

# **VILLAGE OF PEWAUKEE**

Pewaukee, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

# VILLAGE OF PEWAUKEE

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## 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, 2018, 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, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 16, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# VILLAGE OF PEWAUKEE

## MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED

As of and for the Year Ended December 31, 2018

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, 2018. You are invited to read this narrative in conjunction with the village's financial statements.

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### FINANCIAL HIGHLIGHTS

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- > The assets and deferred outflows of the Village of Pewaukee exceeded its liabilities and deferred inflows by \$50,516,482 (net position). Of this amount, \$10,389,984 is considered unrestricted, \$3,036,893 is restricted for specific purposes (restricted net position), and \$37,089,605 is the net investment in capital assets.
- > The village's total net position increased by \$1,301,848. Governmental activities net position increased by \$1,062,218, while business-type net position increased by \$239,630.
- > On December 31, 2018, the village's governmental funds reported combined fund balances of \$5,844,103, an increase of \$496,218 from 2017. Unassigned fund balance was \$2,726,555.

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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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, 2018

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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#### ***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, 2018

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *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.

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### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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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, 2018

### 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	
	2018	2017	2018	2017	2018*	2017*
Current and Other Assets	\$ 12,134,667	\$ 11,056,995	\$ 9,514,572	\$ 9,321,383	\$ 21,649,239	\$ 20,378,378
Capital Assets	<u>18,366,812</u>	<u>18,408,875</u>	<u>28,393,141</u>	<u>28,595,611</u>	<u>46,759,953</u>	<u>47,004,486</u>
Total Assets	<u>30,501,479</u>	<u>29,465,870</u>	<u>37,907,713</u>	<u>37,916,994</u>	<u>68,409,192</u>	<u>67,382,864</u>
Deferred Outflows of Resources	<u>1,190,243</u>	<u>1,399,086</u>	<u>131,445</u>	<u>165,869</u>	<u>1,321,688</u>	<u>1,564,955</u>
Long-term Liabilities	9,328,409	10,211,486	2,870,546	3,070,551	12,198,955	13,282,037
Other Liabilities	<u>404,971</u>	<u>323,011</u>	<u>335,000</u>	<u>483,165</u>	<u>739,971</u>	<u>806,176</u>
Total Liabilities	<u>9,733,380</u>	<u>10,534,497</u>	<u>3,205,546</u>	<u>3,553,716</u>	<u>12,938,926</u>	<u>14,088,213</u>
Deferred Inflows of Resources	<u>6,131,857</u>	<u>5,566,192</u>	<u>143,615</u>	<u>78,780</u>	<u>6,275,472</u>	<u>5,644,972</u>
Net Investment in Capital Assets	11,641,596	11,407,990	25,522,595	25,549,140	37,089,605	36,876,820
Restricted	845,058	259,949	2,191,835	2,045,118	3,036,893	2,305,067
Unrestricted	<u>3,339,831</u>	<u>3,096,328</u>	<u>6,975,567</u>	<u>6,856,109</u>	<u>10,389,984</u>	<u>10,032,747</u>
Total Net Position	<u>\$ 15,826,485</u>	<u>\$ 14,764,267</u>	<u>\$ 34,689,997</u>	<u>\$ 34,450,367</u>	<u>\$ 50,516,482</u>	<u>\$ 49,214,634</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 (73%) 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (21%) 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, 2018

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

**Table 2**  
**Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 1,543,984	\$ 1,567,595	\$ 3,327,796	\$ 3,337,072	\$ 4,871,780	\$ 4,904,667
Operating grants and contributions	498,184	462,373	-	-	498,184	462,373
Capital grants and contributions	150,000	110,160	214,718	22,198	364,718	132,358
General Revenues						
Property taxes	5,044,397	4,885,092	-	-	5,044,397	4,885,092
Other taxes	105,385	89,155	-	-	105,385	89,155
Intergovernmental	214,970	214,951	-	-	214,970	214,951
Investment income	101,277	33,249	99,004	41,209	200,281	74,458
Gain on sale of assets	36,561	37,585	-	-	36,561	37,585
Miscellaneous	<u>36,675</u>	<u>56,457</u>	<u>7,747</u>	<u>-</u>	<u>44,422</u>	<u>56,457</u>
Total Revenues	<u>7,731,433</u>	<u>7,456,617</u>	<u>3,649,265</u>	<u>3,400,479</u>	<u>11,380,698</u>	<u>10,857,096</u>
<b>Expenses</b>						
General government	828,043	1,078,628	-	-	828,043	1,078,628
Public safety	4,006,850	4,066,177	-	-	4,006,850	4,066,177
Health and human services	26,976	32,344	-	-	26,976	32,344
Public works	1,153,119	1,152,814	-	-	1,153,119	1,152,814
Culture, recreation and education	728,669	753,917	-	-	728,669	753,917
Conservation and development	36,450	31,631	-	-	36,450	31,631
Water	-	-	1,169,173	1,115,706	1,169,173	1,115,706
Sewer	-	-	1,508,256	1,512,802	1,508,256	1,512,802
Lakeside Park	-	-	137,054	130,730	137,054	130,730
Stormwater	-	-	216,637	203,506	216,637	203,506
Interest and fiscal charges	<u>267,623</u>	<u>432,223</u>	<u>-</u>	<u>-</u>	<u>267,623</u>	<u>432,223</u>
Total Expenses	<u>7,047,730</u>	<u>7,547,734</u>	<u>3,031,120</u>	<u>2,962,744</u>	<u>10,078,850</u>	<u>10,510,478</u>
Income (Loss) Before Transfers	683,703	(91,117)	618,145	437,735	1,301,848	346,618
Transfers	<u>378,515</u>	<u>390,635</u>	<u>(378,515)</u>	<u>(390,635)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	1,062,218	299,518	239,630	47,100	1,301,848	346,618
Beginning 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>
Ending Net Position	<u>\$ 15,826,485</u>	<u>\$ 14,764,267</u>	<u>\$ 34,689,997</u>	<u>\$ 34,450,367</u>	<u>\$ 50,516,482</u>	<u>\$ 49,214,634</u>

# VILLAGE OF PEWAUKEE

## MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED

As of and for the Year Ended December 31, 2018

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

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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 \$1,062,218. This is the result of the net change in fund balances of the governmental funds, an increase of \$496,218, plus the reconciling items as detailed on page 9 of the financial statements.

#### **BUSINESS-TYPE ACTIVITIES**

Net position of the business-type activities increased \$239,630. This was due to positive financial results in all of the enterprise funds other than the water utility fund.

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### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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#### **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, 2018, the village's governmental funds reported combined fund balances of \$5,844,103. Approximately 47% of this amount, \$2,726,555 constitutes unassigned fund balance, which is available to meet the village's current and future needs. An additional \$1,369,025 is assigned for specific projects or expenditures. Restricted fund balance is \$1,545,971 and the remaining \$202,552 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 \$600,883 during 2018. Unassigned fund balance increased by \$65,622. 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 2018, unassigned fund balance is \$2,732,654, and the 2019 general fund expenditure budget is \$6,831,636, resulting in an unassigned fund balance ratio of 40%. The prior year was also 40%. The increase in general fund balance was primarily due to building permit revenue and interest on investments coming in over budget and police, public works, and capital outlay expenditures being less than anticipated.

# VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
As of and for the Year Ended December 31, 2018

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

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### **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, \$519,900 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 \$1,238,441, a decrease of \$173,477 from the prior year. This was due to completion of capital projects during the year without issuing debt.

