

VILLAGE OF PEWAUKEE
REPORT TO THE VILLAGE BOARD

May 17, 2016

Presented By:

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398
800 362 7301

John Rader, CPA, Senior Manager

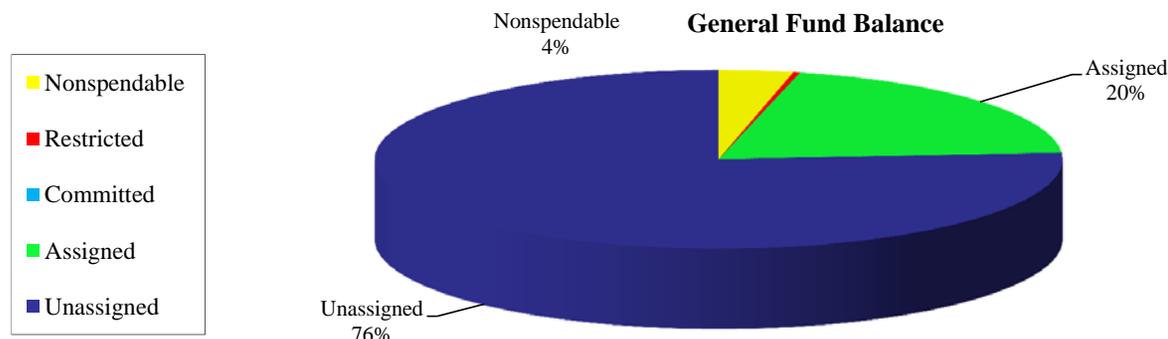
Actual data was derived from current and prior years audited financial statements

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

DETAILS OF GENERAL FUND BALANCE

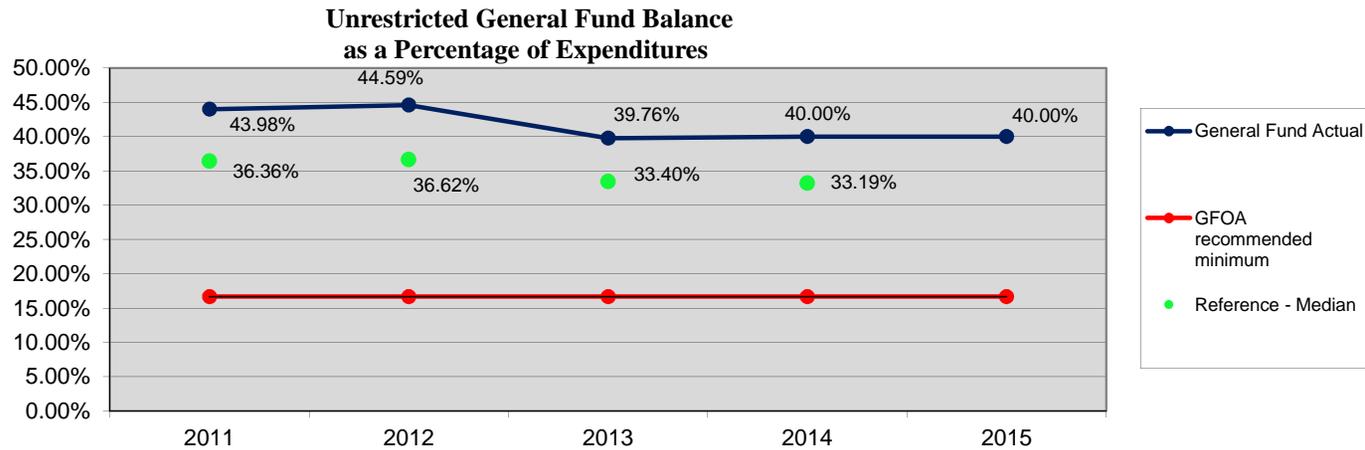
	<u>2015</u>
<u>Nonspendable</u> <i>includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.</i>	\$122,538
<u>Restricted</u> <i>includes fund balance amounts that can be spent only for the specific purposes stipulated by an external source.</i>	11,189
<u>Committed</u> <i>includes fund balance amounts constrained for specific purposes that are internally imposed by government through formal action of the governing body.</i>	-
<u>Assigned</u> <i>includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed.</i>	701,458
<u>Unassigned</u> <i>includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.</i>	<u>2,666,649</u>
Total General Fund Balance	<u>\$ 3,501,834</u>



Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF GENERAL FUND BALANCE

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Unassigned Fund Balance	\$ 2,670,735	\$ 2,764,896	\$ 2,529,577	\$ 2,626,927	\$ 2,666,649
Budgeted Expenditures-following year	6,072,551	6,200,262	6,361,332	6,567,314	6,666,620
% of expenditures	43.98%	44.59%	39.76%	40.00%	40.00%



GFOA recommended range for % of expenditures: no less than 2 months of regular GF operating expenditures
 Village policy: 35% minimum, 40% targeted maximum. Any amounts in excess of 40% are assigned to capital or infrastructure needs of the village.

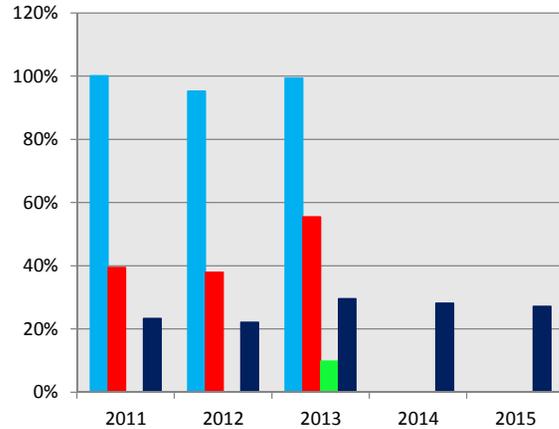
Reference values for the population range: Less than 10,000 generated from 2010-2014 Baker Tilly municipal client data for Wisconsin.

Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

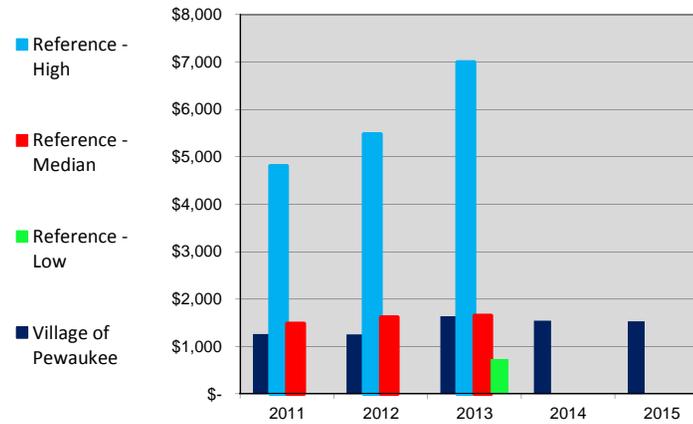
GENERAL OBLIGATION DEBT OUSTANDING

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Total General Obligation (G.O.) Debt (net)</u>					
Village	\$ 10,265,000	\$ 9,845,000	\$ 10,870,000	\$ 10,297,051	\$ 9,827,420
Utilities	1,050,000	925,000	3,080,000	2,935,000	3,313,800
Subtotal	11,315,000	10,770,000	13,950,000	13,232,051	13,141,220
Less: Funds available for debt	(499,024)	(505,507)	(594,022)	(550,390)	(548,396)
TOTAL	\$ 10,815,976	\$ 10,264,493	\$ 13,355,978	\$ 12,681,661	\$ 12,592,824
Population (estimates)	8,592	8,183	8,166	8,215	8,236
G.O. Debt Capacity	\$ 46,273,640	\$ 46,246,720	\$ 45,057,035	\$ 44,957,150	\$ 46,386,575
G.O. debt per capita	\$ 1,259	\$ 1,254	\$ 1,636	\$ 1,544	\$ 1,529
% of debt limit	23%	22%	30%	28%	27%

Percentage of Debt Limit



G.O. Debt Outstanding - Per Capita



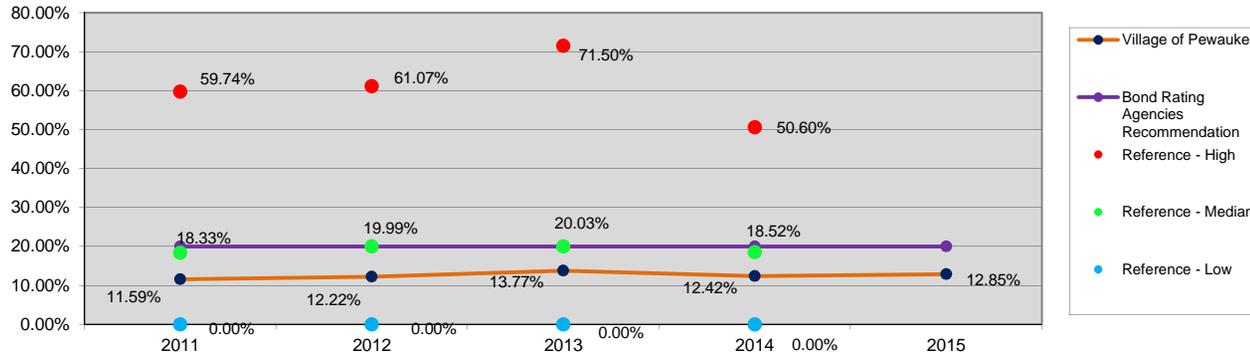
2011-2013 Reference values for the population range: 7,500 to 10,000 taken from *MunicipalFacts15* publication by the Wisconsin Taxpayers Alliance, 2015.

Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF DEBT SERVICE - GOVERNMENTAL FUNDS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Total Debt Service</u>					
Principal	\$ 325,000	\$ 420,000	\$ 450,000	\$ 610,000	\$ 669,631
Interest	457,918	437,263	538,230	309,872	283,865
TOTAL	\$ 782,918	\$ 857,263	\$ 988,230	\$ 919,872	\$ 953,496
<u>Total Non-Capital Expenditures</u>					
Total governmental funds expenditures	\$ 7,952,439	\$ 7,786,653	\$ 7,907,888	\$ 8,198,639	\$ 7,912,388
Less: capital outlay	(1,197,006)	(771,543)	(733,709)	(791,448)	(494,182)
TOTAL NON-CAPITAL EXPENDITURES	\$ 6,755,433	\$ 7,015,110	\$ 7,174,179	\$ 7,407,191	\$ 7,418,206
% of debt service to non-capital expenditures	11.59%	12.22%	13.77%	12.42%	12.85%

Debt Service to Non-Capital Expenditures



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bond rating agencies recommended %	20.00%	20.00%	20.00%	20.00%
High - Reference:	59.74%	61.07%	71.50%	50.60%
Median - Reference:	18.33%	19.99%	20.03%	18.52%
Low - Reference:	0.00%	0.00%	0.00%	0.00%

