Total		Total Change	
	Activities		Activities				Dollars	%
	2017	2018	2017	2018	2017	2018	2017 - 2018	
Current and other assets	\$ 32,743	33,856	16,661	18,051	49,404	51,907	2,503	5.1%
Capital assets	48,722	51,732	76,272	76,184	124,994	127,916	2,922	2.3%
Total assets	81,465	85,588	92,933	94,235	174,398	179,823	5,425	3.1%
Deferred outflows of resources	2,492	3,126	235	285	2,727	3,411	684	25.1%
Current and other liabilities	4,438	4,565	1,638	1,441	6,076	6,006	(70)	(1.2)%
Long-term liabilities	8,678	7,021	8,788	9,218	17,466	16,239	(1,227)	(7.0)%
Total liabilities	13,116	11,586	10,426	10,659	23,542	22,245	(1,297)	(5.5)%
Deferred inflows of resources	12,281	14,724	116	293	12,397	15,017	2,620	21.1%
Net position:								
Net investment in capital assets	39,831	44,150	68,254	67,218	108,085	111,368	3,283	3.0%
Restricted	1,816	1,776	102	189	1,918	1,965	47	2.5%
Unrestricted	16,913	16,478	14,270	16,161	31,183	32,639	1,456	4.7%
Total net position	\$ 58,560	62,404	82,626	83,568	141,186	145,972	4,786	3.4%

Capital assets include infrastructure assets of the governmental activities and reflect the cost of the City's streets and roads, storm sewers, bridges, and water and sewer utility improvements. The largest portion of the City's net position (76.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

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

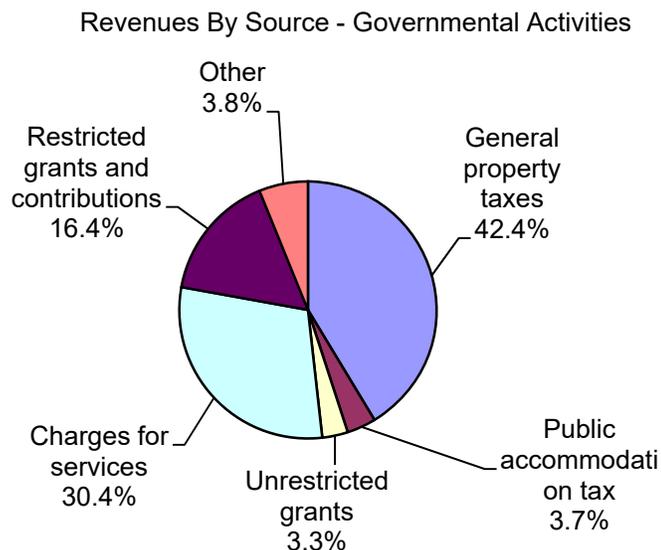
A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges and other collections limited to the repayment of debt and amounts payable for future pension benefits. Of the amounts shown as "Restricted net assets", \$925,782 has been restricted for potential future pension costs.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

## Statement of Activities

### Governmental Activities

The City's net position from governmental activities increased \$3,844,381 in 2018. The increase in net position is a combination of increases in restricted grants and contributions, which include infrastructure assets contributed to the City by developers, and reduced spending. As shown by the following graph, taxes (general property and public accommodation) totaling \$10,013,077 made up 46.1% of the total governmental revenues during the current fiscal year.



Program charges for services, which directly offset related program expenses, totaled \$6,591,804 and \$6,618,610 respectively, for the years ended December 31, 2018 and 2017 and included the following:

	<u>2017</u>	<u>2018</u>
Public safety and judicial	\$ 3,551,660	3,520,214
Health and sanitation	726,582	683,454
Public works	1,671,644	1,723,610
Culture and recreation	603,875	593,152
Miscellaneous	64,849	71,374

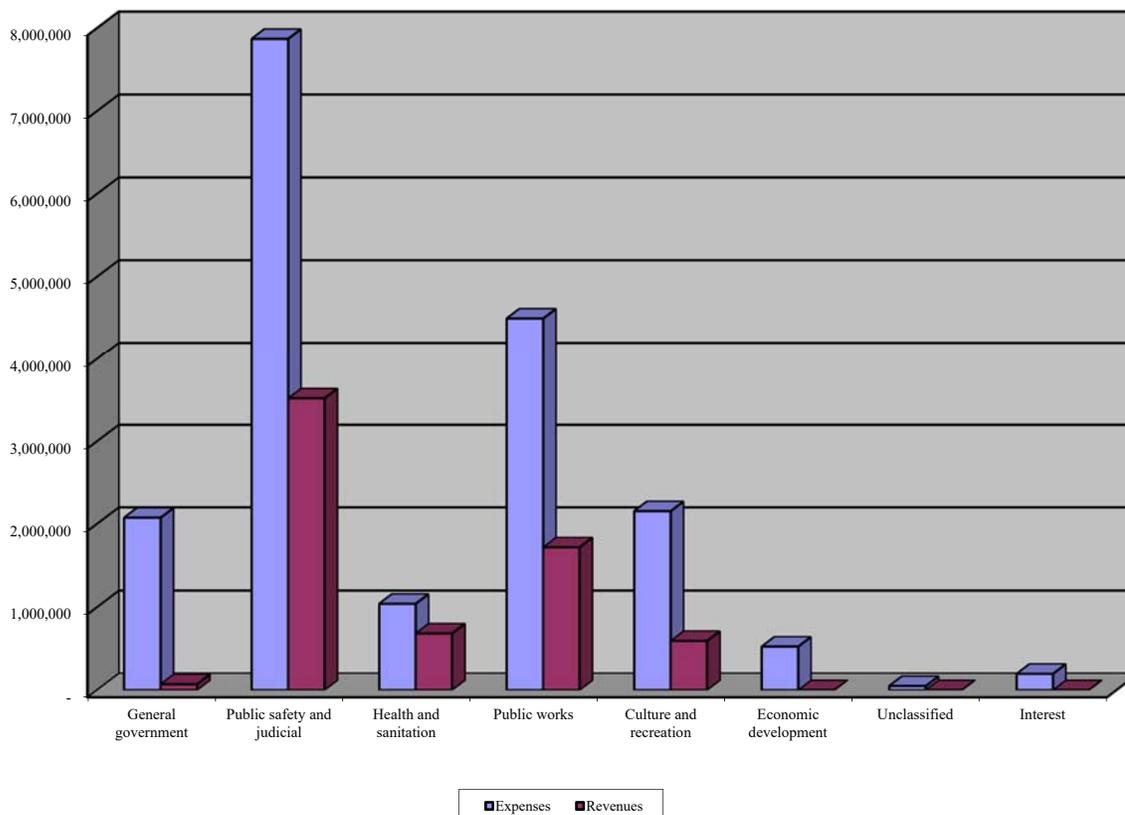
Restricted program grants and contributions include special assessments for road improvements charged to the benefitting property owners, developer financed improvements subsequently contributed to the City, aids received from the State of Wisconsin for public safety and highway and transportation, and from Waukesha County for recycling. The majority of unrestricted grants were shared revenues received from the State of Wisconsin.

For governmental activity expenses, 42.8% relate to public safety and judicial operations, which includes police protection, fire, paramedic and rescue protection, community services related to building inspection and planning and municipal court operations. An additional 24.4% was spent for public works, i.e. maintenance of City streets, roads and storm water management. The City spent \$2,153,401, or 11.7%, towards its culture and recreation programs in 2018. 65.7% of health and sanitation program expenses were directly offset by charges for related services. Depreciation of the City governmental activity fixed assets of \$2,959,594 was allocated to the various governmental activities during 2018 based upon actual usage of the various capital assets, compared to \$2,692,730 in 2017. 65.8% of the current year depreciation was related to the City's public works operations, the majority of which related to roads, bridges and storm sewer infrastructure.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

The following graph provides an illustration of the breakdown of the City's governmental activities, the related expenses, and the directly related revenues offsetting these expenses.

**Program Expenses and Revenues -  
Governmental Activities**



***Business-type Activities***

Business-type activities for the City are comprised of its water and sewer utilities. The utilities increased the City of Pewaukee's net position by \$941,070. The table below is a summary of the water and sewer utility operations.

**Summary of Water and Sewer operations  
(in thousands)**

	<u>Water Operations</u>		<u>Sewer Operations</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>Dollars</u>	<u>%</u>
<b>Operations:</b>							<b>2017 - 2018</b>	
Revenues	\$ 2,107	2,097	3,280	3,378	5,387	5,475	88	1.6%
Expenses	2,276	2,415	3,168	3,322	5,444	5,737	293	5.4%
Operating income (loss)	\$ (169)	(318)	112	56	(57)	(262)	(205)	(359.6)%

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following is a summary of the Statement of Activity for the current fiscal year.

**Statement of Activities for the Years Ended December 31, 2018 and 2017**  
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	2017	2018	2017	2018	2017	2018	Dollars	%
<b>REVENUES</b>								
Program revenues:								
Charges for services	\$ 6,619	6,592	5,387	5,475	12,006	12,067	61	0.5%
Grants and contributions:								
Operating	729	748	-	-	729	748	19	2.6%
Capital	1,839	2,815	741	1,975	2,580	4,790	2,210	85.7%
General revenues:								
General property taxes	8,739	9,199	-	-	8,739	9,199	460	5.3%
Public accommodation taxes	820	814	-	-	820	814	(6)	(0.7)%
Unrestricted grants	705	715	-	-	705	715	10	1.4%
Interest earnings	168	313	123	134	291	447	156	53.6%
Other	379	507	-	-	379	507	128	33.8%
Total revenues	<u>19,998</u>	<u>21,703</u>	<u>6,251</u>	<u>7,584</u>	<u>26,249</u>	<u>29,287</u>	<u>3,038</u>	<u>11.6%</u>
<b>EXPENSES</b>								
General government	2,012	2,074	-	-	2,012	2,074	62	3.1%
Public safety and judicial	7,552	7,871	-	-	7,552	7,871	319	4.2%
Health and sanitation	955	1,041	-	-	955	1,041	86	9.0%
Public works	4,011	4,496	-	-	4,011	4,496	485	12.1%
Culture and recreation	1,899	2,153	-	-	1,899	2,153	254	13.4%
Economic development	547	525	-	-	547	525	(22)	(4.0)%
Unclassified	19	49	-	-	19	49	30	157.9%
Interest and fiscal charges	229	196	-	-	229	196	(33)	(14.4)%
Other	-	-	17	140	17	140	123	723.5%
Water utility operations	-	-	2,423	2,600	2,423	2,600	177	7.3%
Sewer utility operations	-	-	3,205	3,356	3,205	3,356	151	4.7%
Total expenses	<u>17,224</u>	<u>18,405</u>	<u>5,645</u>	<u>6,096</u>	<u>22,869</u>	<u>24,501</u>	<u>1,632</u>	<u>7.1%</u>
Change in net position before transfers	2,774	3,298	606	1,488	3,380	4,786	1,406	
Transfers	558	546	(558)	(546)	-	-	-	
Change in net position	<u>3,332</u>	<u>3,844</u>	<u>48</u>	<u>942</u>	<u>3,380</u>	<u>4,786</u>	<u>1,406</u>	
Net position:								
Beginning of year	55,228	58,560	82,578	82,626	137,806	141,186	3,380	
End of year	<u>\$58,560</u>	<u>62,404</u>	<u>82,626</u>	<u>83,568</u>	<u>141,186</u>	<u>145,972</u>	<u>4,786</u>	

### Financial Analysis of the City's Funds

The City of Pewaukee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,684,479. Approximately 33.5% of this total amount, or \$5,587,071, constitutes unassigned fund balance, which is available for spending at the government's discretion.

The assigned fund balance, \$2,728,168 indicates that the City has set these balances aside for specific future purposes. These include \$1,374,125 for future capital equipment purchases, \$1,154,055 for debt service payments, \$184,755 for road construction projects, \$3,231 for bike path construction and \$12,002 is for community policing.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

Committed fund balances of \$7,343,024 represent amounts which can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances adopted prior to the end of the current fiscal year of the Common Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Common Council removes the specified use by taking the same type of action imposing the commitment. The following funds have fund balances which have been committed:

General fund	\$ 207,140
Storm water management	3,714,822
Capital equipment	3,421,062

The restricted fund balance of \$775,680 is constrained by creditors, contributors and laws or regulations of other governments, or imposed by law through constitutional provisions and enabling legislation. The following funds have fund balances which are restricted:

Impact fees	\$ 577,496
Tourism and convention	123,197
Cemetery – Expendable	74,987

Although the Common Council originally approved a balanced budget for the general fund in 2018, the fund balance actually increased by \$1,241,780. General fund revenues and other financing sources exceeded the originally approved 2018 budget by \$704,463 and general fund expenditures were \$537,317 less than budgeted.

