

CITY OF CEDARBURG

Cedarburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2017

CITY OF CEDARBURG

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CITY OF CEDARBURG

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Cedarburg
Cedarburg, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cedarburg, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Cedarburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Cedarburg's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Cedarburg's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Common Council
City of Cedarburg

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cedarburg, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedarburg's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

As management of the City of Cedarburg, we offer readers of the City of Cedarburg's financial statements this narrative overview and analysis of the financial activities of the City of Cedarburg for the fiscal year ended December 31, 2017. We encourage the reader to consider the information presented here in conjunction with the City's financial statements, which begin on page 29 of this report.

THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses reflects the City's operating results. The City's net position as shown in the statement of net position is used to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position, as measured in the statement of activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, parks, etc., in assessing the overall health of our City.

- The assets and deferred outflows of resources of the City of Cedarburg exceeded liabilities and deferred inflows of resources as of December 31, 2017, by \$112,813,757 (net position). Of this amount, \$16,063,406 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure and other capital assets of the City as a whole.
- The City of Cedarburg's total net position increased by \$1,394,310. Of this amount, \$297,498 was from the governmental activities; the balance \$1,096,812 was from business-type activities. Sewer Utility net position increased by \$83,815 and the Light & Water Utility net position increased by \$1,012,997.
- As of December 31, 2017, the City of Cedarburg's governmental funds reported a combined ending fund balance of \$5,270,760, a decrease of \$1,188,032 from the prior year. The decrease was due to the final expenditures for the public works building that was financed in 2016. As of December 31, 2017, the unassigned fund balance for the General Fund was \$1,688,309. There were funds budgeted as use of the fund balance for 2018 in the amount of \$487,100. The funds will be used for the purchase of handguns for the Police Department, bathroom upgrades at two park facilities, branding initiative, funding for the contingency reserve account, a transfer to Capital Improvements for a Fire Department project and senior van purchase and a transfer to the swimming pool fund for a sand area shower. The City policy states that unassigned General Fund Balance should be between two and three months of General Fund expenditures, or approximately \$1.6 million and \$2.3 million.
- There were no new borrowings in 2017 but the City borrowed \$9,705,000 in 2016 for the public works building and street projects. The City paid \$1,358,552 of principal on outstanding debt this year compared to \$770,097 in 2016. The City's outstanding General Obligation debt totaled \$16,597,559.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cedarburg's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide financial statements

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

The *statement of net position* presents information on all of the City of Cedarburg's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cedarburg is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Cedarburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cedarburg include general government, public safety, health and human services, public works, culture, recreation and education, conservation and development, and public service. Other funds included are Capital Improvements, Debt Service, and Internal Service. Non-major governmental funds include cemetery, room tax, recreation programs, CDBG Fund, swimming pool, park impact fees, library rescue/EMS, and TIF No. 3. The business-type of activities of the City of Cedarburg include the Cedarburg Light & Water Commission and Sewerage Commission.

The government-wide financial statements can be found on pages 19-21 of this report.

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 City of Cedarburg, 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 City of Cedarburg can be divided into three categories: governmental funds, proprietary funds and agency fund.

Governmental funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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 City's near-term financing decisions.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements (continued)

Governmental funds (continued)

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.

The City of Cedarburg maintains thirteen 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, Capital Improvements Fund and Debt Service Fund. Data from the remaining ten 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 found in the section titled Required Supplementary Information at the end of the report.

The City of Cedarburg 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. The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Light and Water Commission), the sewer utility (Sewerage Commission), and the Internal Service Fund which are considered major funds of the City of Cedarburg. The basic proprietary fund financial statements can be found on pages 22-32 of this report.

Agency funds

Agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Cedarburg's programs. The agency fund maintained by the City of Cedarburg is for the year-end tax collections for other taxing jurisdictions. The basic agency fund financial statement can be found on page 33.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-79 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 84-87 of this report.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
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(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedarburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112,813,757 at the end of 2017.

Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) of the governmental activities of the City of Cedarburg less outstanding debt equal \$47,035,979. The majority of the outstanding debt of the governmental activities funds was incurred for the construction of the Library building in 2013 and the construction of the Public Works garage in 2016.

The largest portion of the City of Cedarburg's net position (82 percent) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City of Cedarburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cedarburg'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.

CITY OF CEDARBURG'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 16,507,823	\$ 18,284,557	\$ 14,819,700	\$ 15,729,937	\$ 31,327,523	\$ 34,014,494
Capital assets	62,821,748	62,386,597	46,860,378	45,466,003	109,682,126	107,852,600
Deferred outflows of resources	2,234,333	3,153,241	883,544	1,222,989	3,117,877	4,376,230
Total assets and deferred outflow of resources	81,563,904	83,824,395	62,563,622	62,418,929	144,127,526	146,243,324
Long-term debt outstanding	17,160,070	17,207,300	1,508,583	1,031,857	18,668,653	18,239,157
Other liabilities	861,585	3,329,149	1,134,996	2,461,134	1,996,581	5,790,283
Deferred Inflows of resources	10,271,329	10,314,524	377,206	479,913	10,648,535	10,794,437
Total liabilities and deferred inflows of resources	28,292,984	30,850,973	3,020,785	3,972,904	31,313,769	34,823,877
Net position:						
Net investment in capital assets	47,035,979	45,516,180	45,884,864	44,434,146	92,920,843	89,950,326
Restricted	1,080,229	1,037,660	2,749,279	3,149,289	3,829,508	4,186,949
Unrestricted	5,154,712	6,419,582	10,908,694	10,862,590	16,063,406	17,282,172
Total net position	53,270,920	52,973,422	59,542,837	58,446,025	112,813,757	111,419,447
Total liabilities and net position	\$ 81,563,904	\$ 83,824,395	\$ 62,563,622	\$ 62,418,929	\$ 144,127,526	\$ 146,243,324

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

An additional portion of the City of Cedarburg's net position (3.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted fund balance of \$16,063,406 may be used to meet the government's ongoing obligations to citizens or creditors. Of this unrestricted amount, funds are designated for the Revolving Loan Fund, capital improvement projects, cemetery maintenance, and other special revenue fund projects.

The City's net position increased \$1,394,310 during the year. The Governmental activities' net position increased by \$297,498 while the business-type activities' net position increased by \$1,096,812.

CITY OF CEDARBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,375,641	\$ 2,104,415	\$ 16,476,506	\$ 16,375,195	\$ 18,852,147	\$ 18,479,610
Operating Grants & Contributions	1,069,315	1,014,361			1,069,315	1,014,361
Capital Grants & Contributions	10,000	677,081	221,347	1,055,946	231,347	1,733,027
General Revenues:						
Property Taxes	9,119,074	8,430,459			9,119,074	8,430,459
Other Taxes	80,783	88,418			80,783	88,418
Grants & Contributions Not Restricted to Specific Programs	443,911				443,911	
Other	331,626	635,684	168,940	78,999	500,566	714,683
Transfers	772,814	754,150	(772,814)	(754,150)		
Total Revenues	14,203,164	13,704,568	16,093,979	16,755,990	30,297,143	30,460,558
Expenses:						
General Government	1,547,715	1,584,876			1,547,715	1,584,876
Public Protection	4,860,025	4,782,659			4,860,025	4,782,659
Health & Sanitation	47,178	49,147			47,178	49,147
Engineering and Public Works	3,861,179	3,646,369			3,861,179	3,646,369
Culture, Recreation and Education	2,988,303	2,774,968			2,988,303	2,774,968
Conservation and Development	299,507	176,777			299,507	176,777
Interest and Fiscal Charges	301,759	390,210			301,759	390,210
Sewer			2,737,677	2,582,404	2,737,677	2,582,404
Light & Water			12,259,490	12,251,890	12,259,490	12,251,890
Total Expenses	13,905,666	13,405,006	14,997,167	14,834,294	28,902,833	28,239,300
Increase in Net Position	297,498	299,562	1,096,812	1,921,696	1,394,310	2,221,258
Net Position - Beginning	52,973,422	52,673,860	58,446,025	56,524,329	111,419,447	109,198,189
Net Position - Ending	\$ 53,270,920	\$ 52,973,422	\$ 59,542,837	\$ 58,446,025	\$ 112,813,757	\$ 111,419,447

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

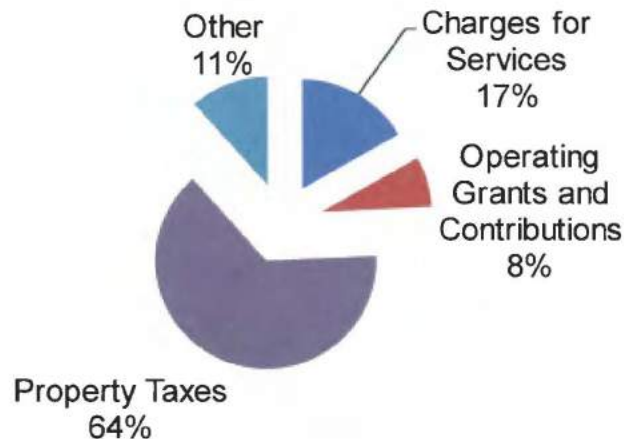
Governmental activities

Governmental activities increased the City of Cedarburg's net position by \$297,498 compared to an increase of \$299,562 in 2016. Some of the significant changes in revenues and expenditures from 2016 were as follows:

Revenues:

- ◇ Property taxes, the largest revenue source for governmental activities, increased \$688,615 or 8.2 percent. The General Fund levy increased \$66,405 and the Capital Improvement Fund levy increased \$22,000 from 2016. The Debt Service levy increased \$578,504 from 2016. The first Public Works building principal payment was made in 2017 of \$470,000. The old Library building sales residual funds were used in full in 2016 requiring the large increase in the Debt Service levy for 2017. Property taxes have increased to approximately 71 percent of total revenues, reflecting the declining revenues from the State of Wisconsin.
- ◇ Charges for services increased \$271,226 or 12.9 percent. The housing market in Cedarburg improved in 2017. All building permit fees and impact fee collections continued to increase in 2017. There was also a new yard waste drop offsite built with the new Public Works building. A one-time fee for the access card brought in over \$40,000. Park Impact fees increased \$93,044, Police Impact fees increased \$19,096 and Library Impact fees increased \$42,177 over 2016.
- ◇ Operating grant and contribution revenues increased from 2016 to 2017 by \$54,954; 5.4 percent. This amount was realized from the increase in funding from Ozaukee County to support the use of the City's Library by residents from communities without a library.
- ◇ Capital grants and contributions decreased \$667,081 (98.5 percent) as a result of a \$625,000 donated band shell in 2016.
- ◇ Other revenues increased from 2016 by \$304,058; 91.7 percent.

