

**CITY OF PEWAUKEE**

Pewaukee, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

# CITY OF PEWAUKEE

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## INDEPENDENT AUDITORS' REPORT

To the Common Council  
City of Pewaukee  
Pewaukee, Wisconsin

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Pewaukee'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 City of Pewaukee'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 City of Pewaukee'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.

To the City Council  
City of Pewaukee

### ***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, WI, as of December 31, 2019 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.

### ***Emphasis of Matters***

As discussed in Note I, the City of Pewaukee adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note I, the City of Pewaukee adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt*, including *Direct Borrowings and Direct Placements*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note IV. G. to the financial statements, net position and fund balance as of December 31, 2018 have been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

The financial statements of the City of Pewaukee as of December 31, 2018, prior to restatement, were audited by other auditors whose report dated July 8, 2019, expressed unmodified opinions on those statements.

As part of the audit of the December 31, 2019 financial statements, we also audited the adjustments described in Note IV. G. that were applied to restate the December 31, 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2018 financial statements of the City of Pewaukee other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2018 financial statements as a whole.

### ***Required Supplementary Information***

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

To the City Council  
City of Pewaukee

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pewaukee's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements. The 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Milwaukee, Wisconsin  
August 24, 2020

## **BASIC FINANCIAL STATEMENTS**

# CITY OF PEWAUKEE

## STATEMENT OF NET POSITION As of December 31, 2019

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 20,126,547	\$ 13,614,508	\$ 33,741,055
Receivables (net)			
Taxes	11,315,047	-	11,315,047
Delinquent personal property taxes	276	-	276
Accounts	248,505	1,098,803	1,347,308
Accrued interest	50,992	-	50,992
Special assessments	-	605,608	605,608
Due from other governments	157,815	-	157,815
Internal balances	(244,077)	244,077	-
Investment in Pewaukee Public Library	366,523	-	366,523
Inventories and prepaid expenses	165,997	8,693	174,690
Restricted assets			
Cash and investments	-	60,006	60,006
Capital assets			
Land	3,736,474	530,387	4,266,861
Construction in progress	1,613,966	208,084	1,822,050
Other capital assets, net of accumulated depreciation	47,064,323	73,985,546	121,049,869
Total Assets	84,602,388	90,355,712	174,958,100
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	3,721,646	291,977	4,013,623
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,821,750	740,673	2,562,423
Deposits	394,579	27,308	421,887
Due to other governments	48	-	48
Current portion of long-term obligations	1,474,862	578,313	2,053,175
Noncurrent portion of long-term obligations	7,200,030	8,216,321	15,416,351
Total Liabilities	10,891,269	9,562,615	20,453,884
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	12,507,924	-	12,507,924
Pension related items	1,894,788	151,812	2,046,600
Total Deferred Inflows of Resources	14,402,712	151,812	14,554,524
<b>NET POSITION</b>			
Net investment in capital assets	45,770,065	66,109,004	111,879,069
Restricted	1,834,097	60,006	1,894,103
Unrestricted	15,425,891	14,764,252	30,190,143
<b>TOTAL NET POSITION</b>	<b>\$ 63,030,053</b>	<b>\$ 80,933,262</b>	<b>\$ 143,963,315</b>

See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental activities							
General government	\$ 2,404,066	\$ 1,104,049	\$ 150,106	\$ -	\$ (1,149,911)	\$ -	\$ (1,149,911)
Public safety	8,592,164	2,700,212	33,521	43,451	(5,814,980)	-	(5,814,980)
Public works	5,394,952	2,041,014	558,168	-	(2,795,770)	-	(2,795,770)
Health and sanitation	28,616	10,970	-	-	(17,646)	-	(17,646)
Culture and recreation	2,488,090	577,765	-	78,113	(1,832,212)	-	(1,832,212)
Conservation and development	460,054	-	-	-	(460,054)	-	(460,054)
Interest and other related charges	151,329	-	-	-	(151,329)	-	(151,329)
Total Governmental Activities	<u>19,519,271</u>	<u>6,434,010</u>	<u>741,795</u>	<u>121,564</u>	<u>(12,221,902)</u>	<u>-</u>	<u>(12,221,902)</u>
Business-type activities							
Water Utility	2,604,890	2,104,660	-	277,733	-	(222,497)	(222,497)
Sewer Utility	<u>3,051,037</u>	<u>3,421,679</u>	<u>-</u>	<u>312,067</u>	<u>-</u>	<u>682,709</u>	<u>682,709</u>
Total Business-type Activities	<u>5,655,927</u>	<u>5,526,339</u>	<u>-</u>	<u>589,800</u>	<u>-</u>	<u>460,212</u>	<u>460,212</u>
Total Primary Government	<u>\$ 25,175,198</u>	<u>\$ 11,960,349</u>	<u>\$ 741,795</u>	<u>\$ 711,364</u>	<u>(12,221,902)</u>	<u>460,212</u>	<u>(11,761,690)</u>
General revenues and transfers:							
Taxes							
Property taxes					9,570,697	-	9,570,697
Other taxes					283,195	-	283,195
Intergovernmental revenues not restricted to specific programs					685,038	-	685,038
Investment income					616,123	163,541	779,664
Gain on sale of fixed assets					20,800	-	20,800
Miscellaneous					35,547	14,162	49,709
Transfers					<u>582,430</u>	<u>(582,430)</u>	<u>-</u>
Total general revenues and transfers					<u>11,793,830</u>	<u>(404,727)</u>	<u>11,389,103</u>
<b>Change in Net Position</b>					<b>(428,072)</b>	<b>55,485</b>	<b>(372,587)</b>
NET POSITION - Beginning of Year (as restated)					<u>63,458,125</u>	<u>80,877,777</u>	<u>144,335,902</u>
<b>NET POSITION - END OF YEAR</b>					<u><b>\$ 63,030,053</b></u>	<u><b>\$ 80,933,262</b></u>	<u><b>\$ 143,963,315</b></u>