#### **NONMAJOR GOVERNMENTAL FUNDS**

Fund balance of all other governmental funds is \$49,199, of which \$45,230 is restricted for cemetery projects. The balance is made up of \$10,068 in TID No. 2 and a negative \$6,099 in the downtown loan fund.

#### **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, 2018, the village's proprietary funds reported combined net position of \$34,689,997.

#### **Water Utility**

The water utility net position decreased \$53,822 or less than 1% from prior year. Operating revenues decreased \$3,579 or less than 1%. Operating expenses increased \$54,468 or 5%.

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, 2018

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

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#### *PROPRIETARY FUNDS* (cont.)

##### *Sewer Utility*

The sewer utility net position increased \$109,425, or less than 1%. Operating revenues decreased \$29,734 or approximately 2%. Operating expenses decreased \$1,734 or less than 1%. The increase in net position was primarily due to investment income and capital contributed by a developer.

##### *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 \$791,267 of net position which was an increase of \$48,040 from the prior year. Operating revenues at year end were \$184,400, \$24,206 over last year, and operating expenses were \$118,278, \$7,056, more than last year.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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Overall fund balance increased by \$600,883 or 17%. There were no budget amendments made during the year.

Total revenues were \$6,307,566, \$270,862 more than budget. There were several contributing factors to the additional revenues. The first was building permit revenues higher than anticipated, fire and law enforcement charges higher than anticipated, and investment income exceeding expectations due to strong market conditions.

Total expenses were \$6,288,236, \$379,343 less than budgeted. Significant variances with expenses were due to public safety and public works costing less than anticipated and capital outlay coming in \$183,247 under budget.

## VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
UNAUDITED  
As of and for the Year Ended December 31, 2018

### CAPITAL ASSETS

At the end of 2018, the village had invested a total of \$46,759,953 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,564,438	\$ 6,564,438	\$ 925,238	\$ 925,238	\$ 7,489,676	\$ 7,489,676
Land improvements	-	-	239,280	233,280	239,280	233,280
Buildings	10,323,969	10,323,969	114,603	114,603	10,438,572	10,438,572
Machinery and equipment	2,706,636	2,696,341	-	-	2,706,636	2,696,341
Water plant	-	-	19,068,805	18,975,446	19,068,805	18,975,446
Sewer plant	-	-	22,791,501	22,297,896	22,791,501	22,297,896
Storm water	-	-	816,976	566,302	816,976	566,302
Construction in progress	187,323	419,631	117,704	634,740	305,027	1,054,371
Infrastructure	<u>3,369,055</u>	<u>2,799,424</u>	-	-	<u>3,369,055</u>	<u>2,799,424</u>
Total Capital Assets	23,151,421	22,803,803	44,074,107	43,747,505	67,225,528	66,551,308
Less: Accumulated Depreciation	<u>(4,784,609)</u>	<u>(4,394,928)</u>	<u>(15,680,966)</u>	<u>(15,151,894)</u>	<u>(20,465,575)</u>	<u>(19,546,822)</u>
Net Capital Assets	<u>\$ 18,366,812</u>	<u>\$ 18,408,875</u>	<u>\$ 28,393,141</u>	<u>\$ 28,595,611</u>	<u>\$ 46,759,953</u>	<u>\$ 47,004,486</u>

Significant projects for 2018 include:

- > Reconstruction of Lookout Drive east of Third Street
- > The donation of the Pewaukee River bridge to the village
- > A dump truck
- > Two Ford Explorers
- > Improvements made to well no. 3
- > SCADA system upgrades
- > Stormwater improvements on the Lookout Drive project

See Note III.D. for additional information.

# VILLAGE OF PEWAUKEE

## MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED As of and for the Year Ended December 31, 2018

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### **LONG-TERM DEBT**

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At December 31, 2018, the village and utilities had \$12,049,729 of long-term bonds outstanding. Of this amount, \$9,183,095 are general obligation issues to be repaid by future levies.

Total long-term bonds outstanding at December 31, 2018 decreased by a net amount of \$871,618, or 7%.

At the end of the year, the village was at 24% of its general obligation debt capacity. The prior year was 27%. Excluding general obligation debt to be financed by user charges of the enterprise funds, the debt capacity was 18%.

See Note III.F. for additional information.

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### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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All currently known facts and economic conditions were considered in preparing the 2018 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 and continuing development projects of note are: 1) the continued build-out of The Shops at Meadow Ridge, a four-lot commercial/retail Planned Unit Development for a 9-acre parcel at the southeast corner of Capitol Drive and Meadow Creek Drive, which allows for the construction of up to five buildings – one building is completed with two more nearing completion as of April 2019; 2) the construction of a three-story mixed-use development along the lakefront containing five residential condominiums and 5,250 sq. ft. of commercial/retail space; and 3) the approval of a Conditional Use Grant for the redevelopment of a former gas station property along the lakefront for a two-story building for use as a chiropractic and wellness office.

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### **REQUESTS FOR INFORMATION**

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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](mailto:sgosse@villageofpewaukee.com).

General information relating to the Village of Pewaukee, Wisconsin, can be found at the village's website, [www.villageofpewaukee.us](http://www.villageofpewaukee.us).

# VILLAGE OF PEWAUKEE

## STATEMENT OF NET POSITION As of December 31, 2018

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 5,562,179	\$ 4,489,866	\$ 10,052,045
Receivables			
Taxes - real estate	5,145,557	-	5,145,557
Delinquent personal property taxes	71	-	71
Accounts	111,735	649,807	761,542
Loans	19,124	-	19,124
Internal balances	145,095	(145,095)	-
Inventories and prepaid items	193,762	51,717	245,479
Investment in Brookfield Plant (net of amortization)	-	2,276,442	2,276,442
Investment in Pewaukee Public Library	376,444	-	376,444
Restricted Assets			
Net pension asset	580,700	70,185	650,885
Cash and investments	-	2,121,650	2,121,650
Capital Assets (net of accumulated depreciation)			
Land	6,564,438	925,238	7,489,676
Construction in progress	187,323	117,704	305,027
Other capital assets, net of accumulated depreciation	11,615,051	27,350,199	38,965,250
Total Assets	30,501,479	37,907,713	68,409,192
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	119,811	-	119,811
Pension related amount	1,070,432	131,445	1,201,877
Total Deferred Outflows of Resources	1,190,243	131,445	1,321,688
<b>LIABILITIES</b>			
Accounts payable	255,644	267,012	522,656
Accrued liabilities and deposits	149,327	45,730	195,057
Unearned revenue	-	22,258	22,258
Noncurrent Liabilities			
Due within one year	901,537	171,420	1,072,957
Due in more than one year	8,426,872	2,699,126	11,125,998
Total Liabilities	9,733,380	3,205,546	12,938,926
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	1,136,275	143,615	1,279,890
Unearned revenues	4,995,582	-	4,995,582
Total Deferred Inflows of Resources	6,131,857	143,615	6,275,472
<b>NET POSITION</b>			
Net investment in capital assets	11,641,596	25,522,595	37,089,605
Restricted for			
Debt service	186,932	-	186,932
Equipment replacement	-	2,121,650	2,121,650
TIF activities	10,068	-	10,068
Park maintenance	9,103	-	9,103
Cemetery	45,230	-	45,230
Loans	13,025	-	13,025
Pension	580,700	70,185	650,885
Unrestricted	3,339,831	6,975,567	10,389,984
<b>TOTAL NET POSITION</b>	<b>\$ 15,826,485</b>	<b>\$ 34,689,997</b>	<b>\$ 50,516,482</b>

See accompanying notes to financial statements.