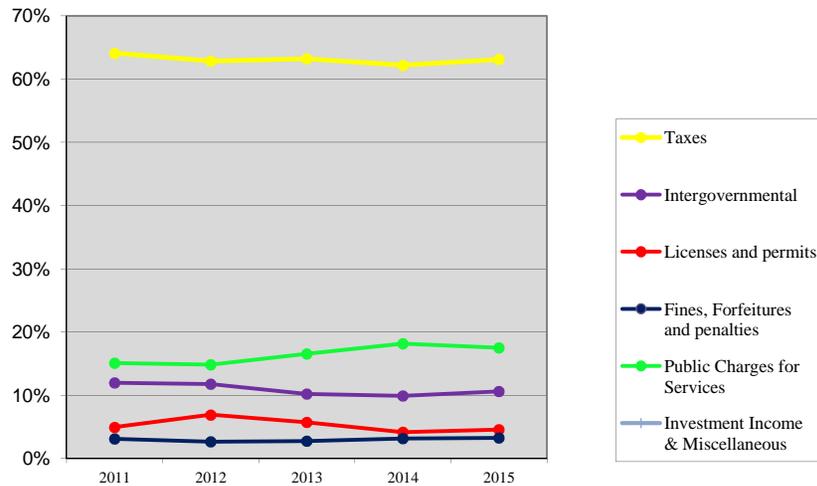
Reference values for the population range: 2,000 to 10,000 generated from 2011-2014 Baker Tilly municipal client data for Wisconsin.

Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

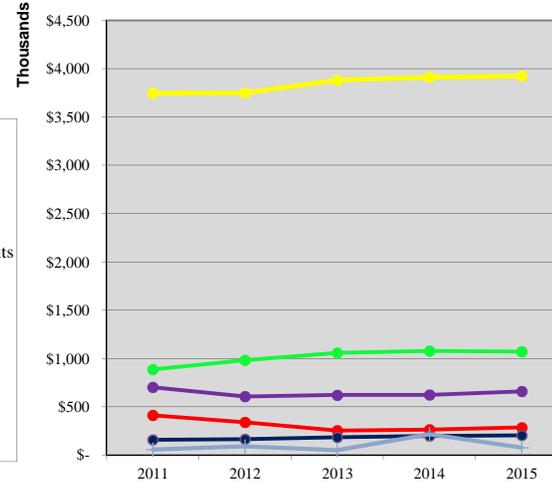
GENERAL FUND REVENUES

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>
<u>Total Revenues</u>										
Taxes	\$ 3,747,756	64%	\$ 3,750,308	63%	\$ 3,881,442	63%	\$ 3,912,479	62%	\$ 3,925,221	63%
Intergovernmental	702,225	12%	605,138	12%	620,860	10%	622,379	10%	659,103	11%
Licenses and permits	412,189	5%	340,285	7%	253,081	6%	262,512	4%	284,872	5%
Fines, Forfeitures and penalties	158,686	3%	163,238	3%	183,996	3%	198,197	3%	204,054	3%
Public Charges for Services	885,174	15%	982,226	15%	1,057,534	17%	1,078,594	18%	1,070,736	18%
Investment Income & Miscellaneous	55,724	1%	89,185	1%	51,361	2%	215,832	3%	75,504	1%
TOTAL	\$ 5,961,754	100%	\$ 5,930,380	100%	\$ 6,048,274	100%	\$ 6,289,993	100%	\$ 6,219,490	100%

% of Total Revenue



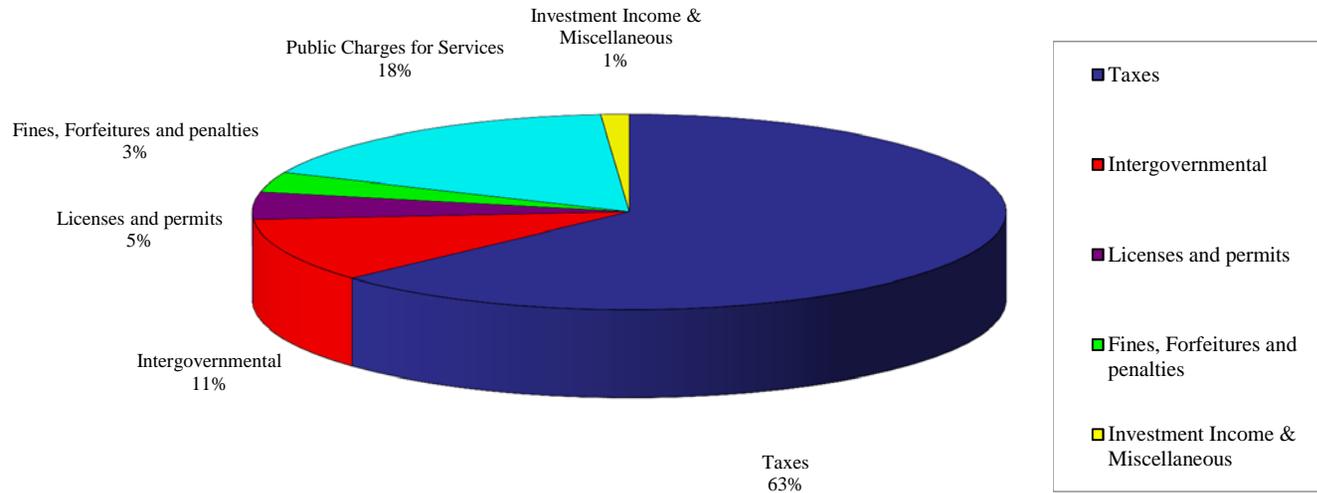
Total Revenue



Village of Pewaukee
2015 FINANCIAL STATEMENT HIGHLIGHTS

2015 GENERAL FUND REVENUES

Total Revenues: \$6,219,490



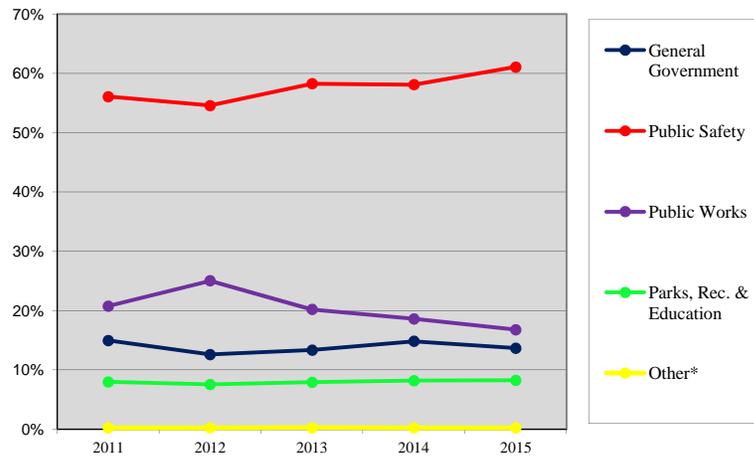
Village of Pewaukee 2015 FINANCIAL STATEMENT HIGHLIGHTS