See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2019

	General	Storm Water Management	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 7,247,188	\$ 5,444,854	\$ 1,166,003	\$ 6,268,502	\$ 20,126,547
Receivables (net)					
Taxes	8,665,867	588,350	1,100,830	960,000	11,315,047
Delinquent personal property taxes	276	-	-	-	276
Accounts	218,211	-	-	30,294	248,505
Accrued interest	50,992	-	-	-	50,992
Due from other funds	198,650	-	-	-	198,650
Due from other governments	157,815	-	-	-	157,815
Inventories	135,345	-	-	-	135,345
Prepaid items	30,652	-	-	-	30,652
<b>TOTAL ASSETS</b>	<b>\$ 16,704,996</b>	<b>\$ 6,033,204</b>	<b>\$ 2,266,833</b>	<b>\$ 7,258,796</b>	<b>\$ 32,263,829</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 652,235	\$ 546,678	\$ -	\$ 276,297	\$ 1,475,210
Accrued liabilities	304,195	-	-	-	304,195
Deposits	394,579	-	-	-	394,579
Due to other governments	48	-	-	-	48
Due to other funds	244,077	-	-	198,650	442,727
Total Liabilities	<u>1,595,134</u>	<u>546,678</u>	<u>-</u>	<u>474,947</u>	<u>2,616,759</u>
Deferred Inflows of Resources					
Unearned revenues	8,847,411	1,599,683	1,100,830	960,000	12,507,924
Unavailable revenues	74,466	-	-	-	74,466
Total Deferred Inflows of Resources	<u>8,921,877</u>	<u>1,599,683</u>	<u>1,100,830</u>	<u>960,000</u>	<u>12,582,390</u>
Fund Balances					
Nonspendable	166,273	-	-	-	166,273
Restricted	-	-	1,166,003	710,439	1,876,442
Committed	-	-	-	5,327,060	5,327,060
Assigned	12,002	3,886,843	-	-	3,898,845
Unassigned (deficit)	6,009,710	-	-	(213,650)	5,796,060
Total Fund Balances	<u>6,187,985</u>	<u>3,886,843</u>	<u>1,166,003</u>	<u>5,823,849</u>	<u>17,064,680</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,704,996</b>	<b>\$ 6,033,204</b>	<b>\$ 2,266,833</b>	<b>\$ 7,258,796</b>	<b>\$ 32,263,829</b>

See accompanying notes to the financial statements.

## CITY OF PEWAUKEE

### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2019

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Total fund balances - governmental funds	\$ 17,064,680
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds (See Note II.A.).	52,414,763
The City's investment in the library joint venture is not a financial resource and, therefore, is not reported in the fund statements	366,523
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	74,466
Deferred inflows and outflows of resources related to pension do not related to current financial resources and are not reported in the governmental funds.	1,826,858
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds (See Note II.A.).	<u>(8,717,237)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 63,030,053</u></b>

See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	General	Storm Water Management	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 7,971,184	\$ -	\$ 1,281,983	\$ 1,426,198	\$ 10,679,365
Intergovernmental	1,531,927	-	5,768	16,297	1,553,992
Licenses and permits	1,015,743	1,050	-	-	1,016,793
Fines forfeitures and penalties	580,483	-	-	-	580,483
Public charges for services	1,675,543	1,585,720	-	106,667	3,367,930
Intergovernmental charges for services	1,899,674	45,138	-	-	1,944,812
Investment income	368,282	71,458	49,158	103,207	592,105
Miscellaneous revenues	87,104	116,429	-	25,867	229,400
Total Revenues	<u>15,129,940</u>	<u>1,819,795</u>	<u>1,336,909</u>	<u>1,678,236</u>	<u>19,964,880</u>
<b>EXPENDITURES</b>					
Current					
General government	2,087,087	-	-	-	2,087,087
Public safety	7,577,609	-	-	6,000	7,583,609
Public works	2,726,594	663,646	-	-	3,390,240
Health and human services	-	-	-	28,616	28,616
Culture and recreation	2,045,322	-	-	2,053	2,047,375
Conservation and development	-	-	-	460,054	460,054
Capital Outlay	-	740,153	-	2,444,837	3,184,990
Debt Service					
Principal	-	-	1,415,305	-	1,415,305
Interest, issuance costs and fiscal charges	-	-	171,546	-	171,546
Total Expenditures	<u>14,436,612</u>	<u>1,403,799</u>	<u>1,586,851</u>	<u>2,941,560</u>	<u>20,368,822</u>
Excess (deficiency) of revenues over expenditures	<u>693,328</u>	<u>415,996</u>	<u>(249,942)</u>	<u>(1,263,324)</u>	<u>(403,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	20,800	-	-	-	20,800
Transfers in	582,430	17,916	261,890	1,752,761	2,614,997
Transfers out	<u>(1,395,257)</u>	<u>(261,890)</u>	<u>-</u>	<u>(375,420)</u>	<u>(2,032,567)</u>
Total Other Financing Sources (Uses)	<u>(792,027)</u>	<u>(243,974)</u>	<u>261,890</u>	<u>1,377,341</u>	<u>603,230</u>
<b>Net Change in Fund Balances</b>	(98,699)	172,022	11,948	114,017	199,288
FUND BALANCES - Beginning of Year (as restated)	<u>6,286,684</u>	<u>3,714,821</u>	<u>1,154,055</u>	<u>5,709,832</u>	<u>16,865,392</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,187,985</u>	<u>\$ 3,886,843</u>	<u>\$ 1,166,003</u>	<u>\$ 5,823,849</u>	<u>\$ 17,064,680</u>

See accompanying notes to the financial statements.

## CITY OF PEWAUKEE

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Governmental Funds

For the Year Ended December 31, 2019

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Net change in fund balances - total governmental funds	199,288
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities

Capital outlay is reported as an expenditure in the fund financial statements, but is capitalized in the government-wide statements	3,184,990
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	21,715
Depreciation is reported in the government-wide statements	(3,030,784)
Net book value of assets retired	(319,744)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

	(1,476,911)
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The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.

	(9,833)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	1,415,305
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	36,167
Accrued interest on debt	10,604
Net pension liability	(2,445,871)
Deferred inflows/outflows of resources related to pension	1,977,389

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense

Amortization of debt premiums	<u>9,613</u>
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (428,072)</u></b>
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See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 As of December 31, 2019

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 596,361	\$ 13,018,147	\$ 13,614,508
Receivables			
Accounts	397,688	701,115	1,098,803
Special assessments	95,077	510,531	605,608
Due from other funds	41,688	202,389	244,077
Inventory	8,486	-	8,486
Prepaid items	207	-	207
Restricted assets - cash and investments	60,006	-	60,006
Total Current Assets	<u>1,199,513</u>	<u>14,432,182</u>	<u>15,631,695</u>
Noncurrent Assets			
Capital assets			
Land	530,387	-	530,387
Construction in progress	131,983	76,101	208,084
Capital assets, net of accumulated depreciation	37,113,390	36,872,156	73,985,546
Advance to water	-	6,768,277	6,768,277
Total Noncurrent Assets	<u>37,775,760</u>	<u>43,716,534</u>	<u>81,492,294</u>
<b>TOTAL ASSETS</b>	<u>38,975,273</u>	<u>58,148,716</u>	<u>97,123,989</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	<u>188,878</u>	<u>103,099</u>	<u>291,977</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	102,798	546,406	649,204
Accrued liabilities	80,015	11,454	91,469
General obligation debt	460,960	89,662	550,622
Compensated absences	17,999	9,692	27,691
Total Current Liabilities	661,772	657,214	1,318,986
Noncurrent Liabilities			
General obligation debt	6,814,264	1,250,127	8,064,391
Compensated absences	31,844	17,146	48,990
Net pension liability	63,924	39,016	102,940
Advance from sewer	6,768,277	-	6,768,277
Deposits	27,308	-	27,308
Total Noncurrent Liabilities	<u>13,705,617</u>	<u>1,306,289</u>	<u>15,011,906</u>
<b>TOTAL LIABILITIES</b>	<u>14,367,389</u>	<u>1,963,503</u>	<u>16,330,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	<u>95,632</u>	<u>56,180</u>	<u>151,812</u>
<b>NET POSITION</b>			
Net investment in capital assets	30,500,536	35,608,468	66,109,004
Restricted for radium capital projects	60,006	-	60,006
Unrestricted (deficit)	<u>(5,859,412)</u>	<u>20,623,664</u>	<u>14,764,252</u>
<b>TOTAL NET POSITION</b>	<u>\$ 24,701,130</u>	<u>\$ 56,232,132</u>	<u>\$ 80,933,262</u>