Revenues by Source - Governmental Activities



City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities (Continued)

Expenditures:

- ◇ Governmental activities expenditures increased by \$500,660 from 2016.
- ◇ The General Government decreased \$37,161. There was a savings in election expenditures from 2016 of \$18,740 due to less elections in 2017 from 2016. There was also a decrease in legal services due to the charges for the Amcast TIF creation (\$56,762) being transferred to the new TIF fund for 2017 resulting in a decrease of \$50,426.
- ◇ Public Safety expenditures were \$77,366 more than 2016. There were no capital improvement purchases of vehicles in 2017 due to the replacement of vehicles through the Risk Management Fund from accidents which resulted in a total loss of some of the department's squads.
- ◇ Engineering and Public Works expenditures increased \$214,810 from 2016. The increase was the result of the annual increase for wages and benefits and the final expenditures to set up the new building for operation and a larger equipment replacement in 2017 than in 2016.
- ◇ Health and human services decreased from 2016 by \$1,969.
- ◇ Culture, recreation and education increased \$213,335 from 2016. There was an increase in spending for Recreation Programs of \$68,587 due to the School District fees of \$22,983, tennis program expenditures of \$11,000 and the new Poms program expenditures of \$13,590. The Library spending also increased \$12,101 from 2016 for maintenance.
- ◇ Conservation and Development increased \$122,730 from 2016 in part due to the creation expenditures for TIF No. 4 of \$56,762.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
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(unaudited)

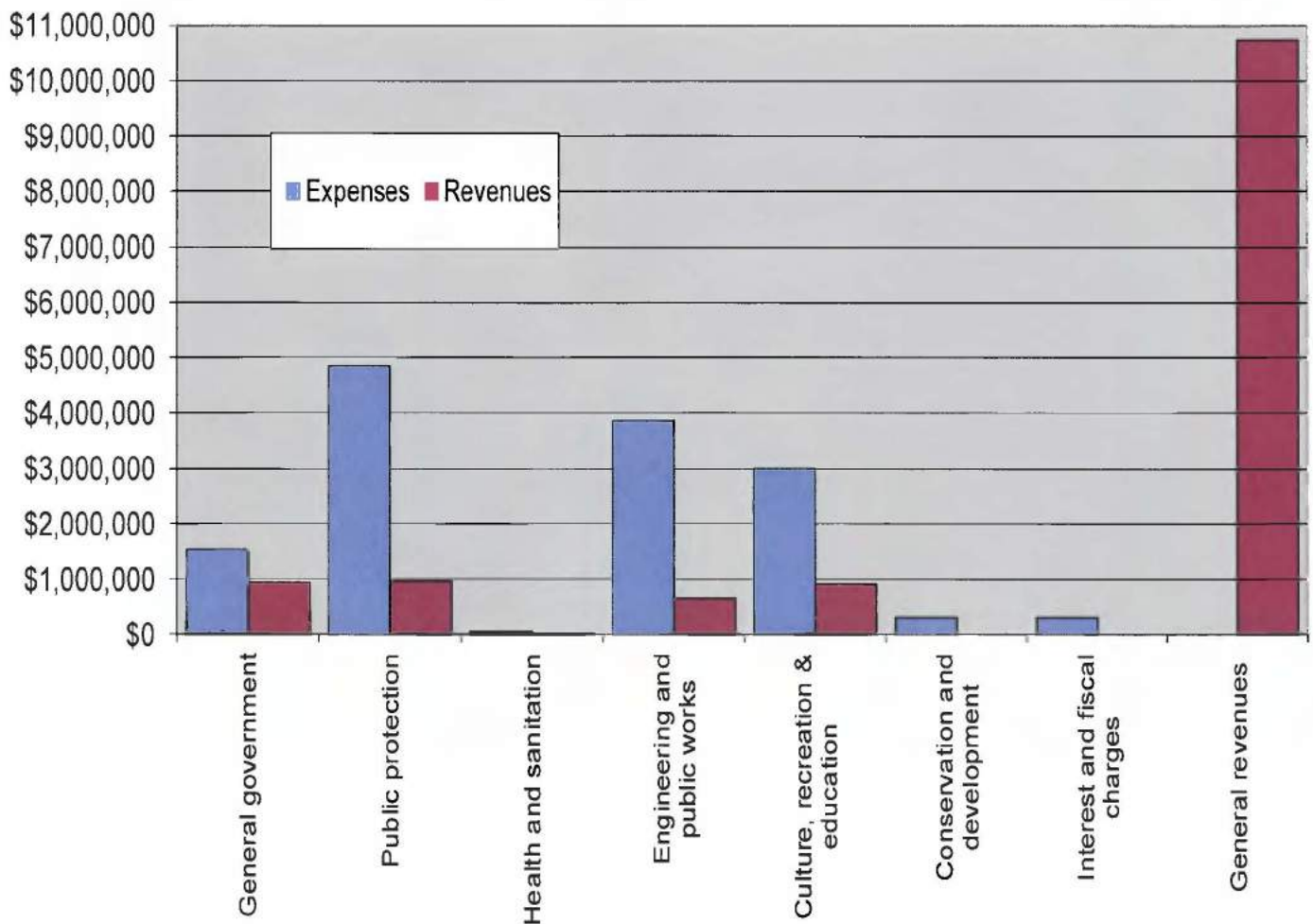
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities (Continued)

Expenditures (Continued)

The following graph is based on the statement of activities found on pages 21-22, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

Expenses and Program Revenues - Governmental Activities



City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities

Business-type activities increased the City of Cedarburg's net position by \$1,096,812. Light & Water and Sewer Utilities amounts were increases of \$1,012,997 and \$83,815, respectively. The Light & Water and Sewer Utilities are supported by user charges. The Sewer Utility charge is based on water usage for residential and commercial customers, and effluent volume and strength for our industrial customers. The revenues of the Light & Water and Sewer Utilities include charges for services and other revenues. Other revenues include capital contributions of \$221,347 to the Light & Water Utility and total interest income of \$97,713. The charges for services accounted for 97.1 percent of total revenues for the business-type activities for 2017, compared to 92.4 percent due to the capital contributions of \$1,055,946 in 2016.

Operating revenues for business-type activities increased by \$101,311 from 2016. Light & Water Utility electric and water revenues decreased \$166,924 and the Sewer Utility charges increased by \$268,235.

- ◇ Sewer Utility operating revenues totaled \$2,574,525; an increase of \$268,235 from 2016. The increase was due to the increase in residential and industrial use. There was a sale of the televising camera for \$64,750. Sewer connection fees and reserve capacity fees increased \$92,903 and \$43,876 respectively.
- ◇ Light and Water Utility operating revenues totaled \$13,901,981 for 2017, a decrease of \$166,924 from 2016. The electric operating revenues decreased from 2016 by \$139,738 because of the decrease in sales. Water sales decreased \$27,186 from 2016; most of which was from the residential users; \$22,023.
- ◇ Interest revenue increased from 2016 by \$60,687 due to the rising interest rates.

Operating expenses for business-type activities, excluding depreciation, decreased by \$147,056 from 2016. Depreciation expenses increased \$177,099 from 2016.

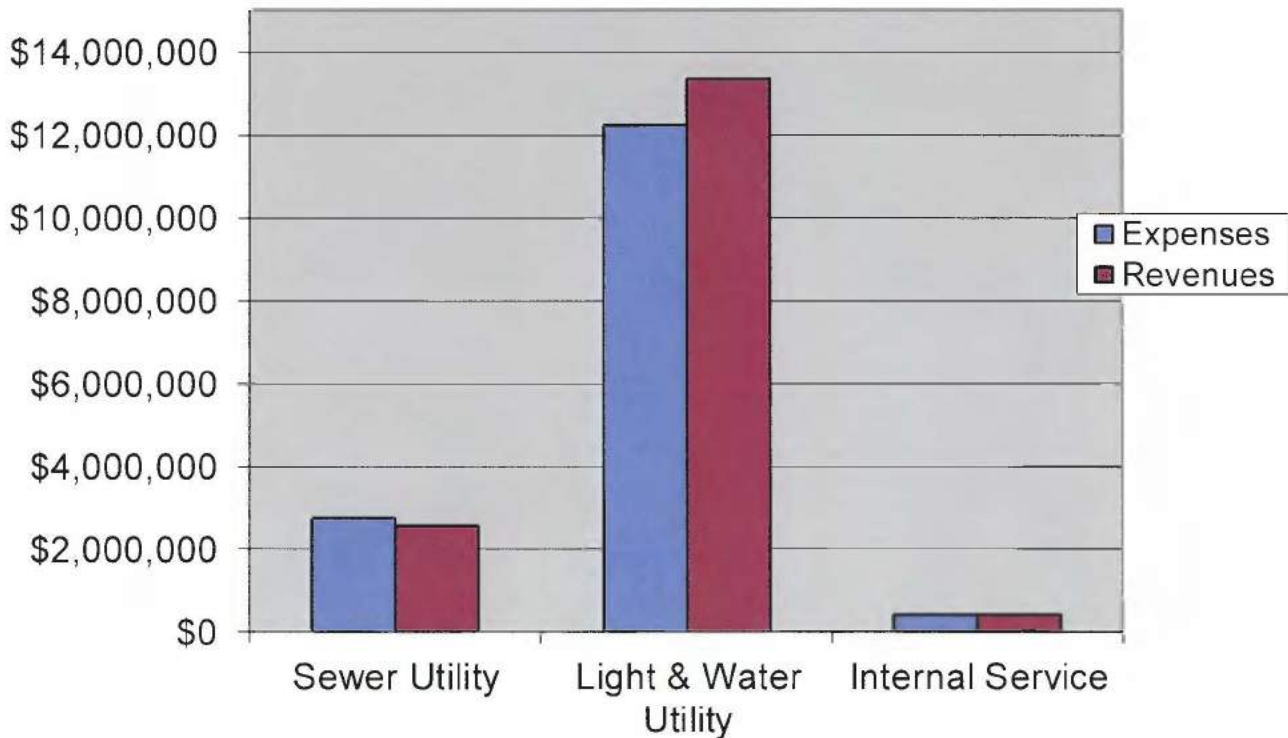
- ◇ Sewer Utility operating expenses, excluding depreciation, decreased by \$52,854 from 2016. In 2016 there were added legal fees related to the plant's State license and a retirement with the payout of accrued sick leave and vacation. There were also unexpected collection system repairs in 2016.
- ◇ Light & Water expenses, excluding depreciation, increased \$94,202 from 2016. Electric operating expenses decreased \$143,916 in part due to less electricity purchased. Water expenditures increased from 2016 \$49,714 due to an increase in maintenance of mains and services for replacement of manhole covers, uncollectible accounts written off, partial funding of a branding initiative and increase in pension and benefits due to a higher labor allocation.

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Ozaukee County, Wisconsin

Management's Discussion and Analysis
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(unaudited)

Business-type activities (Continued)

The following chart compares the total revenues and expenses by utility for the year.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Cedarburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Cedarburg's governmental funds is to provide information on the flow of resources into and out of the organization in providing services. Most of the functions of the City are financed through these funds. The reported fund balance of a governmental fund represents a measure of the available spendable resources.

As of December 31, 2017, the City of Cedarburg's governmental funds reported combined ending fund balances of \$5,270,760, a decrease of \$1,188,032 from 2016. The Capital Improvement Fund decreased \$1,188,719 from 2016 due to final expenditures for the Public Works building in 2017. The General Fund increased \$12,090 and Debt Service Fund decreased by \$161,830 due to the use of the remaining building sale residual funds for the library debt. The non-major governmental funds increased \$150,427 due to the Rescue/EMS operations.

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Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Governmental Funds (Continued)

Approximately 30 percent of the total fund balance or \$1,607,031 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned or restricted to indicate that it is not available for new spending because it has already been reserved or restricted to other items such as contracts and purchase orders of the prior year, debt service, legally restricted assets, impact fees, and non-current loans and notes receivable.

General Fund

The General Fund is the chief operating fund of the City of Cedarburg. As of December 31, 2017 the total fund balance of the General Fund was \$2,458,070 of which \$1,688,309 was unassigned. This unassigned fund balance represents approximately 18 percent of the total 2018 General Fund budgeted expenditures. Of the assigned fund balance, \$487,100 was appropriated for 2018 General Fund budgeted expenditures. Police Department handguns, bathroom upgrades at two park facilities, branding initiative, funding for the contingency reserve account, a transfer to Capital Improvements for a Fire Department project and senior van and a transfer to the Swimming Pool fund for a sand area shower are included in this amount. City policy requires a minimum of 17 percent and a maximum of 25 percent of General Fund expenditures of the ensuing year in unassigned funds.

