

VILLAGE OF PEWAUKEE

Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

VILLAGE OF PEWAUKEE

TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Required Supplementary Information	
Management's Discussion and Analysis	iii - xii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2 - 3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4 - 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9 - 10
Statement of Net Position - Proprietary Funds	11 - 12
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	13 - 14
Statement of Cash Flows - Proprietary Funds	15 - 16
Statement of Assets and Liabilities - Agency Funds	17
Index to Notes to Financial Statements	18
Notes to Financial Statements	19 - 59
Required Supplementary Information	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	60 - 63
Schedule of Proportionate Share of the Net Pension (Asset) Liability - Wisconsin Retirement System	64
Schedule of Employer Contributions - Wisconsin Retirement System	64
Notes to Required Supplementary Information	65
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	67
Combining Statement of Assets and Liabilities - Agency Funds	68

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village 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 Village of Pewaukee, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village 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 Village 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 Village 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.

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 Village of Pewaukee, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pewaukee's basic financial statements. The Supplemental 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 Supplemental Information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

As of and for the Year Ended December 31, 2017

The management of the Village of Pewaukee offers all persons interested in the financial position of the village this narrative overview and analysis of the village's financial performance during the fiscal year ended December 31, 2017. You are invited to read this narrative in conjunction with the village's financial statements.

FINANCIAL HIGHLIGHTS

- > The assets and deferred outflows of the Village of Pewaukee exceeded its liabilities and deferred inflows by \$49,214,634 (net position). Of this amount, \$10,032,747 is considered unrestricted, \$2,305,067 is restricted for specific purposes (restricted net position), and \$36,876,820 is the net investment in capital assets.
 - > The village's total net position increased by \$346,618. Governmental activities net position increased by \$299,518, while business-type net position increased by \$47,100.
 - > On December 31, 2017, the village's governmental funds reported combined fund balances of \$5,347,885, an increase of \$1,096,013 from 2016. Unassigned fund balance was \$2,592,306.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the village's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the village:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the village's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of village government, reporting the village's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows and inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the village's net position and how they have changed. Net Position – the difference between the village's assets, deferred outflows and inflows of resources, and its liabilities – is one way to measure the village's financial health, or position. Over time, increases or decreases in the village's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the village you need to consider additional non-financial factors such as changes in the village's property tax base and the condition of the village's roads.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

The village maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The village maintains four proprietary funds, all of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

A summary of the village's Statement of Net Position is presented below in Table 1.

Table 1
Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017*	2016*
Current and Other Assets	\$ 11,056,995	\$ 10,313,746	\$ 9,321,383	\$ 9,007,450	\$ 20,378,378	\$ 19,321,196
Capital Assets	<u>18,408,875</u>	<u>18,093,555</u>	<u>28,595,611</u>	<u>28,855,267</u>	<u>47,004,486</u>	<u>46,948,822</u>
Total Assets	<u>29,465,870</u>	<u>28,407,301</u>	<u>37,916,994</u>	<u>37,862,717</u>	<u>67,382,864</u>	<u>66,270,018</u>
Deferred Outflows of Resources	<u>1,399,086</u>	<u>1,962,144</u>	<u>165,869</u>	<u>253,733</u>	<u>1,564,955</u>	<u>2,215,877</u>
Long-term Liabilities	10,211,486	9,512,398	3,070,551	3,207,836	13,282,037	12,720,234
Other Liabilities	<u>323,011</u>	<u>809,836</u>	<u>483,165</u>	<u>402,151</u>	<u>806,176</u>	<u>1,211,987</u>
Total Liabilities	<u>10,534,497</u>	<u>10,322,234</u>	<u>3,553,716</u>	<u>3,609,987</u>	<u>14,088,213</u>	<u>13,932,221</u>
Deferred Inflows of Resources	<u>5,566,192</u>	<u>5,582,462</u>	<u>78,780</u>	<u>103,196</u>	<u>5,644,972</u>	<u>5,685,658</u>
Net Investment in Capital Assets	11,407,990	11,051,930	25,549,140	25,698,199	36,876,820	36,666,697
Restricted	259,949	283,931	2,045,118	1,990,908	2,305,067	2,274,839
Unrestricted	<u>3,096,328</u>	<u>3,128,888</u>	<u>6,856,109</u>	<u>6,714,160</u>	<u>10,032,747</u>	<u>9,926,480</u>
Total Net Position	<u>\$ 14,764,267</u>	<u>\$ 14,464,749</u>	<u>\$ 34,450,367</u>	<u>\$ 34,403,267</u>	<u>\$ 49,214,634</u>	<u>\$ 48,868,016</u>

* The total column reflects a capital debt adjustment; see Note 1.D.11 for further information.

The largest portion of the village's net position (75%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the village's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (20%) may be used to meet the government's ongoing obligation to citizens and creditors.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

**Table 2
Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for services	\$ 1,567,595	\$ 1,504,657	\$ 3,337,072	\$ 3,326,178	\$ 4,904,667	\$ 4,830,835
Operating grants and contributions	462,373	506,638	-	4,402	462,373	511,040
Capital grants and contributions	110,160	-	22,198	116,101	132,358	116,101
General Revenues						
Property taxes	4,885,092	4,809,200	-	-	4,885,092	4,809,200
Other taxes	89,155	86,324	-	-	89,155	86,324
Intergovernmental	214,951	211,980	-	-	214,951	211,980
Investment income	33,249	11,924	41,209	22,052	74,458	33,976
Gain on sale of assets	37,585	33,195	-	-	37,585	33,195
Miscellaneous	56,457	14,928	-	2,446	56,457	17,374
Total Revenues	<u>7,456,617</u>	<u>7,178,846</u>	<u>3,400,479</u>	<u>3,471,179</u>	<u>10,857,096</u>	<u>10,650,025</u>
Expenses						
General government	1,078,628	950,192	-	-	1,078,628	950,192
Public safety	4,066,177	4,382,372	-	-	4,066,177	4,382,372
Health and human services	32,344	38,156	-	-	32,344	38,156
Public works	1,152,814	1,470,603	-	-	1,152,814	1,470,603
Culture, recreation and education	753,917	698,426	-	-	753,917	698,426
Conservation and development	31,631	25,813	-	-	31,631	25,813
Water	-	-	1,115,706	1,060,206	1,115,706	1,060,206
Sewer	-	-	1,512,802	1,479,286	1,512,802	1,479,286
Lakeside Park	-	-	130,730	173,888	130,730	173,888
Stormwater	-	-	203,506	209,358	203,506	209,358
Interest and fiscal charges	432,223	306,091	-	-	432,223	306,091
Total Expenses	<u>7,547,734</u>	<u>7,871,653</u>	<u>2,962,744</u>	<u>2,922,738</u>	<u>10,510,478</u>	<u>10,794,391</u>
Income (Loss) Before Transfers	(91,117)	(692,807)	437,735	548,441	346,618	(144,366)
Transfers	390,635	394,980	(390,635)	(394,980)	-	-
Changes in Net Position	299,518	(297,827)	47,100	153,461	346,618	(144,366)
Beginning Net Position	<u>14,464,749</u>	<u>14,762,576</u>	<u>34,403,267</u>	<u>34,249,806</u>	<u>48,868,016</u>	<u>49,012,382</u>
Ending Net Position	<u>\$ 14,764,267</u>	<u>\$ 14,464,749</u>	<u>\$ 34,450,367</u>	<u>\$ 34,403,267</u>	<u>\$ 49,214,634</u>	<u>\$ 48,868,016</u>

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED

As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

As previously noted, the Statement of Net Position shows the financial position as of year-end. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the village's net position by \$299,518. This is the result of the net change in fund balances of the governmental funds, an increase of \$1,096,013, plus the reconciling items as detailed on pages 9 and 10 of the financial statements.

BUSINESS-TYPE ACTIVITIES

Net position of the business-type activities increased \$47,100. This was due to positive financial results in the sewer and Laimon Family Lakeside Park Funds.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

GOVERNMENTAL FUNDS

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

At December 31, 2017, the village's governmental funds reported combined fund balances of \$5,347,885. Approximately 48% of this amount, \$2,592,306 constitutes unassigned fund balance, which is available to meet the village's current and future needs. An additional \$2,027,069 is assigned for specific projects or expenditures. Restricted fund balance is \$584,078 and the remaining \$144,432 of fund balance is attributed to non-spendable amounts for prepaid expenditures and long-term receivables.

General Fund

The village's general fund is the chief operating fund of the village. Total fund balance in the general fund increased by \$141,092 during 2017. Unassigned fund balance increased by \$175,428. See the following General Fund Budgetary Highlights section for further details.

The village evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the subsequent year's general fund budget. For 2017, unassigned fund balance is \$2,667,032, and the 2018 general fund expenditure budget is \$6,667,579, resulting in an unassigned fund balance ratio of 40%. The prior year was 37%. The Increase in general fund balance was primarily due to a building permit and inspection revenue coming in over budget and police, fire, and public works expenditures being less than anticipated.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

General Debt Service Fund

The village's debt service fund accounts for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs. The entire amount of the fund balance, \$524,810 is restricted for future debt service. Included in this restricted fund balance is \$90,000 received from the Pewaukee Public Library Foundation and \$156,711 from unspent debt proceeds, for a total of \$246,711 to be used for debt service on obligations previously issued to construct the Pewaukee Public Library.