GENERAL FUND EXPENDITURES

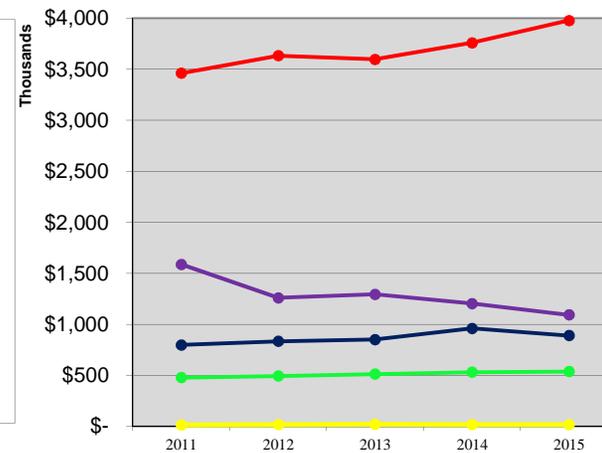
	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>
<u>Total Expenditures</u>										
General Government	\$ 798,535	15%	\$ 833,384	13%	\$ 850,115	13%	\$ 960,046	15%	\$ 889,723	14%
Public Safety	3,460,481	56%	3,632,818	55%	3,596,886	58%	3,759,728	58%	3,977,475	61%
Public Works	1,587,253	21%	1,259,971	25%	1,294,209	20%	1,203,527	19%	1,092,484	17%
Parks, Rec. & Education	478,463	8%	493,946	8%	512,711	8%	530,704	8%	537,087	8%
Other*	14,603	0%	16,621	0%	19,929	0%	16,889	0%	16,185	0%
TOTAL	\$ 6,339,335	100%	\$ 6,236,740	100%	\$ 6,273,850	100%	\$ 6,470,894	100%	\$ 6,512,954	100%

*Other includes conservation & development and health & human services

% of Total Expenditures



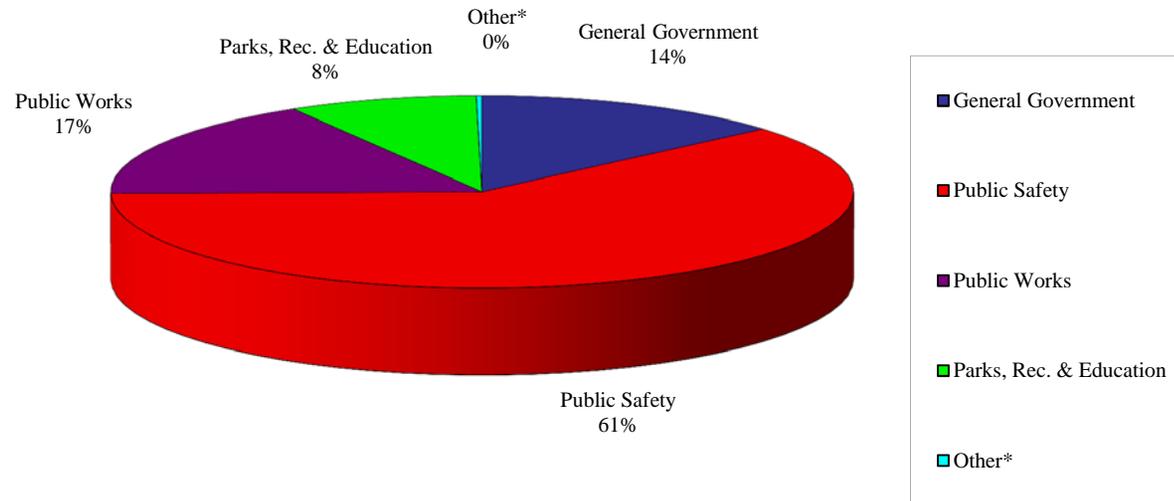
Total Expenditures



Village of Pewaukee
2015 FINANCIAL STATEMENT HIGHLIGHTS

2015 GENERAL FUND EXPENDITURES

Total Expenditures: \$6,512,954



*Other includes conservation & development and health & human services

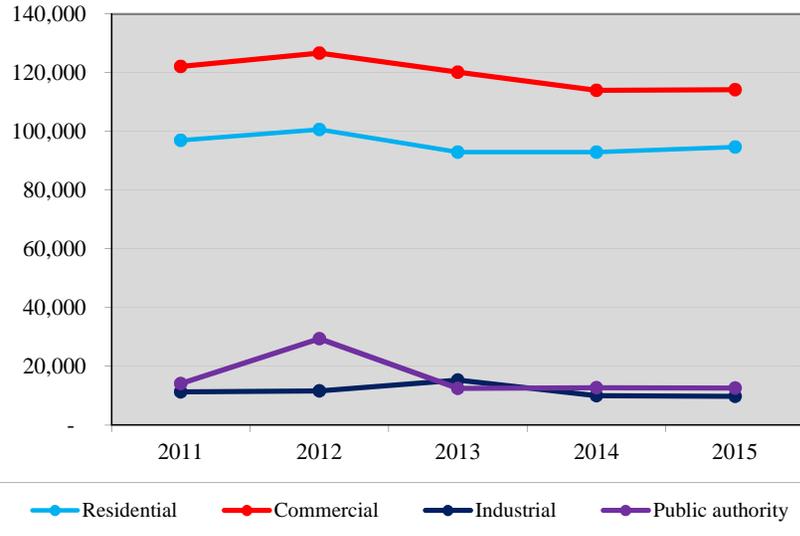
PEWAUKEE WATER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

