



## **CITY OF SOUTH MILWAUKEE**

South Milwaukee, Wisconsin

### **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

# CITY OF SOUTH MILWAUKEE

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## **CITY OF SOUTH MILWAUKEE**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Common Council  
City of South Milwaukee  
South Milwaukee, 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 South Milwaukee, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of South Milwaukee'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 South Milwaukee'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 South Milwaukee'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 Honorable Mayor and Common Council  
City of South Milwaukee

### ***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 South Milwaukee, Wisconsin, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

*Baker Tilly US, LLP*

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Milwaukee, Wisconsin  
September 10, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## **Management's Discussion and Analysis**

(unaudited)

As management of the City of South Milwaukee ("the City"), we offer readers of the City of South Milwaukee's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. Comparative government-wide data from the prior year is included for a comprehensive discussion of the City of South Milwaukee's change in net position.

The City of South Milwaukee is a community of approximately 20,622 residents located in Milwaukee County, Wisconsin. The City of South Milwaukee is a community with a commitment to maintaining assets through a capital projects program.

### ***Financial Highlights***

The assets and deferred outflows of the City of South Milwaukee exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$15.9 million (net position).

The City implemented GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Therefore, the City has established criteria for identifying fiduciary activities of all state and local governments for account and financial reporting purposes and how those activities should be reported. The City's 2018 comparative data in this Management Discussion and Analysis does not reflect the restatement.

The City implemented GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective January 1, 2019. Therefore, the City defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The City's 2018 comparative date in this Management Discussion and Analysis does not reflect the restatement.

The government's total net position increased in total by \$1.5 million from 2018 to 2019.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$18.5 million, a decrease of \$800,000 in comparison with the prior year. Of this total amount, approximately \$2.25 million is available for spending at the government's discretion (assigned fund balance).

The total long-term obligations for the City of South Milwaukee increased by approximately \$17.4 million during the current fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City of South Milwaukee's basic financial statements. The City of South Milwaukee's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City of South Milwaukee's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between assets/deferred outflows and liabilities/deferred inflows 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 South Milwaukee is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and earned but unused comp time).

Both of the government-wide financial statements distinguish functions of the City of South Milwaukee 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 South Milwaukee include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library and conservation and development. The business-type activities of the City of South Milwaukee include a Water Utility, a Sewer Utility, a Storm Water Utility, and Parkcrest Housing Authority.

The Water Utility, Storm Water Utility, and Sewer Enterprise Fund function for all practical purposes as departments of the City of South Milwaukee, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12 - 13 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 South Milwaukee, 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 South Milwaukee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of South Milwaukee maintains 24 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, the debt service fund, special revenue fund – tax incremental district funds and the capital projects-public works project fund, all of which are considered to be major funds. Data from the other 20 governmental funds are combined and titled Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

The City of South Milwaukee adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

**Proprietary funds.** The City of South Milwaukee maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Milwaukee uses enterprise funds to account for its Water, Storm Water, and Sewer Utilities and Parkcrest Housing Authority. The City of South Milwaukee maintains an Internal Service Fund that is presented as governmental activities in the government-wide financial statements. The City of South Milwaukee uses this fund to account for its self-insurance activity.

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 Water and Sewer Utilities, both of which are considered to be major funds of the City of South Milwaukee.

The basic proprietary fund financial statements can be found on pages 17 - 20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of South Milwaukee's own programs. The only fiduciary fund maintained by the City of South Milwaukee is the Trust and Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of South Milwaukee. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**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 23 - 73 of this report.

**Supplementary information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 79 - 82 of this report.

## 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 South Milwaukee, assets and deferred outflows exceeded liabilities and deferred inflows by \$15.93 million at the close of the most recent fiscal year, as presented in the following table.

CITY OF SOUTH MILWAUKEE NET POSITION  
December 31, 2019 and 2018  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 34,868	\$ 37,156	\$ 8,380	\$ 5,369	\$ 43,248	\$ 42,525
Capital assets, net of depreciation	18,156	17,360	45,746	44,027	63,902	61,387
Total assets	53,024	54,516	54,126	49,396	107,150	103,912
Deferred outflows of resources	11,142	4,565	1,382	510	12,524	5,075
Current and other liabilities	3,335	2,880	3,303	2,817	6,638	5,697
Noncurrent liabilities	50,470	47,325	24,716	21,746	75,186	69,071
Total liabilities	53,805	50,205	28,019	24,563	81,824	74,768
Deferred inflows of resources	20,156	18,338	1,761	1,436	21,917	19,774
Net position (Deficit)						
Net investment in capital assets	777	245	22,950	24,811	23,727	25,056
Restricted	4,963	6,864	2,033	1,910	6,996	8,774
Unrestricted (deficit)	(15,534)	(16,572)	744	(2,814)	(14,790)	(19,386)
Total net position (deficit)	\$ (9,794)	\$ (9,463)	\$ 25,727	\$ 23,907	\$ 15,933	\$ 14,444

The City of South Milwaukee's governmental activities net position includes \$776,926 of investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding as negative. City of South Milwaukee uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Milwaukee'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.

**Governmental activities.** Governmental activities decreased net position by \$331,455.

**Business-type activities.** Business-type activities increased the net position by \$1.82 million.

The following is a more detailed review of the year's operation.