See accompanying notes to the financial statements.

## CITY OF PEWAUKEE

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>OPERATING REVENUES</b>	<u>\$ 2,104,660</u>	<u>\$ 3,421,679</u>	<u>\$ 5,526,339</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	1,249,675	2,226,848	3,476,523
Depreciation	1,145,918	791,365	1,937,283
Taxes	27,544	-	27,544
Total Operating Expenses	<u>2,423,137</u>	<u>3,018,213</u>	<u>5,441,350</u>
Operating Income (Loss)	<u>(318,477)</u>	<u>403,466</u>	<u>84,989</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	10,239	153,302	163,541
Interest and fiscal charges	(181,753)	(32,824)	(214,577)
Amortization	11,649	2,513	14,162
Total non-operating income (expense)	<u>(159,865)</u>	<u>122,991</u>	<u>(36,874)</u>
Income (loss) before contributions and transfers	<u>(478,342)</u>	<u>526,457</u>	<u>48,115</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	277,733	312,067	589,800
Transfers	(582,430)	-	(582,430)
Total Contributions and Transfers	<u>(304,697)</u>	<u>312,067</u>	<u>7,370</u>
Change in Net Position	<u>(783,039)</u>	<u>838,524</u>	<u>55,485</u>
NET POSITION - Beginning of Year (as restated)	<u>25,484,169</u>	<u>55,393,608</u>	<u>80,877,777</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 24,701,130</u>	<u>\$ 56,232,132</u>	<u>\$ 80,933,262</u>

See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,153,354	\$ 3,450,997	\$ 5,604,351
Paid to vendors for goods and services	(1,876,851)	(1,918,287)	(3,795,138)
Paid to employees for services	(111,079)	(147,120)	(258,199)
Net Cash Flows from Operating Activities	<u>165,424</u>	<u>1,385,590</u>	<u>1,551,014</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal (paid)/collected on advances from/to other funds	(804,131)	804,131	-
Transfers to other funds	(582,430)	-	(582,430)
Net Cash Flows from Non-Capital and Related Financing Activities	<u>(1,386,561)</u>	<u>804,131</u>	<u>(582,430)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(50,105)	241,753	191,648
Principal paid on long-term debt retirements	(460,945)	(87,895)	(548,840)
Collection of special assessments, net	178,011	342,182	520,193
Interest paid	(176,400)	(33,465)	(209,865)
Net cash used by capital and related financing activities	<u>(509,439)</u>	<u>462,575</u>	<u>(46,864)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	10,239	153,302	163,541
<b>Net Change in Cash and Investments</b>	<u>(1,720,337)</u>	<u>2,805,598</u>	<u>1,085,261</u>
CASH AND INVESTMENTS - Beginning of Year	<u>2,376,704</u>	<u>10,212,549</u>	<u>12,589,253</u>
<b>CASH AND INVESTMENTS - END OF YEAR</b>	<u>\$ 656,367</u>	<u>\$ 13,018,147</u>	<u>\$ 13,674,514</u>

See accompanying notes to the financial statements.

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (318,477)	\$ 403,466	\$ 84,989
Nonoperating income	-	137	137
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	1,145,918	791,366	1,937,284
Changes in assets, deferred outflows/inflows of resources and liabilities			
Accounts receivable	48,328	14,500	62,828
Due from other funds	(546,122)	14,818	(531,304)
Pension related deferrals and liabilities	27,196	18,801	45,997
Accounts payable	(205,829)	136,291	(69,538)
Inventory	3,505	-	3,505
Accrued liabilities	10,905	6,349	17,254
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 165,424</u>	<u>\$ 1,385,728</u>	<u>\$ 1,551,152</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>			
Cash and investments - statement of net position	596,361	13,018,147	13,614,508
Restricted cash and investments - statement of net position	<u>60,006</u>	<u>-</u>	<u>60,006</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 656,367</u>	<u>\$ 13,018,147</u>	<u>\$ 13,674,514</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Amortization on premiums	<u>\$ 11,649</u>	<u>\$ 2,513</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**CITY OF PEWAUKEE**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
As of December 31, 2019

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	<u>Custodial Fund</u>
	<u>Tax Collection</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 24,900,224
Taxes receivable	<u>12,396,710</u>
Total Assets	<u>37,296,934</u>
<b>LIABILITIES</b>	
Due to other taxing units	<u>37,296,934</u>
<b>NET POSITION</b>	
Total Net Position	<u>\$ -</u>

See accompanying notes to the financial statements.

# CITY OF PEWAUKEE

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION As of December 31, 2019

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	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ADDITIONS</b>	
Tax collections	\$ <u>25,299,833</u>
<b>DEDUCTIONS</b>	
Tax disbursements to other entities	<u>25,299,833</u>
<b>Change in Fiduciary Net Position</b>	-
NET POSITION - Beginning of year	<u>-</u>
<b>NET POSITION - End of year</b>	<u>\$ -</u>

See accompanying notes to the financial statements.

# CITY OF PEWAUKEE

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the City of Pewaukee, Wisconsin (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### ***A. REPORTING ENTITY***

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended, or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government. There were no component units reported.

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

#### ***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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

#### ***Fund Financial Statements***

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

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Fund Financial Statements (cont.)***

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Storm Water Management Special Revenue Fund - used to account for and report 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 enterprise funds:

Water Utility - accounts for operations of the water system  
Sewer Utility - accounts for operations of the sewer system

The City reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Impact Fee  
Public Safety Grants

Tourism and Convention  
Expendable Cemetary

# CITY OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

---

## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***Fund Financial Statements (cont.)***

The city reports the following nonmajor governmental and enterprise funds: (cont.)

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Road Construction  
Capital Equipment

Sports Complex  
Bike Path

Permanent Fund - used to account for and report resources that are 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.