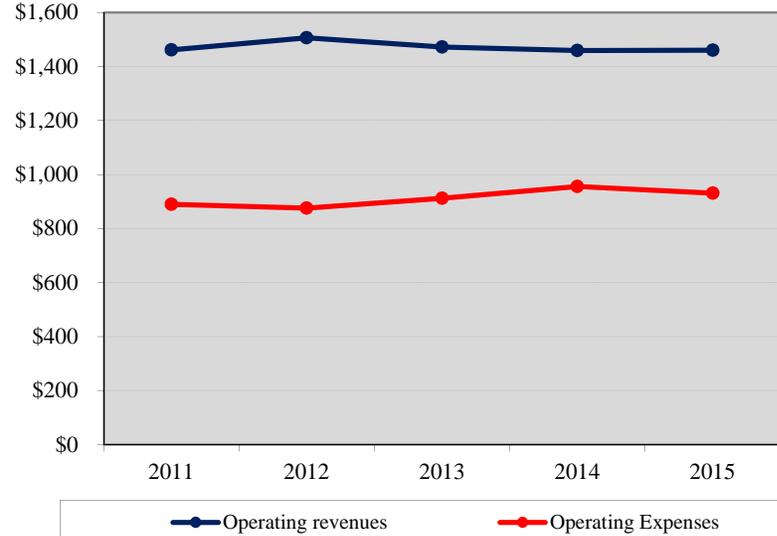
ANALYSIS OF INCOME STATEMENT

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Gallons Sold (000's)										
Residential	97,012	40%	100,708	40%	92,946	37%	93,011	40%	94,720	41%
Commercial	122,190	50%	126,727	50%	120,159	47%	113,968	50%	114,224	49%
Industrial	11,365	5%	11,680	5%	15,337	4%	10,080	4%	9,841	4%
Public authority	14,137	6%	29,484	6%	12,581	11%	12,811	6%	12,704	5%
TOTAL	<u>244,704</u>	100%	<u>268,599</u>	100%	<u>241,023</u>	100%	<u>229,870</u>	100%	<u>231,489</u>	100%
Operating Revenues	\$ 1,462,361		\$ 1,507,049		\$ 1,472,335		\$ 1,459,425		\$ 1,460,621	
Operating Expenses	889,609		875,583		912,469		955,719		931,778	

Gallons Sold (000's)



Water Utility - Operations (000's)



What it means...

The water industry trend has reflected continual decrease in overall usage due to conservation and economic reasons. Because providing quality water is a highly capital intensive industry, declining sales makes monitoring the ongoing adequacy of rates more important.

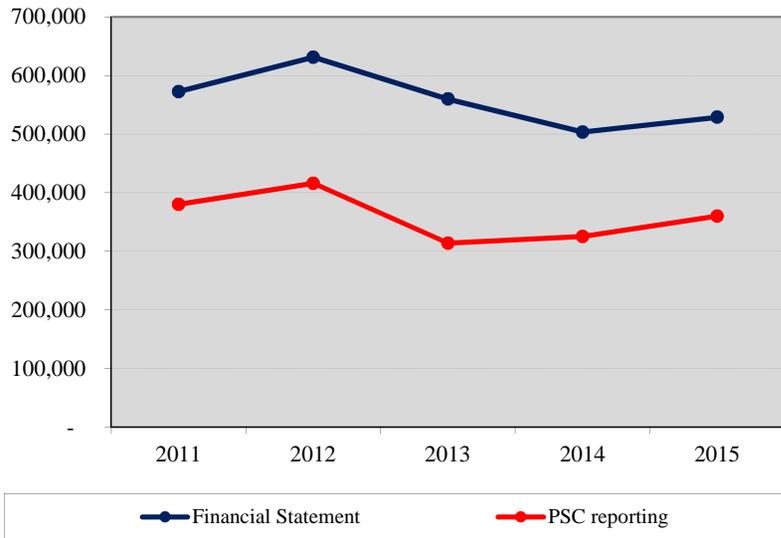
PEWAUKEE WATER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

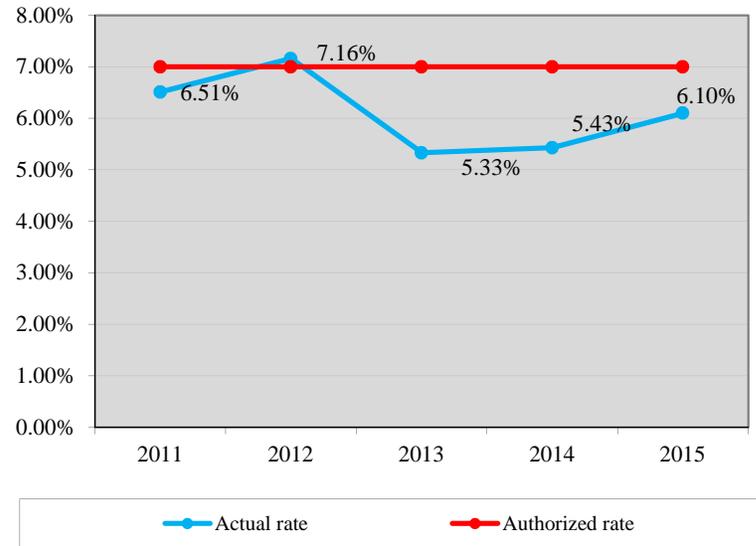
ANALYSIS OF INCOME STATEMENT (cont.)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Operating Income</u>					
Financial statement ¹	572,752	631,466	559,866	503,706	528,843
PSC reporting	380,136	415,932	313,854	325,283	359,813
<u>Rate of Return</u>					
Actual rate	6.51%	7.16%	5.33%	5.43%	6.10%
Authorized rate	7.00%	7.00%	7.00%	7.00%	7.00%

Operating Income



Rate of Return



What it means...