**CITY OF SOUTH MILWAUKEE'S CHANGES IN NET POSITION**  
**For the years ending December 31, 2019 and 2018**

	(In Thousands)					
	Governmental		Business-type		Totals	
	Activities	2019	Activities	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 3,121	\$ 2,996	\$ 8,590	\$ 7,210	\$ 11,711	\$ 10,206
Operating grants and contributions	1,840	1,847	82	45	1,922	1,892
Capital grants and contributions	-	-	608	370	608	370
General revenues						
Property taxes	12,845	12,870	-	-	12,845	12,870
Other taxes	40	24	-	-	40	24
Intergovernmental revenues not restricted to specific programs	3,106	3,480	-	-	3,106	3,480
Investment income	616	470	87	75	703	545
Miscellaneous/Other	376	651	-	-	376	651
<b>Total revenues</b>	<b>21,944</b>	<b>22,338</b>	<b>9,367</b>	<b>7,700</b>	<b>31,311</b>	<b>30,038</b>
<b>Expenses</b>						
General government	2,386	2,494	-	-	2,386	2,494
Protection of persons and property	10,743	9,451	-	-	10,743	9,451
Pubic works	5,646	6,218	-	-	5,646	6,218
Conservation and development	1,004	647	-	-	1,004	647
Health and human services	931	808	-	-	931	808
Library	945	886	-	-	945	886
Parks and recreation	173	171	-	-	173	171
Other	532	512	-	-	532	512
Interest and fiscal charges	516	944	-	-	516	944
Water	-	-	2,455	2,639	2,455	2,639
Wastewater	-	-	3,256	2,983	3,256	2,983
Stormwater	-	-	688	481	688	481
Parkcrest	-	-	547	503	547	503
<b>Total expenses</b>	<b>22,876</b>	<b>22,131</b>	<b>6,946</b>	<b>6,606</b>	<b>29,822</b>	<b>28,737</b>
<b>Increase (decrease) in net position before transfers</b>						
	(932)	207	2,421	1,094	1,489	1,301
<b>Transfers</b>	<b>601</b>	<b>512</b>	<b>(601)</b>	<b>(512)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>						
	(331)	719	1,820	582	1,489	1,301
<b>Net position (as restated) - January 1, 2019</b>	<b>(9,463)</b>	<b>(10,182)</b>	<b>23,907</b>	<b>23,325</b>	<b>14,444</b>	<b>13,143</b>
<b>Net position - December 31, 2019</b>	<b>\$ (9,794)</b>	<b>\$ (9,463)</b>	<b>\$ 25,727</b>	<b>\$ 23,907</b>	<b>\$ 15,933</b>	<b>\$ 14,444</b>

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$18.5 million, a decrease of approximately \$700,000 in comparison with the prior year. Approximately \$2.25 million constitutes assigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of South Milwaukee. At the end of the current fiscal year total fund balance amounted to \$6,212,119.

The debt service fund has a total fund balance of \$187,797 which is restricted for debt service requirements.

The special revenue fund – tax increment district funds has a total fund balance of \$3,102,940 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$2,602,603 which is committed for future public work projects.

***Proprietary funds.*** The City of South Milwaukee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$58,404. The Sewer Utility had unrestricted net position of (\$436,102). The Stormwater Utility had unrestricted net position of \$888,958. The change in net position for the funds was an increase in the Water Utility amounting to \$994,452, an increase in the Sewer Utility of \$2,762,278 and a decrease in the Stormwater Utility of (\$140,995). Other factors concerning the finances of these funds have already been addressed in the discussion of the City of South Milwaukee's business-type activities.

### ***General Fund Budgetary Highlights***

No budget amendments were adopted during 2019. The City's General Fund has \$175,303 more in revenues and other financing sources than expenditures and other financing uses on a budgetary basis.

### **Capital Asset and Debt Administration**

**Net investment in capital assets.** The City of South Milwaukee's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$63.9 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

#### **City of South Milwaukee Capital Assets (Net Accumulated Depreciation/Amortization)**

As of December 31, 2019 and 2018

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land & improvements	\$ 2,837	\$ 2,697	\$ 17	\$ 17	\$ 2,854	\$ 2,714
Intangible assets	112	133	110	110	222	243
Construction in progress	260	-	40	7,369	300	7,369
Structures and improvements	2,765	2,871	6,719	6,918	9,484	9,789
Machinery & equipment	2,902	3,019	7	8	2,909	3,027
Library Books	361	361	-	-	361	361
Infrastructure	8,915	8,279	38,853	29,605	47,768	37,884
Total	<u>\$ 18,152</u>	<u>\$ 17,360</u>	<u>\$ 45,746</u>	<u>\$ 44,027</u>	<u>\$ 63,898</u>	<u>\$ 61,387</u>

Additional information on the City of South Milwaukee's capital assets can be found in Note IV.D. on pages 45-48 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of South Milwaukee had total debt outstanding of \$80.3 million. Of this amount, \$26.3 million was for the City's General Obligation debt which included TIF #1, TIF #2 and TIF #3.

**CITY OF SOUTH MIWAUKEE LONG-TERM DEBT**

As of December 31, 2019 and 2018

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
General Obligation Debt	\$ 21,627	\$ 23,402	\$ 4,673	\$ 5,548	\$ 26,300	\$ 28,950
Premium on Debt Issued	405	480	86	99	491	579
Revenue Bonds	-	-	18,931	14,504	18,931	14,504
Net Pension Liability	2,948	-	329	-	3,277	-
Net OPEB Liability	442	518	96	103	538	621
Total OPEB Liability	26,115	23,736	3,340	3,124	29,455	26,860
Accumulated Sick Pay	1,087	1,040	202	211	1,289	1,251
<b>Total</b>	<b>\$ 52,624</b>	<b>\$ 49,176</b>	<b>\$ 27,657</b>	<b>\$ 23,589</b>	<b>\$ 80,281</b>	<b>\$ 72,765</b>

The City of South Milwaukee maintained its bond rating by Moody's Investor Service of AA2 for its general obligation debt in 2019. This reflects the City's strong financial position and moderate debt burden.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The debt limitation as of December 31, 2019 for the City of South Milwaukee is \$65.5 million which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$26.3 million.

Additional information on the City of South Milwaukee's long-term debt can be found in Note IV.F. on pages 51-55 of this report.

### ***Economic Factors and Next Year's Budgets and Rates***

South Milwaukee's bond rating by Moody's Investor Service is an AA2. This reflects the City's strong financial position, responsible spending and moderate debt burden.