The General Fund fund balance increased by \$12,090 during 2017. The 2017 original adopted budget for the City of Cedarburg's General Fund identified \$155,743 of expenditures over revenues or usage of fund balance. Actual operating expenditures and other financing uses were under budget by \$74,359 after the budget amendments were made for the year. Actual operating revenues and other financing sources were over budget by \$119,153 which was due the increase in building permit related fees and Public Works fees. In 2017 there was a one-time charge for an access card to the yard waste drop off site.

General Fund revenues increased by \$144,482 (1.8 percent) from 2016. Some of the significant changes in General Fund revenues from the prior year were as follows:

- ◇ Property tax revenues increased by \$66,405 (1.1 percent) from prior year due to the tax levy increase.
- ◇ Intergovernmental revenues increased \$22,542 (2.2 percent) from prior year due the increase in fire insurance dues \$36,913. Other State revenues decreased from 2016.
- ◇ Licenses, permits and fees decreased \$40,840 (9.9 percent) from 2016. Building permits decreased from 2016 by \$23,994; 21.4 percent. Plumbing permits declined slightly from 2016; \$2,360 or 9.3 percent.
- ◇ Fines, forfeitures and penalties decreased \$6,059 (10.4 percent) from 2016. The change was due to the decrease in the court penalties and costs received; a decrease of \$9,495. Parking violations increased by \$4,040.
- ◇ Public Charges for Services increased \$88,603 (72.5 percent) over prior year. Of this amount \$63,659 is due to the Public Works fees.
- ◇ Intergovernmental charges for services increased \$804 (0.4 percent) over 2016.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Governmental Funds (Continued)

General Fund (Continued)

- ◇ Investment Income and Miscellaneous Revenues increased a total \$22,384 from 2016 due to the rising interest rates.

General Fund expenditures increased by \$178,445 from 2016. Some of the significant changes in General Fund expenditures from the prior year were as follows:

- ◇ General Government expenditures decreased \$71,970 (6.4 percent) in part due to the Elections expenditures. There was a decrease in the number of elections from 2016. The attorney fees were \$50,426 less in 2017 than 2016 because the fees related to the Amcast TIF creation were transferred to the TID No. 4 fund. The fees were incurred for the preparation of a developer's agreement for the clean-up and redevelopment of the Amcast site.
- ◇ Public Safety decreased by \$35,421 from 2016. The Patrol Division was \$74,113 less in expenditures than 2016 due to the retirements during the year. The Fire Department had an increase in expenditures of \$44,311 due to the newly created full time fire inspector and part time fire chief positions.
- ◇ Public Works expenditures increased \$61,019 (2.6 percent) from 2016. The increase in expenditures was due to salaries and benefit increases. The Garage Department increased \$71,829 due to the reallocation of salaries. The Streets Maintenance Department decreased \$54,809.
- ◇ Culture, Recreation and Education increased \$104,609 from 2016. The Senior Center expenditures increased \$30,070 from the prior year. \$38,036 in tour expenditures were recorded in 2017 and none in 2016. Parks, Recreation and Forestry spending increased \$74,245 from 2016. Of this amount \$29,334 was from salaries. Due to the less than normal snowfall at the end of the year, the Public Works Crew was able to work on the forestry operations. Trees and supplies spending increased \$36,423 from 2016 also.
- ◇ Conservation and Development decreased \$6,468 due to a hotel study that was completed in 2016.

Actual operating revenues were over budgeted revenues by \$119,153 due to public charges for services being \$115,715 over budget. The final budget outcome for 2017 was an increase in fund balance of \$12,090, compared to the amended budgeted use of fund balance of \$181,422.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2017
(unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Governmental Funds (Continued)

Capital Improvements Fund

The Capital Improvement expenditures for 2017 included street and stormwater improvements, environmental remediation, equipment purchases and park improvements. Total expenditures were \$2,438,821 and \$10,505,020 in 2017 and 2016, respectively. Expenditures in 2016 included the construction of the new Public Works building. In 2017 there were building project expenditures of \$622,992 compared to \$7,922,833 in 2016.

At the Police Department, station improvements for 2017 included an air conditioning unit and the radio console upgrade which was not purchased. The vehicle purchases were down by \$148,417 from 2016 since there were none in 2017.

The Fire Department retaining wall project was completed in 2017 but the concrete work was postponed until 2018.

Emergency Management siren replacement continued in 2017.

In 2017, there was a one-ton dump truck with plow and salter purchased along with two front end loaders with a plow and wing.

Street improvements for the year only varied by \$1,869 from 2016.

Sidewalk replacement expenditures were less than 2016 by \$50,043 due to saw cuts being made rather than full replacements in 2017.

Storm Water improvements were \$261,112 less than 2016 due to the storm sewer issues discovered in Bridge Road during the construction.

Environmental expenditures included the continuing legal and monitoring fees for Prochnow Landfill along with dam engineering costs. There was a total increase of \$5,763; however, the dam engineering costs increased \$13,358.

Parks, Recreation and Forestry expenditures were up \$49,259 from 2016. The 2016 projects included the Zeunert path resurfacing and the Cedar Creek Park net climber. The aerial lift truck was not received until 2017. Equipment purchases were \$50,392 in 2016 and \$248,978 in 2017. Park Improvements were \$115,009 less than 2016.

Debt service paying agent fee was for the 2016 borrowing for the Public Works building and there wasn't a borrowing in 2017.

There was \$200,000 transferred out of the Library reserve account to Debt Service to offset the principal and interest payments on the building debt in 2017 and \$200,000 in 2016 for the same purpose. The \$7,474 transfer to the Library fund was the remaining funds from the building project budget.

City of Cedarburg
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GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget are from purchase orders carried over from 2016 into 2017 and any appropriations made during the year. In 2017, there were appropriations to balance the budget due to the overages in the Parks, Recreation and Forestry Department for the Public Works crew salaries and benefits, the Senior Center van operations and Center tours not budgeted and for the Celebrations account to reflect the donation and then payment to the Chamber of Commerce for the 4th of July celebration.

As previously mentioned, the 2018 adopted budget included the use of \$487,100 of fund balance to fund the purchase of handguns for Police Department, bathroom upgrades at two park facilities, branding initiative, funding for the contingency reserve account, a transfer to Capital Improvements for a Fire Department project and the senior van purchase and a transfer to the swimming pool fund for a sand area shower. The net change in the fund balance for 2017 was an increase of \$12,090. Revenues for the year were over budget \$150,202 due to public charges for services.

Operating expenditures were \$72,834 under budget for the year. Public Safety was under budget \$113,409 for the year. Capital Outlay accounts attributed to the reduction of that amount by \$123,934 as actual project costs exceeded the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Cedarburg's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$109,682,126 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. The City of Cedarburg implemented the infrastructure component of GASB Statement No. 34 for the year ended December 31, 2003.

Major capital asset events that occurred during the year included the following:

- Replacement of the boiler at the Community Center Gym; \$93,736
- Emergency Management siren replacement; \$22,892
- Fire Department replacement of retaining wall; \$54,579
- Public Works vehicle replacements; \$315,063, construction of DPW building; \$622,992
- Street improvements; \$776,118
- Storm sewer projects related to street projects; \$212,384, NR216 compliance of \$42,837
- Prochnow Landfill remediation legal, testing and reporting expenditures; \$19,649 and engineering for dam repairs; \$13,357
- Parks, Recreation and Forestry expenditures included equipment replacements of \$248,978 and park improvements of \$8,879

City of Cedarburg
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Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

City of Cedarburg's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$8,249,524	\$8,239,524	\$2,115,434	\$2,115,434	\$10,364,958	\$10,354,958
Buildings and improvements	24,475,920	15,794,293	84,605,010	80,085,230	109,080,930	95,879,523
Infrastructure	45,897,945	45,136,103			45,897,945	45,136,103
Vehicles	6,720,066	6,699,214			6,720,066	6,699,214
Machinery and equipment	4,065,388	3,998,811			4,065,388	3,998,811
Construction in progress	273,486	8,228,707	29,235	1,321,310	302,721	9,550,017
Accumulated depreciation	(26,860,581)	(25,710,055)	(39,889,301)	(38,055,971)	(66,749,882)	(63,766,026)
Total Capital Assets	\$62,821,748	\$62,386,597	\$46,860,378	\$45,466,003	\$109,682,126	\$107,852,600

Long-Term Debt

At the end of the fiscal year, the City of Cedarburg had a total general obligation debt outstanding of \$16,597,559 entirely backed by the full faith, credit, and resources of the City. There were no borrowings in 2017. Principal payments for 2017 totaled \$1,358,552.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Cedarburg is \$65,457,365, which significantly exceeds the City's current outstanding general obligation debt. The City has established a policy whereby the City will not issue debt in excess of 4 percent of its total equalized valuation and the total annual debt service for general obligation debt shall not exceed 50 percent of the City's total annual general operating revenues (inclusive of all property tax levies and exclusive of revenues from proprietary entities). As of December 31, 2017 the City of Cedarburg's outstanding debt equaled 25.4 percent of the State authorized debt.

City of Cedarburg's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation long-term bonds and notes payable	\$ 15,647,559	\$ 16,951,111	\$ 950,000	\$ 1,005,000	\$ 16,597,559	\$ 17,956,111
Total	\$ 15,647,559	\$ 16,951,111	\$ 950,000	\$ 1,005,000	\$ 16,597,559	\$ 17,956,111

City of Cedarburg
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Management's Discussion and Analysis
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(unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, the State legislative changes, general economic conditions, and public sentiments toward taxation. The City increased the assessed tax rate from \$7.46/\$1,000 in 2016 to \$7.48/\$1,000 in 2017; a 0.3 percent increase.

The City's total equalized value for 2017 was \$1,309,132,400; 4.4 percent more than 2016.

The Ozaukee County unemployment rate as of December 2017 was 2.1 percent down from 3.0 percent in December 2016. The State unemployment rate for December 2017 was 2.7 percent and 3.9 percent nationally. The County is doing well compared to the rest of the State and nation.

Funds were appropriated in the 2018 General Fund budget for one-time capital purchases and funding of the contingency reserve account from fund balance. There is \$6,200 for bathroom partitions at Zeunert and All Children's Playground, \$4,400 for new doors and locks for the bathrooms at All Children's Playground, a \$11,500 transfer to the Swimming Pool for a sand area shower and large strainer assembly, \$15,000 for a joint branding initiative, \$75,000 transfer to Capital Improvements for the Fire Station improvements and Senior Van purchase, \$10,000 for police hand guns and \$365,000 for the contingency reserve account for a total of \$487,100 budgeted as a use of these funds.

Sewer flow rate increased from \$5.22/1,000 gallons in 2017 to \$5.30/1,000 in 2018. The monthly connection fee remained at \$14/month. Holding tank septage haulers' fees remained at the 2017 rate of \$8.70/1,000 gallons. The septage tank haulers' rate also remained at the same rate as 2017 of \$44.91/1,000 gallons.

Due to the Common Council's sentiment to keep the tax rate down, the funding levels for capital items that were previously paid for by cash are being funded by borrowing. This practice is not one the City wants to continue, but was necessary to get through the tough economic times and to keep the tax rate from rising. As development continues to grow the City's assessed value, pre-funding of street and storm water capital projects should be a priority for the 2019 budget.

With increasing costs, State revenue cuts, and State legislative changes it will be another difficult budget preparation year. In 2018, the City was not able to meet the expenditure restraint program requirement of less than a 1.70 percent increase in expenditures. Any and all expenditures funded by the tax levy needed to be included in the calculation. With the increase in Debt Service and capital projects the City was over the limit. The new development the City is currently seeing will hopefully help fund future expenditure increases and lost revenues. The State levy limit legislation makes it difficult to fund operations as necessary and causes the City to borrow for capital projects which was not a common practice in prior years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Treasurer's Office at the City of Cedarburg, P.O. Box 49, Cedarburg, WI 53012. Other City contact information may be found on our website at www.ci.cedarburg.wi.us.