The majority of departmental expenditures were less than originally budgeted. Overall the general fund expenditures totaled \$13,664,989, \$543,317 or 4.0% less than budgeted. This was primarily the result of the following being under budget: General government - \$138,955, Public safety - \$287,574, and Culture and recreation - \$107,065.

The City also spent \$1,943,616, \$719,637, \$1,162,637 and \$1,009,254 on storm water management, capital equipment purchases, road construction projects and sports complex construction, respectively, during 2018.

The individual fund balance increases (decreases) are as follows:

General	\$ 1,241,780
Storm water management	(486,728)
Debt service	196,878
Impact fee	(3,213)
Tourism and convention	45,989
Expendable cemetery	3,897
Road construction	(857,038)
Sports complex	(731,590)
Capital equipment	3,732
Bike oath construction	3,231
Cemetery – perpetual care	3,484
	<u>\$ (579,578)</u>

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

**Capital Assets and Debt Administration**

**Capital Assets**

As of December 31, 2018, the City had invested \$127,915,882 in capital assets, net of accumulated depreciation. During 2018 the City's gross capital assets increased \$7,191,316. This included developer donated assets of \$2,441,675 contributed to the City in the form of roads, storm water improvements and the water and sewer utility's system.

**Capital Assets at December 31, 2018**  
(in thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Government</b>
			4,266
Land	\$ 3,736	530	
Buildings	13,902	10,684	24,586
Furniture and equipment	9,974	1,288	11,262
Infrastructure and improvements other than buildings	57,118	103,168	160,286
Construction in progress	8	130	138
Total capital assets	84,738	115,800	200,538
Less: Accumulated depreciation	33,006	39,616	72,622
Total net assets	<u>\$ 51,732</u>	<u>76,184</u>	<u>127,916</u>

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end.

**Change in Capital Assets, Net of Accumulated Depreciation**  
(in thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Government</b>
Beginning balance	\$ 48,722	76,272	124,994
Additions	6,052	2,503	8,555
Disposals, net	(82)	(87)	(169)
Depreciation	(2,960)	(2,504)	(5,464)
Ending balance	<u>\$ 51,732</u>	<u>76,184</u>	<u>127,916</u>

Depreciation for governmental assets for the current fiscal year was allocated and included in the direct expenses for the following activities:

General government	\$ 278,270
Public safety	437,393
Health and sanitation	1,119
Public works, including infrastructure	1,948,790
Culture and recreation	<u>294,022</u>
	<u>\$ 2,959,594</u>

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

**Debt Outstanding**

The City has \$17,402,985 in long-term obligations outstanding at December 31, 2018, including long-term employee benefits of \$515,889. \$1,964,145 of the obligations comes due within one year

**Outstanding Long-term Obligations at Year End  
(in thousands)**

<b>Governmental:</b>	
General obligation notes	\$ 1,455
General obligation bonds	6,465
Compensated absences	<u>516</u>
	<u>8,436</u>
<b>Business-type:</b>	
General obligation bonds	8,705
Intermunicipal loans	<u>262</u>
	<u>8,967</u>
	<u>\$ 17,403</u>

2018 debt repayments, including long-term employee benefits were:

Governmental activities	\$ 1,425,995
Proprietary activities	<u>475,807</u>
	<u>\$ 1,901,802</u>

**Other Economic Factors**

The City of Pewaukee has consistently established a very good financial position as it relates to the fiscal ability to provide needed and desired public services to City residents and taxpayers at a relatively low expenditure of tax dollars.

In 2013, the City developed a Strategic Plan that covers the five-year period from 2014 through 2018. The Common Council and staff utilized this activity to establish future goals. The plan is currently being updated for the next five years.

In September 2016, Moody's Investors Service reviewed, and maintained, a rating of Aa1 on the City of Pewaukee's general obligation debt. As of December 31, 2018, the City's general obligation debt burden is 10.6% of our \$159.6 million-dollar capacity to borrow.

The City continues to commit funds for the purchase of capital equipment, i.e.: fire engines, plow trucks and ambulances, in future years in order to more equally distribute the cost. The Common Council continues to plan forward in the coming years with improvements to streets, storm water management improvements, and various water and sewer projects. As outlined in the Long-Term Financial Plan, the City anticipates borrowing to maintain the infrastructure.

For the past five years, the City of Pewaukee has continued to stand apart from other communities in the area related to the increase in the number of single-family homes started in the community. In 2018, the City issued 45 new home permits.

The City of Pewaukee continues to evaluate the staffing levels and the needs of the community related to the services that are provided.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

The City of Pewaukee has established agreements with surrounding agencies to maximize a high level of service which the community has come to expect, while being cost conscious. This is demonstrated by the following agreements:

- The City has contracted for police services from the Waukesha County Sheriff's Department since 2010.
- The Village of Pewaukee currently contracts with the City for Fire/EMS services and Building Inspection services.
- The Pewaukee Public Library is a joint City/Village library, in 2018 the City of Pewaukee was responsible for 75% of the shared expenses.
- The City and Village have had a Joint Park/Recreation Department since 1997 with the City of Pewaukee responsible for 67% of the expenses and revenues.

The City of Pewaukee elected officials and staff continue to work cooperatively to maintain a solid financial position, prepare for the continued development of the community, and provide a desired level of service to the citizens.

**Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City at W240N3065 Pewaukee Road, Pewaukee, WI 53072.

CITY OF PEWAUKEE  
STATEMENT OF NET POSITION  
December 31, 2018

	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 12,997,252	12,483,270	25,480,522
Investments	4,286,412	-	4,286,412
Property taxes receivable	5,503,294	-	5,503,294
Other receivables (net)	919,305	1,313,278	2,232,583
Special assessments	-	175,287	175,287
Internal balances	546,488	(546,488)	-
Inventories and prepaid expenses	193,021	11,991	205,012
Restricted assets:			
Cash and cash equivalents:			
Capital projects	-	105,983	105,983
Non-current assets:			
Capital assets:			
Land and construction in progress	3,744,790	660,420	4,405,210
Capital assets, net of accumulated depreciation	47,986,935	75,523,737	123,510,672
Investments	7,330,605	-	7,330,605
Special assessments	1,003,746	4,042,642	5,046,388
Unamortized charges	-	373,216	373,216
Net pension asset	1,076,313	91,466	1,167,779
Total assets	<u>85,588,161</u>	<u>94,234,802</u>	<u>179,822,963</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>3,126,402</u>	<u>284,949</u>	<u>3,411,351</u>
Liabilities:			
Current liabilities:			
Accounts payable	2,259,232	892,235	3,151,467
Unearned revenue	890,717	-	890,717
Current portion of long-term obligations	1,415,305	548,840	1,964,145
Noncurrent liabilities:			
Noncurrent portion of long-term obligatio	7,020,909	8,417,931	15,438,840
Assessments due developers	-	749,293	749,293
Construction contracts payable	-	50,740	50,740
Total liabilities	<u>11,586,163</u>	<u>10,659,039</u>	<u>22,245,202</u>
Deferred Inflows of Resources:			
Subsequent year's tax levy	9,540,668	-	9,540,668
Special assessments	320,830	-	320,830
Storm water fees	1,585,770	-	1,585,770
Deferred inflows related to pensions	3,276,933	293,193	3,570,126
Total deferred inflows or resources	<u>14,724,201</u>	<u>293,193</u>	<u>15,017,394</u>
Net Position:			
Net investment in capital assets	44,150,726	67,217,386	111,368,112
Restricted	1,775,879	189,205	1,965,084
Unrestricted	<u>16,477,594</u>	<u>16,160,928</u>	<u>32,638,522</u>
Total net position	<u>\$ 62,404,199</u>	<u>83,567,519</u>	<u>145,971,718</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
Direct expenses:							
General government	\$ 2,074,390	71,374	-	-	(2,003,016)	-	(2,003,016)
Public safety and judicial	7,870,901	3,520,214	138,563	1,000	(4,211,124)	-	(4,211,124)
Health and sanitation	1,040,626	683,454	106,166	-	(251,006)	-	(251,006)
Public works	4,495,584	1,723,610	503,584	2,613,226	344,836	-	344,836
Culture and recreation	2,153,401	593,152	-	200,500	(1,359,749)	-	(1,359,749)
Economic development	524,887	-	-	-	(524,887)	-	(524,887)
Unclassified	48,994	-	-	-	(48,994)	-	(48,994)
Indirect expenses:							
Interest and other related charges	196,320	-	-	-	(196,320)	-	(196,320)
Total governmental activities	<u>18,405,103</u>	<u>6,591,804</u>	<u>748,313</u>	<u>2,814,726</u>	<u>(8,250,260)</u>	<u>-</u>	<u>(8,250,260)</u>
Business-type activities:							
Water utility	2,600,117	2,097,287	-	1,446,887	-	944,057	944,057
Sewer utility	3,356,419	3,377,817	-	527,693	-	549,091	549,091
Total business-type activities	<u>5,956,536</u>	<u>5,475,104</u>	<u>-</u>	<u>1,974,580</u>	<u>-</u>	<u>1,493,148</u>	<u>1,493,148</u>
Total primary government	<u>\$ 24,361,639</u>	<u>12,066,908</u>	<u>748,313</u>	<u>4,789,306</u>	<u>(8,250,260)</u>	<u>1,493,148</u>	<u>(6,757,112)</u>
General revenues, losses and transfers:							
Property taxes					\$ 9,198,907	-	9,198,907
Public accommodation taxes					814,170	-	814,170
Grants not restricted to specific programs					715,234	-	715,234
Video service provider fee					135,985	-	135,985
Interest and investment earnings					312,521	134,391	446,912
Miscellaneous					229,070	-	229,070
Gain (loss) on disposal of fixed assets					142,266	(139,981)	2,285
Transfers					546,488	(546,488)	-
Total general revenues, losses and transfers					<u>12,094,641</u>	<u>(552,078)</u>	<u>11,542,563</u>
Change in Net Position					3,844,381	941,070	4,785,451
Net Position - Beginning of Year					58,559,818	82,626,449	141,186,267
Net Position - End of Year					<u>\$ 62,404,199</u>	<u>83,567,519</u>	<u>145,971,718</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
BALANCE SHEET  
Governmental Funds  
December 31, 2018

	General	Storm Water Management	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,195,764	5,654,101	1,751,501	3,395,886	12,997,252
Investments	8,450,162	-	-	3,166,855	11,617,017
<b>Receivables:</b>					
Current taxes	4,173,635	314,075	586,884	428,700	5,503,294
Accounts	309,530	-	-	34,200	343,730
Intergovernmental	184,715	-	-	-	184,715
Special assessments	-	-	1,003,746	-	1,003,746
Inventory of supplies	143,429	-	-	-	143,429
Prepaid expenditures	32,367	-	-	17,225	49,592
Due from other fund	546,488	-	-	-	546,488
<b>Total assets</b>	<b>\$ 16,036,090</b>	<b>5,968,176</b>	<b>3,342,131</b>	<b>7,042,866</b>	<b>32,389,263</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 621,919	75,289	235	85,772	783,215
Construction contracts payable	-	592,295	-	377,941	970,236
Accrued payroll	217,663	-	-	-	217,663
Other accrued liabilities	235,169	-	-	-	235,169
Unearned revenue	881,396	-	-	9,321	890,717
<b>Total liabilities</b>	<b>1,956,147</b>	<b>667,584</b>	<b>235</b>	<b>473,034</b>	<b>3,097,000</b>
<b>Deferred Inflows of Resources:</b>					
Subsequent year's tax levy	7,680,668	-	1,000,000	860,000	9,540,668
Special assessments	293,505	-	1,187,841	-	1,481,346
Storm water fees	-	1,585,770	-	-	1,585,770
<b>Total deferred inflows of resources</b>	<b>7,974,173</b>	<b>1,585,770</b>	<b>2,187,841</b>	<b>860,000</b>	<b>12,607,784</b>
<b>Fund Balance:</b>					
Nonspendable	176,119	-	-	74,417	250,536
Restricted	-	-	-	775,680	775,680
Committed	207,140	3,714,822	-	3,421,062	7,343,024
Assigned	12,002	-	1,154,055	1,562,111	2,728,168
Unassigned	5,710,509	-	-	(123,438)	5,587,071
<b>Total fund balance</b>	<b>6,105,770</b>	<b>3,714,822</b>	<b>1,154,055</b>	<b>5,709,832</b>	<b>16,684,479</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 16,036,090</b>	<b>5,968,176</b>	<b>3,342,131</b>	<b>7,042,866</b>	<b>32,389,263</b>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
Governmental Funds  
December 31, 2018