The Plan Commission and Common Council continue to encourage and oversee redevelopment in the City's four Tax Increment Financing (TIF) districts, and pursue other redevelopment opportunities. Many successful projects have been completed in TIDs 1, 2, and 3, creating increased property values in these areas. The economic standing of TID 2 following the completion of major projects has allowed the City to pursue its status as a donor TID in 2019. TID 4 is an industrial TID approved in 2006 to assist with the retention and expansion of Bucyrus International (now Caterpillar). TID 4 closed in 2019. Due to recent conditions in downtown South Milwaukee, the City created TID 5 to spur reinvestment and catalyze downtown activation effective January 1, 2019.

The City sought and received a designation for the downtown as an Opportunity Zone as outlined in the 2017 Tax Cuts and Jobs Act. The City nominated both eligible census tracts in South Milwaukee, one of which was selected by the State of Wisconsin for consideration by the federal government. The federal government affirmed the nomination, which will allow three types of investments to flow to the designated census tract over a 10-year period. This census tract includes land in downtown South Milwaukee spanning from Rawson to Blake/Columbia and 14th Avenue to 9th Avenue.

The City of South Milwaukee continues to offer what is now known as the Bucyrus Downtown Revitalization Grant to property/business owners located in the central business district. The grant provides up to \$30,000 in matching funds. Grant funds have been awarded and are currently receiving updates that enhance the downtown and generate economic activity. The City of South Milwaukee also continues to work with the South South Shore Chamber of Commerce, and the Aerotropolis Milwaukee Board. The City's involvement in these associations continues to generate business transactions in the South Milwaukee community.

We continue to look for new and creative ways in order to make the delivery of our services more efficient. Some of the changes we enacted were to introduce the use of automated garbage collection and using our neighboring resource of the City of Oak Creek to provide us with IT services. South Milwaukee will continue to look for new and creative ways to make use of our neighboring communities, other governmental agencies, and our community's resources.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of South Milwaukee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City Clerk, City of South Milwaukee, 2424 15<sup>th</sup> Avenue, South Milwaukee, Wisconsin 53172.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SOUTH MILWAUKEE**  
 STATEMENT OF NET POSITION  
 As of December 31, 2019

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 27,887,871	\$ 2,671,939	\$ 30,559,810
Receivables			
Taxes	5,954,738	929,227	6,883,965
Accounts	679,275	1,384,684	2,063,959
Special assessments	41,045	-	41,045
Interest	8,020	-	8,020
Accrued revenue	-	672,362	672,362
Internal balances	301,607	(301,607)	-
Prepaid items and inventories	-	32,862	32,862
Other assets	-	4,753	4,753
Restricted assets			
Cash and investments	-	2,985,983	2,985,983
Capital assets			
Land	2,836,513	16,596	2,853,109
Intangible assets	33,758	110,000	143,758
Construction in progress	260,005	40,100	300,105
Other capital and intangible assets, net of depreciation/amortization	<u>15,021,645</u>	<u>45,579,084</u>	<u>60,600,729</u>
Total Assets	<u>53,024,477</u>	<u>54,125,983</u>	<u>107,150,460</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	35,027	-	35,027
Deferred outflows related to OPEB - LRLIF	69,718	13,654	83,372
Deferred outflows related to OPEB - health	3,083,314	394,369	3,477,683
Deferred outflows related to pension	<u>7,953,821</u>	<u>973,618</u>	<u>8,927,439</u>
Total Deferred Outflows of Resources	<u>11,141,880</u>	<u>1,381,641</u>	<u>12,523,521</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	976,625	214,120	1,190,745
Accrued interest payable	126,226	102,823	229,049
Deposits	78,514	19,395	97,909
Unearned revenues	-	21,603	21,603
Noncurrent liabilities			
Due within one year	2,153,216	2,945,537	5,098,753
Due in more than one year	<u>50,470,349</u>	<u>24,711,190</u>	<u>75,181,539</u>
Total Liabilities	<u>53,804,930</u>	<u>28,014,668</u>	<u>81,819,598</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	4,058,496	521,364	4,579,860
Deferred inflows related to OPEB - health	1,949,210	249,312	2,198,522
Deferred inflows related to OPEB - LRLIF	118,222	25,634	143,856
Unearned Revenue	<u>14,029,680</u>	<u>965,076</u>	<u>14,994,756</u>
Total Deferred Inflows of Resources	<u>20,155,608</u>	<u>1,761,386</u>	<u>21,916,994</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	776,926	22,954,727	23,731,653
Restricted			
Library	363,280	-	363,280
Police federal asset forfeiture	68,547	-	68,547
TID purposes	4,229,923	-	4,229,923
Special assessment and interest - capital projects	239,638	-	239,638
Equipment replacement reserve	-	1,532,822	1,532,822
Debt service reserve	61,572	500,040	561,612
Unrestricted (deficit)	<u>(15,534,067)</u>	<u>743,981</u>	<u>(14,790,086)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$ (9,794,181)</u></b>	<b><u>\$ 25,731,570</u></b>	<b><u>\$ 15,937,389</u></b>

See accompanying notes to financial statements.