# VILLAGE OF PEWAUKEE

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 828,043	\$ 158,246	\$ 5,200	\$ -
Public safety	4,006,850	981,465	47,131	-
Public works	1,153,119	297,530	423,429	150,000
Health and human services	26,976	17,349	-	-
Culture, recreation and education	728,669	89,394	-	-
Conservation and development	36,450	-	-	-
Interest and fiscal charges	<u>267,623</u>	<u>-</u>	<u>22,424</u>	<u>-</u>
Total Governmental Activities	<u>7,047,730</u>	<u>1,543,984</u>	<u>498,184</u>	<u>150,000</u>
<b>Business-type Activities</b>				
Water	1,169,173	1,449,845	-	19,609
Sewer	1,508,256	1,491,461	-	45,585
Lakeside park	137,054	184,400	-	-
Stormwater	<u>216,637</u>	<u>202,090</u>	<u>-</u>	<u>149,524</u>
Total Business-type Activities	<u>3,031,120</u>	<u>3,327,796</u>	<u>-</u>	<u>214,718</u>
Totals	<u>\$ 10,078,850</u>	<u>\$ 4,871,780</u>	<u>\$ 498,184</u>	<u>\$ 364,718</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**

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (664,597)	\$ -	\$ (664,597)
(2,978,254)	-	(2,978,254)
(282,160)	-	(282,160)
(9,627)	-	(9,627)
(639,275)	-	(639,275)
(36,450)	-	(36,450)
<u>(245,199)</u>	<u>-</u>	<u>(245,199)</u>
<u>(4,855,562)</u>	<u>-</u>	<u>(4,855,562)</u>
-	300,281	300,281
-	28,790	28,790
-	47,346	47,346
-	<u>134,977</u>	<u>134,977</u>
-	<u>511,394</u>	<u>511,394</u>
<u>(4,855,562)</u>	<u>511,394</u>	<u>(4,344,168)</u>
3,882,231	-	3,882,231
1,069,501	-	1,069,501
92,665	-	92,665
105,385	-	105,385
214,970	-	214,970
101,277	99,004	200,281
36,561	-	36,561
<u>36,675</u>	<u>7,747</u>	<u>44,422</u>
5,539,265	106,751	5,646,016
<u>378,515</u>	<u>(378,515)</u>	<u>-</u>
<u>5,917,780</u>	<u>(271,764)</u>	<u>5,646,016</u>
1,062,218	239,630	1,301,848
<u>14,764,267</u>	<u>34,450,367</u>	<u>49,214,634</u>
<u>\$ 15,826,485</u>	<u>\$ 34,689,997</u>	<u>\$ 50,516,482</u>

See accompanying notes to financial statements.

# VILLAGE OF PEWAUKEE

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2018

	General Fund	General Debt Service	Capital Projects Fund
<b>ASSETS</b>			
Cash and investments	\$ 3,742,819	\$ 519,900	\$ 1,240,794
Receivables			
Taxes - real estate	4,028,935	1,074,201	421
Delinquent personal property taxes	71	-	-
Accounts	111,735	-	-
Loans	-	-	-
Due from other funds	145,095	-	-
Advances to other funds	8,719	-	-
Prepaid items	193,762	-	-
	<u>\$ 8,231,136</u>	<u>\$ 1,594,101</u>	<u>\$ 1,241,215</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 252,737	\$ -	\$ 2,353
Accrued liabilities	53,059	-	-
Advances from other funds	-	-	-
Deposits	9,817	-	-
Total Liabilities	<u>315,613</u>	<u>-</u>	<u>2,353</u>
Deferred Inflows of Resources			
Unearned revenues	3,878,960	1,074,201	421
Unavailable revenues	-	-	-
Total Deferred Inflows of Resources	<u>3,878,960</u>	<u>1,074,201</u>	<u>421</u>
Fund Balances (Deficit)			
Nonspendable	202,552	-	-
Restricted	9,103	519,900	961,670
Assigned	1,092,254	-	276,771
Unassigned (deficit)	2,732,654	-	-
Total Fund Balances (Deficit)	<u>4,036,563</u>	<u>519,900</u>	<u>1,238,441</u>
	<u>\$ 8,231,136</u>	<u>\$ 1,594,101</u>	<u>\$ 1,241,215</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ 58,666	\$ 5,562,179
42,000	5,145,557
-	71
-	111,735
19,124	19,124
-	145,095
-	8,719
<u>-</u>	<u>193,762</u>
<u>\$ 119,790</u>	<u>\$ 11,186,242</u>

\$ 554	\$ 255,644
194	53,253
8,719	8,719
-	9,817
<u>9,467</u>	<u>327,433</u>

42,000	4,995,582
<u>19,124</u>	<u>19,124</u>
<u>61,124</u>	<u>5,014,706</u>

-	202,552
55,298	1,545,971
-	1,369,025
<u>(6,099)</u>	<u>2,726,555</u>
<u>49,199</u>	<u>5,844,103</u>

<u>\$ 119,790</u>	<u>\$ 11,186,242</u>
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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, 2018

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Total Fund Balances - Governmental Funds	\$ 5,844,103
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.	18,366,812
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.	19,124
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	580,700
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	1,070,432
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,136,275)
The village's investment in the library joint venture is not a financial resource and, therefore, is not reported in the fund statements.	376,444
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	(9,183,095)
Compensated absences	(28,056)
Accrued interest	(86,257)
Unamortized debt premium	(117,258)
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>119,811</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 15,826,485</u></u></b>

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, 2018

	General Fund	General Debt Service	Capital Projects Fund
<b>REVENUES</b>			
Taxes	\$ 3,987,616	\$ 1,069,501	\$ -
Intergovernmental	662,915	22,424	22,516
Licenses and permits	314,607	-	-
Fines, forfeitures and penalties	213,808	-	-
Public charges for services	996,000	-	-
Special assessments	-	-	434
Investment income	90,525	-	10,116
Miscellaneous revenues	42,095	-	-
Total Revenues	6,307,566	1,091,925	33,066
<b>EXPENDITURES</b>			
Current			
General government	808,934	-	-
Public safety	3,745,543	-	-
Public works	984,188	-	-
Health and human services	4,043	-	-
Culture, recreation and education	567,666	-	-
Conservation and development	36,193	-	-
Capital Outlay	141,669	-	206,543
Debt Service			
Principal	-	854,631	-
Interest and fiscal charges	-	242,204	-
Total Expenditures	6,288,236	1,096,835	206,543
Excess (deficiency) of revenues over expenditures	19,330	(4,910)	(173,477)
<b>OTHER FINANCING SOURCES</b>			
Debt issued	166,477	-	-
Sales of fixed assets	36,561	-	-
Transfers in	378,515	-	-
Total Other Financing Sources	581,553	-	-
<b>Net Change in Fund Balances</b>	600,883	(4,910)	(173,477)
FUND BALANCES (DEFICIT) - Beginning of Year	3,435,680	524,810	1,411,918
<b>FUND BALANCES - END OF YEAR</b>	\$ 4,036,563	\$ 519,900	\$ 1,238,441

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ 92,665	\$ 5,149,782
2,099	709,954
-	314,607
-	213,808
19,969	1,015,969
-	434
611	101,252
-	42,095
<u>115,344</u>	<u>7,547,901</u>
-	808,934
-	3,745,543
-	984,188
22,933	26,976
-	567,666
1,251	37,444
2,272	350,484
7,819	862,450
<u>7,347</u>	<u>249,551</u>
<u>41,622</u>	<u>7,633,236</u>
<u>73,722</u>	<u>(85,335)</u>
-	166,477
-	36,561
-	<u>378,515</u>
-	<u>581,553</u>
73,722	496,218
<u>(24,523)</u>	<u>5,347,885</u>
<u>\$ 49,199</u>	<u>\$ 5,844,103</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, 2018

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Net change in fund balances - total governmental funds	\$ 496,218
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	350,484
Some items reported as capital outlay were not capitalized	(68,306)
Depreciation is reported in the government-wide financial statements	(434,056)
Net book value of assets retired	(40,185)

Contributed capital assets are reported as revenues in the government-wide financial statements.	150,000
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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.	(3,029)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(166,477)
Principal repaid	862,450

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	16,849
Amortization of loss on refunding	(39,106)

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	12,959
Accrued interest on debt	4,185
Net pension asset/liability	737,996
Deferred outflows of resources related to pensions	(169,737)
Deferred inflows of resources related to pensions	(644,502)

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.	<u>(3,525)</u>
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,062,218</u></b>
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See accompanying notes to financial statements.