General Capital Projects

The village's general capital projects fund is used to account for the purchase or construction of major capital items, other than those reported in the other capital project funds. The fund balance is \$1,411,918, an increase of \$1,039,205 from the prior year. This was due to the issuance of \$1,475,000 of debt of which proceeds remain for future projects.

NONMAJOR GOVERNMENTAL FUNDS

Fund balance of all other governmental funds is \$(24,523), of which \$50,203 is restricted for cemetery projects. The balance, a negative \$74,726 is primarily due to the startup costs of TIF No. 2 over the last three years.

PROPRIETARY FUNDS

The Village of Pewaukee's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. At December 31, 2017, the village's proprietary funds reported combined net position of \$34,450,367.

Water Utility

The water utility net position decreased \$40,195 or less than 1% from prior year. Operating revenues decreased \$16,669 or 1%. Operating expenses increased \$70,550 or 7%.

The increase in operating expenses is primarily due to increased depreciation expense and amounts allocated for pension expense.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

Sewer Utility

The sewer utility net position increased \$57,783, or less than 1%. Operating revenues increased \$14,094 or less than 1%. Operating expenses increased \$32,925 or 2%. The increase in operating expense was primarily due to higher costs for pump station maintenance and treatment costs from the Brookfield plant. In addition, cash increased by \$390,671 due to significantly lower debt service than prior years.

Laimon Family Lakeside Park Fund

The village created this fund during 2015 upon the acquisition of a marina, a building, property and equipment is now being used for outdoor recreational purposes. A state trust fund loan was issued by the village to finance the capital acquisitions. In addition, a grant was obtained from the State of Wisconsin and funds were transferred from the general fund to fulfill matching obligations required by the grant. At year end, the fund had \$743,227 of net position which was an increase of \$29,802 from the prior year. Operating revenues at year end were \$160,194, \$12,461 over last year, and operating expenses were \$111,219, \$33,258 less than last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall fund balance increased by \$141,092 or 4%. There were no budget amendments made during the year.

Total revenues were \$6,222,455, \$260,026 more than budget. There were several contributing factors to the additional revenues. The first was building and other permit revenues higher than anticipated, fire and ambulance charges higher than anticipated; and miscellaneous revenues that included insurance recoveries and miscellaneous sales.

Total expenses were \$6,509,583, \$271,894 less than budgeted. Significant variances with expenses were due to public safety and public works costing less than anticipated.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
As of and for the Year Ended December 31, 2017

CAPITAL ASSETS

At the end of 2017, the village had invested a total of \$47,004,486 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, utility plant, construction in progress, and infrastructure.

**Table 3
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,564,438	\$ 6,529,438	\$ 925,238	\$ 925,238	\$ 7,489,676	\$ 7,454,676
Land improvements	-	-	233,280	209,780	233,280	209,780
Buildings	10,323,969	10,318,319	114,603	94,342	10,438,572	10,412,661
Machinery and equipment	2,696,341	2,408,267	-	-	2,696,341	2,408,267
Water plant	-	-	18,975,446	18,907,607	18,975,446	18,907,607
Sewer plant	-	-	22,297,896	22,240,704	22,297,896	22,240,704
Storm water	-	-	566,302	566,302	566,302	566,302
Construction in progress	419,631	419,631	634,740	270,263	1,054,371	689,894
Infrastructure	2,216,451	1,872,803	-	-	2,216,451	1,872,803
Dams	<u>582,973</u>	<u>582,973</u>	<u>-</u>	<u>-</u>	<u>582,973</u>	<u>582,973</u>
Total Capital Assets	22,803,803	22,131,431	43,747,505	43,214,236	66,551,308	65,345,667
Less: Accumulated Depreciation	<u>(4,394,928)</u>	<u>(4,037,876)</u>	<u>(15,151,894)</u>	<u>(14,358,969)</u>	<u>(19,546,822)</u>	<u>(18,396,845)</u>
Net Capital Assets	<u>\$ 18,408,875</u>	<u>\$ 18,093,555</u>	<u>\$ 28,595,611</u>	<u>\$ 28,855,267</u>	<u>\$ 47,004,486</u>	<u>\$ 46,948,822</u>

Significant projects for 2017 include:

- > Parks equipment including several mowers, a chipper, seeders, and a trailer.
- > Playground equipment for Liberty Park.
- > Ford F350 for public works.
- > Several police vehicles.
- > Street and utility improvements on Cecelia Drive, Cheshire Lane, and East Wisconsin Avenue.

See Note IV.D. for additional information.

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED As of and for the Year Ended December 31, 2017

LONG-TERM DEBT

At December 31, 2017, the village and utilities had \$12,921,347 of long-term bonds outstanding. Of this amount, \$9,879,068 are general obligation issues to be repaid by future levies.

Total long-term bonds outstanding at December 31, 2017 increased by a net amount of \$644,758, or 5%.

At the end of the year, the village was at 27% of its general obligation debt capacity. The prior year was 26%. Excluding general obligation debt to be financed by user charges of the Water, Sanitary or Storm Water Utilities, the debt capacity was 20%

At the end of the year, the village was at 24% of its general obligation debt capacity. The prior year was 26%. Excluding general obligation debt to be financed by user charges, the debt capacity was 20%.

See Note IV.F. for additional information.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2017 village budget. None of these conditions are anticipated to change the overall financial position of the village.

The Village of Pewaukee is located approximately 25 miles west of Milwaukee. The village has successful business and commercial areas, which continue to see activity and interest. New projects of note are: 1) the Village Board recently approved a four-lot commercial/retail Planned Unit Development for a 9-acre parcel at the southeast corner of Capitol Drive and Meadow Creek Drive that allows for the construction of up to five buildings; 2) a Conditional Use Grant was approved by the Plan Commission for a 120-bed inpatient alcohol and drug treatment facility that was a former nursing home property; and 3) a new 5-yard dump truck with plow was purchased in 2018 utilizing the State Trust Fund Loan program.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have questions about this report or need any additional information, contact Scott A. Gosse, Village Administrator at 262-691-5660 or sgosse@villageofpewaukee.com.

General information relating to the Village of Pewaukee, Wisconsin, can be found at the village's website, www.villageofpewaukee.us.

VILLAGE OF PEWAUKEE

STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 5,002,622	\$ 4,176,445	\$ 9,179,067
Receivables			
Taxes	5,243,876	-	5,243,876
Accounts	181,402	710,542	891,944
Loans	21,744	-	21,744
Special assessments	409	-	409
Internal balances	157,215	(157,215)	-
Inventories and prepaid items	69,758	39,683	109,441
Investment in Brookfield Plant (net of amortization)	-	2,506,810	2,506,810
Investment in Pewaukee Public Library	379,969	-	379,969
Restricted Assets			
Cash and investments	-	2,045,118	2,045,118
Capital Assets (net of accumulated depreciation)			
Land	6,564,438	925,238	7,489,676
Construction in progress	419,631	634,740	1,054,371
Other capital assets, net of accumulated depreciation	11,424,806	27,035,633	38,460,439
Total Assets	29,465,870	37,916,994	67,382,864
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	158,917	-	158,917
Pension related amount	1,240,169	165,869	1,406,038
Total Deferred Outflows of Resources	1,399,086	165,869	1,564,955
LIABILITIES			
Accounts payable	161,011	378,805	539,816
Accrued liabilities and deposits	162,000	46,762	208,762
Unearned revenue	-	57,598	57,598
Noncurrent Liabilities			
Due within one year	903,465	175,646	1,079,111
Due in more than one year	9,308,021	2,894,905	12,202,926
Total Liabilities	10,534,497	3,553,716	14,088,213
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	491,773	78,780	570,553
Unearned revenue	5,074,419	-	5,074,419
Total Deferred Inflows of Resources	5,566,192	78,780	5,644,972
NET POSITION			
Net investment in capital assets	11,407,990	25,549,140	36,876,820
Restricted for			
Debt service	187,656	-	187,656
Equipment	-	2,045,118	2,045,118
Park maintenance	9,065	-	9,065
Cemetery	50,203	-	50,203
Loans	13,025	-	13,025
Unrestricted	3,096,328	6,856,109	10,032,747
TOTAL NET POSITION	\$ 14,764,267	\$ 34,450,367	\$ 49,214,634

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,078,628	\$ 158,354	\$ 5,200	\$ -
Public safety	4,066,177	985,245	59,503	-
Public works	1,152,814	297,925	374,394	-
Health and human services	32,344	20,493	-	-
Culture, recreation and education	753,917	89,381	-	110,160
Conservation and development	31,631	16,197	-	-
Interest and fiscal charges	<u>432,223</u>	<u>-</u>	<u>23,276</u>	<u>-</u>
Total Governmental Activities	<u>7,547,734</u>	<u>1,567,595</u>	<u>462,373</u>	<u>110,160</u>
Business-type Activities				
Water	1,115,706	1,453,424	-	3,440
Sewer	1,512,802	1,521,195	-	18,758
Lakeside park	130,730	160,194	-	-
Stormwater	<u>203,506</u>	<u>202,259</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>2,962,744</u>	<u>3,337,072</u>	<u>-</u>	<u>22,198</u>
Totals	<u>\$ 10,510,478</u>	<u>\$ 4,904,667</u>	<u>\$ 462,373</u>	<u>\$ 132,358</u>

General Revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for tax increment financing districts
- Payment in lieu of taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on sale of assets

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (915,074)	\$ -	\$ (915,074)
(3,021,429)	-	(3,021,429)
(480,495)	-	(480,495)
(11,851)	-	(11,851)
(554,376)	-	(554,376)
(15,434)	-	(15,434)
<u>(408,947)</u>	<u>-</u>	<u>(408,947)</u>
<u>(5,407,606)</u>	<u>-</u>	<u>(5,407,606)</u>
-	341,158	341,158
-	27,151	27,151
-	29,464	29,464
-	<u>(1,247)</u>	<u>(1,247)</u>
<u>-</u>	<u>396,526</u>	<u>396,526</u>
<u>(5,407,606)</u>	<u>396,526</u>	<u>(5,011,080)</u>
3,865,643	-	3,865,643
967,126	-	967,126
52,323	-	52,323
89,155	-	89,155
214,951	-	214,951
33,249	41,209	74,458
37,585	-	37,585
<u>56,457</u>	<u>-</u>	<u>56,457</u>
<u>5,316,489</u>	<u>41,209</u>	<u>5,357,698</u>
<u>390,635</u>	<u>(390,635)</u>	<u>-</u>
<u>5,707,124</u>	<u>(349,426)</u>	<u>5,357,698</u>
299,518	47,100	346,618
<u>14,464,749</u>	<u>34,403,267</u>	<u>48,868,016</u>
<u>\$ 14,764,267</u>	<u>\$ 34,450,367</u>	<u>\$ 49,214,634</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	General Fund	General Debt Service	Capital Projects Fund
ASSETS			
Cash and investments	\$ 2,995,447	\$ 524,810	\$ 1,431,729
Receivables			
Taxes	4,081,276	1,069,501	434
Accounts	181,402	-	-
Special assessments	-	-	409
Loans	-	-	-
Due from other funds	157,215	-	-
Advances to other funds	74,726	-	-
Prepaid items	69,706	-	-
	<u>\$ 7,559,772</u>	<u>\$ 1,594,311</u>	<u>\$ 1,432,572</u>
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 133,985	\$ -	\$ 19,811
Accrued liabilities	69,471	-	-
Advances from other funds	-	-	-
Deposits	8,817	-	-
Total Liabilities	<u>212,273</u>	<u>-</u>	<u>19,811</u>
Deferred Inflows of Resources			
Unearned revenues	3,911,819	1,069,501	434
Unavailable revenues	-	-	409
Total Deferred Inflows of Resources	<u>3,911,819</u>	<u>1,069,501</u>	<u>843</u>
Fund Balances (Deficit)			
Nonspendable	144,432	-	-
Restricted	9,065	524,810	-
Assigned	615,151	-	1,411,918
Unassigned (deficit)	2,667,032	-	-
Total Fund Balances (Deficit)	<u>3,435,680</u>	<u>524,810</u>	<u>1,411,918</u>
	<u>\$ 7,559,772</u>	<u>\$ 1,594,311</u>	<u>\$ 1,432,572</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 50,636	\$ 5,002,622
92,665	5,243,876
-	181,402
-	409
21,744	21,744
-	157,215
-	74,726
<u>52</u>	<u>69,758</u>
<u>\$ 165,097</u>	<u>\$ 10,751,752</u>

\$ 485	\$ 154,281
-	69,471
74,726	74,726
-	8,817
<u>75,211</u>	<u>307,295</u>

92,665	5,074,419
<u>21,744</u>	<u>22,153</u>
<u>114,409</u>	<u>5,096,572</u>

-	144,432
50,203	584,078
-	2,027,069
<u>(74,726)</u>	<u>2,592,306</u>
<u>(24,523)</u>	<u>5,347,885</u>

<u>\$ 165,097</u>	<u>\$ 10,751,752</u>
-------------------	----------------------

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2017

Total Fund Balances - Governmental Funds	\$ 5,347,885
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.	18,408,875
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.	22,153
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(157,296)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	1,240,169
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(491,773)
The village's investment in the library joint venture is not a financial resource and, therefore, is not reported in the fund statements.	379,969
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds and notes payable	(9,879,068)
Compensated absences	(41,015)
Accrued interest	(90,442)
Unamortized debt premium	(134,107)
A deferred charge on refunding represents a consumption of net position that applies to a future period and, therefore, is not reported in the funds.	<u>158,917</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 14,764,267</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	General Fund	General Debt Service	Capital Projects Fund
REVENUES			
Taxes	\$ 3,954,798	\$ 967,126	\$ -
Intergovernmental	648,779	23,276	-
Licenses and permits	251,301	-	-
Fines, forfeitures and penalties	193,806	-	-
Public charges for services	1,083,553	-	-
Special assessments	-	-	2,106
Investment income	28,316	-	2,886
Miscellaneous	61,902	-	-
Total Revenues	6,222,455	990,402	4,992
EXPENDITURES			
Current			
General government	1,042,282	-	-
Public safety	3,763,287	-	-
Public works	964,898	-	-
Health and human services	4,043	-	-
Culture, recreation and education	599,086	-	-
Conservation and development	14,636	-	-
Capital outlay	121,351	-	453,374
Debt Service			
Principal	-	744,631	-
Interest and fiscal charges	-	292,669	30,058
Total Expenditures	6,509,583	1,037,300	483,432
Excess (deficiency) of revenues over expenditures	(287,128)	(46,898)	(478,440)
OTHER FINANCING SOURCES (USES)			
Debt issued	-	2,170,000	1,475,000
Payments to refunding bond escrow agent	-	(2,198,844)	-
Premium on debt issued	-	56,234	42,645
Property sales - law enforcement	37,585	-	-
Transfers in	390,635	-	-
Total Other Financing Sources (Uses)	428,220	27,390	1,517,645
Net Change in Fund Balances	141,092	(19,508)	1,039,205
FUND BALANCES - Beginning of Year	3,294,588	544,318	372,713
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 3,435,680	\$ 524,810	\$ 1,411,918

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 52,323	\$ 4,974,247
2,069	674,124
-	251,301
-	193,806
21,493	1,105,046
-	2,106
350	31,552
-	61,902
<u>76,235</u>	<u>7,294,084</u>
-	1,042,282
-	3,763,287
-	964,898
28,301	32,344
-	599,086
18,089	32,725
79,456	654,181
4,090	748,721
<u>11,075</u>	<u>333,802</u>
<u>141,011</u>	<u>8,171,326</u>
<u>(64,776)</u>	<u>(877,242)</u>
-	3,645,000
-	(2,198,844)
-	98,879
-	37,585
-	390,635
-	1,973,255
(64,776)	1,096,013
<u>40,253</u>	<u>4,251,872</u>
<u>\$ (24,523)</u>	<u>\$ 5,347,885</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$ 1,096,013
--	--------------

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 financial statements	654,181
Some items reported as capital outlay were not capitalized	(64,468)
Some items are reported as operating expenditures in the fund financial statements, but are capitalized in the government-wide statements	57,156
Depreciation is reported in the government-wide financial statements	(395,278)
Net book value of assets retired	(46,431)

Contributed capital assets are reported as revenues in the government-wide financial statements.	110,160
--	---------

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.	14,788
---	--------

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.	
Debt issued	(3,645,000)
Principal repaid	748,721

Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in long-term liabilities in the Statement of Net Position.	2,135,000
---	-----------

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 to 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 premium	5,549
Amortization of loss on refunding	(42,880)
Premium on debt issuance	(98,880)

VILLAGE OF PEWAUKEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

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	\$	3,358
Accrued interest on debt		2,757
Net pension asset/liability		152,164
Deferred outflows of resources related to pensions		(520,180)
Deferred inflows of resources related to pensions		159,478

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.