**CITY OF SOUTH MILWAUKEE**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Totals
			Grants and Contributions	Grants and Contributions			
Governmental Activities							
General government	\$ 2,386,053	\$ 1,026,141	\$ 4,140	\$ -	\$ (1,355,772)	\$ -	\$ (1,355,772)
Public safety	10,743,632	1,163,646	336,459	-	(9,243,527)	-	(9,243,527)
Public works	5,645,932	891,838	1,172,598	-	(3,581,496)	-	(3,581,496)
Conservation and development	1,003,968	-	-	-	(1,003,968)	-	(1,003,968)
Health and human services	930,866	17,591	324,724	-	(588,551)	-	(588,551)
Library	945,632	22,137	2,395	-	(921,100)	-	(921,100)
Parks and recreation	173,011	-	-	-	(173,011)	-	(173,011)
Other	532,270	-	-	-	(532,270)	-	(532,270)
Interest and fiscal charges	516,466	-	-	-	(516,466)	-	(516,466)
Total Governmental Activities	<u>22,877,830</u>	<u>3,121,353</u>	<u>1,840,316</u>	<u>-</u>	<u>(17,916,161)</u>	<u>-</u>	<u>(17,916,161)</u>
Business-type Activities							
Water	2,454,822	3,763,198	-	-	-	1,308,376	1,308,376
Sewer	3,256,208	3,562,206	-	578,724	-	884,722	884,722
Stormwater	683,320	922,748	-	29,500	-	268,928	268,928
Parkcrest housing authority	546,913	341,841	81,748	-	-	(123,324)	(123,324)
Total Business-type Activities	<u>6,941,263</u>	<u>8,589,993</u>	<u>81,748</u>	<u>608,224</u>	<u>-</u>	<u>2,338,702</u>	<u>2,338,702</u>
Totals	<u>\$ 29,819,093</u>	<u>\$ 11,711,346</u>	<u>\$ 1,922,064</u>	<u>\$ 608,224</u>	<u>(17,916,161)</u>	<u>2,338,702</u>	<u>(15,577,459)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					7,963,817	-	7,963,817
Property taxes, levied for debt service					2,080,861	-	2,080,861
Property taxes, levied for tax increment					1,831,896	-	1,831,896
Property taxes, levied for other purposes					968,479	-	968,479
Other taxes					39,770	-	39,770
Intergovernmental revenues not restricted to specific programs					3,106,467	-	3,106,467
Investment income					615,925	87,271	703,196
Miscellaneous					376,161	-	376,161
Total General Revenues					<u>16,983,376</u>	<u>87,271</u>	<u>17,070,647</u>
Transfers					<u>601,330</u>	<u>(601,330)</u>	<u>-</u>
Change in net position					<u>(331,455)</u>	<u>1,824,643</u>	<u>1,493,188</u>
NET POSITION (DEFICIT)					<u>(9,462,726)</u>	<u>23,906,927</u>	<u>14,444,201</u>
NET POSITION (DEFICIT) - END OF YEAR					<u>\$ (9,794,181)</u>	<u>\$ 25,731,570</u>	<u>\$ 15,937,389</u>

See accompanying notes to financial statements.

**CITY OF SOUTH MILWAUKEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2019**

	Special Revenue Fund					
			Tax Incremental District Funds	Capital Projects Fund		Nonmajor Governmental Funds
	General	Debt Service	Public Works Projects	Nonmajor Governmental Funds	Totals	
<b>ASSETS</b>						
Cash and investments	\$ 9,512,190	\$ 2,461,303	\$ 4,191,555	\$ 2,579,689	\$ 7,833,634	\$ 26,578,371
Receivables						
Taxes	2,833,710	1,491,004	713,930	-	914,921	5,953,565
Accounts	496,492	-	-	-	155,954	652,446
Special assessments	-	-	-	-	41,045	41,045
Delinquent personal property taxes	1,173	-	-	-	-	1,173
Interest	8,020	-	-	-	-	8,020
Due from other funds	603,943	-	-	231,930	-	835,873
<b>TOTAL ASSETS</b>	<b>\$ 13,455,528</b>	<b>\$ 3,952,307</b>	<b>\$ 4,905,485</b>	<b>\$ 2,811,619</b>	<b>\$ 8,945,554</b>	<b>\$ 34,070,493</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 213,412	\$ -	\$ -	\$ 209,016	\$ 105,583	\$ 528,011
Accrued liabilities	340,308	-	-	-	33,344	373,652
Deposits	-	-	-	-	78,514	78,514
Due to other funds	-	-	-	-	534,266	534,266
Total Liabilities	553,720	-	-	209,016	751,707	1,514,443
Deferred Inflows of Resources						
Unearned revenue	6,877,235	3,764,510	1,802,545	-	1,585,390	14,029,680
Unavailable revenue	-	-	-	-	41,045	41,045
Total Deferred Inflows of Resources	6,877,235	3,764,510	1,802,545	-	1,626,435	14,070,725
Fund Balances						
Nonspendable	482,927	-	-	-	-	482,927
Restricted	-	187,797	3,102,940	1,773,382	3,332,218	8,396,337
Committed	3,944,630	-	-	829,221	2,582,571	7,356,422
Assigned	1,597,016	-	-	-	652,623	2,249,639
Total Fund Balances	6,024,573	187,797	3,102,940	2,602,603	6,567,412	18,485,325
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 13,455,528</b>	<b>\$ 3,952,307</b>	<b>\$ 4,905,485</b>	<b>\$ 2,811,619</b>	<b>\$ 8,945,554</b>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Note II.A.						18,151,921
Some receivables that are not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.						41,045
Deferred outflows of resources related to pension and OPEB do not relate to current financial resources and are not reported in the governmental funds.						11,106,853
Deferred inflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds.						(6,125,928)
Internal service funds are reported in the statement of net position as governmental activities.						1,261,367
Other long-term assets are not available to pay for current period expenditures and are a deferred outflow.						35,027
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. Note II.A.						(52,749,791)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>						<b>\$ (9,794,181)</b>