Non-expendable Cemetary

In addition, the City reports the following fund types:

Custodial Fund - used to account for and report assets controlled by the City and the assets are for the benefit of individuals, private organizations, and/or other governmental units.

Tax Collection Fund

### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

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

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. 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 and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***Fund Financial Statements***

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

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

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. Delinquent special assessments being held by the county are reported as receivables and unavailable revenues. At December 31, 2019, there were \$703,543, \$3,844,019 and \$1,301,326 of unrecorded anticipated future assessments for City, Water and Sewer respectively, which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

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

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 funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. 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.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***All Financial Statements***

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

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY***

##### ***1. Deposits and Investments***

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

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

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***1. Deposits and Investments (cont.)***

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 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, 2019, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

##### ***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 state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of fiduciary net position.

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***3. Inventories and Prepaid Items***

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or 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 position.

As of December 31, 2019, the Water Utility had restricted assets of \$60,006 for Radium removal.

##### ***5. Capital Assets***

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

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***5. Capital Assets (cont.)***

###### ***Government-Wide Statements (cont.)***

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15-40	Years
Land improvements	10-40	Years
Equipment	2-20	Years
Water and sewer plant	4-100	Years
Infrastructure	20-60	Years
Intangibles	3-20	Years
Library	15-50	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.

##### ***6. Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

##### ***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. is 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.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***7. Compensated Absences (cont.)***

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.

##### ***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, net pension liability and accrued compensated absences.

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

##### ***9. Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

# CITY OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)*

#### **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 (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

##### ***Fund Statements***

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances 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. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Common Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Common Council that originally created the commitment.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***10. Equity Classifications (cont.)***

###### ***Fund Statements (cont.)***

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Council may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 10% of subsequent years general fund budgeted expenditures. The balance at year end was \$1,596,154, or 20%, and is included in unassigned general fund balance.

The fund balance (unassigned) shall be maintained as of December 31 of each year equal to a minimum of 20% of the ensuing year's budgeted general fund revenue. As of December 31, 2019, the City's unassigned fund balance was 38% of subsequent year's budgeted general fund revenue.

See Note IV. F. for further information.

##### ***11. Pension***

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

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### **12. Basis for Existing Rates**

##### ***Water and Sewer Rates***

Current water rates were approved by the Public Service Commission of Wisconsin on February 2014.

Current sewer rates were approved by the Common Council December 2012.

### **NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

#### ***A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION***

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	3,736,474
Construction in progress		1,613,966
Buildings and improvements		13,881,653
Land improvements		4,718,316
Equipment		10,591,607
Infrastructure		52,461,492
Intangibles		54,432
Library		1,024,901
Less: Accumulated depreciation		<u>(35,668,078)</u>
Combined Adjustment for Capital Assets	\$	<u><u>52,414,763</u></u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

Bonds and notes payable	\$	6,505,020
Compensated absences		660,636
Accrued interest		42,345
Net pension liability		1,369,558
Unamortized debt premium		<u>139,678</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>8,717,237</u></u>

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS**

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Capital Projects - Sports Complex Fund	\$ 120,200	\$ 191,079	\$ 70,879
Capital Projects - Capital Equipment Fund	1,869,834	2,008,707	138,873

The City controls expenditures at the fund level in the General Fund and at the fund level for all other funds. The detail of those items can be found in the City's year-end budget to actual report.

**B. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2019, the following individual funds held a deficit balance:

Fund	Amount	Reason
Capital Projects - Sports Complex Fund	\$ (213,650)	Expenditures exceeded original funding source

The Sports Complex Fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

**C. LIMITATIONS ON THE CITY'S TAX LEVY**

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE IV - DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

The City's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 35,988,608	\$ 34,620,725	Custodial Credit
US Agencies	4,919,841	4,919,841	Credit, Custodial Credit, Interest, Concentration
Money Market	145,147	145,147	Custodial Credit
US Treasuries	199,868	199,868	Custodial Credit, Interest Rate
Certificate of deposits - negotiable	6,107,036	6,107,036	Credit, Custodial Credit, Interest, Concentration
Municipal Bonds	368,545	368,545	Credit, Custodial Credit, Interest, Concentration
LGIP	10,971,317	10,971,317	Credit
Petty cash	923	-	N/A
 Total Deposits and Investments	 <b>\$ 58,701,285</b>	 <b>\$ 57,332,479</b>	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 33,741,055		
Restricted cash and investments	60,006		
Per statement of net position - custodial funds			
Tax Collection Fund	24,900,224		
 Total Deposits and Investments	 <b>\$ 58,701,285</b>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

The City maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of \$33,290,877 to secure the City's deposits.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements were quoted market prices.

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
US Agencies	\$ -	\$ 4,919,841	\$ -	\$ 4,919,841
Certificates of Deposit	-	6,107,036	-	6,107,036
Municipal Bonds	-	368,545	-	368,545
US Treasuries	-	199,868	-	199,868
Money Market	145,147	-	-	145,147
Total	\$ 145,147	\$ 11,595,290	\$ -	\$ 11,740,437

#### ***Custodial Credit Risk***

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2019, \$34,765,871 of the City's total bank balances was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u><u>\$ 214,560</u></u>
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#### ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

# CITY OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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### A. DEPOSITS AND INVESTMENTS (cont.)

#### **Credit Risk** (cont.)

As of December 31, 2019, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investors Services</u>
US Agency	AA+	Aaa
Municipal Bonds	AA to AA-	Aa2 to A1
Certificates of Deposit	A+ to A-	A1

The City also held investments in the following external pool which is not rated:

LGIP

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**A. DEPOSITS AND INVESTMENTS (cont.)**

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2019, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Farm Credit Banks Funding Corp	US Agency	18.64%
Federal Home Loan Mortgage Corp	US Agency	11.40%
Federal Home Loan Banks	US Agency	6.76%
Federal National Mortgage Association	US Agency	5.11%

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2019, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	3-5
US Agencies	\$ 4,919,841	\$ 1,843,658	\$ 2,100,509	\$ 975,674
Certificate of Deposit	6,107,036	2,181,432	3,925,604	-
Municipal Bonds	368,545	25,127	343,418	-
US Treasuries	199,868	199,868	-	-
<b>Totals</b>	<b><u>\$ 11,595,290</u></b>	<b><u>\$ 4,250,085</u></b>	<b><u>\$ 6,369,531</u></b>	<b><u>\$ 975,674</u></b>

***Investments Highly Sensitive to Interest Rate Changes***

At December 31, 2019, the City held \$4,919,841, \$6,107,036, \$368,545 and \$199,868 in US agencies, certificates of deposit, municipal bonds and US treasuries, respectively. With all fixed income securities, as interest rates rise, the value will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is 5 years maturing December 17, 2025. The market value of this investment at December 31, 2019 is \$549,912.