Rate of return is a key indicator of financial results in any regulated utility like your water utility. Rate of return is calculated based on the PSC formula. The formula is based on the utility's PSC reporting operating income divided by investment in plant in service, less plant that was contributed to the utility, less accumulated depreciation.

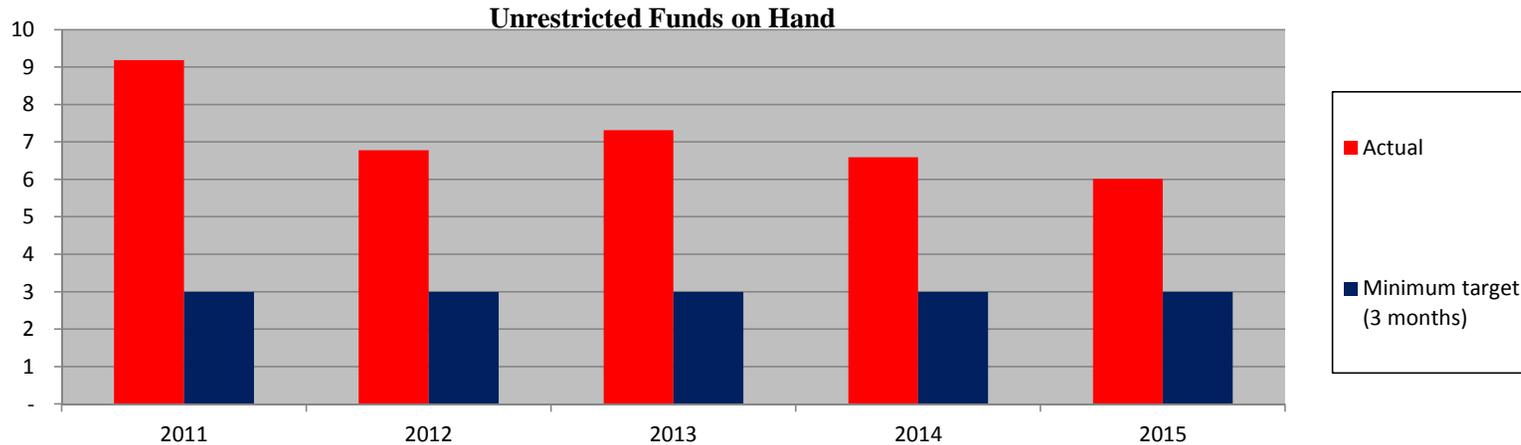
¹ Financial statement operating income excludes PILOT and includes depreciation on contributed plant. PSC operating income includes PILOT and excludes depreciation on contributed plant.

PEWAUKEE WATER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF BALANCE SHEET

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	1,120,386	851,658	897,906	802,019	732,770
Months of unrestricted cash	9.19	6.78	7.32	6.59	6.02



What it means...

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's routine capital improvements.

Capital assets (net)	12,523,750	12,573,981	12,385,304	12,388,245	13,521,747
Net investment in capital assets	10,306,406	10,734,528	8,960,547	10,835,457	11,218,491
% capital assets financed through earnings	82%	85%	72%	87%	83%

What it means...

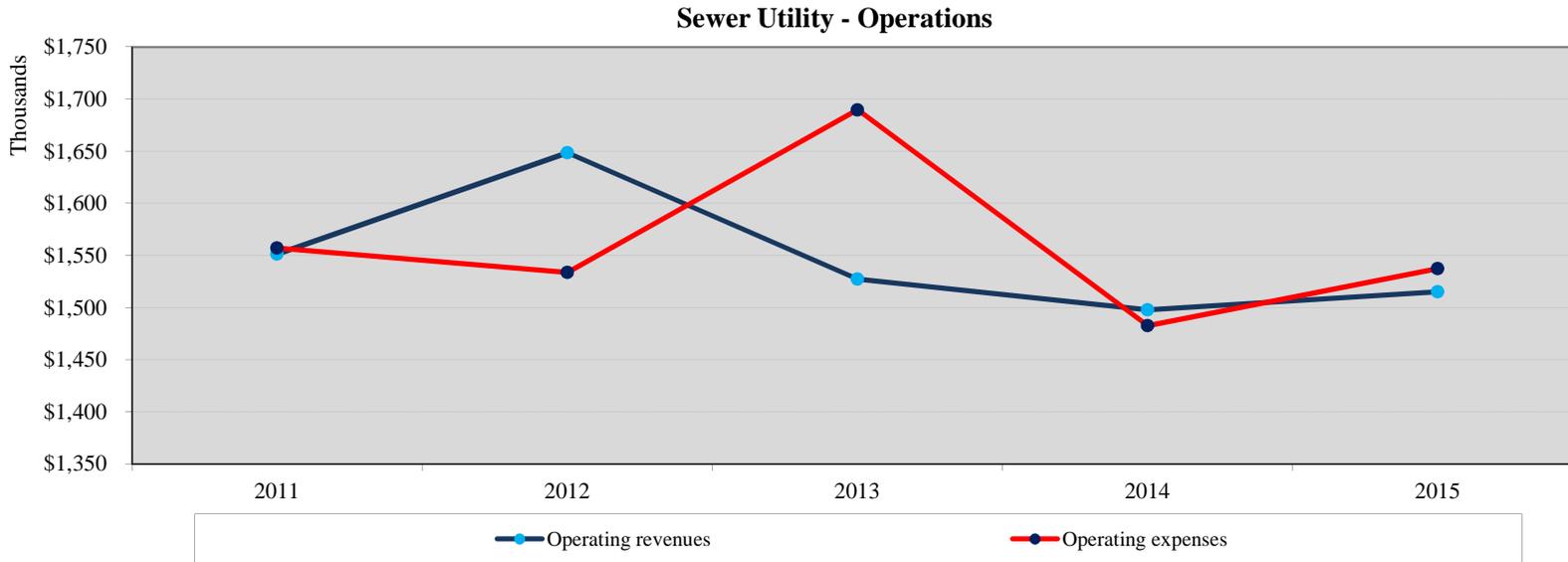
Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. A general target is at least 50% of capital assets financed through earnings.