**CITY OF SOUTH MILWAUKEE**

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

	Special Revenue Fund						Total Governmental Funds	
	General		Debt Service		Tax Incremental District Funds			
	General	Debt Service	Tax Incremental District Funds	Capital Projects Fund	Nonmajor Governmental Funds			
<b>REVENUES</b>								
Taxes	\$ 7,783,402	\$ 2,080,861	\$ 1,835,491	\$ -	\$ 1,185,068	\$ 12,884,822		
Intergovernmental	4,125,443	-	15,999	47,947	559,708	4,749,097		
Regulation and compliance	643,398	-	-	-	-	643,398		
Public charges for services	902,006	-	-	-	1,096,350	1,998,356		
Public improvement revenues	-	-	-	-	40,977	40,977		
Interdepartmental revenues	766,954	-	-	-	-	766,954		
Investment income	453,212	-	-	48,689	114,024	615,925		
Miscellaneous	148,729	-	-	-	86,632	235,361		
Total Revenues	<u>14,823,144</u>	<u>2,080,861</u>	<u>1,851,490</u>	<u>96,636</u>	<u>3,082,759</u>	<u>21,934,890</u>		
<b>EXPENDITURES</b>								
Current								
General government	2,155,474	-	-	-	38,218	2,193,692		
Public safety	7,088,759	-	-	-	1,447,996	8,536,755		
Public works	3,654,987	-	-	-	526,020	4,181,007		
Health and human services	512,354	-	-	-	370,629	882,983		
Library	-	-	-	-	696,634	696,634		
Parks and recreation	168,045	-	-	-	-	168,045		
Conservation and development	141,634	-	247,160	-	198,521	587,315		
Other	532,270	-	-	-	-	532,270		
Capital Outlay	207,835	-	-	1,802,536	988,907	2,999,278		
Debt Service								
Principal retirement	-	1,775,000	-	-	-	1,775,000		
Interest and fiscal charges	-	771,204	-	-	-	771,204		
Total Expenditures	<u>14,461,358</u>	<u>2,546,204</u>	<u>247,160</u>	<u>1,802,536</u>	<u>4,266,925</u>	<u>23,324,183</u>		
Excess (deficiency) of revenues over expenditures	<u>361,786</u>	<u>(465,343)</u>	<u>1,604,330</u>	<u>(1,705,900)</u>	<u>(1,184,166)</u>	<u>(1,389,293)</u>		
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	601,330	465,343	-	-	3,989,744	5,056,417		
Transfers out	(1,151,540)	-	(1,134,754)	(1,432,000)	(736,793)	(4,455,087)		
Total Other Financing Sources (Uses)	<u>(550,210)</u>	<u>465,343</u>	<u>(1,134,754)</u>	<u>(1,432,000)</u>	<u>3,252,951</u>	<u>601,330</u>		
<b>Net Change in Fund Balance</b>	<u>(188,424)</u>	-	469,576	(3,137,900)	2,068,785	(787,963)		
<b>FUND BALANCES - Beginning of Year</b>	<u>6,212,997</u>	<u>187,797</u>	<u>2,633,364</u>	<u>5,740,503</u>	<u>4,498,627</u>	<u>19,273,288</u>		
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,024,573</u>	<u>\$ 187,797</u>	<u>\$ 3,102,940</u>	<u>\$ 2,602,603</u>	<u>\$ 6,567,412</u>	<u>\$ 18,485,325</u>		

See accompanying notes to financial statements.

## CITY OF SOUTH MILWAUKEE

### 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, 2019

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Net change in fund balances - total governmental funds	\$ (787,963)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	2,999,278
Some items reported as capital outlay are not capitalized	(808,271)
Depreciation is reported in the government-wide statements	(1,284,911)

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	1,775,000
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Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

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Internal service funds are used by management to charge self insurance costs to individual funds. The increase in net position of the internal service fund reported with the governmental activities.

	80,111
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(47,237)
Amortization of loss on refunding	(8,763)
Amortization of premium	74,816
Net pension liability	(5,386,157)
Deferred outflows of resources related to pension and OPEB	6,585,798
Deferred inflows of resources related to pension and OPEB	(1,305,435)
Net and total OPEB liabilities	(2,302,792)
Accrued interest on debt	<u>188,679</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (331,455)</b>
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**CITY OF SOUTH MILWAUKEE**

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

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Internal Service Fund	
				Totals			
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and investments	\$ 257,130	\$ 504,991	\$ 1,647,211	\$ 262,607	\$ 2,671,939	\$ 1,309,500	
Taxes receivable	257,184	289,807	382,236	-	929,227	-	
Accounts receivable	664,307	714,080	-	6,297	1,384,684	26,829	
Due from other funds	15,251	314,351	-	-	329,602	-	
Prepaid items and inventories	18,342	-	-	14,520	32,862	-	
Accrued revenue	672,362	-	-	-	672,362	-	
Restricted assets							
Cash and investments	88,897	465,302	-	-	554,199	-	
Total Current Assets	1,973,473	2,288,531	2,029,447	283,424	6,574,875	1,336,329	
<b>NON-CURRENT ASSETS</b>							
Restricted assets							
Cash and investments	898,962	1,532,822	-	-	2,431,784	-	
Capital assets							
Land	2,400	8,000	-	6,196	16,596	-	
Intangible assets	110,000	-	-	-	110,000	-	
Property and equipment	30,066,063	32,458,682	10,613,102	4,835,002	77,972,849	-	
Construction work in progress	-	-	40,100	-	40,100	-	
Less: Accumulated depreciation	(9,857,596)	(15,961,544)	(3,088,078)	(3,486,547)	(32,393,765)	-	
Other Assets	-	-	-	4,753	4,753	-	
Total Non-Current Assets	21,219,829	18,037,960	7,565,124	1,359,404	48,182,317	-	
Total Assets	23,193,302	20,326,491	9,594,571	1,642,828	54,757,192	1,336,329	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions	430,088	374,545	-	168,985	973,618	-	
Deferred outflows related to OPEB - health	151,974	242,395	-	-	394,369	-	
Deferred outflows related to OPEB - life	9,089	4,565	-	-	13,654	-	
Total Deferred Outflows of Resources	591,151	621,505	-	168,985	1,381,641	-	
<b>LIABILITIES</b>							
Accounts payable	50,600	62,615	35,271	9,504	157,990	-	
Accrued liabilities	18,987	18,830	3,121	15,192	56,130	74,962	
Accrued interest	36,143	-	12,521	-	48,664	-	
Special deposits	-	-	-	19,395	19,395	-	
Due to other funds	316,262	163,231	124,500	27,216	631,209	-	
Current portion of general obligation debt	1,100,920	11,540	412,540	-	1,525,000	-	
Current portion of compensated absences	-	27,384	-	-	27,384	-	
Liabilities payable from restricted assets							
Current portion of revenue bonds	743,313	649,840	-	-	1,393,153	-	
Accrued interest	15,482	38,677	-	-	54,159	-	
Total Current Liabilities	2,281,707	972,117	587,953	71,307	3,913,084	74,962	
<b>NON-CURRENT LIABILITIES</b>							
Unearned revenue	21,603	-	-	-	21,603	-	
Compensated absences	133,723	40,494	-	-	174,217	-	
Total OPEB liability - health insurance	1,287,197	2,053,034	-	-	3,340,231	-	
Net Pension Liability	155,572	133,716	-	39,318	328,606	-	
Net OPEB liability - life insurance	68,100	28,174	-	-	96,274	-	
Long-term bonds and notes payable							
General obligation debt	1,018,881	947,202	1,267,809	-	3,233,892	-	
Revenue bonds	9,892,568	7,645,402	-	-	17,537,970	-	
Total Non-Current Liabilities	12,577,644	10,848,022	1,267,809	39,318	24,732,793	-	
Total Liabilities	14,859,351	11,820,139	1,855,762	110,625	28,645,877	74,962	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows related to pension	214,996	192,552	-	113,816	521,364	-	
Deferred inflows related to OPEB - health	96,075	153,237	-	-	249,312	-	
Deferred inflows related to OPEB - life	18,065	7,569	-	-	25,634	-	
Unearned Revenue	-	-	965,076	-	965,076	-	
Total Deferred Outflows of Resources	329,136	353,358	965,076	113,816	1,761,386	-	
<b>NET POSITION</b>							
Net investment in capital assets	8,464,147	7,251,154	5,884,775	1,354,651	22,954,727	-	
Restricted							
Equipment replacement reserve	-	1,532,822	-	-	1,532,822	-	
Debt service reserve	73,415	426,625	-	-	500,040	-	
Unrestricted (deficit)	58,404	(436,102)	888,958	232,721	743,981	1,261,367	
<b>TOTAL NET POSITION</b>	\$ 8,595,966	\$ 8,774,499	\$ 6,773,733	\$ 1,587,372	\$ 25,731,570	\$ 1,261,367	