# VILLAGE OF PEWAUKEE

## STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 996,866	\$ 3,235,452	\$ 208,744	\$ 48,804	\$ 4,489,866
Accounts receivable	217,035	381,773	143	50,856	649,807
Materials and supplies	27,099	-	-	-	27,099
Prepayments	16,159	6,518	351	1,590	24,618
Total Current Assets	<u>1,257,159</u>	<u>3,623,743</u>	<u>209,238</u>	<u>101,250</u>	<u>5,191,390</u>
Noncurrent Assets					
Restricted Assets					
Equipment replacement	-	2,121,650	-	-	2,121,650
Net pension asset	45,510	24,675	-	-	70,185
Capital Assets					
Land	10,742	250	914,246	-	925,238
Construction work in progress	19,122	16,313	-	82,269	117,704
Land improvements	-	-	239,280	-	239,280
Buildings and improvements	-	-	114,603	-	114,603
Plant in service	19,068,805	22,791,501	-	816,976	42,677,282
Less: Accumulated depreciation	(6,288,244)	(8,946,994)	(147,293)	(298,435)	(15,680,966)
Other Assets					
Investment in Brookfield plant	-	6,192,698	-	-	6,192,698
Less: Accumulated amortization	-	(3,916,256)	-	-	(3,916,256)
Total Noncurrent Assets	<u>12,855,935</u>	<u>18,283,837</u>	<u>1,120,836</u>	<u>600,810</u>	<u>32,861,418</u>
Total Assets	<u>14,113,094</u>	<u>21,907,580</u>	<u>1,330,074</u>	<u>702,060</u>	<u>38,052,808</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	75,655	55,790	-	-	131,445
Total Deferred Outflows of Resources	<u>75,655</u>	<u>55,790</u>	<u>-</u>	<u>-</u>	<u>131,445</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
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 45,800	\$ 216,680	\$ 1,016	\$ 3,516	\$ 267,012
Due to other funds	145,095	-	-	-	145,095
Accrued wages	3,572	1,697	-	1,020	6,289
Accrued interest	16,658	3,271	14,899	613	35,441
Unearned revenue	-	-	22,258	-	22,258
Current portion of general obligation debt	110,000	20,000	21,420	20,000	171,420
Deposits	-	-	4,000	-	4,000
Total Current Liabilities	<u>321,125</u>	<u>241,648</u>	<u>63,593</u>	<u>25,149</u>	<u>651,515</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	1,825,000	370,000	475,214	25,000	2,695,214
Unamortized premium	-	3,912	-	-	3,912
Total Noncurrent Liabilities	<u>1,825,000</u>	<u>373,912</u>	<u>475,214</u>	<u>25,000</u>	<u>2,699,126</u>
Total Liabilities	<u>2,146,125</u>	<u>615,560</u>	<u>538,807</u>	<u>50,149</u>	<u>3,350,641</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	<u>101,490</u>	<u>42,125</u>	-	-	<u>143,615</u>
Total Deferred Inflows of Resources	<u>101,490</u>	<u>42,125</u>	-	-	<u>143,615</u>
<b>NET POSITION</b>					
Net investment in capital assets	10,875,425	13,467,158	624,202	555,810	25,522,595
Restricted for					
Replacement of equipment and capital assets	-	2,121,650	-	-	2,121,650
Pension	45,510	24,675	-	-	70,185
Unrestricted net position	<u>1,020,199</u>	<u>5,692,202</u>	<u>167,065</u>	<u>96,101</u>	<u>6,975,567</u>
<b>TOTAL NET POSITION</b>	<u>\$ 11,941,134</u>	<u>\$ 21,305,685</u>	<u>\$ 791,267</u>	<u>\$ 651,911</u>	<u>\$ 34,689,997</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, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,200,174	\$ 1,491,461	\$ 184,400	\$ 202,090	\$ 3,078,125
Other operating revenue	<u>249,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,671</u>
Total Operating Revenues	<u>1,449,845</u>	<u>1,491,461</u>	<u>184,400</u>	<u>202,090</u>	<u>3,327,796</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	734,015	909,761	69,462	174,875	1,888,113
Depreciation	423,866	358,528	48,813	39,788	870,995
Amortization	<u>-</u>	<u>230,368</u>	<u>-</u>	<u>-</u>	<u>230,368</u>
Total Operating Expenses	<u>1,157,881</u>	<u>1,498,657</u>	<u>118,275</u>	<u>214,663</u>	<u>2,989,476</u>
Operating Income (Loss)	<u>291,964</u>	<u>(7,196)</u>	<u>66,125</u>	<u>(12,573)</u>	<u>338,320</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	16,953	80,635	694	722	99,004
Miscellaneous revenues	7,459	-	-	288	7,747
Interest expense	<u>(11,292)</u>	<u>(9,599)</u>	<u>(18,779)</u>	<u>(1,974)</u>	<u>(41,644)</u>
Total Nonoperating Revenues (Expenses)	<u>13,120</u>	<u>71,036</u>	<u>(18,085)</u>	<u>(964)</u>	<u>65,107</u>
Income (Loss) Before Contributions and Transfers	<u>305,084</u>	<u>63,840</u>	<u>48,040</u>	<u>(13,537)</u>	<u>403,427</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
<b>CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions	\$ 19,609	\$ 45,585	\$ -	\$ 149,524	\$ 214,718
Transfers out	(130,420)	-	-	-	(130,420)
Transfers - tax equivalent	(248,095)	-	-	-	(248,095)
Total Contributions and Transfers	<u>(358,906)</u>	<u>45,585</u>	<u>-</u>	<u>149,524</u>	<u>(163,797)</u>
<b>Change in Net Position</b>	(53,822)	109,425	48,040	135,987	239,630
NET POSITION - Beginning 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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,941,134</u>	<u>\$ 21,305,685</u>	<u>\$ 791,267</u>	<u>\$ 651,911</u>	<u>\$ 34,689,997</u>

See accompanying notes to financial statements.