BASIC FINANCIAL STATEMENTS

CITY OF CEDARBURG

STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business - type Activities	Totals
ASSETS			
Cash and investments	\$ 11,284,014	\$ 10,012,910	\$ 21,296,924
Receivables:			
Taxes	3,572,711	-	3,572,711
Delinquent personal property taxes	43,423	-	43,423
Accounts	300,919	1,455,827	1,756,746
Interest	566	8,506	9,072
Internal balances	164,558	(164,558)	-
Materials and supplies	10,822	620,954	631,776
Prepaid items	7,645	4,729	12,374
Restricted Assets:			
Cash and investments	982,931	2,749,279	3,732,210
Loans	140,234	-	140,234
Other assets	-	132,053	132,053
Capital Assets:			
Land	8,249,524	2,115,434	10,364,958
Construction in progress	273,486	29,235	302,721
Other capital assets, net of depreciation	54,298,738	44,715,709	99,014,447
Total Assets	<u>79,329,571</u>	<u>61,680,078</u>	<u>141,009,649</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	102,751	-	102,751
Pension related items	2,131,582	883,544	3,015,126
Total Deferred Outflows of Resources	<u>2,234,333</u>	<u>883,544</u>	<u>3,117,877</u>
LIABILITIES			
Accounts payable and accrued liabilities	678,365	1,069,265	1,747,630
Deposits	124,282	56,824	181,106
Due to other governments	5,884	-	5,884
Accrued interest payable	53,054	8,907	61,961
Noncurrent Liabilities			
Compensated absences	499,723	376,460	876,183
Customer advances for construction	-	13,368	13,368
Deferred compensation	-	36,546	36,546
Pollution remediation liability	487,200	-	487,200
Net pension liability	284,627	106,695	391,322
Due within one year	1,301,682	41,990	1,343,672
Due in more than one year	14,586,838	933,524	15,520,362
Total Liabilities	<u>18,021,655</u>	<u>2,643,579</u>	<u>20,665,234</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	9,398,113	5,446	9,403,559
Pension related items	873,216	371,760	1,244,976
Total Deferred Inflows of Resources	<u>10,271,329</u>	<u>377,206</u>	<u>10,648,535</u>
NET POSITION			
Net investment in capital assets	47,035,979	45,884,864	92,920,843
Restricted	1,080,229	2,749,279	3,829,508
Unrestricted	5,154,712	10,908,694	16,063,406
TOTAL NET POSITION	<u>\$ 53,270,920</u>	<u>\$ 59,542,837</u>	<u>\$ 112,813,757</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,547,715	\$ 745,044	\$ 194,279	\$ -
Public safety	4,860,025	865,560	85,280	-
Public works	3,861,179	74,821	565,260	10,000
Health and human services	47,178	11,940	-	-
Culture, recreation and education	2,988,303	678,276	224,496	-
Conservation and development	299,507	-	-	-
Interest and fiscal charges	301,759	-	-	-
Total Governmental Activities	13,905,666	2,375,641	1,069,315	10,000
Business-type Activities				
Light and Water Utility	12,259,490	13,901,981	-	221,347
Sewer Utility	2,737,677	2,574,525	-	-
Total Business-type Activities	14,997,167	16,476,506	-	221,347
Total	\$ 28,902,833	\$ 18,852,147	\$ 1,069,315	\$ 231,347

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Property taxes, levied for library

Property taxes, levied for other purposes

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total general revenues

Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business - type Activities	Totals
\$ (608,392)	\$ -	\$ (608,392)
(3,909,185)	-	(3,909,185)
(3,211,098)	-	(3,211,098)
(35,238)	-	(35,238)
(2,085,531)	-	(2,085,531)
(299,507)	-	(299,507)
(301,759)	-	(301,759)
<u>(10,450,710)</u>	<u>-</u>	<u>(10,450,710)</u>
-	1,863,838	1,863,838
-	(163,152)	(163,152)
-	1,700,686	1,700,686
<u>(10,450,710)</u>	<u>1,700,686</u>	<u>(8,750,024)</u>
5,869,661	-	5,869,661
1,284,280	-	1,284,280
1,192,000	-	1,192,000
707,306	-	707,306
65,827	-	65,827
80,783	-	80,783
443,911	-	443,911
153,074	97,713	250,787
178,552	71,227	249,779
<u>9,975,394</u>	<u>168,940</u>	<u>10,144,334</u>
<u>772,814</u>	<u>(772,814)</u>	<u>-</u>
297,498	1,096,812	1,394,310
<u>52,973,422</u>	<u>58,446,025</u>	<u>111,419,447</u>
<u>\$ 53,270,920</u>	<u>\$ 59,542,837</u>	<u>\$ 112,813,757</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	General Fund	Capital Improvements Fund
ASSETS		
Unrestricted cash and investments	\$ 6,635,997	\$ 1,284,385
Restricted cash and investments	-	-
Receivables:		
Taxes	2,344,697	350,144
Delinquent personal property taxes	43,423	-
Accounts	174,996	7,910
Interest	566	-
Loans	-	-
Due from other funds	366,383	38,263
Materials and supplies	10,822	-
Prepaid expenditures	7,519	-
Advances to other funds	80,989	-
TOTAL ASSETS	\$ 9,665,392	\$ 1,680,702
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 178,595	\$ 20,657
Accrued liabilities	304,589	-
Deposits	110,813	13,469
Due to other funds	420,664	35,782
Due to other governments	5,884	-
Advance from other fund	-	-
Total Liabilities	<u>1,020,545</u>	<u>69,908</u>
Deferred Inflows of Resources		
Unavailable revenues	-	-
Unearned revenues	6,186,777	915,000
Total Deferred Inflows of Resources	<u>6,186,777</u>	<u>915,000</u>
Fund Balances		
Nonspendable	142,753	-
Restricted	-	-
Assigned	627,008	695,794
Unassigned (deficit)	1,688,309	-
Total Fund Balances	<u>2,458,070</u>	<u>695,794</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,665,392	\$ 1,680,702

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 943,737	\$ 1,419,507	\$ 10,283,626
-	982,931	982,931
574,853	303,017	3,572,711
-	-	43,423
-	96,268	279,174
-	-	566
-	140,234	140,234
26,833	224,742	656,221
-	-	10,822
-	126	7,645
-	-	80,989
<u>\$ 1,545,423</u>	<u>\$ 3,166,825</u>	<u>\$ 16,058,342</u>

\$ -	\$ 40,130	\$ 239,382
-	37,072	341,661
-	-	124,282
-	591	457,037
-	-	5,884
-	80,989	80,989
-	158,782	1,249,235

-	140,234	140,234
1,502,211	794,125	9,398,113
<u>1,502,211</u>	<u>934,359</u>	<u>9,538,347</u>

-	-	142,753
43,212	1,080,229	1,123,441
-	1,074,733	2,397,535
-	(81,278)	1,607,031
<u>43,212</u>	<u>2,073,684</u>	<u>5,270,760</u>

<u>\$ 1,545,423</u>	<u>\$ 3,166,825</u>	<u>\$ 16,058,342</u>
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See accompanying notes to the financial statements.

CITY OF CEDARBURG

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

Total Fund Balances - Governmental Funds	\$ 5,270,760
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Amounts reported for governmental activities in the statement of net position are different because different because:

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

Land	8,249,524
Construction in progress	273,486
Other capital assets, net of depreciation	54,298,738

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds

Loan receivables	140,234
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Internal service funds are used by the City to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

890,185

The net pension liability does not related to current financial resources and is not reported in the governmental funds.

(284,627)

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

2,131,582

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

(873,216)

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds, notes payable and unamortized premium/(discount)	(15,888,520)
Compensated absences	(499,723)
Unamortized loss on refunding	102,751
Pollution remediation liability	(487,200)
Accrued interest	(53,054)

NET POSITION OF GOVERNMENTAL ACTIVITIES

<u>\$ 53,270,920</u>

CITY OF CEDARBURG

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

For the Year Ended December 31, 2017

	General Fund	Capital Improvements Fund
REVENUES		
Taxes	\$ 5,869,661	\$ 1,192,000
Intergovernmental	1,056,400	8,692
Licenses and permits	372,141	-
Fines, forfeitures and penalties	52,233	-
Public charges for services	210,805	56,520
Intergovernmental charges for services	215,824	-
Investment income	54,616	7,964
Miscellaneous	179,472	65,267
Total Revenues	<u>8,011,152</u>	<u>1,330,443</u>
EXPENDITURES		
Current		
General government	1,053,802	-
Public safety	3,849,834	-
Public works	2,448,754	-
Health and human services	-	-
Culture, recreation and education	975,614	-
Conservation and development	86,451	-
Capital Outlay	221,368	2,438,821
Debt Service		
Principal	-	-
Interest and fees	-	-
Total Expenditures	<u>8,635,823</u>	<u>2,438,821</u>
Excess (deficiency) of revenues over expenditures	<u>(624,671)</u>	<u>(1,108,378)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	772,814	100,000
Transfers out	(138,175)	(207,474)
Proceeds from sale of capital assets	2,122	27,133
Total Other Financing Sources (Uses)	<u>636,761</u>	<u>(80,341)</u>
Net Change in Fund Balances	12,090	(1,188,719)
FUND BALANCES - Beginning of Year	<u>2,445,980</u>	<u>1,884,513</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,458,070</u>	<u>\$ 695,794</u>

See accompanying notes to the financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,284,280	\$ 853,916	\$ 9,199,857
4,932	214,375	1,284,399
-	-	372,141
-	21,072	73,305
37,222	1,066,232	1,370,779
-	-	215,824
1,011	16,726	80,317
-	72,784	317,523
<u>1,327,445</u>	<u>2,245,105</u>	<u>12,914,145</u>
-	-	1,053,802
-	301,634	4,151,468
-	-	2,448,754
-	45,107	45,107
-	1,485,080	2,460,694
-	213,056	299,507
-	113,450	2,773,639
1,303,552	-	1,303,552
385,723	-	385,723
<u>1,689,275</u>	<u>2,158,327</u>	<u>14,922,246</u>
<u>(361,830)</u>	<u>86,778</u>	<u>(2,008,101)</u>
200,000	59,549	1,132,363
-	(13,900)	(359,549)
-	18,000	47,255
<u>200,000</u>	<u>63,649</u>	<u>820,069</u>
(161,830)	150,427	(1,188,032)
<u>205,042</u>	<u>1,923,257</u>	<u>6,458,792</u>
<u>\$ 43,212</u>	<u>\$ 2,073,684</u>	<u>\$ 5,270,760</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

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

Net change in fund balances - total governmental funds	\$ (1,188,032)
--	----------------

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements, but is capitalized in the government-wide statements	2,773,639
Some items reported as outlay were not capitalized	(302,566)
Contributed capital assets	10,000
Depreciation is reported in the government-wide statements	(1,924,729)
Net book value of assets retired	(121,193)

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

Principal repaid	1,303,552
------------------	-----------

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	(12,354)
Accrued interest on debt	90,368
Net pension liability	255,208
Deferred outflows of resources related to pensions	(897,276)
Deferred inflows of resources related to pensions	270,033

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

Amortization of debt premiums	17,796
Amortization of loss on refunding	(21,632)
Amortization of debt discount	(2,568)

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

48,090

Internal service funds are used by the City to charge the cost of insurance to individual funds. The net revenue of the internal service fund is reported in the governmental activities.