See accompanying notes to financial statements.

**CITY OF SOUTH MILWAUKEE**

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

	Business-type Activities - Enterprise Funds					Governmental Activities			
	Nonmajor Fund - Parkcrest				Internal Service Fund				
	Water Utility	Sewer Utility	Stormwater Utility	Housing Authority					
<b>OPERATING REVENUES</b>									
Charges for services	\$ 3,658,500	\$ 3,512,768	\$ 922,748	\$ -	\$ 8,094,016	\$ 462,673			
Other operating revenues	104,698	49,438	-	341,841	495,977	101,066			
Total Operating Revenues	<u>3,763,198</u>	<u>3,562,206</u>	<u>922,748</u>	<u>341,841</u>	<u>8,589,993</u>	<u>563,739</u>			
<b>OPERATING EXPENSES</b>									
Operation and maintenance	1,347,202	2,247,503	401,080	449,253	4,445,038	490,628			
Depreciation	786,040	755,445	211,239	97,660	1,850,384	-			
Taxes	47,389	50,090	-	-	97,479	-			
Total Operating Expenses	<u>2,180,631</u>	<u>3,053,038</u>	<u>612,319</u>	<u>546,913</u>	<u>6,392,901</u>	<u>490,628</u>			
Operating Income (Loss)	<u>1,582,567</u>	<u>509,168</u>	<u>310,429</u>	<u>(205,072)</u>	<u>2,197,092</u>	<u>73,111</u>			
<b>NONOPERATING REVENUES (EXPENSES)</b>									
Gain (loss) of disposal of capital asset	-	(8,609)	-	-	(8,609)	-			
Intergovernmental grants and aids	-	578,724	29,500	81,748	689,972	7,000			
Investment income	30,570	39,580	12,039	5,082	87,271	-			
Interest and amortization expense	(274,191)	(194,561)	(71,001)	-	(539,753)	-			
Total Nonoperating Revenues (Expenses)	<u>(243,621)</u>	<u>415,134</u>	<u>(29,462)</u>	<u>86,830</u>	<u>228,881</u>	<u>7,000</u>			
Income (Loss) Before Transfers	<u>1,338,946</u>	<u>924,302</u>	<u>280,967</u>	<u>(118,242)</u>	<u>2,425,973</u>	<u>80,111</u>			
<b>TRANSFERS OUT - TAX EQUIVALENT</b>	<u>(563,106)</u>	<u>(11,008)</u>	<u>-</u>	<u>(27,216)</u>	<u>(601,330)</u>	<u>-</u>			
<b>CHANGE IN NET POSITION</b>	<u>775,840</u>	<u>913,294</u>	<u>280,967</u>	<u>(145,458)</u>	<u>1,824,643</u>	<u>80,111</u>			
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>7,820,126</u>	<u>7,861,205</u>	<u>6,492,766</u>	<u>1,732,830</u>	<u>23,906,927</u>	<u>1,181,256</u>			
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 8,595,966</u></u>	<u><u>\$ 8,774,499</u></u>	<u><u>\$ 6,773,733</u></u>	<u><u>\$ 1,587,372</u></u>	<u><u>\$ 25,731,570</u></u>	<u><u>\$ 1,261,367</u></u>			

See accompanying notes to financial statements.