See Note I.D.1. for further information on deposit and investment policies.

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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***B. RECEIVABLES***

All of the receivables on the balance sheet are expected to be collected within one year, except for delinquent personal property taxes

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be 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. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 12,507,924	\$ -
Ambulance revenue	<u>-</u>	<u>74,466</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 12,507,924</u>	<u>\$ 74,466</u>

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,736,474	\$ -	\$ -	\$ 3,736,474
Construction in progress	8,316	1,605,650	-	1,613,966
Total Capital Assets Not Being Depreciated	3,744,790	1,605,650	-	5,350,440
Capital assets being depreciated/amortized				
Buildings and improvements	13,901,469	48,869	68,685	13,881,653
Land improvements	4,656,731	61,585	-	4,718,316
Equipment	9,919,004	1,490,601	817,998	10,591,607
Infrastructure	52,461,492	-	-	52,461,492
Intangibles	54,432	-	-	54,432
Library	1,024,901	-	-	1,024,901
Total Capital Assets Being Depreciated/Amortized	82,018,029	1,601,055	886,683	82,732,401
Total Capital Assets	85,762,819	3,206,705	886,683	88,082,841
Less: Accumulated depreciation/amortization for				
Buildings and improvements	(5,055,257)	(391,382)	68,685	(5,377,954)
Land improvements	(1,250,143)	(220,501)	-	(1,470,644)
Equipment	(4,814,831)	(757,503)	498,254	(5,074,080)
Infrastructure	(21,834,873)	(1,644,282)	-	(23,479,155)
Intangibles	(51,089)	(2,229)	-	(53,318)
Library	(198,040)	(14,887)	-	(212,927)
Total Accumulated Depreciation/Amortization	(33,204,233)	(3,030,784)	566,939	(35,668,078)
Net Capital Assets Being Depreciated/Amortized	48,813,796	(1,429,729)	319,744	47,064,323
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 52,558,586	\$ 175,921	\$ 319,744	\$ 52,414,763

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 288,142
Public safety	448,106
Public works	1,985,756
Culture and recreation	308,780
Total Governmental Activities Depreciation/Amortization Expense	\$ 3,030,784

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**C. CAPITAL ASSETS (cont.)**

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 530,387	\$ -	\$ -	\$ 530,387
Construction in progress	<u>130,033</u>	<u>78,051</u>	<u>-</u>	<u>208,084</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>660,420</u>	<u>78,051</u>	<u>-</u>	<u>738,471</u>
Capital assets being depreciated/amortized				
Buildings	10,684,312	40,466	20,311	10,704,467
Improvements other than buildings	90,434,646	188,394	74,947	90,548,093
Furniture and equipment	1,287,788	91,240	-	1,379,028
Intangibles	<u>10,772,106</u>	<u>-</u>	<u>-</u>	<u>10,772,106</u>
Total Capital Assets Being Depreciated/Amortized	<u>113,178,852</u>	<u>320,100</u>	<u>95,258</u>	<u>113,403,694</u>
Total Capital Assets	<u>113,839,272</u>	<u>398,151</u>	<u>95,258</u>	<u>114,142,165</u>
Less: Accumulated depreciation/amortization for				
Buildings	(3,801,751)	(296,616)	20,311	(4,078,056)
Improvements other than buildings	(21,859,736)	(1,545,972)	74,947	(23,330,761)
Furniture and equipment	(1,142,531)	(94,695)	-	(1,237,226)
Intangibles	<u>(10,772,106)</u>	<u>-</u>	<u>-</u>	<u>(10,772,105)</u>
Total Accumulated Depreciation/Amortization	<u>(37,576,124)</u>	<u>(1,937,283)</u>	<u>95,258</u>	<u>(39,418,148)</u>
Net Capital Assets Being Depreciated/Amortized	<u>75,602,728</u>	<u>(1,617,183)</u>	<u>-</u>	<u>73,985,546</u>
Business-type Capital Assets, Net of Accumulated Depreciation/Amortization	<u>\$ 76,263,148</u>	<u>\$ (1,539,132)</u>	<u>\$ -</u>	<u>\$ 74,724,017</u>

Depreciation/amortization expense was charged to functions as follows:

<b>Business-type Activities</b>	
Sewer	\$ 791,365
Water	<u>1,145,918</u>
Total Business-type Activities Depreciation/Amortization Expense	<u>\$ 1,937,283</u>

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

***D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

***Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Capital Project Fund - Sports Complex	\$ 198,650	\$ -
Water Utility	General Fund	41,688	-
Sewer Utility	General Fund	202,389	-
Total - Fund Financial Statements		442,727	
Less: Fund eliminations		(198,650)	
Total Internal Balances - Government-Wide Statement of Net Position		\$ 244,077	
Receivable Fund	Payable Fund	Amount	
Governmental Activities	Business-type Activities	\$ -	
Business-type Activities	Governmental Activities	244,077	
Total Government-Wide Financial Statements		\$ 244,077	

The principal purpose of these interfunds is to fund timing differences and fund temporary cash deficits. All remaining balances 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.

***Advances***

The sewer utility advanced funds to the water utility. The amount advanced is determined by the amount the water utility assets as of May 31, 2016 were when the water and sewer divisions were split along with the debt payments from 2016-2019 for the water utility that were funded by the sewer utility. A repayment schedule has not been established.

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

***D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)***

***Advances (cont.)***

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Sewer Utility	Water Utility	\$ 6,768,277	\$ 6,768,277