(26,690)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 299,518

VILLAGE OF PEWAUKEE

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
ASSETS					
Current Assets					
Cash and investments	\$ 957,146	\$ 2,914,878	\$ 178,537	\$ 125,884	\$ 4,176,445
Accounts receivable	236,203	423,390	177	50,772	710,542
Materials and supplies	21,654	-	-	-	21,654
Prepayments	9,311	5,857	252	2,609	18,029
Total Current Assets	<u>1,224,314</u>	<u>3,344,125</u>	<u>178,966</u>	<u>179,265</u>	<u>4,926,670</u>
Noncurrent Assets					
Restricted Assets					
Equipment replacement	-	2,045,118	-	-	2,045,118
Capital Assets					
Land	10,742	250	914,246	-	925,238
Construction work in progress	4,599	528,992	-	101,149	634,740
Land improvements	-	-	233,280	-	233,280
Buildings and improvements	-	-	114,603	-	114,603
Plant in service	18,975,446	22,297,896	-	566,302	41,839,644
Less: Accumulated depreciation	(6,007,153)	(8,787,614)	(98,480)	(258,647)	(15,151,894)
Other Assets					
Investment in Brookfield Plant	-	6,192,698	-	-	6,192,698
Less: Accumulated amortization	-	(3,685,888)	-	-	(3,685,888)
Total Noncurrent Assets	<u>12,983,634</u>	<u>18,591,452</u>	<u>1,163,649</u>	<u>408,804</u>	<u>33,147,539</u>
Total Assets	<u>14,207,948</u>	<u>21,935,577</u>	<u>1,342,615</u>	<u>588,069</u>	<u>38,074,209</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	77,231	88,638	-	-	165,869
Total Deferred Outflows of Resources	<u>77,231</u>	<u>88,638</u>	<u>-</u>	<u>-</u>	<u>165,869</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	Totals
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 18,905	\$ 349,034	\$ 4,993	\$ 5,873	\$ 378,805
Due to other funds	157,215	-	-	-	157,215
Accrued wages	2,947	2,213	-	400	5,560
Accrued interest	17,405	3,407	15,518	872	37,202
Unearned revenue	-	-	57,598	-	57,598
Current portion of general obligation debt	110,000	25,000	20,646	20,000	175,646
Deposits	-	-	4,000	-	4,000
Total Current Liabilities	<u>306,472</u>	<u>379,654</u>	<u>102,755</u>	<u>27,145</u>	<u>816,026</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	1,935,000	390,000	496,633	45,000	2,866,633
Net pension liability	13,997	10,083	-	-	24,080
Unamortized premium	-	4,192	-	-	4,192
Total Noncurrent Liabilities	<u>1,948,997</u>	<u>404,275</u>	<u>496,633</u>	<u>45,000</u>	<u>2,894,905</u>
Total Liabilities	<u>2,255,469</u>	<u>783,929</u>	<u>599,388</u>	<u>72,145</u>	<u>3,710,931</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related items	<u>34,754</u>	<u>44,026</u>	-	-	<u>78,780</u>
Total Deferred Inflows of Resources	<u>34,754</u>	<u>44,026</u>	-	-	<u>78,780</u>
NET POSITION					
Net investment in capital assets	10,938,634	13,620,332	646,370	343,804	25,549,140
Restricted for					
Replacement of equipment and capital assets	-	2,045,118	-	-	2,045,118
Unrestricted net position	<u>1,056,322</u>	<u>5,530,810</u>	<u>96,857</u>	<u>172,120</u>	<u>6,856,109</u>
TOTAL NET POSITION	<u>\$ 11,994,956</u>	<u>\$ 21,196,260</u>	<u>\$ 743,227</u>	<u>\$ 515,924</u>	<u>\$ 34,450,367</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
OPERATING REVENUES					
Charges for services	\$ 1,215,488	\$ 1,508,408	\$ 160,194	\$ 202,259	\$ 3,086,349
Other operating revenue	<u>237,936</u>	<u>12,787</u>	<u>-</u>	<u>-</u>	<u>250,723</u>
Total Operating Revenues	<u>1,453,424</u>	<u>1,521,195</u>	<u>160,194</u>	<u>202,259</u>	<u>3,337,072</u>
OPERATING EXPENSES					
Operation and maintenance	683,472	914,930	64,387	163,520	1,826,309
Depreciation	419,941	355,093	46,832	37,281	859,147
Amortization	<u>-</u>	<u>230,368</u>	<u>-</u>	<u>-</u>	<u>230,368</u>
Total Operating Expenses	<u>1,103,413</u>	<u>1,500,391</u>	<u>111,219</u>	<u>200,801</u>	<u>2,915,824</u>
Operating Income	<u>350,011</u>	<u>20,804</u>	<u>48,975</u>	<u>1,458</u>	<u>421,248</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	9,282	30,632	338	957	41,209
Interest expense	(10,561)	(12,411)	(19,511)	(2,705)	(45,188)
Amortization of loss on advance refunding	<u>(1,732)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,732)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,011)</u>	<u>18,221</u>	<u>(19,173)</u>	<u>(1,748)</u>	<u>(5,711)</u>
Income Before Contributions and Transfers	<u>347,000</u>	<u>39,025</u>	<u>29,802</u>	<u>(290)</u>	<u>415,537</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	\$ 3,440	\$ 18,758	\$ -	\$ -	\$ 22,198
Transfers out	(130,420)	-	-	-	(130,420)
Transfers - tax equivalent	(260,215)	-	-	-	(260,215)
Total Contributions and Transfers	<u>(387,195)</u>	<u>18,758</u>	<u>-</u>	<u>-</u>	<u>(368,437)</u>
Change in Net Position	(40,195)	57,783	29,802	(290)	47,100
NET POSITION - Beginning of Year	<u>12,035,151</u>	<u>21,138,477</u>	<u>713,425</u>	<u>516,214</u>	<u>34,403,267</u>
NET POSITION - END OF YEAR	<u>\$ 11,994,956</u>	<u>\$ 21,196,260</u>	<u>\$ 743,227</u>	<u>\$ 515,924</u>	<u>\$ 34,450,367</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,027,556	\$ 1,479,532	\$ 160,017	\$ 201,774	\$ 2,868,879
Received from municipality	417,954	-	-	-	417,954
Customer deposits received in advance	-	-	36,870	-	36,870
Paid to suppliers for goods and services	(474,186)	(682,499)	(73,398)	(46,532)	(1,276,615)
Paid to employees for services	<u>(228,732)</u>	<u>(115,521)</u>	<u>(2,420)</u>	<u>(115,964)</u>	<u>(462,637)</u>
Net Cash Flows From Operating Activities	<u>742,592</u>	<u>681,512</u>	<u>121,069</u>	<u>39,278</u>	<u>1,584,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>6,159</u>	<u>30,632</u>	<u>338</u>	<u>-</u>	<u>37,129</u>
Net Cash Flows From Investing Activities	<u>6,159</u>	<u>30,632</u>	<u>338</u>	<u>-</u>	<u>37,129</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	(264,560)	-	-	-	(264,560)
Transfers	<u>(130,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,420)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(394,980)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(394,980)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	-	145,000	-	-	145,000
Debt retired	(220,000)	(10,000)	(11,521)	(20,000)	(261,521)
Interest paid	(11,748)	(11,312)	(28,523)	(2,942)	(54,525)
Build America Bonds interest rate subsidy	3,123	-	-	957	4,080
Acquisition and construction of capital assets	(102,265)	(468,111)	(43,761)	-	(614,137)
Capital contributions received	3,440	18,758	-	-	22,198
Premium from debt issuance	<u>-</u>	<u>4,192</u>	<u>-</u>	<u>-</u>	<u>4,192</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(327,450)</u>	<u>(321,473)</u>	<u>(83,805)</u>	<u>(21,985)</u>	<u>(754,713)</u>
Net Change in Cash and Cash Equivalents	26,321	390,671	37,602	17,293	471,887
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>930,825</u>	<u>4,569,325</u>	<u>140,935</u>	<u>108,591</u>	<u>5,749,676</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 957,146</u>	<u>\$ 4,959,996</u>	<u>\$ 178,537</u>	<u>\$ 125,884</u>	<u>\$ 6,221,563</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income	\$ 350,011	\$ 20,804	\$ 48,975	\$ 1,458	\$ 421,248
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities					
Depreciation	419,941	355,093	46,832	37,281	859,147
Depreciation charged to other funds	14,646	230,368	-	-	245,014
Changes in assets and liabilities					
Customer accounts receivable	(22,560)	(41,663)	-	(485)	(64,708)
Other accounts receivable	-	-	(177)	-	(177)
Materials and supplies	(477)	-	-	-	(477)
Prepayments	(1,582)	(127)	(252)	(746)	(2,707)
Accounts payable	(42,701)	104,465	(11,179)	1,382	51,967
Other current liabilities	338	788	-	388	1,514
Pension related deferrals and liabilities	24,976	11,784	-	-	36,760
Customer deposits	-	-	36,870	-	36,870
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 742,592</u>	<u>\$ 681,512</u>	<u>\$ 121,069</u>	<u>\$ 39,278</u>	<u>\$ 1,584,451</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 957,146	\$ 2,914,878	\$ 178,537	\$ 125,884	\$ 4,176,445
Restricted cash and investments	-	-	-	-	-
Equipment replacement	-	2,045,118	-	-	2,045,118
Total Cash and Investments	957,146	4,959,996	178,537	125,884	6,221,563
CASH AND CASH EQUIVALENTS	<u>\$ 957,146</u>	<u>\$ 4,959,996</u>	<u>\$ 178,537</u>	<u>\$ 125,884</u>	<u>\$ 6,221,563</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Amortization of premiums and loss on refunding	<u>\$ 1,732</u>	<u>\$ 230,368</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 7,101,082
Taxes receivable	5,013,059
Prepaid items	<u>27,782</u>
TOTAL ASSETS	<u>\$ 12,141,923</u>
LIABILITIES	
Accounts payable	\$ 16,479
Accrued liabilities	5,800
Due to other governments	<u>12,119,644</u>
TOTAL LIABILITIES	<u>\$ 12,141,923</u>