Total fund balances - governmental funds	\$	16,684,479
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		390,860
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 84,737,918	
Less: Accumulated depreciation	<u>(33,006,193)</u>	51,731,725
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.		1,160,516
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		1,076,313
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds.		(150,531)
Accrued employee benefits are not due and payable in the current period and therefore are not reported in the governmental funds.		(515,889)
Interest payable used in the governmental activities is not payable from current resources and therefore is not reported in the governmental funds.		(52,949)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		<u>(7,920,325)</u>
Total net position - governmental activities	\$	<u>62,404,199</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Governmental Funds  
Year Ended December 31, 2018

	General	Storm Water Management	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 7,330,658	-	1,541,568	1,582,419	10,454,645
Intergovernmental	1,446,967	-	8,918	7,662	1,463,547
Regulation and compliance	1,649,048	-	-	-	1,649,048
Charges for services	3,498,461	1,567,308	-	78,380	5,144,149
Interest	196,108	36,083	23,767	56,563	312,521
Miscellaneous	141,869	91,757	-	200,500	434,126
Total revenues	<u>14,263,111</u>	<u>1,695,148</u>	<u>1,574,253</u>	<u>1,925,524</u>	<u>19,458,036</u>
<b>Expenditures:</b>					
Current:					
General government	1,765,607	-	-	-	1,765,607
Public safety and judicial	7,336,903	-	-	7,662	7,344,565
Health and sanitation	1,003,741	-	-	35,766	1,039,507
Public works	1,561,647	623,954	-	-	2,185,601
Culture and recreation	1,932,282	-	-	-	1,932,282
Economic development	-	-	-	524,887	524,887
Unclassified	64,809	-	-	-	64,809
Capital outlay	-	1,319,662	-	2,894,297	4,213,959
Debt service:					
Principal	-	-	1,425,995	-	1,425,995
Interest	-	-	207,544	-	207,544
Total expenditures	<u>13,664,989</u>	<u>1,943,616</u>	<u>1,633,539</u>	<u>3,462,612</u>	<u>20,704,756</u>
Excess (deficiency) of revenues over expenditures	<u>598,122</u>	<u>(248,468)</u>	<u>(59,286)</u>	<u>(1,537,088)</u>	<u>(1,246,720)</u>
<b>Other financing sources (uses):</b>					
Sale of assets	120,654	-	-	-	120,654
Transfers in	546,488	17,904	256,164	81,000	901,556
Transfers out	<u>(23,484)</u>	<u>(256,164)</u>	<u>-</u>	<u>(75,420)</u>	<u>(355,068)</u>
Total other financing sources (uses)	<u>643,658</u>	<u>(238,260)</u>	<u>256,164</u>	<u>5,580</u>	<u>667,142</u>
Net change in fund balances	1,241,780	(486,728)	196,878	(1,531,508)	(579,578)
<b>Fund balance:</b>					
January 1	4,863,990	4,201,550	957,177	7,241,340	17,264,057
December 31	<u>\$ 6,105,770</u>	<u>3,714,822</u>	<u>1,154,055</u>	<u>5,709,832</u>	<u>16,684,479</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Governmental Funds  
Year Ended December 31, 2018

Net change in fund balances - total governmental funds	\$ (579,578)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in governmental funds include those which provide financial resources of the current year but which were earned in prior years.	(69,964)
Long-term special assessment which are not available to pay for current year expenditures are deferred until collected in the governmental funds. In the Statement of Activities these are reported when earned.	178,187
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 exceed depreciation expense.	993,423
Contributed capital assets are not included as revenues in the governmental funds. In the Statement of Activities, however, they are reported at their estimated fair value at the time of acquisition.	1,994,471
In governmental funds proceeds from the sale of assets are financial resources and are recognized as revenue. In the Statement of Activities, only the amount by which the sales proceeds exceed the remaining book value of the sold asset is recognized as revenue.	21,612
Governmental funds report pension contributions as expenditures. In the Statement of Activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense	(89,920)
Accrued sick leave benefits not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, however, these costs are current year expenses.	(41,069)
Interest on long-term debt is recognized as an expenditure in the funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues.	11,224
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>1,425,995</u>
Change in net position of governmental activities	<u>\$ 3,844,381</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF NET POSITION  
Proprietary Funds  
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,550,608	10,932,662	12,483,270
Other receivables	471,027	842,251	1,313,278
Special assessments	11,640	163,647	175,287
Inventory of supplies	11,991	-	11,991
Restricted assets - cash and cash equivalents:			
Capital projects	105,983	-	105,983
Non-current assets:			
Capital assets:			
Non-depreciable:			
Land	530,387	-	530,387
Construction in progress	63,626	66,407	130,033
Depreciable:			
Capital assets, net of accumulated depreciation	37,445,597	38,078,140	75,523,737
Due from water	-	6,852,295	6,852,295
Special assessments	2,043,017	1,999,625	4,042,642
Unamortized charges	373,216	-	373,216
Net pension asset	56,305	35,161	91,466
Total assets	<u>42,663,397</u>	<u>58,970,188</u>	<u>101,633,585</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	189,068	95,881	284,949
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	154,847	420,074	574,921
Construction contracts payable	216,265	12,555	228,820
Due to general fund	546,488	-	546,488
Customer advances on construction	27,308	-	27,308
Accrued interest on long-term debt	51,115	10,071	61,186
Current portion of long-term obligations	459,695	89,145	548,840
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	7,111,230	1,306,701	8,417,931
Due to sewer	6,852,295	-	6,852,295
Assessments due developers	321,959	427,334	749,293
Long-term contract payable	-	50,740	50,740
Net pension liability	-	-	-
Total liabilities	<u>15,741,202</u>	<u>2,316,620</u>	<u>18,057,822</u>
Deferred Inflows of Resources:			
Deferred inflows related to pensions	188,855	104,338	293,193
<b>Net Position:</b>			
Net investment in capital assets	30,468,685	36,748,701	67,217,386
Restricted for:			
Capital projects	105,983	-	105,983
Pension	56,518	26,704	83,222
Unrestricted	<u>(3,708,778)</u>	<u>19,869,706</u>	<u>16,160,928</u>
Total net position	<u>\$ 26,922,408</u>	<u>56,645,111</u>	<u>83,567,519</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
Proprietary Funds  
Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues	\$ 2,097,287	3,377,817	5,475,104
Operating expenses:			
Operation and maintenance	1,169,508	1,922,986	3,092,494
Depreciation	1,105,158	1,398,608	2,503,766
Amortization	138,880	-	138,880
Taxes	2,112	-	2,112
Total operating expenses	<u>2,415,658</u>	<u>3,321,594</u>	<u>5,737,252</u>
Net operating income (loss)	<u>(318,371)</u>	<u>56,223</u>	<u>(262,148)</u>
Non-operating income (expense):			
Interest income	5,655	128,736	134,391
Interest expense	(148,312)	(34,825)	(183,137)
Bond premium	8,035	-	8,035
Bond issue costs	(44,182)	-	(44,182)
Gain (loss) on disposal of capital assets	(150,028)	10,047	(139,981)
Total non-operating income (expense)	<u>(328,832)</u>	<u>103,958</u>	<u>(224,874)</u>
Income (loss) before contributions and transfers	(647,203)	160,181	(487,022)
Contributions	1,446,887	527,693	1,974,580
Transfers out	(546,488)	-	(546,488)
Change in net position	253,196	687,874	941,070
Total net position:			
January 1	<u>26,669,212</u>	<u>55,957,237</u>	<u>82,626,449</u>
December 31	\$ <u><u>26,922,408</u></u>	<u><u>56,645,111</u></u>	<u><u>83,567,519</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF CASH FLOWS  
Proprietary Funds  
Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,120,835	3,444,828	5,565,663
Payments to suppliers	(764,292)	(2,038,335)	(2,802,627)
Payments to employees	(408,356)	(295,369)	(703,725)
Net cash provided by operating activities	<u>948,187</u>	<u>1,111,124</u>	<u>2,059,311</u>
Cash flows from non-capital and related financing activities:			
Transfers to other funds	<u>(557,342)</u>	<u>-</u>	<u>(557,342)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,730,344)	(186,488)	(1,916,832)
Costs of asset abandonment	(90,297)	-	(90,297)
Advance from sewer utility	589,124	-	589,124
Proceeds from sale of assets	9,375	28,247	37,622
Proceeds of long-term debt	1,425,000	-	1,425,000
Bond issue costs, net of premium	(36,147)	-	(36,147)
Advance to water utility	-	(589,124)	(589,124)
Long-term debt retirements	(387,165)	(88,642)	(475,807)
Reserve capacity assessments received	217,732	308,115	525,847
Collection of special assessments, net	133,784	256,597	390,381
Interest and fiscal charges paid on long-term debt	<u>(142,119)</u>	<u>(35,375)</u>	<u>(177,494)</u>
Net cash used by capital and related financing activities	<u>(11,057)</u>	<u>(306,670)</u>	<u>(317,727)</u>
Cash flows from investing activities:			
Interest received on cash and investments	<u>5,208</u>	<u>117,438</u>	<u>122,646</u>
Net increase in cash and cash equivalents	384,996	921,892	1,306,888
Cash and cash equivalents, January 1	<u>1,271,595</u>	<u>10,010,770</u>	<u>11,282,365</u>
Cash and cash equivalents, December 31	<u>\$ 1,656,591</u>	<u>10,932,662</u>	<u>12,589,253</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Unrestricted	\$ 1,550,608	10,932,662	12,483,270
Restricted - Debt retirement and capital projects	<u>105,983</u>	<u>-</u>	<u>105,983</u>
	<u>\$ 1,656,591</u>	<u>10,932,662</u>	<u>12,589,253</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (318,371)	56,223	(262,148)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	1,244,038	1,398,608	2,642,646
Changes in assets and liabilities:			
Accounts receivable, net	23,548	67,011	90,559
Inventory of supplies	(3,662)	-	(3,662)
Accounts payable and accrued expenses	<u>2,634</u>	<u>(410,718)</u>	<u>(408,084)</u>
Net cash provided by operating activities	<u>\$ 948,187</u>	<u>1,111,124</u>	<u>2,059,311</u>
Schedule of non-cash activities:			
Plant assets contributed by developers	<u>\$ 227,626</u>	<u>219,578</u>	<u>447,204</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
 STATEMENT OF FIDUCIARY NET POSITION  
 Agency Fund  
 December 31, 2018

Assets:	
Cash and cash equivalents	\$ 18,279,712
Taxes receivable	<u>17,432,286</u>
Total assets	<u>\$ 35,711,998</u>
Liabilities:	
Due to other taxing units:	
School districts	\$ 29,090,189
Waukesha County	6,035,901
State of Wisconsin	124
Deposits:	
Ditch and erosion	224,000
Developer	268,529
Holding tank	45,050
Occupancy	37,500
Street opening	9,500
Park reservation	<u>1,205</u>
Total liabilities	<u>\$ 35,711,998</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

The accounting and reporting policies of the City of Pewaukee 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**

This report includes all of the funds of the City of Pewaukee. The reporting entity for the City 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.

Based upon the application of these criteria, operations of the joint park and recreation department, described in Note 4 (C), have been blended with the City and are included in these financial statements as component units.

**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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**Fund Financial Statements**

The accounts of the City 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.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

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

**Fund Financial Statements - continued**

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 proprietary funds are reported as separate columns in the fund financial statements.

Funds are organized as 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 proprietary 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 proprietary fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and proprietary 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.

The City reports the following major governmental funds:

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

Storm Water Management Fund – a special revenue fund which accounts for resources accumulated and payments made for storm water management projects.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than proprietary fund debt.

The City reports the following major proprietary funds:

Water Utility – accounts for the operations of the water system.

Sewer Utility – accounts for the operations of the sanitary sewer system.

The City reports the following non-major governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes and includes:

Impact Fee Fund  
Tourism and Convention Fund  
Public Safety Grants Fund  
Expendable Cemetery Fund

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

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

**Fund Financial Statements - continued**

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities and includes:

Road Construction Fund  
Sports Complex Fund  
Capital Equipment Fund  
Bike Path Fund

Permanent Fund - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry and includes:

Non-Expendable Cemetery Fund

In addition, the City reports the following fund type:

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

**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 City'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.

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 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 utilities 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.