(838)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

<u>\$ 297,498</u>

CITY OF CEDARBURG

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

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 7,154,932	\$ 2,857,978	\$ 10,012,910	\$ 1,000,388
Receivables:				
Accounts	1,454,239	1,588	1,455,827	21,745
Interest	8,506	-	8,506	-
Due from other funds	13,092	392,132	405,224	-
Materials and supplies	620,954	-	620,954	-
Prepayments	4,729	-	4,729	-
Other Assets - Commitment to community	44,786	-	44,786	-
Total Current Assets	9,301,238	3,251,698	12,552,936	1,022,133
NON-CURRENT ASSETS				
Restricted Assets - cash and investments	171	2,749,108	2,749,279	-
Preliminary survey and investigation	37,890	-	37,890	-
Non-utility property	49,377	-	49,377	-
Capital Assets				
Land	378,837	1,736,597	2,115,434	-
Construction in progress	21,035	8,200	29,235	-
Property, plant, and equipment	51,730,733	32,874,277	84,605,010	-
Less: Accumulated depreciation	(17,080,945)	(22,808,356)	(39,889,301)	-
Total Noncurrent Assets	35,137,098	14,559,826	49,696,924	-
Total Assets	44,438,336	17,811,524	62,249,860	1,022,133
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	644,271	239,273	883,544	-

See accompanying notes to the financial statements.

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 857,344	\$ 53,672	\$ 911,016	\$ 97,322
Accrued payroll	-	26,348	26,348	-
Accrued interest payable	2,057	6,850	8,907	-
Deposits	56,824	-	56,824	-
Due to other funds	561,882	7,900	569,782	34,626
Current portion of general obligation debt	-	41,990	41,990	-
Other current liability	131,901	-	131,901	-
Total Current Liabilities	1,610,008	136,760	1,746,768	131,948
NONCURRENT LIABILITIES				
Compensated absences	332,864	43,596	376,460	-
Customer advances for construction	13,368	-	13,368	-
Deferred compensation	36,546	-	36,546	-
Net pension liability	79,344	27,351	106,695	-
General obligation debt	-	933,524	933,524	-
Total Noncurrent Liabilities	462,122	1,004,471	1,466,593	-
Total Liabilities	2,072,130	1,141,231	3,213,361	131,948
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	5,446	-	5,446	-
Pension related items	270,542	101,218	371,760	-
Total Deferred Inflows of Resources	275,988	101,218	377,206	-
NET POSITION				
Net investment in capital assets	35,049,660	10,835,204	45,884,864	-
Restricted	171	2,749,108	2,749,279	-
Unrestricted	7,684,658	3,224,036	10,908,694	890,185
TOTAL NET POSITION	\$ 42,734,489	\$ 16,808,348	\$ 59,542,837	\$ 890,185

CITY OF CEDARBURG

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
OPERATING REVENUES				
Charges for services	\$ 13,743,967	\$ 2,574,525	\$ 16,318,492	\$ 318,864
Other operating revenues	158,014	-	158,014	31,689
Total Operating Revenues	13,901,981	2,574,525	16,476,506	350,553
OPERATING EXPENSES				
Operation and maintenance	10,821,480	1,451,923	12,273,403	404,177
Depreciation	1,437,566	1,124,400	2,561,966	-
Total Operating Expenses	12,259,046	2,576,323	14,835,369	404,177
Operating Income (Loss)	1,642,935	(1,798)	1,641,137	(53,624)
NONOPERATING REVENUES (EXPENSES)				
Investment income	63,696	34,017	97,713	52,786
Amortization expense	-	(1,343)	(1,343)	-
Interest expense	(444)	(18,288)	(18,732)	-
Nonoperating revenues (expenses)	(141,723)	71,227	(70,496)	-
Total Nonoperating Revenues (Expense)	(78,471)	85,613	7,142	52,786
Income (Loss) Before Capital Contributions and Transfers	1,564,464	83,815	1,648,279	(838)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contribution	221,347	-	221,347	-
Transfers	(772,814)	-	(772,814)	-
Total Capital Contributions and Transfers	(551,467)	-	(551,467)	-
Change in Net Position	1,012,997	83,815	1,096,812	(838)
NET POSITION - Beginning of Year	41,721,492	16,724,533	58,446,025	891,023
NET POSITION - END OF YEAR	\$ 42,734,489	\$ 16,808,348	\$ 59,542,837	\$ 890,185

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

	Business - type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 13,671,470	\$ 2,693,323	\$ 16,364,793	\$ -
Paid to suppliers for goods and services	(9,529,072)	(1,032,005)	(10,561,077)	(314,942)
Paid to employees for services	(1,212,277)	(531,405)	(1,743,682)	-
Receipts from municipality	309,463	-	309,463	364,237
Net Cash Flows From Operating Activities	3,239,584	1,129,913	4,369,497	49,295
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(1,560,466)	(603,219)	(2,163,685)	(242,676)
Proceeds from sale and maturities of investment securities	1,549,267	591,642	2,140,909	235,377
Investment income	60,672	35,294	95,966	52,786
Net Cash Flows From Investing Activities	49,473	23,717	73,190	45,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(765,000)	-	(765,000)	-
Transfers in (out)	(7,521)	-	(7,521)	-
Net Cash Flows From Noncapital Financing Activities	(772,521)	-	(772,521)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	-	(55,000)	(55,000)	-
Interest paid	-	(27,809)	(27,809)	-
Acquisition and contraction of capital assets	(3,429,103)	(1,216,577)	(4,645,680)	-
Salvage on retirement of plant	13,363	-	13,363	-
Cost of removal of property retired	(177,304)	-	(177,304)	-
Impact fees received	19,564	-	19,564	-
Contributions in-aid-of construction	80,761	-	80,761	-
Net Cash Flows From Capital and Related Financing Activities	(3,492,719)	(1,299,386)	(4,792,105)	-
Net Change in Cash and Cash Equivalents	(976,183)	(145,756)	(1,121,939)	94,782
CASH AND CASH EQUIVALENTS - Beginning of Year	6,570,820	3,959,044	10,529,864	111,464
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,594,637	\$ 3,813,288	\$ 9,407,925	\$ 206,246

See accompanying notes to the financial statements.

	Business - Type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewerage Department	Totals	Internal Service Fund - Risk Management
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,642,935	\$ (1,798)	\$ 1,641,137	\$ (53,624)
Miscellaneous nonoperating activities	(11,353)	71,227	59,874	-
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	1,437,566	1,235,913	2,673,479	-
Depreciation charged to clearing accounts	111,513	(111,513)	-	-
Changes in assets and liabilities:				
Accounts receivable	73,819	56,564	130,383	(15,485)
Due from other funds	(2,997)	(111,228)	(114,225)	63,795
Prepayments	(132)	-	(132)	-
Materials and supplies	(26,349)	-	(26,349)	-
Accounts payable	(137,979)	(31,357)	(169,336)	54,609
Accrued payroll and related benefits	33,585	(8,904)	24,681	-
Due to other funds	9,968	-	9,968	-
Deposits	1,515	-	1,515	-
Accrued interest on deposit	380	-	380	-
Pension related deferrals	101,133	27,809	128,942	-
Other current liabilities	5,980	3,200	9,180	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,239,584	\$ 1,129,913	\$ 4,369,497	\$ 49,295
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Current - cash and investments - unrestricted	\$ 7,154,932	\$ 2,857,978	\$ 10,012,910	\$ 1,000,388
Non-current - cash and investments - restricted	171	2,749,108	2,749,279	-
Non-cash equivalents	(1,560,466)	(1,793,798)	(3,354,264)	(794,142)
CASH AND CASH EQUIVALENTS	\$ 5,594,637	\$ 3,813,288	\$ 9,407,925	\$ 206,246
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of premiums	\$ -	\$ 1,343	\$ 1,343	\$ -
Developer financed additions to utility plant	\$ 3,042	\$ -	\$ 3,042	\$ -
Contributions receivable	\$ 149,379	\$ -	\$ 149,379	\$ -

CITY OF CEDARBURG

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

	<u>Agency Fund</u>
	<u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 9,820,134
Taxes receivable	<u>6,088,244</u>
Total Assets	<u>\$ 15,908,378</u>
LIABILITIES	
Due to other governments	<u>\$ 15,908,378</u>

CITY OF CEDARBURG

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CITY OF CEDARBURG

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF CEDARBURG

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Community Development Authority of the City

The government-wide financial statements include the Community Development Authority of the City ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the Mayor and confirmed by the Common Council. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. The Community Development Authority of the City is part of the reporting entity of the City of Cedarburg. However, the CDA had no financial transactions during 2017 which are material to these financial statements. Also, the CDA does not own any assets nor is it liable for any debt. Therefore, no financial statements are presented in this report. The CDA does not issue separate financial statements.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

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

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

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

Separate financial statements are provided for governmental funds, 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 city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- 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 improvements fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The city reports the following major enterprise funds:

- Light and Water Utility - accounts for operations of the electrical and water system.
- Sewer Utility - accounts for operations of the sewer system.

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

Cemetery	Room Tax
Recreation Programs	Swimming Pool
Community Development Block Grant	Library
Park Impact Fee	
Rescue/EMS	

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 Finance (TIF) District No. 3
Tax Incremental Finance (TIF) District No. 4

In addition, the city reports the following fund types:

Internal Service Fund - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Risk Management

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

Tax Collection Fund

CITY OF CEDARBURG

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

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

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's light and water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2017, there were \$430,735 and \$198,245 of City and Sewer Utility, respectively, 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.

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

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

Proprietary and fiduciary fund financial statements (other than agency funds) 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 Light and Water and Sewer Utilities 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 city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.

CITY OF CEDARBURG

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

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

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

1. Deposits and Investments (cont.)

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

The city has adopted an investment policy. That policy follows the state statute for allowable investments. The Policy addresses custodial credit risk by stating that deposits shall not exceed federal and/or state insurance coverage unless (a) they are collateralized by federal government securities at a rate of 110% of the investment; b) they are collateralized by local mortgages at a rate of 135% of the investments; or c) collateralization has been waived by the Common Council.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the city'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.

CITY OF CEDARBURG

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

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

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

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school districts 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 assets and liabilities - agency fund.

Property tax calendar - 2017 tax roll:

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

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 light and 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.

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.

The city has received state grant funds for economic development loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has not been reduced by an allowance for uncollectible accounts.

CITY OF CEDARBURG

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

NOTE 1 - 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.)

It is the city'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. Materials and Supplies and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

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 and sewer capital and infrastructure assets and \$500 for light and water utility capital 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.

CITY OF CEDARBURG

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

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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 over the range of estimated useful lives by type of asset or is computed under that straight-line method using rates certified by the Public Service Commission for the Light and Water utility. The range of estimated useful lives by type of asset is as follows:

Buildings	25-99 Years
Land improvements	15 Years
Equipment	7-15 Years
Computer equipment	5-10 Years
Infrastructure - traffic signals	15 Years
Infrastructure - all other	60 Years
Vehicles	4-10 Years
Electric plant in service	5-40 Years
Water plant in service	4-77 Years
Sewer plant in service	10-80 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.

CITY OF CEDARBURG

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

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

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

6. Other Assets

Designated investments - the Light and Water Commission has internally designated \$2,250,125 of cash and investments for future construction projects and monthly operating reserves.

Commitment to community - the Light and Water Utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The Utility is acting as an agent administering the program so net collections and expenses associated with the program are recorded as a current liability or asset on the statement of net position.