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE	Page
I Summary of Significant Accounting Policies	19
A. Reporting Entity	19
B. Government-Wide and Fund Financial Statements	19
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	22
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	23
1. Deposits and Investments	23
2. Receivables	25
3. Inventories and Prepaid Items	26
4. Restricted Assets	26
5. Capital Assets	26
6. Other Assets	27
7. Deferred Outflows of Resources	28
8. Compensated Absences	28
9. Long-Term Obligations/Conduit Debt	28
10. Deferred Inflows of Resources	29
11. Equity Classifications	29
12. Pension	31
13. Basis for Existing Rates	31
II Stewardship, Compliance, and Accountability	32
A. Budgetary Information	32
B. Excess Expenditures Over Appropriations	32
C. Deficit Balances	32
D. Limitations on the Village's Tax Levy	33
III Detailed Notes on All Funds	33
A. Deposits and Investments	33
B. Receivables	34
C. Restricted Assets	35
D. Capital Assets	36
E. Interfund Receivables/Payables, Advances and Transfers	41
F. Long-Term Obligations	42
G. Net Position/Fund Balances	47
IV Other Information	49
A. Employees' Retirement System	49
B. Risk Management	55
C. Commitments and Contingencies	55
D. Joint Ventures	56
E. Other Postemployment Benefits	58
F. Subsequent Event	58
G. Effect of New Accounting Standards on Current-Period Financial Statements	58
H. Investment in Brookfield Wastewater Treatment Facility	59

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Pewaukee, Wisconsin ("the village") 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 village. The reporting entity for the village consists of the primary government and its component units. 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 village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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 village 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 village 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.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 village 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 village believes is particularly important to financial statement users may be reported as a major fund.

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

The village reports the following major governmental funds:

- General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Capital Projects Fund - accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The village reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system
- Sewer Utility - accounts for operations of the sewer system
- Laimon Family Lakeside Park Fund - accounts for operations of the park and its marina facilities

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

Fund Financial Statements (cont.)

The village reports the following nonmajor governmental and enterprise 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).

Cemetery Fund
Downtown Loan Fund

Capital Projects Fund - 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.

Tax Incremental District (TID) No. 2

Enterprise Fund - used to account for and report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Stormwater Utility

In addition, the village reports the following fund types:

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

Pewaukee Public Library
Tax Collection
Lake Patrol

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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 village'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.

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 village 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 village is entitled the resources and the amounts are available. Amounts owed to the village 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, 2017, there were \$13,288 of unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

Fund Financial Statements (cont.)

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

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

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, sewer, Laimon Family Lakeside Park, and stormwater 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.

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

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

Investment of village 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 maturing in three years or less.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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.)

- 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.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

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

The village is exposed to custodial credit risk for its deposits as well as credit risk for its investments (see Note III.A.). The village's investment policy addresses both of these types of risks. For depository custodial credit risk, the investment policy requires all financial institutions acting as depository for the village to enter into a depository agreement pledging collateral to secure amounts over and above the guaranteed amounts. All collateral is required to be held by a third party.

Investment credit risk is the risk that the market value of the securities will fall due to changes in market interest rates. The village's policy states that the portfolio is to be structured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. In addition, funds are to be invested in shorter-term securities, money market mutual funds, or similar investment pools that limit the average maturity of the portfolio.

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.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. 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 village, 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 net position - agency funds.

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale - 2017 delinquent real estate taxes	October 2020

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.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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.)

2. Receivables (cont.)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

It is the village's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. 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.

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 \$15,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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.)

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. \$46,095 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	20-75 Years
Land Improvements	20-75 Years
Machinery and Equipment	5-30 Years
Utility System	7-108 Years
Infrastructure	30-75 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. Other Assets

Other assets in the utility funds represents the investment in the Brookfield Wastewater Treatment Plant (see Note IV.G.)

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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.)

7. 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.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Sick leave does not vest to employees. Compensatory time earned is also accrued within this liability.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2017, are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations/Conduit Debt

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) 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 effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The village has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the series outstanding could not be determined; however, their original issue amounts totaled \$1,900,000.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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.)

10. 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.

11. 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."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 11,407,990	\$ 25,549,140	\$ (80,310)	\$ 36,876,820
Unrestricted	3,096,328	6,856,109	80,310	10,032,747

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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.)

11. Equity Classifications (cont.)

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 Village Board. 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 Village Board that originally created the commitment.
- 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 Village Board has, by resolution, adopted a financial policy authorizing the Village Clerk/Treasurer and/or Administrator to assign amounts for a specific purpose. 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 village 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 village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

The village has a working capital policy to meet cash flow needs during the year and to preserve credit worthiness. The working capital amount is to equal 10% of the ensuing year's budgeted expenditures. This amount is \$666,758 and is included within the unassigned fund balance of the general fund at year-end.

The village has a fund balance policy that includes a requirement to maintain as of December 31 of each year a minimum of 35% of the ensuing year's budgeted general fund expenditures, with a targeted maximum of 40% for the purpose of strengthening the village's financial position and maintaining and/or increasing the village's bond rating. Any amount over the 40% targeted maximum may be assigned by management for future capital projects and/or infrastructure needs. As of December 31, 2017, the village reported 40% of the ensuing year's budgeted general fund expenditures in its unassigned fund balance.

See Note III. G. for further information.

12. 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.

13. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on April 2, 1996.

Sewer Utility

Current sewer rates were approved by the village board on December 2, 2008.

Stormwater Utility

Current stormwater rates were approved by the village board on November 17, 2009.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund, capital projects fund, debt service fund, TID District #2, and the cemetery special revenue fund. A budget has not been formally adopted for downtown loan special revenue fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt Service Fund	\$ 992,213	\$ 3,236,144	\$ 2,243,931
Cemetery Fund	20,000	28,301	8,301
TID District No. 2	18,315	96,513	78,198

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

C. DEFICIT BALANCES

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

As of December 31, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
TID District No. 2	\$ 66,007	Tax increment has not been sufficient to fund the TIF start-up costs to date.
Downtown Loan Fund	8,719	Loan disbursements have exceeded repayments

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village'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 village 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.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The village 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. In addition, investments are separately held by several of the village's funds.

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

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	\$ 10,306,568	\$ 10,372,126	Custodial credit
LGIP	8,018,019	8,018,019	Credit
Petty cash	680	-	N/A
Total Deposits and Investments	\$ 18,325,267	\$ 18,390,145	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 9,179,067		
Restricted cash and investments	2,045,118		
Per statement of assets and liabilities -			
agency funds			
Agency Funds	7,101,082		
Total Deposits and Investments	\$ 18,325,267		

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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 been considered in computing custodial credit risk.

The village maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of \$14,531,911 to secure the village's deposits.

Custodial Credit Risk

Deposits

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

The village does not have any deposits exposed to custodial credit risk.

Credit Risk

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

The village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

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

B. RECEIVABLES

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

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:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 4,978,719	\$ -
Licenses for the subsequent year	310	-
Deferred loan receivable	-	21,744
Special assessments	95,390	409
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 5,074,419	 \$ 22,153

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2017:

Restricted Assets	
Equipment replacement	\$ <u>2,045,118</u>
Total Restricted Assets	\$ <u><u>2,045,118</u></u>

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land and right of way	\$ 6,529,438	\$ 35,000	\$ -	\$ 6,564,438
Construction in progress	419,631	-	-	419,631
Total Capital Assets Not Being Depreciated	6,949,069	35,000	-	6,984,069
Capital assets being depreciated				
Buildings	10,318,319	5,650	-	10,323,969
Machinery and equipment	2,408,267	372,731	84,657	2,696,341
Infrastructure	1,872,803	343,648	-	2,216,451
Dams	582,973	-	-	582,973
Total Capital Assets Being Depreciated	15,182,362	722,029	84,657	15,819,734
Total Capital Assets	22,131,431	757,029	84,657	22,803,803
Less: Accumulated depreciation for				
Buildings	(2,270,061)	(210,345)	-	(2,480,406)
Machinery and equipment	(1,450,759)	(127,619)	38,226	(1,540,152)
Infrastructure	(264,589)	(46,820)	-	(311,409)
Dams	(52,467)	(10,494)	-	(62,961)
Total Accumulated Depreciation	(4,037,876)	(395,278)	38,226	(4,394,928)
Net Capital Assets Being Depreciated	11,144,486	326,751	46,431	11,424,806
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 18,093,555	\$ 361,751	\$ 46,431	\$ 18,408,875

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 20,595
Public safety	85,758
Public works	155,397
Culture, recreation, and education	133,528
Total Governmental Activities Depreciation Expense	\$ 395,278