**CITY OF SOUTH MILWAUKEE**

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

	Business-type Activities - Enterprise Funds					Governmental Activities	
					Nonmajor Fund - Parkcrest		Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Housing Authority	Totals		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Received from customers	\$ 2,765,647	\$ 3,615,588	\$ 953,588	\$ 347,457	\$ 7,682,280	\$ 557,141	
Received (paid) from/(to) municipality	773,843	-	-	-	773,843	-	
Paid to vendors for goods and services	(897,096)	(1,835,889)	(298,117)	(436,082)	(3,467,184)	(490,629)	
Paid to employees for services	(642,663)	(547,261)	(88,261)	-	(1,278,185)	-	
Net Cash Flows From Operating Activities	<u>1,999,731</u>	<u>1,232,438</u>	<u>567,210</u>	<u>(88,625)</u>	<u>3,710,754</u>	<u>66,512</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Intergovernmental grants and aids	-	-	29,500	81,748	111,248	7,000	
Received (paid) from/(to) municipality	(563,106)	(10,718)	-	(27,216)	(601,040)	-	
Net Cash Flows From Noncapital Financing Activities	<u>(563,106)</u>	<u>(10,718)</u>	<u>29,500</u>	<u>54,532</u>	<u>(489,792)</u>	<u>7,000</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Debt retired	(1,038,438)	(509,394)	(262,540)	-	(1,810,372)	-	
Interest paid and fees	(274,079)	(184,752)	(70,648)	-	(529,479)	-	
(Paid)/Received from municipality	-	(2,092,114)	-	-	(2,092,114)	-	
Acquisition and construction of capital assets	(2,137,362)	(1,433,491)	(314,640)	(7,047)	(3,892,540)	-	
Intergovernmental grants and aids	-	578,724	-	-	578,724	-	
Proceeds from debt issued	2,072,018	3,284,958	-	-	5,356,976	-	
Net Cash Flows From Capital and Related Financing Activities	<u>(1,377,861)</u>	<u>(356,069)</u>	<u>(647,828)</u>	<u>(7,047)</u>	<u>(2,388,805)</u>	<u>-</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Investment income	30,570	39,580	12,039	5,083	87,272	-	
<b>Net Change in Cash and Cash Equivalents</b>	<b>89,334</b>	<b>905,231</b>	<b>(39,079)</b>	<b>(36,057)</b>	<b>919,429</b>	<b>73,512</b>	
CASH AND CASH EQUIVALENTS - Beginning of Year	1,155,655	1,597,884	1,686,290	298,664	4,738,493	1,235,988	
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,244,989</b>	<b>\$ 2,503,115</b>	<b>\$ 1,647,211</b>	<b>\$ 262,607</b>	<b>\$ 5,657,922</b>	<b>\$ 1,309,500</b>	

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest		Internal Service Fund	
				Housing Authority	Totals		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 1,582,567	\$ 509,168	\$ 310,429	\$ (205,072)	\$ 2,197,092	\$ 73,111	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities							
Depreciation	786,040	755,445	211,239	97,660	1,850,384	-	
Depreciation charged to other utilities	11,580	(2,969)	-	-	8,611	-	
Changes in assets, deferred outflows/inflows and liabilities							
Accounts receivable	(254,252)	(28,990)	-	4,941	(278,301)	(6,597)	
Due from other funds	18,964	(55,645)	(11,404)	-	(48,085)	-	
Inventories	11,862	-	-	387	12,249	-	
Prepaid items	-	-	-	263	263	-	
Accrued liabilities	970	(9,834)	-	-	(8,864)	-	
Accounts payable	43,191	(318,682)	11,799	(3,013)	(266,705)	(200)	
Due to other funds	3,898	-	-	-	3,898	-	
Unearned revenues	(20,592)	-	-	-	(20,592)	-	
OPEB / Pension related deferrals, assets, and liabilities	(184,497)	382,262	42,244	12,632	252,641	-	
Customer deposits	-	-	-	675	675	-	
Other current liabilities	-	1,683	2,903	2,902	7,488	198	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,999,731</b>	<b>\$ 1,232,438</b>	<b>\$ 567,210</b>	<b>\$ (88,625)</b>	<b>\$ 3,710,754</b>	<b>\$ 66,512</b>	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>							
Cash and investments - statement of net position	\$ 257,130	\$ 504,991	\$ 1,647,211	\$ 262,607	\$ 2,671,939	\$ 1,309,500	
Restricted cash and investments - statement of net position	987,859	1,998,124	-	-	2,985,983	-	
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<b>\$ 1,244,989</b>	<b>\$ 2,503,115</b>	<b>\$ 1,647,211</b>	<b>\$ 262,607</b>	<b>\$ 5,657,922</b>	<b>\$ 1,309,500</b>	
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital assets included in accounts payable	\$ 389,517	\$ -	\$ -	\$ -	\$ 389,517	\$ -	
Amortization	\$ 5,327	\$ 3,431	\$ 4,543	\$ -	\$ 13,301	\$ -	

See accompanying notes to financial statements.

## CITY OF SOUTH MILWAUKEE

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

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	Custodial Fund
	Tax Collection Fund
<b>ASSETS</b>	
Cash and investments	\$ 13,407,912
Taxes receivable	<u>7,562,903</u>
Total Assets	<u>20,970,815</u>
<b>LIABILITIES</b>	
Due to other taxing units	\$ 20,962,360
Special deposits	<u>8,455</u>
Total Liabilities	<u>20,970,815</u>
<b>NET POSITION</b>	<u>\$ -</u>

See accompanying notes to financial statements.

## CITY OF SOUTH MILWAUKEE

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the year Ended December 31, 2019

	Custodial Fund
	<u>Tax</u>
	<u>Collection</u>
	<u>Fund</u>
<b>Additions</b>	
Tax collections	<u>\$ 20,512,591</u>
<b>Expenses</b>	
Payments to overlying districts	<u>20,512,591</u>
<b>Change in Fiduciary Net Position</b>	-
NET POSITION - Beginning of Year	<u>-</u>
<b>NET POSITION - End of Year</b>	<u>\$ -</u>

See accompanying notes to financial statements.

## CITY OF SOUTH MILWAUKEE

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

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## CITY OF SOUTH MILWAUKEE

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

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

The accounting policies of the City of South Milwaukee (the “City”), Wisconsin conform to generally accepted accounting principles 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 of South Milwaukee. 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. There were no component units reported.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

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

Financial statements of the reporting entity 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 equity, revenues, and expenditures/expenses.

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 fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, 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 all financial resources except those required to be 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.

Special Revenue Fund – Tax Incremental Districts – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the tax incremental districts.

Capital Projects Fund – Public Works Projects – 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.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

###### ***Fund Financial Statements*** (continued)

The City reports the following major enterprise funds:

Water Utility – accounts for operations of the water system.