Preliminary survey and investigation - the balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

Non-Utility property - the Light and Water Utility in 2006, 2008, and 2015 transferred infrastructure and land no longer in utility use; specifically, the SW, Layton, and Lincoln Substations land, building and equipment and land from a well on Fair Street that was abandoned long ago. These assets, excluding land, are fully depreciated at December 31, 2017. Costs to construct a fitness area and the cost of fitness equipment and flooring was recorded as nonutility property in 2011. Costs were partially offset in 2011 and will continue to be so in future years through fees collected from users of the fitness room. The utility dismantled and sold the switchgear at the former SW substation and removed other obsolete substation equipment in 2017, which reduced the value in non-utility property.

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.

CITY OF CEDARBURG

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

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

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

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 pay earned and not taken is cumulative. Sick leave is earned at the rate of 1.25 working days for each month of service up to a maximum of 15 days for police department employees and 12 days for all other employees per year and a total of 120 days. Upon retirement, disability, or death, the employee or their estate shall be paid, at the current wage rate, 50% of the accumulated unused sick leave pay benefits. All employees who have reached the maximum allotment of 120 sick days shall be compensated 30% of any sick days accumulated over 120. This compensation shall be paid in the first check of the following year at the previous year's rate. At December 31, 2017, 50% of the accumulated sick leave pay benefits estimated to be paid out for all employees is recorded as a liability in the government-wide financial statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources. Employees earn vacation in varying amounts based on length of service. Generally, City employees are not allowed to accumulate vacation pay. Light and Water Utility employees are allowed to accumulate unused vacation pay, which is recorded as an expense of the Light and Water Utility Enterprise Fund when earned.

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

9. Long-Term Obligations

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, accrued compensated absences, net pension liability and pollution remediation liability.

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.

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.

CITY OF CEDARBURG

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

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

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

11. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Common Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Common Council that originally created the commitment.

CITY OF CEDARBURG

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

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- 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 Common Council has, by resolution, adopted a financial policy authorizing the Administrator/Treasurer 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 city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. 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.

CITY OF CEDARBURG

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

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

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

13. Basis for Existing Rates

Sewer Utility

Sewer rates are changed on January 1 of each year. The rates as of January 1, 2017 remained the same as 2016 as \$5.22 per 1,000 gallons with a \$14 monthly connection fee. For January 1, 2018, the sewer use charge will increase to \$5.30 per 1,000 gallons with a \$14 monthly connection fee.

Electric Utility

Current electric rates were approved by the PSCW effective May 1, 2016. The rates are designed to provide a 5.0% return on rate base.

Water Utility

Current water rates were approved by the PSCW effective January 1, 2015 designed to provide a 5.5% return on rate base.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the General Fund, Capital Improvement Fund, Debt Service Fund, Special Revenue Fund - Cemetery, Special Revenue Fund - Room Tax, Special Revenue Fund - Recreation Programs, Special Revenue Fund - Swimming Pool, Special Revenue Fund - Park Impact Fee and Special Revenue Fund - Library. A budget has not been formally adopted for Special Revenue Fund - Community Development Block Grant, Special Revenue Fund - Rescue/EMS, Capital Project Fund - TIF No. 3 Fund and Capital Project Fund - TIF No. 4. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF CEDARBURG

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

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

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Special Revenue Fund - Room Tax	\$ 65,000	\$ 80,783	\$ 15,783
Special Revenue Fund - Recreation Programs	213,526	283,309	69,783
Special Revenue Fund - Swimming Pool	362,059	362,314	255

The city controls expenditures at the function level for the General Fund. For all other funds the City controls expenditures at the fund level. Some individual fund experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

C. DEFICIT BALANCES

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

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

Fund	Amount	Reason
Capital Project Fund - TIF District No. 3	\$ 24,516	Expenditures exceeded revenues
Capital Project Fund - TIF District No. 4	56,762	Expenditures exceeded revenues

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. TIF District No. 3 and TIF District No. 4 fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

D. LIMITATIONS ON THE DISTRICT'S TAX LEVY

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

CITY OF CEDARBURG

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 27,310,965	\$ 27,658,709	Custodial credit
US agencies	4,773,486	4,773,486	Custodial credit, interest rate and investments highly sensitive to interest rate changes
State and local bonds	271,025	271,025	Credit, custodial credit, interest rate and investments highly sensitive to interest rate changes
Corporate bonds	587,587	587,587	Credit, custodial credit, interest rate, concentration of credit and investments highly sensitive to interest rate changes
LGIP	1,770,677	1,770,677	Credit
US treasuries	134,452	134,452	Custodial credit, interest rate and investments highly sensitive to interest rate changes
Petty cash	1,076	-	N/A
Total Deposits and Investments	<u>\$ 34,849,268</u>	<u>\$ 35,195,936</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,296,924		
Restricted cash and investments	3,732,210		
Per statement of assets and liabilities -			
agency fund			
Agency fund	<u>9,820,134</u>		
Total Deposits and Investments	<u>\$ 34,849,268</u>		

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the city's investments are covered by SIPC.

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

The valuation methods for recurring fair value measurements are as follows:

- Market Value

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
US agencies	\$ 4,773,486	\$ -	\$ -	\$ 4,773,486
US treasuries	134,452	-	-	134,452
State and local bonds	-	271,025	-	271,025
Corporate bonds	-	587,587	-	587,587
Total	<u>\$ 4,907,938</u>	<u>\$ 858,612</u>	<u>\$ -</u>	<u>\$ 5,766,550</u>

Custodial Credit Risk

Deposits

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

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2017, \$25,954,242 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,124,998
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the city's name	<u>24,829,244</u>
Total	<u>\$ 25,954,242</u>

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The city does not have any investments 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.

As of December 31, 2017, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investors Services</u>
State and Local Bonds	AA3 through AAA

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

LGIP

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2017, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 1	1-3	4-6
US agencies	\$ 4,773,486	\$ 889,126	\$ 2,918,146	\$ 966,214
US treasuries	134,452	-	-	134,452
State and local bonds	271,025	-	-	271,025
Corporate bonds	587,587	198,987	292,629	95,971
Totals	<u>\$ 5,766,550</u>	<u>\$ 1,088,113</u>	<u>\$ 3,210,775</u>	<u>\$ 1,467,662</u>

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2017, the city held \$4,773,486, \$134,452, \$271,025 and \$587,587 in US agencies, US treasuries, State and local bonds and corporate bonds respectively. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is 6 years maturing September 6, 2024.

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 delinquent personal property taxes of \$43,423.

CITY OF CEDARBURG

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

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

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 9,398,113	\$ -
Loan receivables	<u>-</u>	<u>140,234</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 9,398,113</u>	<u>\$ 140,234</u>

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.

Impact Fee Account

The light and water utility and sewer utility has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Community Development Block Grant

Restricted assets have been reported in connection with monies from the Community Development Block Grant (CDBG) federal program. These monies have been used to fund local community development activities in the City providing loans to local businesses. Outstanding loans have an interest rate of 2.00% and repayment goes through June 1, 2022.

CITY OF CEDARBURG

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

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

C. RESTRICTED ASSETS (cont.)

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

	Restricted Assets
Equipment replacement account	\$ 2,465,208
Light and Water impact fee account	171
Sewer impact fee account	283,900
CDBG account	901,623
CDBG receivables	140,234
Park impact fee account	81,308
Total	<u>\$ 3,872,444</u>

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,239,524	\$ 10,000	\$ -	\$ 8,249,524
Construction in progress	8,228,707	687,477	8,642,698	273,486
Total Capital Assets Not Being Depreciated	<u>16,468,231</u>	<u>697,477</u>	<u>8,642,698</u>	<u>8,523,010</u>
Capital assets being depreciated				
Buildings and Improvements	15,794,293	8,703,059	21,432	24,475,920
Infrastructure	45,136,103	984,324	222,482	45,897,945
Vehicles	6,699,214	631,956	611,104	6,720,066
Machinery and Equipment	3,998,811	106,955	40,378	4,065,388
Total Capital Assets Being Depreciated	<u>71,628,421</u>	<u>10,426,294</u>	<u>895,396</u>	<u>81,159,319</u>
Total Capital Assets	<u>88,096,652</u>	<u>11,123,771</u>	<u>9,538,094</u>	<u>89,682,329</u>

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Buildings and Improvements	(3,375,688)	(494,764)	14,316	(3,856,136)
Infrastructure	(15,648,923)	(752,267)	222,482	(16,178,708)
Vehicles	(4,278,789)	(520,510)	502,509	(4,296,790)
Machinery and Equipment	(2,406,655)	(157,188)	34,896	(2,528,947)
Total Accumulated Depreciation	<u>(25,710,055)</u>	<u>(1,924,729)</u>	<u>774,203</u>	<u>(26,860,581)</u>
Net Capital Assets Being Depreciated	<u>45,918,366</u>	<u>8,501,565</u>	<u>121,193</u>	<u>54,298,738</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 62,386,597</u>	<u>\$ 9,199,042</u>	<u>\$ 8,763,891</u>	<u>\$ 62,821,748</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 28,626
Public safety	305,310
Public works	1,153,249
Health and human services	2,071
Culture, recreation and education	<u>435,473</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,924,729</u>

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated				
Land	\$ 1,736,597	\$ -	\$ -	\$ 1,736,597
Construction in progress	1,288,594	149,089	1,429,483	8,200
Total Capital Assets Not Being Depreciated	3,025,191	149,089	1,429,483	1,744,797
Capital assets being depreciated				
Plant in service	30,714,009	3,752,878	1,592,610	32,874,277
Total Capital Assets Being Depreciated	30,714,009	3,752,878	1,592,610	32,874,277
Total Capital Assets	33,739,200	3,901,967	3,022,093	34,619,074
Less: Accumulated depreciation for				
Plant in service	(21,699,678)	(1,124,400)	15,722	(22,808,356)
Total Accumulated Depreciation	(21,699,678)	(1,124,400)	15,722	(22,808,356)
Net Capital Assets Being Depreciated	9,014,331	2,628,478	1,576,888	10,065,921
Net Sewer Capital Assets	\$ 12,039,522	\$ 2,777,567	\$ 3,006,371	\$ 11,810,718

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Light and Water				
Capital assets not being depreciated				
Land	\$ 378,837	\$ -	\$ -	\$ 378,837
Construction in progress	32,716	-	11,681	21,035
Total Capital Assets Not Being Depreciated	<u>411,553</u>	<u>-</u>	<u>11,681</u>	<u>399,872</u>
Capital assets being depreciated				
Plant in service	49,371,221	3,174,909	815,397	51,730,733
Total Capital Assets Being Depreciated	<u>49,371,221</u>	<u>3,174,909</u>	<u>815,397</u>	<u>51,730,733</u>
Total Capital Assets	<u>49,782,774</u>	<u>3,174,909</u>	<u>827,078</u>	<u>52,130,605</u>
Less: Accumulated depreciation for				
Plant in service	(16,356,293)	(1,717,353)	992,701	(17,080,945)
Total Accumulated Depreciation	<u>(16,356,293)</u>	<u>(1,717,353)</u>	<u>992,701</u>	<u>(17,080,945)</u>
Net Capital Assets Being Depreciated	<u>33,014,928</u>	<u>1,457,556</u>	<u>(177,304)</u>	<u>34,649,788</u>
Net Light and Water Capital Assets	<u>\$ 33,426,481</u>	<u>\$ 1,457,556</u>	<u>\$ (165,623)</u>	<u>\$ 35,049,660</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,466,003</u>	<u>\$ 4,235,123</u>	<u>\$ 2,840,748</u>	<u>\$ 46,860,378</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 1,124,400
Light and Water	<u>1,437,566</u>
Total Business-type Activities Depreciation Expense	<u>\$ 2,561,966</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

CITY OF CEDARBURG

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

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund - Room Tax	\$ 240
General Fund	Capital Improvement Fund	2,723
General Fund	Special Revenue Fund - Cemetery	88
General Fund	Special Revenue Fund - CDBG	263
Special Revenue Fund - Library	General Fund	55,166
Special Revenue Fund - Recreation Programs	General Fund	103,680
Special Revenue Fund - Swimming Pool	General Fund	1,110
Special Revenue Fund - Park Impact Fee	General Fund	64,786
Debt Service Fund	General Fund	26,833
Capital Improvement Fund	Risk Management Fund	34,626
Sewer Utility	Capital Improvement Fund	33,059
Sewer Utility	General Fund	163,898
Sewer Utility	Light and Water Utility	195,175
General Fund	Light and Water Utility	363,070
Capital Improvement Fund	Light and Water Utility	3,637
Light and Water Utility	Sewer Utility	7,900
Light and Water Utility	General Fund	<u>5,192</u>
Total - Fund Financial Statements		1,061,446
Less: Fund eliminations		<u>(896,888)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 164,558</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 366,707
Business-type Activities	Governmental Activities	<u>(202,149)</u>
Total Government-Wide Financial Statements		<u>\$ 164,558</u>

All amounts are due within one year.