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Water Utility	\$ 582,430	Tax equivalent
Debt Service Fund	Storm Water Management Fund	261,890	Debt service
Sports Complex Fund	Impact Fee Fund	75,000	Sports complex development
Capital Equipment Fund	General Fund	1,370,985	Capital equipment
Capital Equipment Fund	Impact Fee Fund	300,000	Fire department garage
Bike Path Fund	General Fund	6,776	Bike path study
Storm Water Management Fund	General Fund	17,496	Council approved contribution
Storm Water Management Fund	Cemetery Fund	420	Council approved contribution
Total - Fund Financial Statements		2,614,997	
Less: Fund eliminations		(2,032,567)	
Total Transfers - Government-Wide Statement of Activities		\$ 582,430	
		Amount	
Governmental Activities	Business-type Activities	\$ 582,430	
Business-type Activities	Governmental Activities	-	
Total Government-wide Financial Statements		\$ 582,430	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 7,920,325	\$ -	\$ 1,415,305	\$ 6,505,020	\$ 1,244,040
(Discounts)/Premiums	<u>149,291</u>	<u>-</u>	<u>9,613</u>	<u>139,678</u>	<u>-</u>
Sub-totals	<u>8,069,616</u>	<u>-</u>	<u>1,424,918</u>	<u>6,644,698</u>	<u>1,244,040</u>
Other Liabilities					
Vested compensated absences	696,803	183,065	219,232	660,636	230,822
Net pension liability	<u>-</u>	<u>1,369,558</u>	<u>-</u>	<u>1,369,558</u>	<u>-</u>
Total Other Liabilities	<u>696,803</u>	<u>1,552,623</u>	<u>219,232</u>	<u>2,030,194</u>	<u>230,822</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 8,766,419</u>	<u>\$ 1,552,623</u>	<u>\$ 1,644,150</u>	<u>\$ 8,674,892</u>	<u>\$ 1,474,862</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 8,704,675	\$ -	\$ 529,695	\$ 8,174,980	\$ 530,960
Intergovernmental agreements from direct borrowings and direct placements	262,096	-	19,145	242,951	19,662
(Discounts)/Premiums	<u>211,245</u>	<u>-</u>	<u>14,163</u>	<u>197,082</u>	<u>-</u>
Sub-totals	<u>9,178,016</u>	<u>-</u>	<u>563,003</u>	<u>8,615,013</u>	<u>550,622</u>
Other Liabilities					
Vested compensated absences	64,326	28,368	16,013	76,681	27,691
Net pension liability	<u>-</u>	<u>102,940</u>	<u>-</u>	<u>102,940</u>	<u>-</u>
Total Other Liabilities	<u>64,326</u>	<u>131,308</u>	<u>16,013</u>	<u>179,621</u>	<u>27,691</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 9,242,342</u>	<u>\$ 131,308</u>	<u>\$ 579,016</u>	<u>\$ 8,794,634</u>	<u>\$ 578,313</u>

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's jurisdiction. The debt limit as of December 31, 2019, was \$166,665,565. Total general obligation debt outstanding at year end was \$14,680,000.

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**E. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt**

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

**Governmental Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2019</u>
2011 G.O. Debt	2/24/11	3/1/20	2.5 - 2.75%	\$ 4,937,095	\$ 565,000
2012 G.O. Debt	6/12/12	12/1/24	1.05 - 2.15%	3,040,788	1,240,020
2013 G.O. Debt	5/30/13	9/1/32	2.0 - 3.0%	3,060,000	2,170,000
2016 G.O. Debt	10/12/16	9/1/27	2.0 - 2.25%	2,995,000	<u>2,530,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 6,505,020</u>

**Business-type Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2019</u>
2010 G.O. Note - direct	5/1/10	5/1/29	2.91%	\$ 222,618	\$ 132,834
2011 G.O. Note - direct	7/13/11	5/1/31	2.4%	174,403	110,117
2012 G.O. Debt	6/12/12	12/1/24	1.05 - 2.15%	834,212	419,980
2013 G.O. Debt	5/30/13	9/1/32	2.0 - 3.0%	5,915,000	4,210,000
2016 G.O. Debt	10/12/16	9/1/36	2.0 - 2.25%	2,550,000	2,185,000
2018 G.O. Debt	11/1/18	9/1/38	3.0 - 4.0%	1,425,000	<u>1,360,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 8,417,931</u>

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**E. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2020	\$ 1,244,040	\$ 133,419	\$ 530,960	\$ 200,671
2021	727,775	113,147	542,225	189,867
2022	715,245	99,196	554,755	178,627
2023	708,980	84,893	561,020	166,333
2024	723,980	70,712	571,020	153,913
2025-2029	1,825,000	184,818	2,610,000	595,052
2030-2034	560,000	34,050	2,170,000	256,443
2035-2038	-	-	635,000	43,413
Totals	<u>\$ 6,505,020</u>	<u>\$ 720,235</u>	<u>\$ 8,174,980</u>	<u>\$ 1,784,319</u>

Years	Business-type Activities Intergovernmental Agreements From Direct Borrowings And Direct Placements	
	Principal	Interest
2020	\$ 19,662	\$ 6,242
2021	20,194	5,704
2022	20,739	5,150
2023	21,300	4,583
2024	21,876	3,999
2025-2029	118,583	10,667
2030-2031	20,597	497
Totals	<u>\$ 242,951</u>	<u>\$ 36,842</u>

**Other Debt Information**

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

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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#### *F. NET POSITION/FUND BALANCES*

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

#### **Governmental Activities**

Net Investment in Capital Assets	
Land	\$ 3,736,474
Construction in progress	1,613,966
Other capital assets, net of accumulated depreciation	47,064,323
Less: Long-term debt outstanding	(6,505,020)
Less: Unamortized debt premium	<u>(139,678)</u>
Total Net Investment in Capital Assets	<u>45,770,065</u>
Restricted	
Debt service	1,123,658
Cemetery	90,568
Tourism	232,690
Public safety grants	10,297
Impact fees	299,433
Cemetery perpetual care	<u>77,451</u>
Total Restricted	<u>1,834,097</u>
Unrestricted	<u>15,425,891</u>
Total Governmental Activities Net Position	<u>\$ 63,030,053</u>

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### F. NET POSITION/FUND BALANCES (cont.)

##### **Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	<u>General Fund</u>	<u>Storm Water Management</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 30,652	\$ -	\$ -	\$ -	\$ 30,652
Inventories	135,345	-	-	-	135,345
Noncurrent receivables	276	-	-	-	276
Sub-total	166,273	-	-	-	166,273
<b>Restricted for:</b>					
Debt service	-	-	1,166,003	-	1,166,003
Impact fees	-	-	-	299,433	299,433
Tourism	-	-	-	232,690	232,690
Grants	-	-	-	10,297	10,297
Cemetery	-	-	-	168,019	168,019
Sub-total	-	-	1,166,003	710,439	1,876,442
<b>Committed to:</b>					
Capital projects	-	-	-	5,327,060	5,327,060
Sub-total	-	-	-	5,327,060	5,327,060
<b>Assigned to:</b>					
Community policy	12,002	-	-	-	12,002
Storm water	-	3,886,843	-	-	3,886,843
Sub-total	12,002	3,886,843	-	-	3,898,845
<b>Unassigned (deficit):</b>					
	6,009,710	-	-	(213,650)	5,796,060
<b>Total Fund Balances</b>	<b>\$ 6,187,985</b>	<b>\$ 3,886,843</b>	<b>\$ 1,166,003</b>	<b>\$ 5,823,849</b>	<b>\$ 17,064,680</b>

##### **Business-type Activities**

#### Net Investment in Capital Assets

Land	\$ 530,387
Construction in progress	208,084
Other capital assets, net of accumulated depreciation	73,985,546
Less: Long-term debt outstanding	(8,417,931)
Less: Unamortized debt premium	(197,082)

Total Net Investment in Capital Assets \$ 66,109,004

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### **NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

#### **G. RESTATEMENT OF FUND BALANCES/NET POSITION**

Beginning fund balance and net position was restated to correct errors in the recording of compensated absences liabilities, removal of contingency liabilities, correction of accumulated depreciation, recording of investment in Pewaukee Public Library, correction of capital assets, recording unamortized premiums, correction of special assessment receivables, and recording expenditures/expenses within the appropriate period. The change in net income (loss) of the prior year in the listed restatements below was not determinable.