PEWAUKEE SEWER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF INCOME STATEMENT

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues	\$ 1,551,475	\$ 1,648,698	\$ 1,527,446	\$ 1,498,010	\$ 1,515,334
Operating Expenses	1,557,264	1,533,860	1,689,871	1,482,861	1,537,452
 Note: Depreciation expense	 334,108	 338,953	 340,814	 342,131	 343,617



What it means...

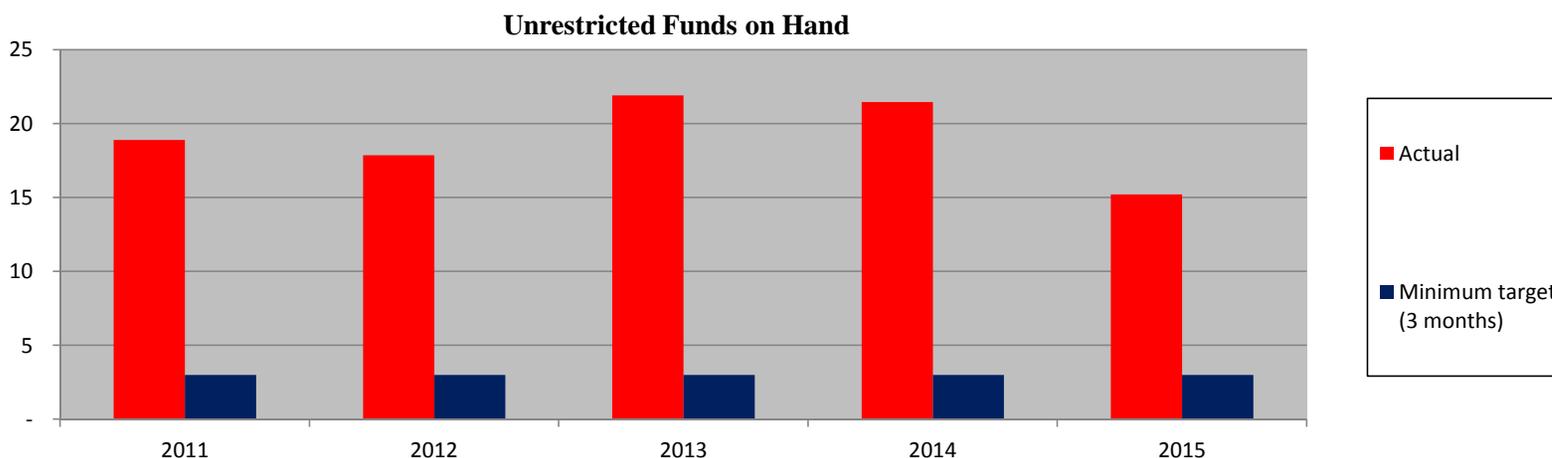
Operating income is an indicator of financial health of a sewer utility, but can be misleading. Operating expense includes depreciation. Since sewer rates are generally based on cash flow needs, depreciation may not be fully recovered through rates. Therefore, the importance of this metric is the trend.

PEWAUKEE SEWER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF BALANCE SHEET

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	\$ 2,441,882	\$ 2,455,181	\$ 2,789,521	\$ 2,678,229	\$ 1,919,974
Months of unrestricted cash	18.89	17.87	21.92	21.45	15.20



What it means...

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's routine capital improvements.

Net assets vs. net plant

Capital assets (net)	14,017,909	13,808,175	13,627,027	13,737,323	13,965,088
Net investment in capital assets	11,358,679	11,647,879	11,671,603	12,323,219	13,109,278
% capital assets financed through earnings	81%	84%	86%	90%	94%

What it means...

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. A general target is at least 50% of capital assets financed through earnings.