# VILLAGE OF PEWAUKEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Sewer Utility	Laimon Family Lakeside Park Fund	Nonmajor Enterprise Fund - Stormwater Utility	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from customers	\$ 1,072,819	\$ 1,533,078	\$ 184,434	\$ 202,294	\$ 2,992,625
Received from municipality	418,524	-	-	-	418,524
Customer deposits	-	-	(35,340)	-	(35,340)
Paid to suppliers for goods and services	(441,262)	(925,945)	(71,118)	(53,831)	(1,492,156)
Paid to employees for services	(268,721)	(121,160)	(2,420)	(121,762)	(514,063)
Net Cash Flows From Operating Activities	781,360	485,973	75,556	26,701	1,369,590
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	13,933	80,638	694	(235)	95,030
Net Cash Flows From Investing Activities	13,933	80,638	694	(235)	95,030
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Paid to municipality for tax equivalent	(260,215)	-	-	-	(260,215)
Transfers	(130,420)	-	-	-	(130,420)
Net Cash Flows From Noncapital Financing Activities	(390,635)	-	-	-	(390,635)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Debt retired	(110,000)	(25,000)	(20,645)	(20,000)	(175,645)
Interest paid	(12,039)	(10,015)	(19,398)	(2,233)	(43,685)
Build America Bonds interest rate subsidy	3,020	-	-	957	3,977
Acquisition and construction of capital assets	(265,528)	(180,075)	(6,000)	(231,794)	(683,397)
Capital contributions received	19,609	45,585	-	149,524	214,718
Net Cash Flows From Capital and Related Financing Activities	(364,938)	(169,505)	(46,043)	(103,546)	(684,032)
<b>Net Change in Cash and Cash Equivalents</b>	39,720	397,106	30,207	(77,080)	389,953
CASH AND CASH EQUIVALENTS - Beginning of Year	957,146	4,959,996	178,537	125,884	6,221,563
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 996,866	\$ 5,357,102	\$ 208,744	\$ 48,804	\$ 6,611,516

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
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 291,964	\$ (7,196)	\$ 66,125	\$ (12,573)	\$ 338,320
Nonoperating revenue (expense)	7,459	-	-	288	7,747
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	423,866	358,528	48,813	39,788	870,995
Depreciation charged to other funds	14,871	-	-	-	14,871
Other operating amortization expenses	-	230,368	-	-	230,368
Changes in assets and liabilities					
Customer accounts receivable	19,168	41,617	-	(84)	60,701
Other accounts receivable	-	-	34	-	34
Materials and supplies	(5,445)	-	-	-	(5,445)
Prepayments	(6,848)	(661)	(99)	1,019	(6,589)
Accounts payable	26,893	(132,356)	(3,977)	(2,357)	(111,797)
Other current liabilities	627	(516)	-	620	731
Pension related deferrals and liabilities	8,805	(3,811)	-	-	4,994
Customer deposits	-	-	(35,340)	-	(35,340)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 781,360</u>	<u>\$ 485,973</u>	<u>\$ 75,556</u>	<u>\$ 26,701</u>	<u>\$ 1,369,590</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>					
Cash and investments	\$ 996,866	\$ 3,235,452	\$ 208,744	\$ 48,804	\$ 4,489,866
Restricted cash and investments	-	-	-	-	-
Equipment replacement	-	2,121,650	-	-	2,121,650
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 996,866</u>	<u>\$ 5,357,102</u>	<u>\$ 208,744</u>	<u>\$ 48,804</u>	<u>\$ 6,611,516</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Amortization of premiums and loss on refunding	\$ -	\$ 280	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**VILLAGE OF PEWAUKEE**

STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
As of December 31, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 6,374,736
Taxes receivable	5,487,756
Prepaid items	<u>28,687</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,891,179</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 18,219
Accrued liabilities	7,245
Due to other governments	<u>11,865,715</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 11,891,179</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, 2018

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# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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The accounting policies of the Village of Pewaukee, Wisconsin 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, 2018

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### 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, 2018

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

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### ***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 uses 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, 2018

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

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#### *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, 2018, 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, 2018

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### 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.

# VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

---

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

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

#### ***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. 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, 2018

---

### 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, 2018, 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 - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

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, 2018

---

### 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, 2018

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## 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. \$42,742 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, 2018

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

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

##### ***7. 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, 2018, 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, 2018

## **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:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 11,641,596	\$ 25,522,595	\$ (74,586)	\$ 37,089,605
Unrestricted	3,339,831	6,975,567	74,586	10,389,984

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, 2018

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

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

#### **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, 2018

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

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

#### ***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 \$683,164 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, 2018, 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, 2018

### **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	\$ 1,093,532	\$ 1,096,835	\$ 3,303
TID District No. 2	17,315	18,689	1,374

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, 2018, the following individual funds held a deficit balance:

Fund	Amount	Reason
Downtown Loan Fund	\$ 6,099	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.

#### **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.

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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	\$ 7,705,634	\$ 7,739,277	Custodial credit
LGIP	10,842,147	10,842,147	Credit
Petty cash	650	-	N/A
 Total Deposits and Investments	 \$ 18,548,431	 \$ 18,581,424	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 10,052,045		
Restricted cash and investments	2,121,650		
Per statement of assets and liabilities -			
agency funds			
Agency Funds	6,374,736		
 Total Deposits and Investments	 \$ 18,548,431		

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, 2018, the banks had pledged various government securities in the amount of \$14,155,457 to secure the village's deposits.

**VILLAGE OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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

***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.

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	\$ 4,945,105	\$ -
Licenses for the subsequent year	410	-
Deferred loan receivable	-	19,124
Special assessments	50,067	-
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 4,995,582	 \$ 19,124

# VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

### **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.

#### ***Net Pension Asset***

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Following is a list of restricted assets at December 31, 2018:

Restricted Assets	
Equipment replacement	\$ 2,121,650
Net pension asset - governmental activities	580,700
Net pension asset - business-type activities	<u>70,185</u>
Total Restricted Assets	<u><u>\$ 2,772,535</u></u>

### **D. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized				
Land and right of way	\$ 6,564,438	\$ -	\$ -	\$ 6,564,438
Construction in progress	<u>419,631</u>	<u>187,323</u>	<u>419,631</u>	<u>187,323</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>6,984,069</u>	<u>187,323</u>	<u>419,631</u>	<u>6,751,761</u>

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

#### **D. CAPITAL ASSETS** (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b> (cont.)				
Capital assets being depreciated				
Buildings	\$ 10,323,969	\$ -	\$ -	\$ 10,323,969
Machinery and equipment	2,696,341	94,855	84,560	2,706,636
Streets	2,216,451	419,631	-	2,636,082
Dams	582,973	-	-	582,973
Bridges	-	150,000	-	150,000
Total Capital Assets Being Depreciated	15,819,734	664,486	84,560	16,399,660
Total Capital Assets	22,803,803	851,809	504,191	23,151,421
Less: Accumulated depreciation/amortization for				
Buildings	(2,480,406)	(232,392)	-	(2,712,798)
Machinery and equipment	(1,540,152)	(135,759)	44,375	(1,631,536)
Streets	(311,409)	(55,411)	-	(366,820)
Dams	(62,961)	(10,494)	-	(73,455)
Total Accumulated Depreciation/Amortization	(4,394,928)	(434,056)	44,375	(4,784,609)
Net Capital Assets Being Depreciated	11,424,806	230,430	40,185	11,615,051
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 18,408,875	\$ 417,753	\$ 459,816	\$ 18,366,812

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 22,722
Public safety	99,855
Public works	160,663
Culture, recreation, and education	150,816
Total Governmental Activities Depreciation Expense	\$ 434,056