	<u>General Fund</u>				
Fund balance - December 31, 2018 (as reported)	\$	6,105,770			
Less: Elimination of compensated absences liability		180,914			
Fund Balance - December 31, 2018 (as restated)	\$	6,286,684			
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Net position - December 31, 2018 (as reported)	\$	62,404,199	\$ 83,567,519	\$ 26,922,408	\$ 56,645,111
Add: Elimination of contingency future payments to developers from liabilities		-	665,197	321,959	343,238
Correction of accumulated depreciation		-	554,230	554,230	-
Recording investment in Pewaukee Public Library		376,356	-	-	-
Recording City portion of library capital assets		826,861	-	-	-
Less: Recording unamortized premiums		(149,291)	(211,244)	(176,893)	(34,351)
Correction of special assessments receivables		-	(2,849,471)	(1,764,319)	(1,085,152)
Correction of capital assets, net accumulated depreciation		-	(475,238)	-	(475,238)
Recognizing expenses that under GAAP should have been expensed in year of transaction		-	(373,216)	(373,216)	-
Net position - December 31, 2018 (as restated)	\$	63,458,125	\$ 80,877,777	\$ 25,484,169	\$ 55,393,608

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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**G. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)**

**G. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)**

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### NOTE V - OTHER INFORMATION

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**A. EMPLOYEES' RETIREMENT SYSTEM**

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

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE V - OTHER INFORMATION (cont.)

---

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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 and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category 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 \$447,003 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the City reported a liability of \$1,472,498 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.04138922%, which was an increase of 0.00205839% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$961,478.

**CITY OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

**NOTE V - OTHER INFORMATION** (cont.)

**A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

At December 31, 2019, the City 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	\$ 1,146,853	\$ 2,027,224
Changes in assumptions	248,209	-
Net differences between projected and actual earnings on pension plan investments	2,150,484	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36	19,376
Employer contributions subsequent to the measurement date	<u>468,041</u>	<u>-</u>
Totals	<u>\$ 4,013,623</u>	<u>\$ 2,046,600</u>

\$468,041 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. 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>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2020	\$ 541,070
2021	132,193
2022	238,206
2023	587,513

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

**Single discount rate.** A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond 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 As of and for the Year Ended December 31, 2019

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	\$5,851,864	\$1,472,498	\$(1,783,899)

**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://ef.wi.gov/publications/cafr.htm>.

#### B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

#### C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has active construction projects as of December 31, 2019. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

# CITY OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE V - OTHER INFORMATION (cont.)

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#### **D. JOINT VENTURES**

##### ***Pewaukee Public Library***

The City of Pewaukee and the Village of Pewaukee jointly operate the library, which is called the Pewaukee Public Library (library) and provides library services to both communities.

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the library. The City is obligated by the joint venture agreement to remit an amount annually to the library. The City made a payment to the library of \$812,214 in 2019.

Financial information of the library as of December 31, 2019 is available directly from the library's office.

The equity interest (50% interest for the City) is reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

#### **E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 87, *Leases*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 91, *Conduit Debt Obligations*
- > Statement No. 92, *Omnibus*
- > Statement No. 93, *Replacement of Interbank Offered Rates*
- > Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PEWAUKEE**

SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 7,828,311	\$ 7,828,311	\$ 7,971,184	\$ 142,873
Intergovernmental	1,544,938	1,544,938	1,531,927	(13,011)
Regulation and compliance	1,430,525	1,430,525	1,596,226	165,701
Charges for services	3,334,750	3,334,750	3,575,217	240,467
Interest	98,000	98,000	368,282	270,282
Miscellaneous	<u>78,569</u>	<u>78,569</u>	<u>87,104</u>	<u>8,535</u>
Total Revenues	<u>14,315,093</u>	<u>14,315,093</u>	<u>15,129,940</u>	<u>814,847</u>
<b>EXPENDITURES</b>				
Current				
General government	2,317,868	2,317,868	2,087,087	230,781
Public safety	7,766,669	7,848,485	7,577,609	270,876
Public works	2,718,399	2,718,399	2,726,594	(8,195)
Culture and recreation	<u>2,134,673</u>	<u>2,134,673</u>	<u>2,045,322</u>	<u>89,351</u>
Total Expenditures	<u>14,937,609</u>	<u>15,019,425</u>	<u>14,436,612</u>	<u>582,813</u>
Excess (deficiency) of revenues over expenditures	<u>(622,516)</u>	<u>(704,332)</u>	693,328	<u>1,397,660</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	60,000	60,000	20,800	(39,200)
Transfers in	580,000	580,000	582,430	2,430
Transfers out	<u>(669,969)</u>	<u>(1,675,969)</u>	<u>(1,395,257)</u>	<u>280,712</u>
Total Other Financing Sources (Uses)	<u>(29,969)</u>	<u>(1,035,969)</u>	<u>(792,027)</u>	<u>243,942</u>
<b>Net Change in Fund Balance</b>	<u>\$ (652,485)</u>	<u>\$ (1,740,301)</u>	(98,699)	<u>\$ 1,641,602</u>
FUND BALANCE - Beginning of Year (as restated)			<u>6,286,684</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,187,985</u>	

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

## CITY OF PEWAUKEE

### SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - STORM WATER MANAGEMENT FUND For the Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Intergovernmental	\$ 15,000	\$ 45,138	\$ 30,138
Licenses and permits	-	1,050	1,050
Public charges for services:	1,573,000	1,585,720	12,720
Investment income	-	71,458	71,458
Miscellaneous revenues:	<u>41,400</u>	<u>116,429</u>	<u>75,029</u>
<b>TOTAL REVENUES</b>	<u>1,629,400</u>	<u>1,819,795</u>	<u>190,395</u>
<b>EXPENDITURES</b>			
Current			
Public works	698,668	663,646	35,022
Capital Outlay	<u>4,918,333</u>	<u>740,153</u>	<u>4,178,180</u>
<b>TOTAL EXPENDITURES</b>	<u>5,617,001</u>	<u>1,403,799</u>	<u>4,213,202</u>
Excess (deficiency) of revenues over expenditures	<u>(3,987,601)</u>	<u>415,996</u>	<u>4,403,597</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of debt issued	700,000	-	(700,000)
Transfers in	17,904	17,916	12
Transfers out	<u>(261,890)</u>	<u>(261,890)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>456,014</u>	<u>(243,974)</u>	<u>(699,988)</u>
Net Change in Fund Balance	<u>\$ (3,531,587)</u>	172,022	<u>\$ 3,703,609</u>
FUND BALANCE - Beginning of Year		<u>3,714,821</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 3,886,843</u>	