PEWAUKEE STORMWATER UTILITY

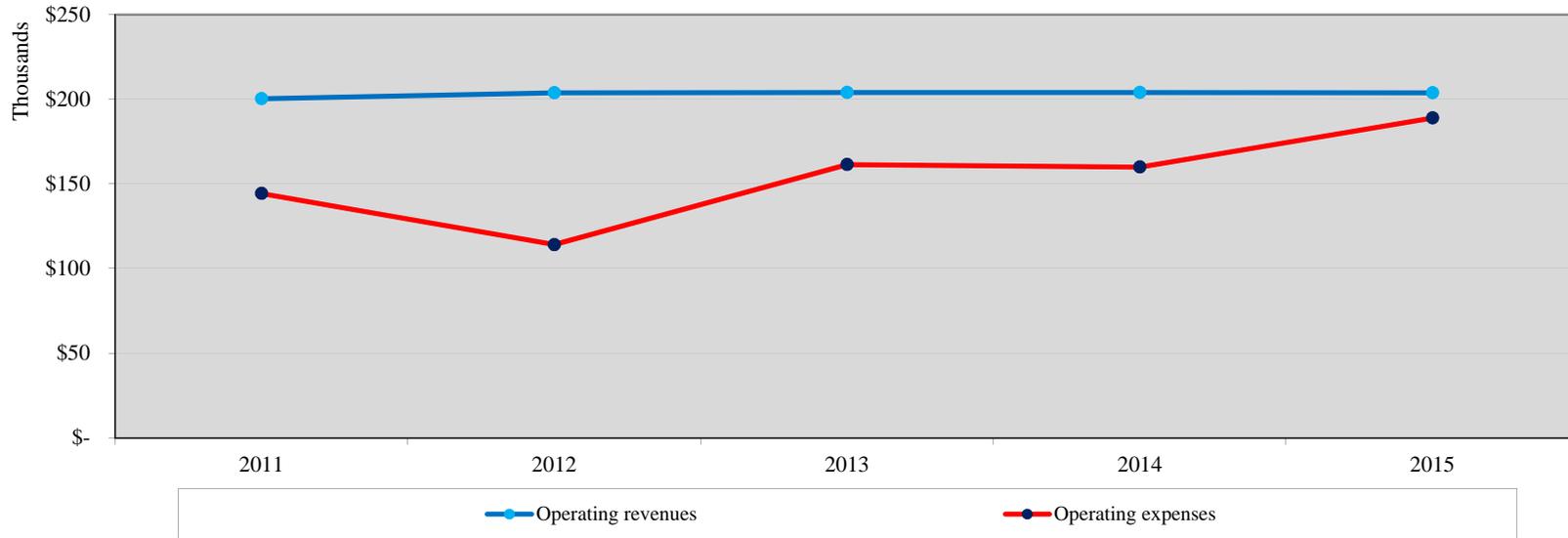
2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF INCOME STATEMENT

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues	\$ 200,367	\$ 203,695	\$ 203,889	\$ 203,986	\$ 203,688
Operating Expenses	144,389	114,124	161,323	159,882	188,904

Note: Depreciation expense 28,376 30,524 34,177 35,833 36,134

Stormwater Utility - Operations



What it means...

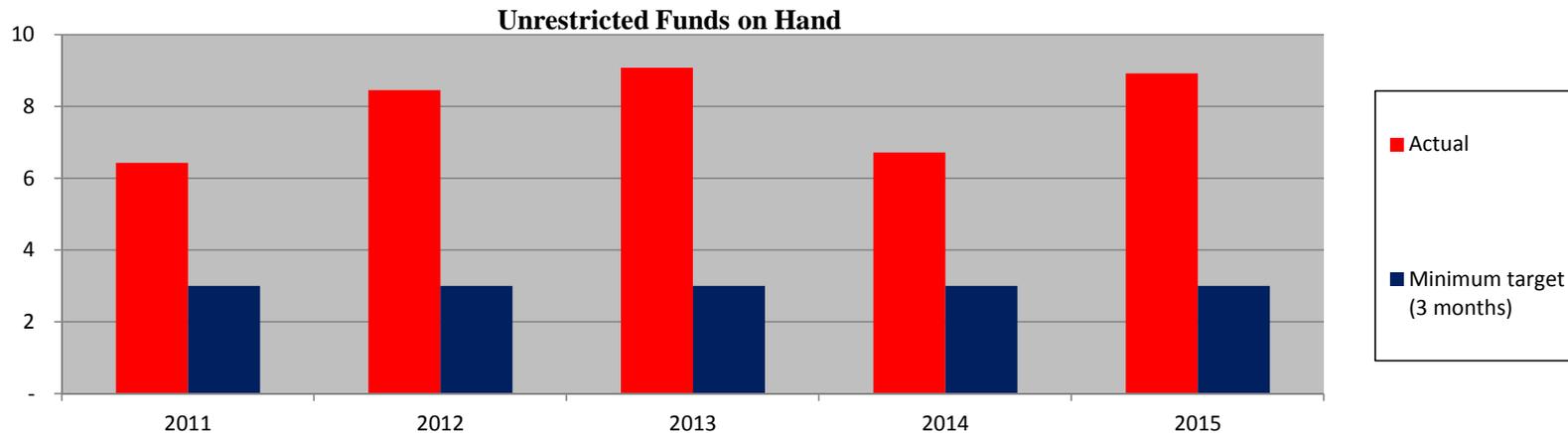
Operating income is an indicator of financial health of a stormwater utility, but can be misleading. Operating expense includes depreciation. Since stormwater rates are generally based on cash flow needs, depreciation may not be fully recovered through rates. Therefore, the importance of this metric is the trend.

PEWAUKEE STORMWATER UTILITY

2015 FINANCIAL STATEMENT HIGHLIGHTS

ANALYSIS OF BALANCE SHEET

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Ability to meet current obligations</u>					
Unrestricted cash & investments	\$ 107,291	\$ 143,475	\$ 154,245	\$ 114,209	\$ 151,445
Months of unrestricted cash	6.43	8.45	9.08	6.72	8.92



What it means...

A utility should maintain funds to cover its operations in a normal business operation cycle (i.e. quarterly, monthly) plus a contingency. In addition, utilities should have available an amount equal to one year's routine capital improvements.

Net assets vs. net plant

Capital assets (net)	343,390	372,896	381,385	446,701	440,642
Net investment in capital assets	162,970	211,665	236,385	321,701	335,642
% capital assets financed through earnings	47%	57%	62%	72%	76%

What it means...

Obtaining financing for capital improvements is normally a necessity for capital intensive utilities. Management should keep their related debt to a manageable level as this allows you to be less aggressive seeking rate relief and provides more options to address unanticipated expenses. A general target is at least 50% of capital assets financed through earnings.