CITY OF CEDARBURG

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

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

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

Interfund Receivables/Payables (cont.)

The principal purpose of these interfunds is collecting items placed on tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances

The general fund is advancing funds to the Capital Project Fund - TIF District No. 3 and the Capital Project Fund - TIF District No. 4. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been established.

As of December 31, 2017, the General Fund has advanced \$24,227 to the Capital Project Fund - TIF District No. 3 and \$56,762 to the Capital Project Fund - TIF District No. 4.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Light and Water Utility	\$ 772,814	Property tax equivalent
Capital Improvement Fund	General Fund	100,000	Fund capital purchases
Debt Service Fund	Capital Improvement Fund	200,000	Debt service
Special Revenue Fund - Library Fund	Capital Improvement Fund	7,474	To fund operations
Special Revenue Fund - Recreation Programs	General Fund	1,000	To fund operations
Special Revenue Fund - Swimming Pool	General Fund	37,175	To fund operations
Special Revenue Fund - Swimming Pool	Special Revenue Fund - Recreation Programs	<u>13,900</u>	To fund operations
Total - Fund Financial Statements		1,132,363	
Less: Fund eliminations		<u>(359,549)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 772,814</u>	

CITY OF CEDARBURG

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

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

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

Transfers (cont.)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 772,814
Business-type Activities	Governmental Activities	-
		<u>\$ 772,814</u>
Total Government-wide Financial Statements		<u>\$ 772,814</u>

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

F. LONG-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 16,951,111	\$ -	\$ 1,303,552	\$ 15,647,559	\$ 1,287,102
(Discounts)/Premiums	256,189	-	15,228	240,961	14,580
Sub-totals	<u>17,207,300</u>	<u>-</u>	<u>1,318,780</u>	<u>15,888,520</u>	<u>1,301,682</u>
Other Liabilities					
Accumulated sick pay	487,369	12,354	-	499,723	-
Pollution remediation liability	487,200	-	-	487,200	-
Net pension liability	539,835	-	255,208	284,627	-
Total Other Liabilities	<u>1,514,404</u>	<u>12,354</u>	<u>255,208</u>	<u>1,271,550</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 18,721,704</u>	<u>\$ 12,354</u>	<u>\$ 1,573,988</u>	<u>\$ 17,160,070</u>	<u>\$ 1,301,682</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,005,000	\$ -	\$ 55,000	\$ 950,000	\$ 40,000
(Discounts)/Premiums	26,857	-	1,343	25,514	1,990
Sub-totals	<u>1,031,857</u>	<u>-</u>	<u>56,343</u>	<u>975,514</u>	<u>41,990</u>

CITY OF CEDARBURG

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

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities (cont.)					
Other Liabilities					
Compensated absences	\$ 360,663	\$ 24,701	\$ 8,904	\$ 376,460	\$ -
Other long-term liabilities	62,665	-	12,751	49,914	-
Net pension liability	223,392	-	116,697	106,695	-
Total Other Liabilities	646,720	24,701	138,352	533,069	-
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,678,577</u>	<u>\$ 24,701</u>	<u>\$ 194,695</u>	<u>\$ 1,508,583</u>	<u>\$ 41,990</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2017, was \$65,457,365. Total general obligation debt outstanding at year end was \$16,597,559.

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
GO Notes	6/3/2015	3/1/2015	2.00%	\$ 3,470,000	\$ 3,020,000
GO Notes	9/5/2012	3/1/2027	0.50 - 2.20%	5,565,000	4,125,000
Build America Bonds	6/3/2010	3/15/2020	4.25%	800,000	272,559
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	8,700,000	8,230,000
Total Governmental Activities - General Obligation Debt					<u>\$ 15,647,559</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	\$ 1,005,000	<u>\$ 950,000</u>

CITY OF CEDARBURG

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2018	\$ 1,287,102	\$ 308,821	\$ 40,000	\$ 20,550
2019	1,365,804	285,919	45,000	19,813
2020	1,379,653	262,209	45,000	19,138
2021	1,390,000	236,563	45,000	18,462
2022	1,405,000	212,112	45,000	17,675
2023-2027	4,520,000	751,600	235,000	74,675
2028-2032	2,265,000	428,738	260,000	49,581
2033-2036	2,035,000	123,969	235,000	14,256
Totals	<u>\$ 15,647,559</u>	<u>\$ 2,609,931</u>	<u>\$ 950,000</u>	<u>\$ 234,150</u>

Other Debt Information

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

Lessor - Operating Leases

The City of Cedarburg entered into various legal agreements to use a portion of the City's water tower to attach antennae. For the year ended December 31, 2017, the City received \$143,853. The terms of the leases are for five years, with a right to extend for four additional five-year terms. The following is a summary of projected revenues for the next five years.

Years	Governmental Activities Principal
2018	\$ 153,628
2019	161,310
2020	169,375
2021	177,844
2022	<u>186,736</u>
Totals	<u>\$ 848,893</u>

CITY OF CEDARBURG

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

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

G. POLLUTION REMEDIATION OBLIGATIONS

At year end December 31, 2017, the city was obligated to address the future pollution cleanup activities at Prochnow Landfill, due to federal or state laws and regulations. The city's obligation originated in to address the pollution remediation because the pollution created an imminent endangerment to public health or welfare or the environment. Examples of expected future remediation activity costs include legal services, site investigation, and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the cash flows expected to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2017, the obligation was \$487,200. The city will recognize these liabilities and related expenses as an operating expense in the government-wide financial statements only when such costs become measurable. Because of this, the liability is subject to change as the city becomes aware of new information which may affect its estimate. Only when actual outlays are made are they recognized in the governmental fund financial statements as expenditures. This will also reduce the amount of the liability on the government-wide financial statements. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 8,249,524
Construction in progress	273,486
Other capital assets, net of accumulated depreciation	54,298,738
Less: Long-term debt outstanding	(15,647,559)
Plus: Unamortized refunding loss	102,751
Less: Unamortized debt premium	(240,961)
Total Net Investment in Capital Assets	<u>47,035,979</u>
Restricted	
Community development	901,360
Park impact fees	146,094
Library	32,775
Total Restricted	<u>1,080,229</u>
Unrestricted	<u>5,154,712</u>
Total Governmental Activities Net Position	<u>\$ 53,270,920</u>

CITY OF CEDARBURG

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

	General Fund	Capital Improvement Fund	Debt Service Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Noncurrent receivables	\$ 43,423	\$ -	\$ -	\$ -	\$ 43,423
Prepaid and inventory	18,341	-	-	-	18,341
Advance to other fund	80,989	-	-	-	80,989
Restricted for:					
Debt service	-	-	43,212	-	43,212
Park impact fees	-	-	-	146,094	146,094
Community development	-	-	-	901,360	901,360
Library	-	-	-	32,775	32,775
Assigned to:					
Revaluations	116,949	-	-	-	116,949
Subsequent year purchases	22,959	-	-	-	22,959
Subsequent years budget	487,100	-	-	-	487,100
Capital improvements	-	695,794	-	-	695,794
Cemetery	-	-	-	267,573	267,573
Room tax	-	-	-	462	462
Recreation programs	-	-	-	90,953	90,953
Swimming pool	-	-	-	15	15
Rescue/EMS	-	-	-	715,730	715,730
Unassigned (deficit):	<u>1,688,309</u>	<u>-</u>	<u>-</u>	<u>(81,278)</u>	<u>1,607,031</u>
Total Fund Balances (Deficit)	<u>\$ 2,458,070</u>	<u>\$ 695,794</u>	<u>\$ 43,212</u>	<u>\$ 2,073,684</u>	<u>\$ 5,270,760</u>

CITY OF CEDARBURG

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

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets

Land	\$ 2,115,434
Construction in progress	29,235
Other capital assets, net of accumulated depreciation	44,715,709
Less: Long-term debt outstanding	(950,000)
Plus: Unamortized debt discount	(25,514)
Total Net Investment in Capital Assets	<u>45,884,864</u>

Restricted

Light and Water impact fees	171
Equipment replacement	2,465,208
Sewer impact fees	283,900
Total Restricted	<u>2,749,279</u>

Unrestricted

10,908,694

Total Business-type Activities Net Position \$ 59,542,837

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$459,037 in contributions from the city.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	11.0%
Protective without Social Security	6.8%	15.3%

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

At December 31, 2017, the city reported a liability of \$391,322 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city's proportion was 0.04747672%, which was an increase of 0.00050832% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$1,003,287.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2017, the city 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	\$ 149,211	\$ 1,230,673
Changes in assumptions	409,142	-
Net differences between projected and actual earnings on pension plan investments	1,947,874	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	14,303
Employer contributions subsequent to the measurement date	508,899	-
Totals	<u>\$ 3,015,126</u>	<u>\$ 1,244,976</u>

\$508,899 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 911,833	\$ 397,134
2019	911,832	397,134
2020	746,931	396,625
2021	(65,048)	53,996
2022	679	87

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Sensitivity of the city's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 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%)
City's proportionate share of the net pension liability (asset)	\$5,148,086	\$391,322	\$(3,271,602)

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

At December 31, 2017, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The city participates in a public entity risk pool called to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees. However, other risks, such as torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees are accounted for and financed by the city in the general fund.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The city's share of such losses is not material.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$17,500 per occurrence and an annual aggregate limit of \$70,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2017. A total liability of approximately \$92,170 at December 31, 2017, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2016	\$ 4,464	\$ 643,707	\$ 605,615	\$ 42,556
2017	42,556	689,166	639,552	92,170

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.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

The city has 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.

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$411 million as of December 31, 2017.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Claims and Other Legal Procedures

During 2011, the light and water utility added an aeration system at Well #4 due to contamination by vinyl chloride. Parties believed to be responsible for the contamination were notified of the problem and the utility is seeking reimbursement from the potentially responsible parties for costs associated with the aeration system at Well #4 which the utility believes were necessitated because of contamination originating at the closed landfill. This process of seeking and obtaining reimbursement is expected to take several years. During 2014, as part of a water rate application with the PSCW the costs associated with the aeration system at Well #4 were reclassified as utility financed plant and the related contribution reversed allowing these costs to be recovered from rate payers until such time as reimbursement is received from the potentially responsible parties. Although the utility has financed all costs to date of the aeration system at Well #4, cost recovery is expected from the potentially responsible parties. Additional legal and consulting fees incurred after this date may be recoverable in the future.