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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	14,523	-	19,122
Total Capital Assets Not Being Depreciated	15,341	14,523	-	29,864
Capital assets being depreciated				
Source of supply	1,048,022	-	-	1,048,022
Pumping	2,700,094	128,044	104,816	2,723,322
Water treatment	1,620,847	42,742	-	1,663,589
Transmission and distribution	13,275,247	41,829	17,688	13,299,388
General	331,236	38,390	35,142	334,484
Total Capital Assets Being Depreciated	18,975,446	251,005	157,646	19,068,805
Total Capital Assets	18,990,787	265,528	157,646	19,098,669
Less: Accumulated depreciation for				
Water	(6,007,153)	(438,737)	157,646	(6,288,244)
Total Accumulated Depreciation	(6,007,153)	(438,737)	157,646	(6,288,244)
Net Capital Assets Being Depreciated	12,968,293	(187,732)	-	12,780,561
Net Water Capital Assets	\$ 12,983,634	\$ (173,209)	\$ -	\$ 12,810,425

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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	528,992	12,362	525,041	16,313
Total Capital Assets Not Being Depreciated	529,242	12,362	525,041	16,563
Capital assets being depreciated				
Collection system	19,220,109	617,457	130,222	19,707,344
Pumping	2,599,379	32,934	30,148	2,602,165
Treatment and disposal	216,224	42,362	38,778	219,808
General	262,184	-	-	262,184
Total Capital Assets Being Depreciated	22,297,896	692,753	199,148	22,791,501
Total Capital Assets	22,827,138	705,115	724,189	22,808,064
Less: Accumulated depreciation for				
Sewer	(8,787,614)	(358,528)	199,148	(8,946,994)
Total Accumulated Depreciation	(8,787,614)	(358,528)	199,148	(8,946,994)
Net Capital Assets Being Depreciated	13,510,282	334,225	-	13,844,507
Net Sewer Capital Assets	\$ 14,039,524	\$ 346,587	\$ 525,041	\$ 13,861,070

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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	\$ 82,269	\$ 101,149	\$ 82,269
Total Capital Assets Not Being Depreciated	101,149	82,269	101,149	82,269
Capital assets being depreciated				
Mains	319,113	250,674	-	569,787
Equipment	247,189	-	-	247,189
Total Capital Assets Being Depreciated	566,302	250,674	-	816,976
Total Capital Assets	667,451	332,943	101,149	899,245
Less: Accumulated depreciation for				
Stormwater	(258,647)	(39,788)	-	(298,435)
Total Accumulated Depreciation	(258,647)	(39,788)	-	(298,435)
Net Capital Assets Being Depreciated	307,655	210,886	-	518,541
Net Stormwater Capital Assets	\$ 408,804	\$ 293,155	\$ 101,149	\$ 600,810
	Beginning Balance	Additions	Deletions	Ending Balance
<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	233,280	6,000	-	239,280
Buildings and improvements	114,603	-	-	114,603
Total Capital Assets Being Depreciated	347,883	6,000	-	353,883
Total Capital Assets	1,262,129	6,000	-	1,268,129

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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	\$ (89,340)	\$ (43,489)	\$ -	\$ (132,829)
Buildings and improvements	(9,140)	(5,324)	-	(14,464)
Total Accumulated Depreciation	(98,480)	(48,813)	-	(147,293)
Net Capital Assets Being Depreciated	249,403	(42,813)	-	206,590
Net Other Enterprise Capital Assets	\$ 1,163,649	\$ (42,813)	\$ -	\$ 1,120,836
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 28,595,611	\$ 423,720	\$ 626,190	\$ 28,393,141

Depreciation expense was charged to functions as follows:

##### Business-type Activities

Water	\$ 423,866
Sewer	358,528
Stormwater	39,788
Laimon	48,813
 Total Business-type Activities Depreciation Expense	 \$ 870,995

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, 2018

**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	\$ 145,095	\$ -
General	Downtown loan fund	8,719	8,719
Total - Fund Financial Statements		153,814	
Less: Fund eliminations		(8,719)	
Total Internal Balances - Government-Wide Statement of Net Position		\$ 145,095	

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

***Advances***

The general fund is 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 this advance is to cover the deficiency of loan repayments over loan disbursements.

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General	Water utility	\$ 248,095	Payment in lieu of taxes
General	Water utility	130,420	Tower rental allocation
Total Transfers - Government-Wide Statement of Activities		\$ 378,515	

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

##### *Transfers (cont.)*

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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 9,879,068	\$ 166,477	\$ 862,450	\$ 9,183,095	\$ 873,481
Premiums	134,107	-	16,849	117,258	-
Sub-totals	10,013,175	166,477	879,299	9,300,353	873,481
Other Liabilities					
Vested compensated absences	41,015	28,056	41,015	28,056	28,056
Total Other Liabilities	41,015	28,056	41,015	28,056	28,056
Total Governmental Activities Long-Term Liabilities	\$ 10,054,190	\$ 194,533	\$ 920,314	\$ 9,328,409	\$ 901,537
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 3,042,279	\$ -	\$ 175,645	\$ 2,866,634	\$ 171,420
Premiums	4,192	-	280	3,912	-
Sub-totals	3,046,471	-	175,925	2,870,546	171,420
Total Business-type Activities Long-Term Liabilities	\$ 3,046,471	\$ -	\$ 175,925	\$ 2,870,546	\$ 171,420

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, 2018, was \$49,923,800. Total general obligation debt outstanding at year end was \$12,049,729.

**VILLAGE OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**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.

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note IV. A.

**Governmental Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2018
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	\$ 1,115,000	\$ 180,000
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	1,965,000
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	1,190,000
G.O. Promissory Notes	6/11/2013	3/1/2023	.75 - 2.25%	475,000	250,000
G.O. Promissory Note	12/30/2014	2/15/2022	0%	37,051	18,527
G.O. State Trust Fund Loan	9/23/2015	3/15/2035	3.75%	200,000	188,091
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10 - 3.0%	1,475,000	1,415,000
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10 - 3.0%	2,170,000	2,150,000
G.O. State Trust Fund Loan	2/20/2018	3/15/2027	3.50%	166,477	<u>166,477</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 9,183,095</u></u>

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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, 2018
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	\$ 150,000	\$ 45,000
G.O. Promissory Notes (Build America)	7/27/2010	3/1/2020	1.00 - 4.25%	305,000	170,000
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	595,000
G.O. State Trust Fund Loan	10/4/2015	3/15/2035	3.75%	528,800	496,634
G.O. Corporate Purpose Bonds	4/3/2017	3/1/2032	1.10 - 3.0%	145,000	<u>135,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 2,866,634</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
2019	\$ 873,481	\$ 231,125	\$ 171,420	\$ 81,574
2020	889,671	215,480	177,174	77,098
2021	905,600	197,230	173,055	72,564
2022	926,535	177,219	168,919	68,317
2023	942,865	566,329	174,816	63,868
2024-2028	3,378,075	141,238	923,684	244,931
2029-2033	1,238,161	4,111	1,001,769	95,813
2034-2035	<u>28,707</u>	<u>-</u>	<u>75,797</u>	<u>4,289</u>
Totals	<u>\$ 9,183,095</u>	<u>\$ 1,532,732</u>	<u>\$ 2,866,634</u>	<u>\$ 708,454</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, 2018

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

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#### ***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 \$990,200 at December 31, 2018. Both lease agreements expire on August 31, 2024. The library does not pay rent on either lease.