**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 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, claims, judgments, termination benefits, and compensated absences, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

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

**Fund Financial Statements - continued**

Property taxes are recorded in the year levied as receivables and deferred inflows of resources and 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 to the resources and the amounts are available. Amounts owed to the City but not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as current liabilities.

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.

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

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

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

**1. Deposits and Investments**

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

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, village, town, drainage district, technical college district, 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.

CITY OF PEWAUKEE  
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**

- e. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- 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 portfolio 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 City's name and were in accordance with those allowable by state statutes.

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. The SIF is unrated and 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. 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 as reported in these statements.

**2. Receivables**

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 county government as well as local school districts and the technical college district. Taxes for all local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

CITY OF PEWAUKEE  
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**

**2. Receivables - continued**

Property tax calendar – 2018 tax roll:

Levy:

Tax lien and levy date	December 2018
Tax bills mailed	December 2018

Due dates:

Real property taxes:

Payment in full or first installment	January 31, 2019
Second installment payable to County	July 31, 2019

Personal property taxes, special assessments and special charges, in full	January 31, 2019
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Tax settlements with taxing jurisdictions:

First settlement	January 15, 2019
Second settlement	February 20, 2019
Final settlement	August 20, 2019

Tax sale - 2018 delinquent real estate taxes	October 2021
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Real estate taxes delinquent as of January 31 are assumed by Waukesha County. The City maintains responsibility for collection of delinquent personal property taxes. Accounts receivable have been shown net of an allowance for uncollectible accounts. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

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 “due from” 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”.

**3. Inventories and Prepaid Items**

Governmental fund inventories are valued at cost on a first in, first out basis. Inventory in the general fund consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed. Reported inventories are offset as nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average and charged to operation and maintenance expense when used.

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.

**4. 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 assets.

CITY OF PEWAUKEE  
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**

**5. 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(s) 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 separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

**6. 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 their estimated 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.

Governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation of GASB 34. Retroactive reporting of all major general infrastructure assets, although encouraged, was not required until January 1, 2007, when GASB 34 required the City to retroactively report all major general infrastructure assets acquired since January 1, 1980.

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. Interest costs on restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings during the construction period, have been capitalized as part of the cost of the related assets. No interest was capitalized during the current year. 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.

CITY OF PEWAUKEE  
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**

**6. Capital Assets - continued**

**Government - Wide Statements - continued**

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:

Buildings and improvements	15-40 Years
Land improvements	10-40 Years
Machinery and equipment	2-20 Years
Water and sewer plant	4-100 Years
Infrastructure	20-60 Years

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

**7. Compensated Absences**

Compensated absences represent liabilities arising from the City's sick and vacation leave policies. The sick leave policy allows employees (excluding firefighters) to accrue sick leave at a rate of one day per month to a maximum of 130 days. Represented firefighters are allowed to accrue up to 135 hours per year to a maximum of 1,920 hours. The maximum accumulation for full-time employees hired after January 1, 2016 is 1,456 hours. If such days are not taken as paid time off during the course of employment, payment may be received upon termination at a rate of 50% of total accrued benefits. A liability is recorded only to the extent that it is estimated to result in termination payments.

The City's vacation leave policy allows employees hired before 2015 to accrue vacation benefits beginning in the year of hire. Vacation leave accrues to a maximum of five weeks based upon each employee's length of service. Vacation leave can only be accrued to a maximum of 150% of the earned benefit based upon the employee's seniority at any point during the year. Represented firefighters are not allowed to carryover any days to the next year. For employees hired after January 1, 2015 vacation leave can only be accrued to a maximum of 100% of the earned benefit based upon the employee's seniority at any point during the year.

All vested vacation and sick leave pay is accrued when earned in the full-accrual government-wide and proprietary fund financial statements. The vacation pay liability is reported in governmental fund financial statements however, vested sick pay is accrued only to the extent that it is expected to utilize current financial resources.

**8. 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.

CITY OF PEWAUKEE  
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**

**8. Long-Term Obligations - continued**

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is 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.

**9. 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.

**10. 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.
- b. Restricted - 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 - 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 and unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in 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.

CITY OF PEWAUKEE  
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**

**10. Equity Classifications - continued**

**Fund Statements - continued**

- b. Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Common Council, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Common Council 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 City's intent to be used for a specific purpose but are neither restricted nor committed. The Common Council 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.

The City 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, and then assigned funds. Unassigned funds would be spent last.

**11. 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 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.

**(2) Stewardship, Compliance, and Accountability**

**A. Limitations of the City's Tax Levy**

Wisconsin Statute 66.0602 limits the City's property tax levy, with exceptions, to its prior tax levy, increased by the percentage change in the City's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

**B. Deficit Fund Equity**

The Sport Complex Capital Project Fund has a deficit fund balance of \$123,438 as of December 31, 2018. The deficit balance is primarily the result of insufficient funds to finance current year expenditures related to the construction of the City's new sports complex. In 2019 the City anticipates obtaining donations and utilize existing impact fees that will fund the existing deficit.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**A. Deposits and Investments**

The City's deposits and investments at December 31, 2018 were comprised of the following:

	Carrying Value	Bank and Investment Balances	<u>Associated Risks</u>
Deposits	\$ 34,588,841	27,636,965	Custodial credit risk
Negotiable certificates of deposit	4,937,411	4,937,411	Custodial credit risk
Investments:			
Federal Home Loan Bank	1,841,432	1,841,432	Credit risk, interest rate risk
Federal Farm Credit Bank	2,376,321	2,376,321	Credit risk, interest rate risk
Federal National Mortgage Association	1,256,111	1,256,111	Credit risk, interest rate risk
Federal Home Loan Mortgage Corp	839,790	839,790	Credit risk, interest rate risk
Goldman Sachs	82,960	82,960	Credit risk, interest rate risk
Municipal Bonds	365,952	365,952	Credit risk, interest rate risk
LGIP	9,193,593	9,193,593	Credit risk, interest rate risk
Petty cash	823	823	
	<u>\$ 55,483,234</u>	<u>48,531,358</u>	

The difference between the carrying value of deposits and bank balances is due to deposits in transit and outstanding checks. Reconciliation of carrying value of deposits and investments to the statement of net position and statement of fiduciary net position is as follows:

Per Statement of Net Position:	
Cash and cash equivalents:	
Unrestricted	\$ 25,480,522
Restricted	105,983
Investments	
Current	4,286,412
Non-current	7,330,605
Per Statement of Fiduciary Net Position	<u>18,279,712</u>
	<u>\$ 55,483,234</u>

All time and savings deposits owned by the City and held by the City'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 the City and held by the City'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, money market deposit accounts and certificates of deposit. 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. For accounts held by the City located 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 the custodial credit risk.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**A. Deposits and Investments - continued**

The fair value of negotiable certificates of deposits and investments grouped by maturity at December 31, 2018 is:

<u>Maturity</u>	
Current to one year	\$ 4,286,412
One to two years	3,591,733
Two to three years	3,233,801
Three to four years	<u>505,071</u>
	<u>\$ 11,617,017</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. Of the City's total bank balance, \$26,511,889 was collateralized by securities held by the pledging financial institution in excess of federal depository insurance limits. The remaining balance of \$3,718 was exposed to custodial credit risk as uninsured and uncollateralized.

Fluctuating cash flows during January and December, due to tax collections, result in temporary cash and investment balances, which significantly exceed insured amounts, until settlement with the respective taxing jurisdictions during the following month.

The City's deposit and investment policy requires that any deposits in excess of \$500,000 in any single public depository be properly collateralized or specifically approved by the City Council. This policy does not include funds established for tax collections or other accounts requiring segregation as specified by approved agreements.

**Credit and Interest Rate Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 has to changes in market interest rates.

At December 31, 2018 the City's investments include United States Government securities and local municipal bonds totaling \$6,396,614. The City also held investments with a fair value of \$9,193,593 in the LGIP. The average maturity date for investments held by the LGIP is 19 days. The State Investment Fund, which the LGIP is a part of, had 87% of its investments in U.S. government securities at December 31, 2018.

**B. Receivables**

Governmental fund financial statements report deferred inflows of resources in connection with receivables not considered available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**B. Receivables - continued**

At the end of the current fiscal year, the various components of the City's receivables included as deferred inflows of resources reported in the governmental fund financial statements are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Current year property taxes receivable:			
General fund	\$ 4,173,635	-	4,173,635
Storm water management fund	314,075	-	314,075
Debt service fund	586,884	-	586,884
Road construction fund	199,449	-	199,449
Capital equipment fund	210,911	-	210,911
Expendable cemetery fund	18,340	-	18,340
Special assessments not yet due:			
Debt service fund	-	1,003,746	1,003,746
	<u>\$ 5,503,294</u>	<u>1,003,746</u>	<u>6,507,040</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$47,658.

**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:				
Land	\$ 3,736,474	-	-	3,736,474
Construction in progress	<u>2,790,141</u>	-	<u>2,781,825</u>	<u>8,316</u>
	<u>6,526,615</u>	-	<u>2,781,825</u>	<u>3,744,790</u>
Capital Assets Being Depreciated:				
Buildings and improvements	12,955,411	946,058	-	13,901,469
Land improvements	1,761,247	2,895,484	-	4,656,731
Equipment	9,577,847	865,667	470,078	9,973,436
Infrastructure	<u>48,917,619</u>	<u>4,126,104</u>	<u>582,231</u>	<u>52,461,492</u>
	<u>73,212,124</u>	<u>8,833,313</u>	<u>1,052,309</u>	<u>80,993,128</u>
	<u>79,738,739</u>	<u>8,833,313</u>	<u>3,834,134</u>	<u>84,737,918</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,673,828)	(381,429)	-	(5,055,257)
Land improvements	(1,031,460)	(218,682)	-	(1,250,142)
Equipment	(4,542,218)	(723,249)	(399,546)	(4,865,921)
Infrastructure	<u>(20,769,014)</u>	<u>(1,636,234)</u>	<u>(570,375)</u>	<u>(21,834,873)</u>
	<u>(31,016,520)</u>	<u>(2,959,594)</u>	<u>(969,921)</u>	<u>(33,006,193)</u>
Capital assets, net of depreciation	<u>\$ 48,722,219</u>	<u>5,873,719</u>	<u>2,864,213</u>	<u>51,731,725</u>

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$ 278,270
Public safety	437,393
Health and sanitation	1,119
Public works, including infrastructure	1,948,790
Culture and recreation	<u>294,022</u>
	<u>\$ 2,959,594</u>

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**C. Capital Assets - continued**

Capital asset activity in the business-type 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>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 530,387	-	-	530,387
Construction in process	<u>295,518</u>	<u>-</u>	<u>165,485</u>	<u>130,033</u>
	<u>825,905</u>	<u>-</u>	<u>165,485</u>	<u>660,420</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	9,624,079	1,060,234	-	10,684,313
Improvements other than buildings	101,935,775	1,516,289	284,686	103,167,378
Furniture and equipment	<u>1,222,002</u>	<u>92,272</u>	<u>26,487</u>	<u>1,287,787</u>
	<u>112,781,856</u>	<u>2,668,795</u>	<u>311,173</u>	<u>115,139,478</u>
	<u>113,607,761</u>	<u>2,668,795</u>	<u>476,658</u>	<u>115,799,898</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(3,526,661)	(279,330)	-	(3,805,991)
Improvements other than buildings	(32,692,225)	(2,160,499)	(197,381)	(34,655,343)
Furniture and equipment	<u>(1,116,957)</u>	<u>(63,937)</u>	<u>(26,487)</u>	<u>(1,154,407)</u>
	<u>(37,335,843)</u>	<u>(2,503,766)</u>	<u>(223,868)</u>	<u>(39,615,741)</u>
Capital assets, net of depreciation	<u>\$ 76,271,918</u>	<u>165,029</u>	<u>252,790</u>	<u>76,184,157</u>

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

Water utility	\$ 1,105,158
Sewer utility	<u>1,398,608</u>
	<u>\$ 2,503,766</u>

**D. Payables**

Payables as of December 31, 2018 for the City's individual major and non-major governmental funds in the aggregate, are as follows:

	<u>General</u>	<u>Storm Water</u> <u>Management</u>	<u>Debt</u> <u>Service</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
Accounts payable	\$ 621,919	75,289	235	85,772	783,215
Construction contracts payable	-	592,295	-	377,941	970,236
Accrued payroll	217,663	-	-	-	217,663
Accrued compensated absences	180,915	-	-	-	180,915
Other accrued liabilities	<u>54,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,254</u>
Total per fund balance sheet	<u>\$ 1,074,751</u>	<u>667,584</u>	<u>235</u>	<u>463,713</u>	2,206,283
Accrued interest					<u>52,949</u>
Total per government-wide statement of net position					<u>\$ 2,259,232</u>

**E. Interfund Receivables/Payables and Transfers**

The balance of interfund receivables/payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**E. Interfund Receivables/Payables and Transfers - continued**

Transfers between funds included one between the water utility and the general fund for payment of the property tax equivalent. A transfer was made to the debt service fund from the storm water management fund to reimburse the fund for principal and interest payments made on long-term debt used to purchase equipment used by the storm water management fund. A transfer from the impact fee fund to the sports complex fund was made to help finance construction of the new facilities. The following is a schedule of interfund transfers:

<u>Fund Transferred to</u>	<u>Fund Transferred from</u>	<u>Amount</u>
General fund	Business-type activities -	
	Water utility	\$ 546,488
Storm Water Management fund	General fund	17,484
Storm Water Management fund	Non-major governmental fund -	
	Expendable Cemetery fund	420
Debt Service fund	Storm Water Management fund	256,164
Non-major governmental fund -		
Sports Complex fund	Impact Fee fund	75,000
Bike Path fund	General fund	<u>6,000</u>
Total per fund statements		901,556
Interfund eliminations		(355,068)
Total per statement of activities		\$ <u>546,488</u>

**F. Long-Term Obligations**

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/18</u>	<u>Due Within</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 9,346,320	-	1,425,995	7,920,325	1,415,305
Other liabilities:					
Vested compensated					
absences	<u>474,820</u>	<u>41,069</u>	-	<u>515,889</u>	-
Total governmental					
long-term liabilities	\$ <u>9,821,140</u>	<u>41,069</u>	<u>1,425,995</u>	<u>8,436,214</u>	<u>1,415,305</u>
<b>Business-type Activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ <u>8,017,578</u>	<u>1,425,000</u>	<u>475,807</u>	<u>8,966,771</u>	<u>548,840</u>
Total business-type					
long-term liabilities	\$ <u>8,017,578</u>	<u>1,425,000</u>	<u>475,807</u>	<u>8,966,771</u>	<u>548,840</u>

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 and special assessment collections. Business-type activities debt is payable by revenues from user fees of those funds.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City of \$3,192,028,300. The debt limit as of December 31, 2018, was \$159,601,415. Total general obligation debt outstanding at year-end was \$16,887,096.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**F. Long-Term Obligations - continued**

The following is a list of long-term obligations at December 31, 2018:

**Governmental Activities**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>	<u>Amounts Due Within One Year</u>
General obligation debt:						
2010 G.O. note	4/1/10	9/1/19	4.0-4.2%	\$ 2,910,000	340,000	340,000
2011 G.O. note	2/24/11	3/1/20	2.5-2.75%	4,937,095	1,115,000	550,000
2012 G.O. bonds	6/12/12	12/1/24	1.05-2.15%	3,040,788	1,475,325	235,305
2013 G.O. bonds	5/30/13	9/1/32	2.0-3.0%	3,060,000	2,315,000	145,000
2016 G.O. bonds	10/12/16	9/1/27	2.0-2.25%	2,995,000	<u>2,675,000</u>	<u>145,000</u>
					\$ <u>7,920,325</u>	<u>1,415,305</u>

Debt service requirements to maturity for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,415,305	171,546	1,586,851
2020	1,244,040	133,419	1,377,459
2021	727,775	113,147	840,922
2022	715,245	99,196	814,441
2023	708,980	84,893	793,873
2024-2028	2,373,980	234,354	2,608,334
2029-2032	<u>735,000</u>	<u>55,226</u>	<u>790,226</u>
	\$ <u>7,920,325</u>	<u>891,781</u>	<u>8,812,106</u>

**Business-type Activities**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>	<u>Amounts Due Within One Year</u>
2010 G.O. note	5/1/10	5/1/29	2.91%	\$ 222,618	144,140	11,306
2011 G.O. note	7/13/11	5/1/31	2.4%	174,403	117,956	7,839
2012 G.O. bonds	6/12/12	12/1/24	1.05-2.15%	834,212	499,675	79,695
2013 G.O. bonds	5/30/13	9/1/32	2.0-3.0%	5,915,000	4,490,000	280,000
2016 G.O. bonds	10/12/16	9/1/36	2.0-2.25%	2,550,000	2,290,000	105,000
2018 G.O. bonds	11/1/18	9/1/38	3.0-4.0%	1,425,000	<u>1,425,000</u>	<u>65,000</u>
					\$ <u>8,966,771</u>	<u>548,840</u>

Debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 548,840	209,865	758,705
2020	550,622	206,914	757,536
2021	562,419	195,570	757,989
2022	575,494	183,776	759,270
2023	582,320	170,917	753,237
2024-2028	2,751,480	668,218	3,419,698
2029-2033	2,530,596	325,451	2,856,047
2034-2038	<u>865,000</u>	<u>70,313</u>	<u>935,313</u>
	\$ <u>8,966,771</u>	<u>2,031,024</u>	<u>10,997,795</u>

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

**G. 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, net of accumulated depreciation	\$ 51,731,725
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(7,580,999)</u>
	44,150,726
Restricted	
Non-Expendable - Cemetery perpetual care	74,417
Expendable	
Impact fee	577,496
Tourism and convention	123,197
Cemetery	74,987
Pension benefits	925,782
Unrestricted	<u>16,477,594</u>
Total Governmental Activities Net Position	\$ <u>62,404,199</u>

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

Nonspendable - Major Funds	
General Fund	
Delinquent personal property taxes	\$ 323
Inventory of supplies	143,429
Prepaid expenditures	32,367
Non-major Funds	
Permanent Fund - Cemetery Perpetual Care	74,417
Restricted - Non-Major Funds	
Impact fee	577,496
Tourism and convention	123,197
Cemetery - Expendable	74,987
Committed - Major Funds	
General Fund – Park and recreation equipment	207,140
Storm Water Management	3,714,822
Non-Major Funds	
Capital equipment – Future capital outlays	3,421,062
Assigned - Major Funds	
General fund –Community policing	12,002
Debt service	1,154,055
Non-Major Funds	
Road construction	184,755
Capital equipment	1,374,125
Bike path	3,231
Unassigned – Major Fund	
General fund	5,710,509
Unassigned – Non-Major Fund	
Sports complex fund	<u>(123,438)</u>
Total Governmental fund balance	\$ <u>16,684,479</u>

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information**

**A. 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. 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 PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

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

<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 \$424,351 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, the City of Pewaukee reported an asset of \$1,167,779 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. The City of Pewaukee's proportion of the net pension asset was based on the City of Pewaukee's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of Pewaukee's proportion was .03933083%, which was an increase of .00161317% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 the City of Pewaukee recognized pension expense of \$497,401.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,483,692	(694,022)
Net differences between projected and actual earnings on pension plan investments	-	(1,605,004)
Changes in assumptions	230,730	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	68	(21,238)
Employer contributions subsequent to the measurement date	<u>446,999</u>	<u>-</u>
Total	\$ <u>2,161,489</u>	<u>(2,320,264)</u>

Deferred outflows of resources of \$446,999 related to pension resulting from the City of Pewaukee'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	\$ 117,200
2020	(16,590)
2021	(405,045)
2022	(304,133)
2023	2,794

**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.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

**A. Defined Benefit Pension Plan – continued**

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.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.

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.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

**A. Defined Benefit Pension Plan – continued**

**Sensitivity of the City of Pewaukee’s proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the City of Pewaukee’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City of Pewaukee’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>
City of Pewaukee’s proportionate share of the net pension liability (asset)	\$ 3,021,443	\$ (1,167,779)	\$ (4,351,717)

**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>.

**B. Risk Management**

The City 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.

**C. Joint Ventures**

**Parks and Recreation**

On November 4, 1996 the City entered into an agreement with the Village of Pewaukee to create a joint park and recreation department commencing January 1, 1997. The agreement created a joint board comprised of seven voting and two non-voting members for purposes of facilitating and overseeing the operation of the department. The voting board members, one from each municipality’s governing board, two citizen representatives from the Village and three from the City, are appointed to staggered terms.

Operating costs and resulting revenues of the department are apportioned to each participant based upon the percentage determined as part of the budget formulation for the subsequent year. All costs for acquisition, improvement or maintenance of land, buildings and fixtures are borne by the municipality in which the land or facilities are located. Total operating costs for 2018 were \$1,144,668 and the City received \$214,844 for costs apportioned to the Village.

The joint department agreement provides for dissolution of the department in the event of an affirmative vote of the governing bodies. Such dissolution would be delayed for six months to allow time for the joint department to wind up its affairs. Upon dissolution, either of the units of government may provide the other unit of government the opportunity to purchase its interest in the assets of the joint department at the value fixed by agreement or by appraisal.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

**C. Joint Ventures - continued**

**Library**

The City of Pewaukee and the Village of Pewaukee jointly operate the Pewaukee Public Library that has provided library services to both communities since 2005. The Joint Library Board consists of seven members, three citizens from each community and one representative nominated by the Superintendent of the Pewaukee School District. Local representatives are appointed by the Mayor, subject to confirmation by the Common Council. The Joint Library Board shall plan for, implement and manage all library services, programs and activities. The Board prepares a budget for the operation and maintenance of the library which is presented to the City and Village on or before August 1 of each year. The City made payments totaling \$787,045 to the library for 2018, or 75% of the shared expenditures.

The intergovernmental agreement is for a twenty-year term and then automatically renews for five-year terms unless notice of intent to terminate the agreement is provided. Termination would become effective on January 1 at least twelve months from the date of notification.

Financial information related to the library as of December 31, 2018 is available directly from the Library Director.

**D. Segment Information**

The City provides water and sewer services. Segment information for the year ended December 31, 2018 is as follows:

	Water Utility	Sewer Utility	Total
Operating revenues	\$ 2,097,287	3,377,817	5,475,104
Operating expenses:			
Operations and maintenance	1,169,508	1,922,986	3,092,494
Depreciation	1,105,158	1,398,608	2,503,766
Amortization	138,880	-	138,880
Taxes	2,112	-	2,112
Net operating income (loss)	(318,371)	56,223	(262,148)
Non-operating revenues	13,690	138,783	152,473
Non-operating expenses	342,522	34,825	377,347
Grants and contributions	1,446,887	527,693	1,974,580
Transfers to General Fund:			
Payment in lieu of property taxes	546,488	-	546,488
Assets:			
Current assets	2,151,249	11,938,560	14,089,809
Capital assets, net of depreciation	38,039,610	38,144,547	76,184,157
Due from water utility	-	6,852,295	6,852,295
Other assets	2,472,538	2,034,786	4,507,324
Total assets	42,663,397	58,970,188	101,633,585
Deferred outflows of resources	189,068	95,881	284,949
Liabilities:			
Due to general fund	546,488	-	546,488
Other current liabilities	909,230	531,845	1,441,075
Due to sewer utility	6,852,295	-	6,852,295
Other long-term liabilities	7,111,230	1,306,701	8,417,931
Other liabilities	321,959	478,074	800,033
Total liabilities	15,741,202	2,316,620	18,057,822
Deferred inflow of resources	188,855	104,338	293,193

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

**(4) Other Information - Continued**

**D. Segment Information - continued**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Net position:			
January 1, 2018	\$ 26,669,212	55,957,237	82,626,449
Change in net position	253,196	687,874	941,070
December 31, 2018:			
Invested in capital assets, net of related debt	30,468,685	36,748,701	67,217,386
Restricted	162,501	26,704	189,205
Unrestricted	(3,708,778)	19,869,706	16,160,928
Net cash provided (used) by:			
Operating activities	948,187	1,111,124	2,059,311
Non-capital and related financing activities	(557,342)	-	(557,342)
Capital and related financing activities	(11,057)	(306,670)	(317,727)
Investing activities	5,208	117,438	122,646
Cash and cash equivalents:			
January 1, 2018	1,271,595	10,010,770	11,282,365
December 31, 2018	1,656,591	10,932,662	12,589,253