In another matter, although the City has not been named responsible for the environmental contamination of a Superfund site, the industrial building poses a hazard that could well be a potential liability. The site will cost several millions to clean up. The immediate concern is the deterioration of the industrial building. The collapse of the roof and contamination hazards that exist inside the building create an obligation to protect the public safety of the City's residents. An engineering assessment indicates that a progressive collapse could affect surrounding properties. The EPA is still attempting to seek cooperation from the bankrupt company. To date, neither the EPA nor the company has committed to demolish the building. It is estimated that demolishing the building will cost approximately one million dollars.

D. SUBSEQUENT EVENTS

On February 27, 2018, the Joint Review Board approved Tax Incremental District No. 5 (St. Francis Borgia Site). TID No. 5 is a proposed 4.25 acres blighted area district to be created to facilitate redevelopment on five parcels owned by the St. Francis Borgia congregation consisting of a vacated elementary school building site and church rectory, a surface parking lot and a vacant parcel. These parcels are located near the south end of Cedarburg's Historic Downtown District located on both sides of Hamilton Road directly southeast of the Washington Avenue and Hamilton Road intersection. The redevelopment project consists of razing the St. Francis Borgia elementary school and church rectory followed by the necessary site preparation for the construction of two buildings supporting 60 high end apartment units, a building with 9 townhome style units and a single-family home site by HSI Properties. The City anticipates making total expenditures of approximately \$1.98 million to undertake the projects.

On March 16, 2018, the City issued State Trust Fund Loans with a 3.50% interest rate in the amount of \$300,000 to construct a monopole cell tower.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

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

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

F. MID-MORaine MUNICIPAL COURT

During 2002, the City became a member of the Mid-Moraine Municipal Court. The Court handles collection of fines, fees and penalties and then distributes them to the originating municipality. The City's share of court expenses is determined based on the number of citations and complaints filed on behalf of the City compared to that of the other participating municipalities. This agreement will terminate on April 30, 2021.

<u>Municipality</u>	<u>% Expenses Paid</u>
City of Cedarburg	2.81 %
Village of Grafton	7.40
Village of Thiensville	1.67
City of West Bend	25.84
Village of Germantown	11.96
City of Hartford	9.79
Village of Kewaskum	2.83
Village of Slinger	6.94
Village of Jackson	4.40
City of Port Washington	7.07
Village of Saukville	4.60
Town of Hartford	0.33
City of Mequon	11.45
Town of Trenton	2.38
Village of Newburg	0.11
Village of Fredonia	<u>0.42</u>
Total	<u>100.00 %</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CEDARBURG

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,869,616	\$ 5,869,616	\$ 5,869,661	\$ 45
Intergovernmental	983,469	983,469	1,056,400	72,931
Licenses and permits	429,335	414,010	372,141	(41,869)
Fines, forfeitures and penalties	67,500	67,500	52,233	(15,267)
Public charges for services	76,565	95,090	210,805	115,715
Intergovernmental charges for services	217,614	217,614	215,824	(1,790)
Investment income	31,400	31,400	54,616	23,216
Miscellaneous	162,972	189,772	179,472	(10,300)
Total Revenues	<u>7,838,471</u>	<u>7,868,471</u>	<u>8,011,152</u>	<u>142,681</u>
EXPENDITURES				
Current				
General government	1,068,915	1,093,494	1,053,802	39,692
Public safety	3,978,243	3,963,243	3,849,834	113,409
Public works	2,502,004	2,488,904	2,448,754	40,150
Culture, recreation and education	918,502	977,702	975,614	2,088
Conservation and development	87,880	87,880	86,451	1,429
Capital Outlay	97,434	97,434	221,368	(123,934)
Total Expenditures	<u>8,652,978</u>	<u>8,708,657</u>	<u>8,635,823</u>	<u>72,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(814,507)</u>	<u>(840,186)</u>	<u>(624,671)</u>	<u>215,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	798,464	798,464	772,814	(25,650)
Transfers out	(139,700)	(139,700)	(138,175)	1,525
Proceeds from sale of capital assets	-	-	2,122	2,122
Total Other Financing Sources (Uses)	<u>658,764</u>	<u>658,764</u>	<u>636,761</u>	<u>(22,003)</u>
Net Change in Fund Balance	<u>\$ (155,743)</u>	<u>\$ (181,422)</u>	<u>12,090</u>	<u>\$ 193,512</u>
FUND BALANCE - Beginning of Year			<u>2,445,980</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,458,070</u>	

CITY OF CEDARBURG

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

WRS Fiscal Year End	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.046698590%	\$ (1,146,730)	\$ 5,899,895	19.44%	102.74%
12/31/15	0.046968390%	\$ 763,227	\$ 6,094,159	12.52%	98.20%
12/31/16	0.047476720%	\$ 391,322	\$ 6,246,295	6.26%	99.12%

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

City's Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 463,416	\$ 463,416	\$ -	\$ 6,094,159	7.60%
12/31/16	\$ 463,871	\$ 463,871	\$ -	\$ 6,246,295	7.43%
12/31/17	\$ 508,899	\$ 508,899	\$ -	\$ 6,313,813	8.06%

CITY OF CEDARBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2017

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

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

Appropriations lapse at year end unless specifically carried over. There was \$22,959 carried over to the following year. Budgets are adopted at the function level of expenditure for the general fund and total expenditures for the all other funds.

WISCONSIN RETIREMENT SYSTEM PENSION

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

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

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

Change of assumptions. There were no changes in the assumptions.

SUPPLEMENTARY INFORMATION

CITY OF CEDARBURG

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

	Special Revenue Funds			
	Cemetery Fund	Room Tax Fund	Recreation Programs Fund	Community Development Block Grant Fund
ASSETS				
Unrestricted cash and investments	\$ 269,028	\$ -	\$ -	\$ -
Restricted cash and investments	-	-	-	901,623
Receivables:				
Taxes	-	-	-	-
Accounts	995	22,472	-	-
Loans	-	-	-	140,234
Prepaid expenses	-	-	-	-
Due from other funds	-	-	103,680	-
Total Assets	<u>\$ 270,023</u>	<u>\$ 22,472</u>	<u>\$ 103,680</u>	<u>\$ 1,041,857</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 6	\$ 21,770	\$ 11,058	\$ -
Accrued liabilities	366	-	1,669	-
Due to other funds	88	240	-	263
Advance from other funds	-	-	-	-
Total Liabilities	<u>460</u>	<u>22,010</u>	<u>12,727</u>	<u>263</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	140,234
Unearned revenues	1,990	-	-	-
Total Deferred Inflows of Resources	<u>1,990</u>	<u>-</u>	<u>-</u>	<u>140,234</u>
Fund Balances (Deficit)				
Restricted	-	-	-	901,360
Assigned	267,573	462	90,953	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances (Deficit)	<u>267,573</u>	<u>462</u>	<u>90,953</u>	<u>901,360</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 270,023</u>	<u>\$ 22,472</u>	<u>\$ 103,680</u>	<u>\$ 1,041,857</u>

Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS	TIF District No. 3	TIF District No. 4	
\$ 43,023	\$ -	\$ 452,431	\$ 655,025	\$ -	\$ -	\$ 1,419,507
-	81,308	-	-	-	-	982,931
26,654	-	276,363	-	-	-	303,017
-	-	68	72,733	-	-	96,268
-	-	-	-	-	-	140,234
-	-	126	-	-	-	126
1,110	64,786	55,166	-	-	-	224,742
<u>\$ 70,787</u>	<u>\$ 146,094</u>	<u>\$ 784,154</u>	<u>\$ 727,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,166,825</u>
\$ 31	\$ -	\$ 7,265	\$ -	\$ -	\$ -	\$ 40,130
1,089	-	21,920	12,028	-	-	37,072
-	-	-	-	-	-	591
-	-	-	-	24,227	56,762	80,989
<u>1,120</u>	<u>-</u>	<u>29,185</u>	<u>12,028</u>	<u>24,227</u>	<u>56,762</u>	<u>158,782</u>
-	-	-	-	-	-	140,234
69,652	-	722,194	-	289	-	794,125
<u>69,652</u>	<u>-</u>	<u>722,194</u>	<u>-</u>	<u>289</u>	<u>-</u>	<u>934,359</u>
-	146,094	32,775	-	-	-	1,080,229
15	-	-	715,730	-	-	1,074,733
-	-	-	-	(24,516)	(56,762)	(81,278)
<u>15</u>	<u>146,094</u>	<u>32,775</u>	<u>715,730</u>	<u>(24,516)</u>	<u>(56,762)</u>	<u>2,073,684</u>
<u>\$ 70,787</u>	<u>\$ 146,094</u>	<u>\$ 784,154</u>	<u>\$ 727,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,166,825</u>

CITY OF CEDARBURG

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

	Special Revenue Funds			
	Cemetery Fund	Room Tax Fund	Recreation Programs Fund	Community Development Block Grant Fund
REVENUES				
Taxes	\$ -	\$ 80,783	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Public charges for services	20,450	-	263,031	-
Investment income (loss)	(193)	-	-	13,268
Miscellaneous	15,850	-	16,747	19,971
Total revenues	<u>36,107</u>	<u>80,783</u>	<u>279,778</u>	<u>33,239</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Health and human services	45,107	-	-	-
Culture, recreation and education	-	-	269,410	-
Conservation and development	-	80,783	-	74,442
Capital Outlay	-	-	-	-
Total expenditures	<u>45,107</u>	<u>80,783</u>	<u>269,410</u>	<u>74,442</u>
Excess (deficiency) of revenues over expenditures	<u>(9,000)</u>	<u>-</u>	<u>10,368</u>	<u>(41,203)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,000	-
Transfers out	-	-	(13,900)	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(12,900)</u>	<u>-</u>
Net Changes in Fund Balances (Deficits)	(9,000)	-	(2,532)	(41,203)
FUND BALANCES (Deficits) - Beginning of Year	<u>276,573</u>	<u>462</u>	<u>93,485</u>	<u>942,563</u>
FUND BALANCES (Deficits) - END OF YEAR	<u>\$ 267,573</u>	<u>\$ 462</u>	<u>\$ 90,953</u>	<u>\$ 901,360</u>

Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS Fund	TIF District No. 3	TIF District No. 4	
\$ 65,658	\$ -	\$ 707,306	\$ -	\$ 169	\$ -	\$ 853,916
-	-	205,284	9,091	-	-	214,375
-	-	21,072	-	-	-	21,072
240,065	112,038	2,392	428,256	-	-	1,066,232
-	579	-	3,072	-	-	16,726
5,531	-	14,385	300	-	-	72,784
<u>311,254</u>	<u>112,617</u>	<u>950,439</u>	<u>440,719</u>	<u>169</u>	<u>-</u>	<u>2,245,105</u>
-	-	-	301,634	-	-	301,634
-	-	-	-	-	-	45,107
322,826	-	892,844	-	-	-	1,485,080
-	-	-	-	1,069	56,762	213,056
39,488	-	-	73,962	-	-	113,450
<u>362,314</u>	<u>-</u>	<u>892,844</u>	<u>375,596</u>	<u>1,069</u>	<u>56,762</u>	<u>2,158,327</u>
(51,060)	112,617	57,595	65,123	(900)	(56,762)	86,778
51,075	-	7,474	-	-	-	59,549
-	-	-	-	-	-	(13,900)
-	-	-	18,000	-	-	18,000
<u>51,075</u>	<u>-</u>	<u>7,474</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>63,649</u>
15	112,617	65,069	83,123	(900)	(56,762)	150,427
-	33,477	(32,294)	632,607	(23,616)	-	1,923,257
<u>\$ 15</u>	<u>\$ 146,094</u>	<u>\$ 32,775</u>	<u>\$ 715,730</u>	<u>\$ (24,516)</u>	<u>\$ (56,762)</u>	<u>\$ 2,073,684</u>