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 10,742	\$ -	\$ -	\$ 10,742
Construction work in progress	4,599	-	-	4,599
Total Capital Assets Not Being Depreciated	15,341	-	-	15,341
Capital assets being depreciated				
Source of supply	1,048,022	-	-	1,048,022
Pumping	2,700,094	-	-	2,700,094
Water treatment	1,574,752	46,095	-	1,620,847
Transmission and distribution	13,255,850	46,809	27,412	13,275,247
General	328,889	9,361	7,014	331,236
Total Capital Assets Being Depreciated	18,907,607	102,265	34,426	18,975,446
Total Capital Assets	18,922,948	102,265	34,426	18,990,787
Less: Accumulated depreciation for				
Water	(5,606,992)	(434,587)	34,426	(6,007,153)
Total Accumulated Depreciation	(5,606,992)	(434,587)	34,426	(6,007,153)
Net Capital Assets Being Depreciated	13,300,615	(332,322)	-	12,968,293
Net Water Capital Assets	\$ 13,315,956	\$ (332,322)	\$ -	\$ 12,983,634

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 250	\$ -	\$ -	\$ 250
Construction work in progress	164,515	364,477	-	528,992
Total Capital Assets Not Being Depreciated	164,765	364,477	-	529,242
Capital assets being depreciated				
Collection system	19,167,623	90,428	37,942	19,220,109
Pumping	2,594,673	13,206	8,500	2,599,379
Treatment and disposal	216,224	-	-	216,224
General	262,184	-	-	262,184
Total Capital Assets Being Depreciated	22,240,704	103,634	46,442	22,297,896
Total Capital Assets	22,405,469	468,111	46,442	22,827,138
Less: Accumulated depreciation for				
Sewer	(8,478,963)	(355,093)	46,442	(8,787,614)
Total Accumulated Depreciation	(8,478,963)	(355,093)	46,442	(8,787,614)
Net Capital Assets Being Depreciated	13,761,741	(251,459)	-	13,510,282
Net Sewer Capital Assets	\$ 13,926,506	\$ 113,018	\$ -	\$ 14,039,524

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Construction work in progress	\$ 101,149	\$ -	\$ -	\$ 101,149
Total Capital Assets Not Being Depreciated	101,149	-	-	101,149
Capital assets being depreciated				
Mains	319,113	-	-	319,113
Equipment	247,189	-	-	247,189
Total Capital Assets Being Depreciated	566,302	-	-	566,302
Total Capital Assets	667,451	-	-	667,451
Less: Accumulated depreciation for				
Stormwater	(221,366)	(37,281)	-	(258,647)
Total Accumulated Depreciation	(221,366)	(37,281)	-	(258,647)
Net Capital Assets Being Depreciated	344,936	(37,281)	-	307,655
Net Stormwater Capital Assets	\$ 446,085	\$ (37,281)	\$ -	\$ 408,804
<u>Laimon Family Lakeside Park</u>				
Capital assets not being depreciated				
Land	\$ 914,246	\$ -	\$ -	\$ 914,246
Total Capital Assets Not Being Depreciated	914,246	-	-	914,246
Capital assets being depreciated				
Land improvements	209,780	23,500	-	233,280
Buildings and improvements	94,342	20,261	-	114,603
Total Capital Assets Being Depreciated	304,122	43,761	-	347,883
Total Capital Assets	1,218,368	43,761	-	1,262,129

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Laimon Family Lakeside Park (cont.)</u>				
Less: Accumulated depreciation for				
Land improvements	\$ (47,326)	\$ (42,014)	\$ -	\$ (89,340)
Buildings and improvements	(4,322)	(4,818)	-	(9,140)
Total Accumulated Depreciation	(51,648)	(46,832)	-	(98,480)
Net Capital Assets Being Depreciated	252,474	(3,071)	-	249,403
Net Other Enterprise Capital Assets	<u>\$ 1,166,720</u>	<u>\$ (3,071)</u>	<u>\$ -</u>	<u>\$ 1,163,649</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,855,267</u>	<u>\$ (259,656)</u>	<u>\$ -</u>	<u>\$ 28,595,611</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 419,941
Sewer	355,093
Storm	37,281
Other	46,832

Total Business-type Activities Depreciation Expense \$ 859,147

The difference in depreciation expense and additions to accumulated depreciation is due to salvage and cost of removal.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. 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	Water utility	\$ 157,215	\$ -
General	Downtown loan fund	8,719	8,719
General	TIF No. 2	66,007	66,007
Total - Fund Financial Statements		231,941	
Less: Fund eliminations		(74,726)	
Total Internal Balances - Government-Wide Statement of Net Position		\$ 157,215	

The purpose of the water utility interfund is for the tax equivalent.

Advances

The general fund is advancing funds to TIF District No. 2. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been established. The balance at year-end was \$66,007 and no amounts were repaid.

The general fund is also advancing funds to the downtown loan fund. The amount advanced is determined by the deficiency of loan repayments over loan disbursements. No repayment schedule has been established and interest is not being charged.

The principal purpose of these interfunds is to cover the deficiency of revenues over expenditures.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General	Water utility	\$ 260,215	Payment in lieu of taxes
General	Water utility	<u>130,420</u>	Tower rental allocation
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 390,635</u></u>	

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.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 9,117,789	\$ 3,645,000	\$ 2,883,721	\$ 9,879,068	\$ 862,450
Premiums	40,776	98,880	5,549	134,107	-
Sub-totals	<u>9,158,565</u>	<u>3,743,880</u>	<u>2,889,270</u>	<u>10,013,175</u>	<u>862,450</u>
Other Liabilities					
Vested compensated absences	44,373	41,015	44,373	41,015	41,015
Net pension liability	309,460	-	152,164	157,296	-
Total Other Liabilities	<u>353,833</u>	<u>41,015</u>	<u>196,537</u>	<u>198,311</u>	<u>41,015</u>
Total Governmental Activities Long-Term Liabilities	<u><u>\$ 9,512,398</u></u>	<u><u>\$ 3,784,895</u></u>	<u><u>\$ 3,085,807</u></u>	<u><u>\$ 10,211,486</u></u>	<u><u>\$ 903,465</u></u>

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,158,800	\$ 145,000	\$ 261,521	\$ 3,042,279	\$ 175,646
Premiums	-	4,192	-	4,192	-
Sub-totals	3,158,800	149,192	261,521	3,046,471	175,646
Other Liabilities					
Net pension liability	49,036	-	24,956	24,080	-
Total Other Liabilities	49,036	-	24,956	24,080	-
Total Business-type Activities Long-Term Liabilities	\$ 3,207,836	\$ 149,192	\$ 286,477	\$ 3,070,551	\$ 175,646

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2017, was \$48,796,185. Total general obligation debt outstanding at year end was \$12,921,347.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the village. 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, 2017</u>
G.O. Refunding Bonds	5/1/2008	9/1/2028	320 - 4.00%	\$ 2,765,000	\$ 145,000
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	1,115,000	265,000
G.O. Promissory Notes (Build America)	7/27/2010	3/1/2020	1.00 - 4.25%	815,000	1,115,000
G.O. Refunding Bonds	6/11/2013	3/1/2025	.50 - 2.0%	2,610,000	2,225,000
G.O. Corporate Purpose Bonds	6/11/2013	3/1/2033	2.25 - 3.0%	545,000	545,000
Taxable G.O. Refunding Bonds	6/11/2013	3/1/2023	.70 - 2.50%	1,960,000	1,420,000
G.O. Promissory Notes	6/11/2013	3/1/2023	.75 - 2.25%	475,000	300,000
G.O. Promissory Note	12/30/2014	2/15/2022	0%	37,051	23,158
G.O. State Trust Fund Loan	9/23/2015	3/15/2035	3.75%	200,000	195,910
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10-3.0%	1,475,000	1,475,000
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10-3.0%	2,170,000	<u>2,170,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 9,879,068</u>

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	\$ 150,000	\$ 65,000
G.O. Promissory Notes (Build America)	7/27/2010	3/1/2020	1.00 - 4.25%	305,000	180,000
G.O. Corporate Purpose Bonds	6/11/2013	3/1/2033	2.25 - 3.00%	1,425,000	1,425,000
G.O. Promissory Notes	6/11/2013	3/1/2033	.75 - 2.25%	845,000	710,000
G.O. State Trust Fund Loan	10/4/2015	3/15/2035	3.75%	528,800	517,279
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10-3.0%	145,000	<u>145,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 3,042,279</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2018	\$ 862,450	\$ 246,248	\$ 175,646	\$ 85,886
2019	857,743	231,125	171,420	81,574
2020	873,029	215,480	177,174	77,098
2021	888,362	197,230	173,055	72,564
2022	908,693	177,219	168,919	68,317
2023-2027	3,650,636	566,329	903,698	270,554
2028-2032	1,735,868	141,238	1,000,715	127,472
2033-2035	<u>102,287</u>	<u>4,111</u>	<u>271,652</u>	<u>10,876</u>
Totals	<u>\$ 9,879,068</u>	<u>\$ 1,778,980</u>	<u>\$ 3,042,279</u>	<u>\$ 794,341</u>

Other Debt Information

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information (cont.)

The net pension liability will be funded by continued contributions and changes in the value of the plan assets.