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

Net position reported on the government wide statement of net position at December 31, 2018, includes the following:

#### ***Governmental Activities***

##### Net Investment in Capital Assets

Land	\$ 6,564,438
Construction in progress	187,323
Other capital assets, net of accumulated depreciation	11,615,051
Less: Long-term capital debt outstanding	(7,918,509)
Plus: Unspent capital related debt proceeds	1,190,740
Plus: Unamortized loss on refunding	119,811
Less: Unamortized debt premium	(117,258)
Total Net Investment in Capital Assets	<u>11,641,596</u>

##### Restricted

Debt service	186,932
TIF activities	10,068
Park maintenance	9,103
Cemetery	45,230
Downtown loan	13,025
Pension	580,700
Total Restricted	<u>845,058</u>

##### Unrestricted

3,339,831

##### Total Governmental Activities Net Position

\$ 15,826,485

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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, 2018, include the following:

	General Fund	General Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 193,762	\$ -	\$ -	\$ -	\$ 193,762
Delinquent personal property taxes	71	-	-	-	71
Advances	8,719	-	-	-	8,719
Sub-total	202,552	-	-	-	202,552
<b>Restricted for:</b>					
Capital projects	-	-	961,670	-	961,670
Debt service	-	519,900	-	-	519,900
Cemetery purposes	-	-	-	45,230	45,230
Koepp park maintenance	9,103	-	-	-	9,103
TIF related purposes	-	-	-	10,068	10,068
Sub-total	9,103	519,900	-	55,298	1,545,971
<b>Assigned to:</b>					
DARE	1,280	-	-	-	1,280
Motorcycle donations	246	-	-	-	246
Joint pistol range	2,820	-	-	-	2,820
Park equipment	47,062	-	-	-	47,062
Parks and open spaces	1,331	-	-	-	1,331
Tax equivalent	145,095	-	-	-	145,095
Capital projects	-	-	276,771	-	276,771
Police	449	-	-	-	449
Infrastructure	893,971	-	-	-	893,971
Sub-total	1,092,254	-	276,771	-	1,369,025
<b>Unassigned (deficit):</b>	2,732,654	-	-	(6,099)	2,726,555
<b>Total Fund Balances (Deficit)</b>	<b>\$ 4,036,563</b>	<b>\$ 519,900</b>	<b>\$ 1,238,441</b>	<b>\$ 49,199</b>	<b>\$ 5,844,103</b>

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

##### *Business-type Activities*

Net Investment in Capital Assets	
Land	\$ 925,238
Construction in progress	117,704
Other capital assets, net of accumulated depreciation	27,350,199
Less: Long-term debt outstanding	(2,866,634)
Less: Unamortized debt premium	<u>(3,912)</u>
Total Net Investment in Capital Assets	<u>\$ 25,522,595</u>

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### NOTE IV - OTHER INFORMATION

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#### A. EMPLOYEES' RETIREMENT SYSTEM

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

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

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) 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, 2018

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

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#### 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>
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$222,676 in contributions from the village.

Contribution rates for the plan year reported as of December 31, 2018 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 Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2018, the village reported an asset of \$650,885 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension asset was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the village's proportion was 0.02192185%, which was a decrease of 0.00008268% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the village recognized pension expense of \$307,221.

## VILLAGE OF PEWAUKEE

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

At December 31, 2018, 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	\$ 827,298	\$ 388,737
Changes in assumptions	129,237	-
Net differences between projected and actual earnings on pension plan investments	-	891,153
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,518	-
Employer contributions subsequent to the measurement date	232,824	-
Totals	\$ 1,201,877	\$ 1,279,890

\$232,824 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2019	\$ 75,794
2020	(1,025)
2021	(219,879)
2022	(167,277)
2023	1,550

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

## VILLAGE OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

### 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>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### 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 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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)	\$1,684,063	\$(650,885)	\$(2,425,520)

**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, 2018, the village reported a payable to the pension plan of \$37,712 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.

# VILLAGE OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### ***C. COMMITMENTS AND CONTINGENCIES***

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

From time to time, the 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, 2018. 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 \$262,347 in 2018.

Financial information of the library as of December 31, 2018 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, 2018

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## NOTE IV - OTHER INFORMATION (cont.)

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### *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 2018 was \$305,319.

Financial information of the district as of December 31, 2018 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 2018 was \$8,044.

Financial information for the lake patrol as of December 31, 2018 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, 2018

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## NOTE IV - OTHER INFORMATION (cont.)

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### ***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 December 14, 2018, the village board approved the borrowing of funds from the State Trust Funds in the amount of \$206,000 for the Beachscape TIF. This is to provide TIF assistance as outlined in the development agreement with Beachscape. The State Trust Fund loan was issued to the village on January 15, 2019.

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

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

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, 2018

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

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#### *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, 2018

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
<b>TAXES</b>			
General property taxes	\$ 3,880,385	\$ 3,882,231	\$ 1,846
Payments in lieu of taxes	89,155	105,385	16,230
Total Taxes	<u>3,969,540</u>	<u>3,987,616</u>	<u>18,076</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
State shared revenues	198,658	198,608	(50)
State aid - general transportation aids	360,773	360,487	(286)
Fire insurance tax (2% fire dues)	37,000	38,051	1,051
State aid - other public safety	2,000	2,000	-
Exempt computer aid	14,262	14,263	1
State recycling - operating	42,000	40,426	(1,574)
State aid - other law enforcement	7,880	4,804	(3,076)
Other	27,000	4,276	(22,724)
Total Intergovernmental Revenues	<u>689,573</u>	<u>662,915</u>	<u>(26,658)</u>
<b>LICENSES AND PERMITS</b>			
Liquor and malt beverage licenses	15,620	15,120	(500)
Operators' license	12,000	13,560	1,560
Cigarette licenses	1,000	900	(100)
Bicycle licenses	6,500	11,609	5,109
Dog and cat licenses	4,000	3,548	(452)
Cable television franchise fees	87,000	89,005	2,005
Building permits	40,000	87,706	47,706
Heating and air conditioning permits	7,500	21,004	13,504
Electrical permits	12,000	27,521	15,521
Plumbing permits	10,000	28,240	18,240
Occupancy permits	200	250	50
Mobile home park licenses	2,300	2,096	(204)
Zoning permits and fees	1,000	2,000	1,000
Other regulatory permits and fees	7,500	12,048	4,548
Total Licenses and Permits	<u>206,620</u>	<u>314,607</u>	<u>107,987</u>
<b>FINES, FORFEITURES AND PENALTIES</b>			
Court penalties and costs	180,000	155,200	(24,800)
Parking violations	35,000	58,409	23,409
Other law and ordinance violations	500	199	(301)
Total Fines, Forfeitures and Penalties	<u>215,500</u>	<u>213,808</u>	<u>(1,692)</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, 2018