**E. Subsequent Events**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 8, 2019 the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF PEWAUKEE  
 BUDGETARY COMPARISON STATEMENT  
 General Fund and Storm Water Management Fund  
 Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>General Fund:</b>			
Budgetary fund balance, January 1	\$ 4,863,990	4,863,990	-
<b>Resources (inflows):</b>			
Taxes	7,311,486	7,330,658	19,172
Intergovernmental	1,408,143	1,446,967	38,824
Regulation and compliance	1,405,925	1,649,048	243,123
Charges for services	3,274,400	3,498,461	224,061
Interest	128,000	196,108	68,108
Miscellaneous	77,836	141,869	64,033
Sale of assets	45,000	120,654	75,654
Transfers in	575,000	546,488	(28,512)
Amounts available for appropriation	<u>19,089,780</u>	<u>19,794,243</u>	<u>704,463</u>
<b>Charges to appropriations (outflows):</b>			
General government	1,904,562	1,765,607	138,955
Public safety and judicial	7,624,477	7,336,903	287,574
Health and sanitation	966,931	1,003,741	(36,810)
Public works	1,535,989	1,561,647	(25,658)
Culture and recreation	2,039,347	1,932,282	107,065
Unclassified	137,000	64,809	72,191
Transfers out	17,484	23,484	(6,000)
Total charges to appropriations	<u>14,225,790</u>	<u>13,688,473</u>	<u>537,317</u>
Fund balance, December 31	<u>\$ 4,863,990</u>	<u>6,105,770</u>	<u>1,241,780</u>
<b>Storm Water Management Fund:</b>			
Budgetary fund balance, January 1	\$ 4,201,550	4,201,550	-
<b>Resources (inflows):</b>			
Charges for services	1,565,000	1,567,308	2,308
Interest	2,000	36,083	34,083
Miscellaneous	45,700	91,757	46,057
Transfers in	17,904	17,904	-
Amounts available for appropriation	<u>5,832,154</u>	<u>5,914,602</u>	<u>82,448</u>
<b>Charges to appropriations (outflows):</b>			
Public works	730,026	623,954	106,072
Capital outlay	4,235,000	1,319,662	2,915,338
Transfer out	256,164	256,164	-
Total charges to appropriations	<u>5,221,190</u>	<u>2,199,780</u>	<u>3,021,410</u>
Fund balance, December 31	<u>\$ 610,964</u>	<u>3,714,822</u>	<u>3,103,858</u>

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

CITY OF PEWAUKEE  
WISCONSIN RETIREMENT SYSTEM  
Year Ended December 31, 2018

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

WRS 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	0.03676663%	(\$903,089)	4,320,562	(20.9%)	102.74%
12/31/2015	0.03685216%	598,841	4,460,859	13.42%	98.20%
12/31/2016	0.03771766%	310,884	4,631,126	6.71%	99.12%
12/31/2017	0.03933083%	(1,167,779)	4,938,228	(23.7%)	102.93%

SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

City 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
12/31/2015	\$360,217	360,217	-	4,460,859	8.08%
12/31/2016	367,821	367,821	-	4,631,126	7.94%
12/31/2017	424,351	424,351	-	4,938,228	8.59%
12/31/2018	446,999	446,999	-	5,206,135	8.59%

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

CITY OF PEWAUKEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**(1) Budgetary Information**

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 basic financial statements. The City prepares an annual budget on a basis consistent with generally accepted accounting principles.

The general fund budget is adopted at the departmental level of expenditure. All other governmental funds of the City are adopted at the functional level of expenditure. Transfers between departments and changes to the overall budget must be approved by a two-thirds majority of the Common Council.

Subsequent to the enactment of the budget, the Common Council has the authority to make amendments to the budget, which may result in changes in total appropriations. Such amendments require approval of two-thirds of the governing body. Amendments made to the original approved capital project fund – sports complex budget were in accordance with these requirements.

	<u>Original</u>	<u>Amended</u>
Capital Project Fund-Sports Complex		
Revenues:		
Donations	\$ -	200,000
Expenditures:		
Capital outlay	-	1,009,254

**(2) Wisconsin Retirement System Pension**

The City is required to present the last ten fiscal years' data; however, the standards allow the City 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.

**SUPPLEMENTARY INFORMATION**

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
<b>Taxes:</b>			
General property	\$ 6,972,986	6,972,986	-
Public accommodation	244,251	232,143	12,108
Other	<u>113,421</u>	<u>106,357</u>	<u>7,064</u>
	<u>7,330,658</u>	<u>7,311,486</u>	<u>19,172</u>
<b>Intergovernmental:</b>			
State shared revenues	619,306	610,470	8,836
Exempt computer aids	62,878	62,878	-
Fire insurance dues	109,651	110,000	(349)
Transportation aids	503,584	505,295	(1,711)
Lake patrol reimbursements	10,971	9,000	1,971
Tank inspection aids	10,279	3,500	6,779
County recycling aids	106,166	107,000	(834)
Other	<u>24,132</u>	<u>-</u>	<u>24,132</u>
	<u>1,446,967</u>	<u>1,408,143</u>	<u>38,824</u>
<b>Regulation and compliance:</b>			
<b>Licenses:</b>			
Liquor class A	14,475	14,200	275
Operator	8,090	6,000	2,090
Cigarette	500	500	-
Amusement	1,160	1,000	160
Hotel and motel	75	75	-
Dog and kennel	4,744	6,000	(1,256)
<b>Permits:</b>			
Building	334,192	450,000	(115,808)
Electrical	105,501	100,000	5,501
Plumbing	88,614	80,000	8,614
Erosion	46,791	80,000	(33,209)
State code stamps	2,021	4,000	(1,979)
Sign	5,328	4,000	1,328
Street opening	5,450	8,000	(2,550)

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2018

	Actual	Budget	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits - continued:			
Outdoor entertainment	\$ 330	300	30
Fire inspection - commercial building:	175,313	166,000	9,313
Special event	5,628	5,000	628
Other	4,450	5,000	(550)
Fines:			
Court	708,648	350,000	358,648
Lake patrol	1,753	1,850	(97)
Video service provider fee	116,313	100,000	16,313
AT&T video service fee	19,672	24,000	(4,328)
	1,649,048	1,405,925	243,123
Charges for services:			
Publication fees	900	1,000	(100)
Copies	184	100	84
Administrative fees	2,447	2,300	147
Planning and zoning fees	8,390	6,000	2,390
Special assessment letters	11,075	10,000	1,075
Certified survey maps and plat review fees	6,260	6,250	10
Legal review fees	13,188	12,000	1,188
Engineering review fees	74,197	48,000	26,197
Refuse collection	671,198	665,550	5,648
House numbers	737	1,200	(463)
Weed cutting	294	500	(206)
Boat launch fees	11,135	8,000	3,135
Ambulance runs	564,165	425,000	139,165
Fire and ambulance services	1,401,945	1,402,500	(555)
Private fire protection plan	14,160	9,000	5,160

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Management services	\$ 80,000	80,000	-
Building inspection contract	109,080	50,000	59,080
Park equipment usage fees	7,616	6,000	1,616
Park and recreation contracts	214,844	265,000	(50,156)
Recreational program fees	223,775	200,000	23,775
Field trips	25,228	22,000	3,228
Club use fees	14,814	18,000	(3,186)
Reservation fees	36,754	30,000	6,754
WPRA ticket sales	6,075	6,000	75
	<u>3,498,461</u>	<u>3,274,400</u>	<u>224,061</u>
Interest:			
Investments	190,980	125,000	65,980
Other	5,128	3,000	2,128
	<u>196,108</u>	<u>128,000</u>	<u>68,108</u>
Miscellaneous:			
Rent:			
Water and sewer utility	36,000	36,000	-
Other	8,388	13,686	(5,298)
Recycling	4,556	2,500	2,056
Insurance recoveries	49,350	-	49,350
Credit card rebate	7,048	5,000	2,048
Gifts and donations	8,285	2,500	5,785
Insurance dividend	27,002	17,000	10,002
Delinquent personal property recoveries	629	500	129
Other	611	650	(39)
	<u>141,869</u>	<u>77,836</u>	<u>64,033</u>
Total revenues	<u>\$ 14,263,111</u>	<u>13,605,790</u>	<u>657,321</u>

CITY OF PEWAUKEE  
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,624	9,624	-
Common council	48,031	44,912	(3,119)
Boards, commissions, committees	2,577	4,284	1,707
Administration	127,252	126,396	(856)
Human resources	237,131	231,812	(5,319)
Clerk/treasurer	375,939	404,211	28,272
Assessor	108,726	120,680	11,954
Outside services	124,651	152,616	27,965
Elections	36,368	44,135	7,767
Facilities	266,159	281,125	14,966
Information technology	324,161	365,767	41,606
Insurance	104,988	119,000	14,012
	<u>1,765,607</u>	<u>1,904,562</u>	<u>138,955</u>
Public safety and judicial:			
Municipal court	121,536	144,869	23,333
Law enforcement	2,570,388	2,580,419	10,031
Fire and rescue	4,171,590	4,343,664	172,074
Community services	473,389	555,525	82,136
	<u>7,336,903</u>	<u>7,624,477</u>	<u>287,574</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	181,700	182,000	300
Refuse collection and recycling	815,342	777,931	(37,411)
	<u>1,003,741</u>	<u>966,931</u>	<u>(36,810)</u>

CITY OF PEWAUKEE  
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 409,724	385,210	(24,514)
Highway and transportation	1,150,761	1,120,279	(30,482)
Forestry	1,162	30,500	29,338
	<u>1,561,647</u>	<u>1,535,989</u>	<u>(25,658)</u>
 Culture and recreation:			
Boat ramp	569	500	(69)
Library	787,045	791,297	4,252
Parks	539,107	580,104	40,997
Recreation	605,561	667,446	61,885
	<u>1,932,282</u>	<u>2,039,347</u>	<u>107,065</u>
 Unclassified	 <u>64,809</u>	 <u>137,000</u>	 <u>72,191</u>
Total expenditures	\$ <u><u>13,664,989</u></u>	<u><u>14,208,306</u></u>	<u><u>543,317</u></u>

CITY OF PEWAUKEE  
Storm Water Management Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

Year Ended December 31, 2018

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,567,308	1,565,000	2,308
Interest earnings	36,083	2,000	34,083
Miscellaneous	91,757	45,700	46,057
Total revenues	1,695,148	1,612,700	82,448
Expenditures:			
Administration	273,316	337,540	64,224
Storm water maintenance	75,019	98,521	23,502
Ditch and culvert maintenance	199,697	173,038	(26,659)
Street sweeping	13,160	17,038	3,878
Catch basin maintenance	11,678	50,797	39,119
Permit compliance	51,084	53,092	2,008
Infrastructure improvements	1,319,662	4,235,000	2,915,338
Total expenditures	1,943,616	4,965,026	3,021,410
Excess (deficiency) of revenues over expenditures	(248,468)	(3,352,326)	3,103,858
Other financing sources (uses):			
Transfer from general fund	17,484	17,484	-
Transfer from cemetery fund	420	420	-
Transfer to debt service	(256,164)	(256,164)	-
Total other financing sources (uses)	(238,260)	(238,260)	-
Net change in fund balance	(486,728)	(3,590,586)	3,103,858
Fund balance, January 1	4,201,550		
Fund balance, December 31	\$ 3,714,822		

CITY OF PEWAUKEE  
Debt Service Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

Year Ended December 31, 2018

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,100,000	1,100,000	-
Special assessments	441,568	75,000	366,568
Build America bond rebate	8,918	9,500	(582)
Interest earnings	23,767	15,926	7,841
Total revenues	1,574,253	1,200,426	373,827
Expenditures:			
Debt service:			
Principal	1,425,995	1,425,995	-
Interest	207,544	207,544	-
Total expenditures	1,633,539	1,633,539	-
Excess (deficiency) of revenues over expenditures	(59,286)	(433,113)	373,827
Other financing sources:			
Transfers in	256,164	256,164	-
Total other financing sources	256,164	256,164	-
Net change in fund balance	196,878	(176,949)	373,827
Fund balance, January 1	957,177		
Fund balance, December 31	\$ 1,154,055		