A statutory mortgage lien upon the village's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The village's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Advance Refunding

On March 27, 2017, the village issued \$3,790,000 in general obligation bonds, for which \$2,198,844 was used for refunding, with an average coupon rate of 2.18% to advance refund \$2,135,000 of outstanding bonds with an average coupon rate of 3.86%. The net proceeds along with \$20,807 in existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$2,709,375 from 2017 through 2028. The cash flow requirements on the 2017 refunding bonds are \$2,522,562 from 2017 through 2028. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$144,332.

Lessor - Operating Leases

A lease agreement exists between the Village of Pewaukee, the City of Pewaukee (city) and the Joint Library Board dealing with the relative rights and the responsibilities of the parties relative to the land and building of the Pewaukee Public Library. This agreement also states that the cost of maintenance of the grounds, parking, pavement, landscaping, and maintenance of the library facility are considered expenses of the Joint Library Board - not of the village or the city. The lease agreement also states that the Joint Library Board provide insurance coverage naming the city and village as additional insured's with limits acceptable to both municipalities and further indemnifying and holding harmless the village and city against any liability which may arise as a result of the operation and maintenance of the joint library and the duties of the village as fiscal agent and as employer of joint library for payroll and benefit purposes. The land lease has a cost of \$230,000 and the building lease has a cost of \$4,099,602 and accumulated depreciation of \$915,764 at December 31, 2017. Both lease agreements expire on August 31, 2024. The library does not pay rent on either lease.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2017, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 6,564,438
Construction in progress	419,631
Other capital assets, net of accumulated depreciation	11,424,806
Less: Long-term debt outstanding	(8,403,758)
Plus: Unspent capital related debt proceeds	1,378,063
Plus: Unamortized loss on refunding	158,917
Less: Unamortized debt premium	<u>(134,107)</u>
Total Net Investment in Capital Assets	<u>11,407,990</u>
Restricted	
Debt service	187,656
Park maintenance	9,065
Cemetery	50,203
Downtown loan	<u>13,025</u>
Total Restricted	<u>259,949</u>
Unrestricted	<u>3,096,328</u>
Total Governmental Activities Net Position	<u>\$ 14,764,267</u>

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	General Fund	General Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 69,706	\$ -	\$ -	\$ -	\$ 69,706
Advances	74,726	-	-	-	74,726
Sub-total	144,432	-	-	-	144,432
Restricted for:					
Debt service	-	524,810	-	-	524,810
Cemetery purposes	-	-	-	50,203	50,203
Koepp park maintenance	9,065	-	-	-	9,065
Sub-total	9,065	524,810	-	50,203	584,078
Assigned to:					
DARE	1,705	-	-	-	1,705
Motorcycle donations	246	-	-	-	246
Joint pistol range	2,835	-	-	-	2,835
Park equipment	44,627	-	-	-	44,627
Parks and open spaces	1,331	-	-	-	1,331
Tax equivalent	157,215	-	-	-	157,215
Capital projects	-	-	1,411,918	-	1,411,918
Police	449	-	-	-	449
Infrastructure	406,743	-	-	-	406,743
Sub-total	615,151	-	1,411,918	-	2,027,069
Unassigned (deficit):	2,667,032	-	-	(74,726)	2,592,306
Total Fund Balances (Deficit)	\$ 3,435,680	\$ 524,810	\$ 1,411,918	\$ (24,523)	\$ 5,347,885

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 925,238
Construction in progress	634,740
Other capital assets, net of accumulated depreciation	27,035,633
Less: Long-term debt outstanding	(3,042,279)
Less: Unamortized debt premium	<u>(4,192)</u>
Total Net Investment in Capital Assets	<u>\$ 25,549,140</u>

NOTE IV - OTHER INFORMATION

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 occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

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

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

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 \$212,740 in contributions from the village.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the village reported a liability of \$181,376 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension liability was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the village's proportion was 0.02200453%, which was a decrease of 0.00005210% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the village recognized pension expense of \$471,334.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2017, the village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,944	\$ 570,553
Changes in assumptions	189,046	-
Net differences between projected and actual earnings on pension plan investments	904,506	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,560	-
Employer contributions subsequent to the measurement date	225,982	-
Totals	\$ 1,406,038	\$ 570,553

\$225,982 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 427,144	\$ 182,106
2019	427,143	182,106
2020	349,640	182,106
2021	(24,232)	24,235
2022	361	-

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - 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>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$2,378,707	\$181,376	\$(1,511,665)

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

At December 31, 2017, the village reported a payable to the pension plan of \$53,004 which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The village 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.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

From time to time, the village 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 village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The village has active construction projects as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. JOINT VENTURES

Pewaukee Public Library

The Village of Pewaukee and the City 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 village is obligated by the joint venture agreement to remit an amount annually to the library. The village made a payment to the library of \$248,048 in 2017.

Financial information of the library as of December 31, 2017 is available directly from the library's office.

The equity interest 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.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Park and Recreation Service

The Village of Pewaukee and the City of Pewaukee jointly operate the local park and recreation service. The communities share in the operation of the district based 50% on their percentage of total equalized value and 50% on their percentage of total population.

The advisory board consists of three city citizens and one common council alderman as well as two village citizens and one village board trustee. The advisory board controls the financial affairs of the district. The board prepares budgets which are then approved by the village and city governing bodies. The village believes the joint venture will continue to provide services in the future at similar rates. The village share for 2017 was \$351,038.

Financial information of the district as of December 31, 2017 is available directly from the park and recreation service office.

The village does not have an equity interest in the joint venture.

Lake Patrol Service

The Village of Pewaukee, the City of Pewaukee, and the Town of Delafield jointly provide winter and summer lake patrol services on Pewaukee Lake. This agreement began December 20, 2010.

The village, through its police department water safety patrol unit, provides the patrol services and enforces the terms of the Pewaukee Lake summer and winter lake rules as well as other applicable statutes and ordinances. All offenses cited by the water safety patrol will be prosecuted in the Village of Pewaukee Municipal Court.

Expenses associated with the administration and implementation of the services are allocated on the following basis: 43% to the City of Pewaukee, 43% to the Town of Delafield and 14% to the Village of Pewaukee. The village share for 2017 was \$8,035.

Financial information for the lake patrol as of December 31, 2017 is available directly from the village's office.

The village has an equity interest in the joint venture. However, it is not material to the financial statements.

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS

The village provides postemployment health insurance benefits for all eligible employees. Eligibility is based on being employed by the village for fifteen years for protective service employees and twenty years or more for general employees. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the village. Funding for those costs is provided out of the current operating budget of the village. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is 6.

F. SUBSEQUENT EVENT

On February 22, 2018, the village received \$166,477 State Trust Fund Loan with interest rate of 3.50%. The loan proceeds will be used to finance the purchase of a public works vehicle.

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

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

VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

H. INVESTMENT IN BROOKFIELD WASTEWATER TREATMENT FACILITY

The Village of Pewaukee sewer utility and the City of Brookfield, Town of Brookfield, City of Pewaukee, and the Village of Menomonee Falls are all contributing parties for a construction upgrade at the City of Brookfield Wastewater Treatment Facility. The communities share in the upgrade costs as follows:

<u>Municipality</u>	<u>% Exp Paid</u>
City of Brookfield	47.59%
Town of Brookfield Sanitary District #4	13.62
City of Pewaukee Sanitary District #3	17.48
Village of Pewaukee	14.49
Village of Menomonee Falls	1.65
Lake Pewaukee Sanitary District	<u>5.17</u>
Total	<u><u>100.00%</u></u>

The costs reflected in the Village of Pewaukee's sewer utility financial statements reflect the pro-rata share of costs for treatment plant capacity and do not constitute an ownership right in the facility. These costs will be amortized over the life of the facility.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
General property taxes	\$ 3,867,237	\$ 3,865,643	\$ (1,594)
Payments in lieu of taxes	<u>91,541</u>	<u>89,155</u>	<u>(2,386)</u>
Total Taxes	<u>3,958,778</u>	<u>3,954,798</u>	<u>(3,980)</u>
INTERGOVERNMENTAL REVENUES			
State shared revenues	198,455	198,826	371
State aid - general transportation aids	332,917	332,197	(720)
State aid - fire insurance tax	36,000	39,420	3,420
State aid - DARE	2,000	2,000	-
Exempt computer aid	13,000	14,056	1,056
State aid - recycling	43,000	42,197	(803)
State aid - other law enforcement	4,680	5,520	840
Other state and county grants	<u>27,000</u>	<u>14,563</u>	<u>(12,437)</u>
Total Intergovernmental Revenues	<u>657,052</u>	<u>648,779</u>	<u>(8,273)</u>
LICENSES AND PERMITS			
Liquor and malt beverage licenses	15,620	15,765	145
Operators' license	12,000	12,625	625
Cigarette and soda licenses	1,000	800	(200)
Bicycle licenses	6,500	12,226	5,726
Dog licenses	4,000	4,549	549
Cable television franchise fees	98,000	87,662	(10,338)
Building permits	35,000	60,207	25,207
HVAC permits	7,500	9,179	1,679
Electrical permits	12,000	17,224	5,224
Plumbing permits	10,000	16,084	6,084
Occupancy permits	200	400	200
Mobile home parking licenses	2,500	2,294	(206)
Zoning permits	700	2,500	1,800
Other permits	<u>7,500</u>	<u>9,786</u>	<u>2,286</u>
Total Licenses and Permits	<u>212,520</u>	<u>251,301</u>	<u>38,781</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	180,000	164,396	(15,604)
Parking tickets	35,000	29,245	(5,755)
Other law and ordinance violations	<u>500</u>	<u>165</u>	<u>(335)</u>
Total Fines, Forfeitures and Penalties	<u>215,500</u>	<u>193,806</u>	<u>(21,694)</u>