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

## CITY OF PEWAUKEE

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.03676663%	\$ (903,089)	\$ 4,320,562	-20.90%	102.74%
12/31/15	0.03685216%	598,841	4,450,859	13.42%	98.20%
12/31/16	0.03771766%	310,884	4,631,126	6.71%	99.12%
12/31/17	0.03933083%	(1,167,779)	4,938,228	-23.70%	102.93%
12/31/18	0.04138922%	1,472,498	5,206,135	28.28%	96.45%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

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 Payroll
12/31/15	\$ 360,217	\$ 360,217	\$ -	4,460,859	8.08%
12/31/16	367,821	367,821	-	4,631,126	7.94%
12/31/17	424,351	424,351	-	4,938,228	8.59%
12/31/18	446,999	446,999	-	5,206,135	8.59%
12/31/19	468,041	468,041	-	5,544,377	8.44%

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

# CITY OF PEWAUKEE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

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### ***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 I. C.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds Board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

### ***WISCONSIN RETIREMENT SYSTEM***

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The City is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

## **SUPPLEMENTARY INFORMATION**

**CITY OF PEWAUKEE**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2019

	Special Revenue Funds			
	Impact Fee	Tourism and Convention	Public Safety Grants	Cemetery
<b>ASSETS</b>				
Cash and investments	\$ 299,433	\$ 212,416	\$ 10,297	\$ 90,568
Receivables (net)				
Taxes	-	-	-	35,000
Accounts	-	30,294	-	-
<b>TOTAL ASSETS</b>	<u>\$ 299,433</u>	<u>\$ 242,710</u>	<u>\$ 10,297</u>	<u>\$ 125,568</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 10,020	\$ -	\$ -
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>10,020</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unearned revenues	-	-	-	35,000
<b>Fund Balances</b>				
Restricted	299,433	232,690	10,297	90,568
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>299,433</u>	<u>232,690</u>	<u>10,297</u>	<u>90,568</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>	<u>\$ 299,433</u>	<u>\$ 242,710</u>	<u>\$ 10,297</u>	<u>\$ 125,568</u>

Road Construction	Capital Project Funds			Permanent Fund	Total Governmental Funds
	Bike Path	Sports Complex	Capital Equipment	Cemetery Perpetual Care	
\$ 402,674	\$ 7,954	\$ -	\$ 5,167,709	\$ 77,451	\$ 6,268,502
400,000	-	-	525,000	-	960,000
-	-	-	-	-	30,294
<u>\$ 802,674</u>	<u>\$ 7,954</u>	<u>\$ -</u>	<u>\$ 5,692,709</u>	<u>\$ 77,451</u>	<u>\$ 7,258,796</u>
\$ 50,017	\$ 7,954	\$ 15,000	\$ 193,306	\$ -	\$ 276,297
-	-	198,650	-	-	198,650
<u>50,017</u>	<u>7,954</u>	<u>213,650</u>	<u>193,306</u>	<u>-</u>	<u>474,947</u>
400,000	-	-	525,000	-	960,000
-	-	-	-	77,451	710,439
352,657	-	-	4,974,403	-	5,327,060
-	-	(213,650)	-	-	(213,650)
<u>352,657</u>	<u>-</u>	<u>(213,650)</u>	<u>4,974,403</u>	<u>77,451</u>	<u>5,823,849</u>
<u>\$ 802,674</u>	<u>\$ 7,954</u>	<u>\$ -</u>	<u>\$ 5,692,709</u>	<u>\$ 77,451</u>	<u>\$ 7,258,796</u>

## CITY OF PEWAUKEE

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2019

	Special Revenue Funds			
	Impact Fees	Tourism and Convention	Public Safety Grants	Cemetery
<b>REVENUES</b>				
Taxes	\$ -	\$ 566,198	\$ -	\$ 35,000
Intergovernmental	-	-	16,297	-
Public charges for services	95,697	-	-	8,058
Investment income	1,240	3,349	-	1,559
Miscellaneous revenues	-	-	-	-
Total Revenues	96,937	569,547	16,297	44,617
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	6,000	-
Health and human services	-	-	-	28,616
Culture, education, and recreation	-	-	-	-
Conservation and development	-	460,054	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	460,054	6,000	28,616
Excess (deficiency) of revenues over expenditures	96,937	109,493	10,297	16,001
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(375,000)	-	-	(420)
Total Other Financing Sources (Uses)	(375,000)	-	-	(420)
Net Change in Fund Balances	(278,063)	109,493	10,297	15,581
FUND BALANCES (DEFICITS) - Beginning of Year	577,496	123,197	-	74,987
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 299,433	\$ 232,690	\$ 10,297	\$ 90,568

Capital Project Funds				Permanent Fund	Total
Road Construction	Bike Path	Sports Complex	Capital Equipment	Cemetery Perpetual Care	Governmental Funds
\$ 400,000	\$ -	\$ -	\$ 425,000	\$ -	\$ 1,426,198
-	-	-	-	-	16,297
-	-	-	-	2,912	106,667
4,999	-	-	91,938	122	103,207
-	-	25,867	-	-	25,867
<u>404,999</u>	<u>-</u>	<u>25,867</u>	<u>516,938</u>	<u>3,034</u>	<u>1,678,236</u>
-	-	-	-	-	6,000
-	-	-	-	-	28,616
-	2,053	-	-	-	2,053
-	-	-	-	-	460,054
<u>237,097</u>	<u>7,954</u>	<u>191,079</u>	<u>2,008,707</u>	<u>-</u>	<u>2,444,837</u>
<u>237,097</u>	<u>10,007</u>	<u>191,079</u>	<u>2,008,707</u>	<u>-</u>	<u>2,941,560</u>
<u>167,902</u>	<u>(10,007)</u>	<u>(165,212)</u>	<u>(1,491,769)</u>	<u>3,034</u>	<u>(1,263,324)</u>
-	6,776	75,000	1,670,985	-	1,752,761
-	-	-	-	-	(375,420)
-	<u>6,776</u>	<u>75,000</u>	<u>1,670,985</u>	<u>-</u>	<u>1,377,341</u>
167,902	(3,231)	(90,212)	179,216	3,034	114,017
<u>184,755</u>	<u>3,231</u>	<u>(123,438)</u>	<u>4,795,187</u>	<u>74,417</u>	<u>5,709,832</u>
<u>\$ 352,657</u>	<u>\$ -</u>	<u>\$ (213,650)</u>	<u>\$ 4,974,403</u>	<u>\$ 77,451</u>	<u>\$ 5,823,849</u>