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 770,355	2,551,114	74,417	3,395,886
Investments	-	3,166,855	-	3,166,855
<b>Receivables:</b>				
Current taxes	18,340	410,360	-	428,700
Accounts	34,200	-	-	34,200
Prepaid expenditures	-	17,225	-	17,225
Total assets	<u>\$ 822,895</u>	<u>6,145,554</u>	<u>74,417</u>	<u>7,042,866</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,894	82,878	-	85,772
Construction contracts payable	-	377,941	-	377,941
Unearned revenue	9,321	-	-	9,321
Total liabilities	<u>12,215</u>	<u>460,819</u>	<u>-</u>	<u>473,034</u>
<b>Deferred Inflows of Resources</b>				
Subsequent year's tax levy	<u>35,000</u>	<u>825,000</u>	<u>-</u>	<u>860,000</u>
<b>Fund Balance:</b>				
Nonspendable	-	-	74,417	74,417
Restricted	775,680	-	-	775,680
Committed	-	3,421,062	-	3,421,062
Assigned	-	1,562,111	-	1,562,111
Unassigned	-	(123,438)	-	(123,438)
Total fund balance	<u>775,680</u>	<u>4,859,735</u>	<u>74,417</u>	<u>5,709,832</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 822,895</u>	<u>6,145,554</u>	<u>74,417</u>	<u>7,042,866</u>

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 604,919	977,500	-	1,582,419
Intergovernmental	7,662	-	-	7,662
Charges for services	74,896	-	3,484	78,380
Interest	2,931	53,632	-	56,563
Miscellaneous	-	200,500	-	200,500
Total revenues	<u>690,408</u>	<u>1,231,632</u>	<u>3,484</u>	<u>1,925,524</u>
Expenditures:				
Current:				
Public safety	7,662	-	-	7,662
Health and sanitation	35,766	-	-	35,766
Economic development	524,887	-	-	524,887
Capital outlay	-	2,894,297	-	2,894,297
Total expenditures	<u>568,315</u>	<u>2,894,297</u>	<u>-</u>	<u>3,462,612</u>
Excess (deficiency) of revenues over expenditures	<u>122,093</u>	<u>(1,662,665)</u>	<u>3,484</u>	<u>(1,537,088)</u>
Other financing sources (uses):				
Transfers in	-	81,000	-	81,000
Transfers out	<u>(75,420)</u>	<u>-</u>	<u>-</u>	<u>(75,420)</u>
Total other financing sources (uses)	<u>(75,420)</u>	<u>81,000</u>	<u>-</u>	<u>5,580</u>
Net change in fund balances	46,673	(1,581,665)	3,484	(1,531,508)
Fund balance, January 1	<u>729,007</u>	<u>6,441,400</u>	<u>70,933</u>	<u>7,241,340</u>
Fund balance, December 31	<u>\$ 775,680</u>	<u>4,859,735</u>	<u>74,417</u>	<u>5,709,832</u>

CITY OF PEWAUKEE  
Non-Major Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2018

	Impact Fee	Tourism and Convention	Public Safety Grants	Cemetery	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 577,496	89,220	9,321	94,318	770,355
Taxes receivable	-	-	-	18,340	18,340
Accounts receivable	-	34,200	-	-	34,200
Total assets	\$ 577,496	123,420	9,321	112,658	822,895
<b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	223	-	2,671	2,894
Unearned revenue	-	-	9,321	-	9,321
Total liabilities	-	223	9,321	2,671	12,215
<b>Deferred inflows of resources:</b>					
Subsequent year's tax levy	-	-	-	35,000	35,000
<b>Fund balance:</b>					
Restricted	577,496	123,197	-	74,987	775,680
Total fund balance	577,496	123,197	-	74,987	775,680
Total liabilities, deferred inflows of resources and fund balance	\$ 577,496	123,420	9,321	112,658	822,895

CITY OF PEWAUKEE  
Non-Major Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

Year Ended December 31, 2018

	Impact Fee		Tourism and Convention		Public Safety Grants		Cemetery		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
General tax levy	\$ -	-	-	-	-	-	35,000	35,000	35,000	35,000
Public accommodation tax	-	-	569,919	530,000	-	-	-	-	569,919	530,000
Intergovernmental	-	-	-	-	7,662	-	-	-	7,662	-
Charges for services:										
Impact fees	70,680	75,600	-	-	-	-	-	-	70,680	75,600
Interment fees	-	-	-	-	-	-	2,500	3,000	2,500	3,000
Lot sales	-	-	-	-	-	-	1,716	594	1,716	594
Columbarium niche sales	-	-	-	-	-	-	-	460	-	460
Interest earnings	1,107	300	957	300	-	-	867	80	2,931	680
Total revenues	<u>71,787</u>	<u>75,900</u>	<u>570,876</u>	<u>530,300</u>	<u>7,662</u>	<u>-</u>	<u>40,083</u>	<u>39,134</u>	<u>690,408</u>	<u>645,334</u>
Expenditures:										
Public safety	-	-	-	-	7,662	-	-	-	7,662	-
Health and sanitation	-	-	-	-	-	-	35,766	46,500	35,766	46,500
Economic development	-	-	524,887	488,700	-	-	-	-	524,887	488,700
Total expenditures	<u>-</u>	<u>-</u>	<u>524,887</u>	<u>488,700</u>	<u>7,662</u>	<u>-</u>	<u>35,766</u>	<u>46,500</u>	<u>568,315</u>	<u>535,200</u>
Excess (deficiency) of revenues over expenditures	71,787	75,900	45,989	41,600	-	-	4,317	(7,366)	122,093	110,134
Other financing uses:										
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(420)</u>	<u>(420)</u>	<u>(75,420)</u>	<u>(75,420)</u>
Net change in fund balances	<u>(3,213)</u>	<u>900</u>	<u>45,989</u>	<u>41,600</u>	<u>-</u>	<u>-</u>	<u>3,897</u>	<u>(7,786)</u>	<u>46,673</u>	<u>34,714</u>
Fund balance, January 1	<u>580,709</u>		<u>77,208</u>		<u>-</u>		<u>71,090</u>		<u>729,007</u>	
Fund balance, December 31	\$ <u><u>577,496</u></u>		<u><u>123,197</u></u>		<u><u>-</u></u>		<u><u>74,987</u></u>		<u><u>775,680</u></u>	

CITY OF PEWAUKEE  
Non-Major Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2018

	<u>Road Construction</u>	<u>Sports Complex</u>	<u>Capital Equipment</u>	<u>Bike Path</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 620,476	54,804	1,869,834	6,000	2,551,114
Investments	-	-	3,166,855	-	3,166,855
Taxes receivable	199,449	-	210,911	-	410,360
Prepaid expenditures	-	-	17,225	-	17,225
<b>Total assets</b>	<b>\$ <u>819,925</u></b>	<b><u>54,804</u></b>	<b><u>5,264,825</u></b>	<b><u>6,000</u></b>	<b><u>6,145,554</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit):</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 27,570	7,901	44,638	2,769	82,878
Construction contracts payable	<u>207,600</u>	<u>170,341</u>	<u>-</u>	<u>-</u>	<u>377,941</u>
<b>Total liabilities</b>	<b><u>235,170</u></b>	<b><u>178,242</u></b>	<b><u>44,638</u></b>	<b><u>2,769</u></b>	<b><u>460,819</u></b>
<b>Deferred Inflows of Resources:</b>					
Subsequent year's tax levy	<u>400,000</u>	<u>-</u>	<u>425,000</u>	<u>-</u>	<u>825,000</u>
<b>Fund Balance (Deficit):</b>					
Committed	-	-	3,421,062	-	3,421,062
Assigned	184,755	-	1,374,125	3,231	1,562,111
Unassigned	<u>-</u>	<u>(123,438)</u>	<u>-</u>	<u>-</u>	<u>(123,438)</u>
<b>Total fund balance (deficit)</b>	<b><u>184,755</u></b>	<b><u>(123,438)</u></b>	<b><u>4,795,187</u></b>	<b><u>3,231</u></b>	<b><u>4,859,735</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>	<b>\$ <u>819,925</u></b>	<b><u>54,804</u></b>	<b><u>5,264,825</u></b>	<b><u>6,000</u></b>	<b><u>6,145,554</u></b>

CITY OF PEWAUKEE  
Non-Major Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

Year Ended December 31, 2018

	Road Construction		Sports Complex		Capital Equipment		Bike Path		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
<b>Revenues:</b>										
General property taxes	\$ 300,000	300,000	-	-	677,500	677,500	-	-	977,500	977,500
Interest earnings	5,599	500	2,164	200	45,869	5,000	-	-	53,632	5,700
Donations	-	-	200,500	200,000	-	-	-	-	200,500	200,000
Total revenues	<u>305,599</u>	<u>300,500</u>	<u>202,664</u>	<u>200,200</u>	<u>723,369</u>	<u>682,500</u>	<u>-</u>	<u>-</u>	<u>1,231,632</u>	<u>1,183,200</u>
<b>Expenditures:</b>										
Capital outlays	1,162,637	2,625,000	1,009,254	1,009,254	719,637	1,774,000	2,769	6,000	2,894,297	5,414,254
	<u>1,162,637</u>	<u>2,625,000</u>	<u>1,009,254</u>	<u>1,009,254</u>	<u>719,637</u>	<u>1,774,000</u>	<u>2,769</u>	<u>6,000</u>	<u>2,894,297</u>	<u>5,414,254</u>
Excess (deficiency) of revenues over expenditures	<u>(857,038)</u>	<u>(2,324,500)</u>	<u>(806,590)</u>	<u>(809,054)</u>	<u>3,732</u>	<u>(1,091,500)</u>	<u>(2,769)</u>	<u>(6,000)</u>	<u>(1,662,665)</u>	<u>(4,231,054)</u>
<b>Other financing sources:</b>										
Transfers in	-	-	75,000	75,000	-	-	6,000	-	81,000	75,000
	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>81,000</u>	<u>75,000</u>
Net change in fund balances	(857,038)	<u>(2,324,500)</u>	(731,590)	<u>(734,054)</u>	3,732	<u>(1,091,500)</u>	3,231	<u>(6,000)</u>	(1,581,665)	<u>(4,156,054)</u>
<b>Fund balance (deficit):</b>										
January 1	<u>1,041,793</u>		<u>608,152</u>		<u>4,791,455</u>		<u>-</u>		<u>6,441,400</u>	
December 31	<u>\$ 184,755</u>		<u>(123,438)</u>		<u>4,795,187</u>		<u>3,231</u>		<u>4,859,735</u>	

CITY OF PEWAUKEE  
 Non-Major Permanent Fund - Cemetery Perpetual Care

STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE

Year Ended December 31, 2018

Revenues:	
Charges for services:	
Perpetual care	\$       3,484
Expenditures:	
Unclassified	<u>          -</u>
Net change in fund balance	3,484
Fund balance, January 1	<u>70,933</u>
Fund balance, December 31	\$ <u><u>74,417</u></u>

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,550,608	1,260,335
Other receivables	471,027	494,575
Special assessments	11,640	12,048
Inventory of supplies	11,991	8,329
Restricted assets - cash and cash equivalents	<u>105,983</u>	<u>11,260</u>
Total current assets	<u>2,151,249</u>	<u>1,786,547</u>
Capital assets:		
Land	530,387	530,387
Construction in progress	63,626	229,111
Buildings	6,883,917	5,823,683
Improvements other than buildings	44,861,703	43,995,370
Furniture and equipment	<u>890,588</u>	<u>845,599</u>
	53,230,221	51,424,150
Less: Accumulated depreciation	<u>15,190,611</u>	<u>14,307,521</u>
Net capital assets	<u>38,039,610</u>	<u>37,116,629</u>
Other assets:		
Special assessments	2,043,017	1,295,341
Unamortized charges	373,216	512,096
Net pension asset	<u>56,305</u>	<u>-</u>
Total other assets	<u>2,472,538</u>	<u>1,807,437</u>
Total assets	<u>42,663,397</u>	<u>40,710,613</u>
Deferred outflows of resources:		
Deferred outflows related to pensions	<u>189,068</u>	<u>158,206</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 154,847	127,314
Construction contracts payable	216,265	76,991
Due to general fund	546,488	557,342
Customer advances on construction	27,308	53,408
Accrued interest on long-term debt	51,115	44,922
Current portion of long-term debt	<u>459,695</u>	<u>387,165</u>
Total current liabilities	1,455,718	1,247,142
Long-term liabilities (net of current portion):		
General obligation debt	7,111,230	6,145,925
Due to sewer	6,852,295	6,263,171
Assessments due developers	321,959	442,882
Net pension liability	<u>-</u>	<u>20,616</u>
Total liabilities	<u>15,741,202</u>	<u>14,119,736</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>188,855</u>	<u>79,871</u>
Net position, restated:		
Net investment in capital assets	30,468,685	30,583,539
Restricted for:		
Capital projects	105,983	11,260
Pension	56,518	57,719
Unrestricted	<u>(3,708,778)</u>	<u>(3,983,306)</u>
Total net position	\$ <u><u>26,922,408</u></u>	<u><u>26,669,212</u></u>