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

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC CHARGES FOR SERVICES			
Ambulance	\$ 215,000	\$ 237,886	\$ 22,886
Garbage and refuse collection	280,329	293,805	13,476
Special assessment letters	2,000	4,120	2,120
Fire and rescue calls	-	47,003	47,003
Fire department tank inspections	82,590	185,956	103,366
Law enforcement fees	222,482	192,873	(29,609)
Fiscal agent fees	22,188	22,188	-
Recreation fees	66,650	84,561	17,911
Park users fees	3,400	4,820	1,420
Miscellaneous	6,000	8,841	2,841
Joint pistol range	1,500	1,500	-
Total Public Charges for Services	<u>902,139</u>	<u>1,083,553</u>	<u>181,414</u>
INVESTMENT INCOME			
Interest on temporary investments	<u>7,000</u>	<u>28,316</u>	<u>21,316</u>
MISCELLANEOUS REVENUES			
Miscellaneous	3,340	10,083	6,743
Rent	6,100	5,200	(900)
Insurance recoveries	-	46,619	46,619
Total Miscellaneous Revenues	<u>9,440</u>	<u>61,902</u>	<u>52,462</u>
Total Revenues	<u>5,962,429</u>	<u>6,222,455</u>	<u>260,026</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Village board	32,070	31,264	806
Municipal court	57,795	61,297	(3,502)
Legal	69,750	90,384	(20,634)
General administration	129,666	131,178	(1,512)
Clerk's office	245,501	206,777	38,724
Elections	9,461	9,345	116
Data processing	14,000	13,121	879
Assessment of property	170,300	169,659	641
Special accounting and auditing	37,650	37,197	453
Village hall	47,500	51,428	(3,928)
Property and liability insurance	170,000	152,998	17,002
Miscellaneous general government	8,350	87,634	(79,284)
Total General Government	<u>992,043</u>	<u>1,042,282</u>	<u>(50,239)</u>

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

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC SAFETY			
Police	\$ 2,263,264	\$ 2,202,718	\$ 60,546
Water patrol	8,062	8,035	27
Fire service	1,471,055	1,435,149	35,906
Public fire protection	73,553	18,368	55,185
Fire inspection	83,600	21,657	61,943
Building inspection	55,870	77,360	(21,490)
Total Public Safety	<u>3,955,404</u>	<u>3,763,287</u>	<u>192,117</u>
HEALTH AND SOCIAL SERVICES			
Animal control	<u>4,043</u>	<u>4,043</u>	<u>-</u>
PUBLIC WORKS			
Public works administration	66,048	74,191	(8,143)
Public works wages and benefits	507,492	382,889	124,603
General engineering	10,400	9,986	414
Machinery and equipment	66,000	66,513	(513)
Garage and shed	38,060	37,570	490
Street maintenance	26,185	19,772	6,413
Snow and ice control	56,150	23,513	32,637
Street lighting	68,500	66,173	2,327
Sidewalk	6,000	6,719	(719)
Curb and gutter	2,850	550	2,300
Other sanitation	500	-	500
Tree and brush removal	1,000	36	964
Garbage and refuse collection	204,000	214,901	(10,901)
Recycling	72,400	62,085	10,315
Total Public Works	<u>1,125,585</u>	<u>964,898</u>	<u>160,687</u>
LEISURE ACTIVITIES			
Library	248,048	248,048	-
Parks and recreation	<u>315,084</u>	<u>351,038</u>	<u>(35,954)</u>
Total Leisure Activities	<u>563,132</u>	<u>599,086</u>	<u>(35,954)</u>
CONSERVATION AND DEVELOPMENT			
Weed control	800	1,094	(294)
Planning commission	<u>11,888</u>	<u>13,542</u>	<u>(1,654)</u>
Total Conservation and Development	<u>12,688</u>	<u>14,636</u>	<u>(1,948)</u>

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

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CAPITAL OUTLAY			
Police	\$ 76,000	\$ 66,209	\$ 9,791
Parks	46,582	49,492	(2,910)
Highway	<u>6,000</u>	<u>5,650</u>	<u>350</u>
Total Capital Outlay	<u>128,582</u>	<u>121,351</u>	<u>7,231</u>
Total Expenditures	<u>6,781,477</u>	<u>6,509,583</u>	<u>271,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(819,048)</u>	<u>(287,128)</u>	<u>531,920</u>
OTHER FINANCING SOURCES			
Property sales - law enforcement	25,000	37,585	12,585
Transfers in	<u>390,420</u>	<u>390,635</u>	<u>215</u>
Total Other Financing Sources	<u>415,420</u>	<u>428,220</u>	<u>12,800</u>
Net Change in Fund Balance	(403,628)	141,092	544,720
FUND BALANCE - Beginning of Year	<u>3,294,588</u>	<u>3,294,588</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,890,960</u>	<u>\$ 3,435,680</u>	<u>\$ 544,720</u>

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

VILLAGE OF PEWAUKEE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/17	0.02200528%	\$ 181,376	\$ 2,615,778	6.93%	99.12%
12/31/16	0.02205735%	358,496	2,563,304	13.99%	98.20%
12/31/15	0.02259796%	(555,068)	2,563,809	21.65%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/17	\$ 225,984	\$ 225,984	\$ -	\$ 2,495,876	9.05%
12/31/16	214,160	214,160	-	2,686,236	7.97%
12/31/15	217,941	217,941	-	2,577,196	8.46%

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

VILLAGE OF PEWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

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 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 village 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. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

VILLAGE OF PEWAUKEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Downtown Loan Fund	TID No. 2	
ASSETS				
Assets				
Cash and investments	\$ 50,636	\$ -	\$ -	\$ 50,636
Receivables				
Tax roll receivable	-	-	92,665	92,665
Loans	-	21,744	-	21,744
Prepaid items	52	-	-	52
Total Assets	50,688	21,744	92,665	165,097
TOTAL ASSETS	\$ 50,688	\$ 21,744	\$ 92,665	\$ 165,097
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 485	\$ -	\$ -	\$ 485
Advances from other funds	-	8,719	66,007	74,726
Total Liabilities	485	8,719	66,007	75,211
Deferred Inflows of Resources				
Unearned revenues	-	-	92,665	92,665
Unavailable revenues	-	21,744	-	21,744
Total Deferred Inflows of Resources	-	21,744	92,665	114,409
Fund Balances (Deficit)				
Restricted	50,203	-	-	50,203
Unassigned (deficit)	-	(8,719)	(66,007)	(74,726)
Total Fund Balances (deficit)	50,203	(8,719)	(66,007)	(24,523)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 50,688	\$ 21,744	\$ 92,665	\$ 165,097

VILLAGE OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Downtown Loan Fund	TID No. 2	
REVENUES				
Taxes	\$ -	\$ -	\$ 52,323	\$ 52,323
Intergovernmental	-	-	2,069	2,069
Public charges for services	20,493	1,000	-	21,493
Investment income	333	17	-	350
Total Revenues	20,826	1,017	54,392	76,235
EXPENDITURES				
Current				
Health and human services	28,301	-	-	28,301
Conservation and development	-	16,197	1,892	18,089
Capital outlay	-	-	79,456	79,456
Debt Service				
Principal	-	-	4,090	4,090
Interest and fiscal charges	-	-	11,075	11,075
Total Expenditures	28,301	16,197	96,513	141,011
Excess (deficiency) of revenues over expenditures	(7,475)	(15,180)	(42,121)	(64,776)
FUND BALANCES (DEFICIT) - Beginning of Year	57,678	6,461	(23,886)	40,253
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 50,203	\$ (8,719)	\$ (66,007)	\$ (24,523)

VILLAGE OF PEWAUKEE

COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2017

	<u>Pewaukee Public Library</u>	<u>Tax Collection Fund</u>	<u>Lake Patrol Fund</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 111,997	\$ 6,955,082	\$ 34,003	\$ 7,101,082
Taxes receivable	-	5,013,059	-	5,013,059
Prepaid items	<u>27,676</u>	<u>-</u>	<u>106</u>	<u>27,782</u>
TOTAL ASSETS	<u>\$ 139,673</u>	<u>\$ 11,968,141</u>	<u>\$ 34,109</u>	<u>\$ 12,141,923</u>
LIABILITIES				
Accounts payable	\$ 15,595	\$ -	\$ 884	\$ 16,479
Accrued liabilities	5,800	-	-	5,800
Due to other governments	<u>118,278</u>	<u>11,968,141</u>	<u>33,225</u>	<u>12,119,644</u>
TOTAL LIABILITIES	<u>\$ 139,673</u>	<u>\$ 11,968,141</u>	<u>\$ 34,109</u>	<u>\$ 12,141,923</u>