	Original and Final Budget	Actual	Variance with Final Budget
<b>PUBLIC CHARGES FOR SERVICES</b>			
Ambulance fees	\$ 230,000	\$ 221,821	\$ (8,179)
Refuse and garbage collection	291,000	293,670	2,670
Property inquiry fees	3,000	3,860	860
Fire protection fees	-	25,079	25,079
Fire inspection fees	73,500	77,762	4,262
Law enforcement fees	219,883	254,375	34,492
Fiscal agent fees	22,188	22,188	-
Recreation programs	76,260	81,524	5,264
Park rental	6,000	7,870	1,870
Other public charges for services	6,000	5,851	(149)
Joint pistol range	1,500	2,000	500
Total Public Charges for Services	<u>929,331</u>	<u>996,000</u>	<u>66,669</u>
<b>INVESTMENT INCOME</b>			
Interest on investments	<u>14,000</u>	<u>90,525</u>	<u>76,525</u>
<b>MISCELLANEOUS REVENUES</b>			
Other miscellaneous	5,040	8,681	3,641
Rent	7,100	5,200	(1,900)
Insurance recoveries	-	28,214	28,214
Total Miscellaneous Revenues	<u>12,140</u>	<u>42,095</u>	<u>29,955</u>
Total Revenues	<u>6,036,704</u>	<u>6,307,566</u>	<u>270,862</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Village board	32,070	31,089	981
Municipal court	61,004	61,904	(900)
Legal	74,750	84,484	(9,734)
Administrator	95,533	95,634	(101)
Clerk	186,097	181,016	5,081
Elections	25,511	19,458	6,053
Data processing	14,000	13,198	802
Assessment of property	43,200	42,417	783
Accounting and auditing	38,400	40,408	(2,008)
Village hall	53,000	54,503	(1,503)
Property and liability insurance	170,000	147,729	22,271
Other general government	8,550	37,094	(28,544)
Total General Government	<u>802,115</u>	<u>808,934</u>	<u>(6,819)</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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>PUBLIC SAFETY</b>			
Police	\$ 2,257,230	\$ 2,223,674	\$ 33,556
Water patrol	8,062	8,044	18
Fire service	1,401,945	1,401,945	-
Building inspection	<u>58,870</u>	<u>111,880</u>	<u>(53,010)</u>
Total Public Safety	<u>3,726,107</u>	<u>3,745,543</u>	<u>(19,436)</u>
<b>HEALTH AND SOCIAL SERVICES</b>			
Animal control	<u>4,043</u>	<u>4,043</u>	<u>-</u>
<b>PUBLIC WORKS</b>			
Public works administration	67,321	65,934	1,387
Public works wages and benefits	484,375	394,460	89,915
Engineering	10,400	8,828	1,572
Equipment maintenance & general operations	66,000	56,564	9,436
Garage expenses	40,785	46,673	(5,888)
Street maintenance	71,185	8,587	62,598
Snow and ice control	56,150	54,042	2,108
Street lighting	63,500	63,730	(230)
Sidewalks	6,000	1,783	4,217
Curb and gutter	2,850	-	2,850
Other sanitation	500	919	(419)
Tree and brush removal	1,000	-	1,000
Refuse and garbage collection	205,000	216,509	(11,509)
Recycling	<u>72,900</u>	<u>66,159</u>	<u>6,741</u>
Total Public Works	<u>1,147,966</u>	<u>984,188</u>	<u>163,778</u>
<b>LEISURE ACTIVITIES</b>			
Library	263,765	262,347	1,418
Parks and recreation	<u>336,715</u>	<u>305,319</u>	<u>31,396</u>
Total Leisure Activities	<u>600,480</u>	<u>567,666</u>	<u>32,814</u>
<b>CONSERVATION AND DEVELOPMENT</b>			
Urban development	50,812	22,404	28,408
Weed control	800	994	(194)
Planning commission	<u>10,340</u>	<u>12,795</u>	<u>(2,455)</u>
Total Conservation and Development	<u>61,952</u>	<u>36,193</u>	<u>25,759</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, 2018

	Original and Final Budget	Actual	Variance with Final Budget
<b>CAPITAL OUTLAY</b>			
Police	\$ 91,243	\$ 99,452	\$ (8,209)
Parks	38,673	42,217	(3,544)
Highway	<u>195,000</u>	<u>-</u>	<u>195,000</u>
Total Capital Outlay	<u>324,916</u>	<u>141,669</u>	<u>183,247</u>
Total Expenditures	<u>6,667,579</u>	<u>6,288,236</u>	<u>379,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(630,875)</u>	<u>19,330</u>	<u>650,205</u>
<b>OTHER FINANCING SOURCES</b>			
Debt issued	195,000	166,477	(28,523)
Property sales - law enforcement	30,000	-	(30,000)
Sales of fixed assets	50,000	36,561	(13,439)
Transfers in	<u>390,420</u>	<u>378,515</u>	<u>(11,905)</u>
Total Other Financing Sources	<u>665,420</u>	<u>581,553</u>	<u>(83,867)</u>
<b>Net Change in Fund Balance</b>	34,545	600,883	566,338
FUND BALANCE - Beginning of Year	<u>3,435,680</u>	<u>3,435,680</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,470,225</u>	<u>\$ 4,036,563</u>	<u>\$ 566,338</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, 2018

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/18	0.02192185%	\$ (650,885)	\$ 2,488,305	26.16%	102.93%
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, 2018

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
12/31/18	\$ 232,824	\$ 232,824	-	\$ 2,559,779	9.10%
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, 2018

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### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds 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, 2018

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Downtown Loan Fund	TID No. 2	
<b>ASSETS</b>				
Assets				
Cash and investments	\$ 45,978	\$ 2,620	\$ 10,068	\$ 58,666
Receivables				
Tax roll receivable	-	-	42,000	42,000
Loans	-	19,124	-	19,124
	-	19,124	-	19,124
<b>TOTAL ASSETS</b>	<b>\$ 45,978</b>	<b>\$ 21,744</b>	<b>\$ 52,068</b>	<b>\$ 119,790</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 554	\$ -	\$ -	\$ 554
Accrued liabilities	194	-	-	194
Advances from other funds	-	8,719	-	8,719
Total Liabilities	748	8,719	-	9,467
Deferred Inflows of Resources				
Unearned revenues	-	-	42,000	42,000
Unavailable revenues	-	19,124	-	19,124
Total Deferred Inflows of Resources	-	19,124	42,000	61,124
Fund Balances (Deficit)				
Restricted	45,230	-	10,068	55,298
Unassigned (deficit)	-	(6,099)	-	(6,099)
Total Fund Balances (deficit)	45,230	(6,099)	10,068	49,199
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 45,978</b>	<b>\$ 21,744</b>	<b>\$ 52,068</b>	<b>\$ 119,790</b>

## VILLAGE OF PEWAUKEE

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2018

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Downtown Loan Fund	TID No. 2	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 92,665	\$ 92,665
Intergovernmental	-	-	2,099	2,099
Public charges for services	17,349	2,620	-	19,969
Investment income	611	-	-	611
Total Revenues	17,960	2,620	94,764	115,344
<b>EXPENDITURES</b>				
Current				
Health and human services	22,933	-	-	22,933
Conservation and development	-	-	1,251	1,251
Capital Outlay	-	-	2,272	2,272
Debt Service				
Principal	-	-	7,819	7,819
Interest and fiscal charges	-	-	7,347	7,347
Total Expenditures	22,933	-	18,689	41,622
Excess (deficiency) of revenues over expenditures	(4,973)	2,620	76,075	73,722
FUND BALANCES (DEFICIT) - Beginning of Year	50,203	(8,719)	(66,007)	(24,523)
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 45,230	\$ (6,099)	\$ 10,068	\$ 49,199

## VILLAGE OF PEWAUKEE

### COMBINING STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS As of December 31, 2018

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	Pewaukee Public Library	Tax Collection Fund	Lake Patrol Fund	Totals
<b>ASSETS</b>				
Cash and investments	\$ 138,513	\$ 6,187,776	\$ 48,447	\$ 6,374,736
Taxes receivable	-	5,487,756	-	5,487,756
Prepaid items	28,663	-	24	28,687
 TOTAL ASSETS	 \$ 167,176	 \$ 11,675,532	 \$ 48,471	 \$ 11,891,179
<b>LIABILITIES</b>				
Accounts payable	\$ 18,202	\$ -	\$ 17	\$ 18,219
Accrued liabilities	7,245	-	-	7,245
Due to other governments	141,729	11,675,532	48,454	11,865,715
 TOTAL LIABILITIES	 \$ 167,176	 \$ 11,675,532	 \$ 48,471	 \$ 11,891,179