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Sale of water:		
Residential	\$ 915,515	920,650
Multi-family	161,937	168,936
Commercial	399,473	402,500
Industrial	94,060	99,534
Public authorities	3,767	5,416
	<u>1,574,752</u>	<u>1,597,036</u>
Public fire protection	433,406	424,709
Private fire protection	75,502	72,112
Customer's forfeited discounts	8,090	7,301
Other revenue	5,537	5,719
Total operating revenues	<u>2,097,287</u>	<u>2,106,877</u>
Operating expenses:		
Plant operation and maintenance:		
Salaries and wages	137,601	133,146
Transportation expense	12,142	10,847
Power purchased for pumping	239,929	232,142
Chemicals	116,576	111,120
Operating supplies	43,616	56,649
Repairs of water plant	218,445	105,795
	<u>768,309</u>	<u>649,699</u>
General operating expenses:		
Administrative salaries	162,994	148,897
Office supplies and expenses	28,024	29,971
Outside services employed	68,514	83,301
Insurance	12,747	13,267
Employee benefits	108,962	133,735
Other general expenses	19,958	20,280
	<u>401,199</u>	<u>429,451</u>
Total operation and maintenance	1,169,508	1,079,150
Depreciation	1,105,158	1,055,800
Amortization	138,880	138,880
Taxes	2,112	2,022
Total operating expenses	<u>2,415,658</u>	<u>2,275,852</u>
Net operating loss	<u>(318,371)</u>	<u>(168,975)</u>
Non-operating income (expenses)		
Interest income	5,655	7,453
Interest expense	(148,312)	(147,354)
Bond premium	8,035	-
Bond issue costs	(44,182)	-
Loss on disposal of capital assets	(150,028)	(16,422)
Total non-operating income (expenses)	<u>(328,832)</u>	<u>(156,323)</u>
Loss before contributions and transfers	(647,203)	(325,298)
Contributions	1,446,887	386,784
Transfer out	(546,488)	(557,342)
Change in net position	<u>\$ 253,196</u>	<u>(495,856)</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,120,835	2,033,775
Payments to suppliers	(764,292)	(645,150)
Payments to employees	(408,356)	(380,746)
Net cash provided by operating activities	<u>948,187</u>	<u>1,007,879</u>
Cash flows from non-capital and related financing activities:		
Transfers to other funds	<u>(557,342)</u>	<u>(547,523)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,730,344)	(1,087,277)
Costs of asset abandonment	(90,297)	-
Advance from sewer utility	589,124	950,594
Proceeds from sale of assets	9,375	-
Proceeds of long term debt	1,425,000	-
Bond issue costs, net of premium	(36,147)	-
Long-term debt retirements	(387,165)	(433,430)
Reserve capacity assessments received	217,732	315,751
Collection of special assessments, net	133,784	76,072
Interest and fiscal charges paid on long-term debt	(142,119)	(143,959)
Net cash provided (used) by capital and related financing activities	<u>(11,057)</u>	<u>(322,249)</u>
Cash flows from investing activities:		
Interest received on cash and investments	<u>5,208</u>	<u>6,373</u>
Net increase in cash and cash equivalents	384,996	144,480
Cash and cash equivalents, January 1	1,271,595	1,127,115
Cash and cash equivalents, December 31	<u>\$ 1,656,591</u>	<u>1,271,595</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Unrestricted	\$ 1,550,608	1,260,335
Restricted - Debt retirement and capital projects	105,983	11,260
	<u>\$ 1,656,591</u>	<u>1,271,595</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (318,371)	(168,975)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,244,038	1,194,680
Changes in assets and liabilities:		
Accounts receivable, net	23,548	(73,102)
Inventory of supplies	(3,662)	(5)
Accounts payable and accrued expenses	2,634	55,281
Net cash provided by operating activities	<u>\$ 948,187</u>	<u>1,007,879</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	<u>\$ 227,626</u>	<u>-</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2018 and 2017

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	\$ 10,932,662	10,010,770
Other receivables	842,251	909,262
Special assessments	163,647	175,961
Total current assets	11,938,560	11,095,993
Capital assets:		
Construction in progress	66,407	66,407
Buildings	3,800,396	3,800,396
Improvements other than buildings	58,702,874	58,316,808
	62,569,677	62,183,611
Less: Accumulated depreciation	24,425,130	23,028,322
Net capital assets	38,144,547	39,155,289
Other assets:		
Due from water	6,852,295	6,263,171
Special assessments	1,999,625	2,528,886
Net pension asset	35,161	-
Total other assets	8,887,081	8,792,057
Total assets	58,970,188	59,043,339
Deferred outflows of resources:		
Deferred outflows related to pensions	95,881	76,881

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 420,074	836,701
Construction contracts payable	12,555	12,555
Accrued interest on long-term debt	10,071	10,621
Current portion of long-term debt	<u>89,145</u>	<u>88,642</u>
Total current liabilities	531,845	948,519
Long-term liabilities (net of current portion):		
General obligation debt	1,306,701	1,395,846
Assessments due developers	427,334	723,610
Long-term contract payable	50,740	50,740
Net pension liability	<u>-</u>	<u>7,986</u>
Total liabilities	<u>2,316,620</u>	<u>3,126,701</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>104,338</u>	<u>36,282</u>
Net position:		
Net investment in capital assets	36,748,701	37,670,801
Restricted for:		
Pension	26,704	32,613
Unrestricted	<u>19,869,706</u>	<u>18,253,823</u>
Total net position	<u>\$ 56,645,111</u>	<u>55,957,237</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Sewer service charges:		
Residential	\$ 2,400,238	2,290,455
Commercial	778,724	779,778
Industrial	169,700	176,169
Public authorities	7,594	7,804
Other revenue	<u>21,561</u>	<u>25,612</u>
Total operating revenues	<u>3,377,817</u>	<u>3,279,818</u>
Operating expenses:		
Plant operation and maintenance:		
Sewage treatment charges	1,239,502	1,263,084
Salaries and wages	81,661	77,845
Power purchased for pumping	44,720	44,373
Supplies and expenses	16,780	15,912
Maintenance	<u>227,732</u>	<u>67,943</u>
	<u>1,610,395</u>	<u>1,469,157</u>
General operating expenses:		
Administrative salaries	146,982	136,179
Office supplies and expenses	26,525	29,971
Outside services employed	33,745	52,276
Insurance	12,746	13,266
Employee benefits	72,635	69,038
Other general expenses	<u>19,958</u>	<u>20,385</u>
	<u>312,591</u>	<u>321,115</u>
Total operation and maintenance	1,922,986	1,790,272
Depreciation	<u>1,398,608</u>	<u>1,377,949</u>
Total operating expenses	<u>3,321,594</u>	<u>3,168,221</u>
Net operating income	<u>56,223</u>	<u>111,597</u>
Non-operating income (expenses)		
Interest income	128,736	115,309
Interest expense	(34,825)	(36,658)
Gain on disposal of fixed assets	<u>10,047</u>	<u>-</u>
Total non-operating income (expenses)	<u>103,958</u>	<u>78,651</u>
Income before contributions	160,181	190,248
Contributions	<u>527,693</u>	<u>353,717</u>
Change in net position	<u>\$ 687,874</u>	<u>543,965</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,444,828	3,088,136
Payments to suppliers	(2,038,335)	(1,110,283)
Payments to employees	(295,369)	(276,933)
Net cash provided by operating activities	<u>1,111,124</u>	<u>1,700,920</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(186,488)	(309,169)
Advance to water utility	(589,124)	(950,594)
Reserve capacity assessments received	308,115	214,329
Proceeds from sale of assets	28,247	-
Long-term debt retirements	(88,642)	(83,152)
Collection of special assessments, net	256,597	497,790
Interest and fiscal charges paid on long-term debt	(35,375)	(37,173)
Net cash used by capital and related financing activities	<u>(306,670)</u>	<u>(667,969)</u>
Cash flows from investing activities:		
Interest received on cash and investments	<u>117,438</u>	<u>98,447</u>
Net increase in cash and cash equivalents	921,892	1,131,398
Cash and cash equivalents, January 1	<u>10,010,770</u>	<u>8,879,372</u>
Cash and cash equivalents, December 31	<u>\$ 10,932,662</u>	<u>10,010,770</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Unrestricted	<u>\$ 10,932,662</u>	<u>10,010,770</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 56,223	111,597
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,398,608	1,377,949
Changes in assets and liabilities:		
Accounts receivable, net	67,011	(191,682)
Accounts payable and accrued expenses	(410,718)	403,056
Net cash provided by operating activities	<u>\$ 1,111,124</u>	<u>1,700,920</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	<u>\$ 219,578</u>	<u>10,700</u>

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2018 and 2017

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance	Additions	Disposals	Balance		Balance	Additions	Disposals	Balance
	Dec. 31, 2017			Dec. 31, 2018		Dec. 31, 2017			Dec. 31, 2018
<b>Water Utility:</b>									
Source of supply plant:									
Wells and springs	\$ 2,352,135	-	-	2,352,135	2.90	999,340	68,212	-	1,067,552
Supply mains	237,834	-	-	237,834	1.80	85,685	4,281	-	89,966
Pumping plant:									
Land	530,387	-	-	530,387	-	-	-	-	-
Structures and improvements	5,823,683	1,060,234	-	6,883,917	3.20	2,592,070	203,322	-	2,795,392
Electric pumping equipment	1,768,208	74,431	41,820	1,800,819	4.40	542,232	79,404	17,961	603,675
Other pumping equipment	201,872	-	-	201,872	4.40	157,616	2,302	-	159,918
Water treatment plant	382,284	483,534	-	865,818	6.00	239,426	37,443	-	276,869
Transmission and distribution plant:									
Distribution reservoirs and standpipes	4,712,368	12,808	203,895	4,521,281	1.90	784,486	89,657	166,582	707,561
Transmission and distribution mains	26,138,214	396,277	14,042	26,520,449	1.30	5,040,967	342,373	6,404	5,376,936
Services	4,107,174	127,100	1,600	4,232,674	2.90	1,717,340	120,951	1,588	1,836,703
Meters	681,413	8,494	2,204	687,703	5.50	304,953	37,711	2,204	340,460
Hydrants	3,413,868	28,375	1,125	3,441,118	2.20	1,066,126	75,417	842	1,140,701
General plant:									
Transportation equipment	303,711	-	26,487	277,224	13.30	293,219	10,492	26,487	277,224
Office furniture and equipment	191,081	7,344	-	198,425	Var.	186,191	3,264	-	189,455
Other general equipment	350,632	64,132	-	414,764	Var.	297,695	30,329	-	328,024
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>51,195,039</u>	<u>2,262,729</u>	<u>291,173</u>	<u>53,166,595</u>		<u>14,307,521</u>	<u>1,105,158</u>	<u>222,068</u>	<u>15,190,611</u>
<b>Sewer Utility:</b>									
Buildings and structures	3,800,396	-	-	3,800,396	2.00	934,591	76,008	-	1,010,599
Collection sewers	33,818,312	197,488	20,000	33,995,800	1.00	5,756,919	339,171	1,800	6,094,290
Force mains	2,300,854	-	-	2,300,854	3.33	949,552	76,618	-	1,026,170
Services	5,193,369	53,114	-	5,246,483	1.00	799,051	52,199	-	851,250
Pumping equipment	4,029,806	-	-	4,029,806	5.00	2,624,308	201,490	-	2,825,798
Other equipment	376,403	20,796	-	397,199	Var.	339,677	19,852	-	359,529
Treatment plant	12,598,064	134,668	-	12,732,732	5.00	11,624,224	633,270	-	12,257,494
	<u>62,117,204</u>	<u>406,066</u>	<u>20,000</u>	<u>62,503,270</u>		<u>23,028,322</u>	<u>1,398,608</u>	<u>1,800</u>	<u>24,425,130</u>
<b>Construction in progress</b>									
Water	229,111	-	165,485	63,626		-	-	-	-
Sewer	66,407	-	-	66,407		-	-	-	-
	<u>295,518</u>	<u>-</u>	<u>165,485</u>	<u>130,033</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>113,607,761</u></b>	<b><u>2,668,795</u></b>	<b><u>476,658</u></b>	<b><u>115,799,898</u></b>		<b><u>37,335,843</u></b>	<b><u>2,503,766</u></b>	<b><u>223,868</u></b>	<b><u>39,615,741</u></b>