Sewer Utility – accounts for operations of the sanitary sewer system.

Stormwater Utility – accounts for operations of the stormwater system.

The City reports the following nonmajor governmental and enterprise funds:

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

Library	Health Consortium
Recycling	General Government
Paramedic	Police
School Liaison Police Program	Health
City Sealer	Fire
Community Development Block Grant	Referendum Officer

Capital Projects – 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.

Equipment

Special Assessment and Interest

Economic Development

Tax Incremental District - #1, #2, #3, #4 and #5

Enterprise Fund – accounts for operations of the housing authority.

Parkcrest Housing Authority

In addition, the City reports the following fund types:

Internal Service Fund is used to account for and report the financing of goods and 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.

Self Insurance Fund

Custodial Fund is used to account for assets held by the City in a trustee capacity as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, stormwater 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 unearned revenues. 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 to 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) are met are recorded as liabilities. Amounts received prior to the entitlement period are also 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.

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.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

###### ***Fund Financial Statements* (continued)**

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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##### **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 state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by 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. City funds may be invested in time deposits in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the State of Wisconsin if the time deposits mature in not more than three years. Preference may be given, within reason, to South Milwaukee area financial institutions. Subject to an exception a maximum of \$650,000, the amount of State and FDIC insurance limits, may be invested in each such institution unless collateralized or approved by the Common Council.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

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

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

City funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and bonds, or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the state of Wisconsin and placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.

City funds may be invested in the Wisconsin Local Government Investment Pool at the discretion of the City Treasurer. Investment limitations shall not apply. City funds may also be invested in interest bearing savings, demand deposit, and Money Market accounts.

In accordance with 1987 Wisconsin Act 399, City funds may be invested in securities if the security has a rating which is the highest or second highest rating category assigned by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

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

See Note IV.A. for further information.

## CITY OF SOUTH MILWAUKEE

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

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### **2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all State and local governmental units billed in the current year for the succeeding year are reflected as due to other taxing units on the accompanying statement of fiduciary net position.

Property tax calendar – 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	April 30, 2020
Third installment due	July 31, 2020
Final settlement with County	August 15, 2020
Personal property taxes in full	January 31, 2020
Tax deed by County – 2019	
Delinquent real estate taxes	October 2022

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 in the accompanying enterprise fund financial statements because the utilities have the right by law to place 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 government-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.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

###### **2. Receivables (continued)**

The City provides water and sewer service to customers primarily within its municipal boundaries. Metered water sales to consumers are billed on a tri-annual basis for all classes of customers at rates approved by the Public Service Commission of Wisconsin. Sewer service charges to consumers are billed on a tri-annual basis at rates established by the City's Common Council. Billings for metered water and sewer service are recorded on the first day of each month, payable in 20 days. Unbilled revenues from the last metered billings to the end of the year are estimated and recorded as accrued utility revenue. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

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

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

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

###### **4. Restricted Assets**

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

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

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

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

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

###### **Government–Wide Statements (continued)**

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 funds. There was no interest capitalized during the current year in the water, sewer or stormwater utilities. 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 of depreciation and for the water utility assets in service they are depreciated using the straight-line method at rates certified by the Public Service Commission. The range of estimated useful lives by type of asset is as follows:

Buildings	15-40 years
Land Improvements other than Buildings	15-30 years
Machinery and Equipment	2-25 years
Utility System	18-90 years
Infrastructure	15-40 years
Intangible assets – easements	Indefinite
Intangible assets – software	10 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 in the same way as in the government-wide statements.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Deferred charges on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of 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 statements.

###### **7. Compensated Absences**

Under terms of employment agreements, employees are granted sick pay benefits and vacations in varying amounts. Employee vacation allowances are not cumulative and must be used in the year after they are earned. Non-union employees receive six personal days and six sick days. These employees are paid for the unused time at year-end. Most other employees earn sick leave at the rate of one day per month, which may be accumulated. General City union employees hired before July 1, 2005 and police department employees and fire department employees hired before January 1, 1985, will receive a severance payment upon retirement or death at full pay for the first 50 days and at half pay for the remaining days. General City union employees hired after July 1, 2005 receive a severance payment upon retirement or death at full pay for 50 days. General City union employees hired after January 1, 2012 accrue  $\frac{1}{2}$  sick days per month and will receive a severance payment upon retirement or death of  $\frac{1}{2}$  of the unused sick pay not to exceed compensation of 400 hours at their current pay rate. Fire department employees hired after July 1, 2012 accrue 9 sick days per year or 18 hours per month and will receive a severance and payment upon retirement or death of  $\frac{1}{2}$  of 75 days. Estimated future payments of accumulated sick pay are included in the long-term obligations shown in the Government-Wide Statement of Net Position.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

###### ***8. Long-Term Obligations***

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

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

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

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

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

###### ***10. Equity Classifications***

###### ***Government–Wide Statements***

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the 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 definition 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.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Governmental fund equity is classified as fund balance and 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 City. 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 City that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the City Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. 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 exceeds amounts restricted, committed or assigned for those purposes.

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.

Under Resolution in 2011 the Council formally established a stabilization fund beginning with the fiscal year 2011 budget. The stabilization fund contained as a committed balance within the General Fund and is included in each annual budget. The balance in the account at year end was \$3,944,630.

See Note IV. G. for further information.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

###### **11. Basis for Existing Rates**

###### **Water Utility**

Current water rates were approved by the PSCW effective April 4, 2019.

###### **Sewer Utility**

Current sewer rates were approved by the City's common council effective February 1, 2019.

###### **Stormwater Utility**

Current sewer rates were approved by the City's common council effective November 1, 2018.

###### **12. Pensions**

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

###### **13. Postemployment Benefits Other Than Pensions (OPEB)**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

## CITY OF SOUTH MILWAUKEE

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

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

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

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

Land	\$ 2,836,513
Construction in Progress	260,005
Buildings	7,501,589
Machinery and equipment	9,193,496
Library book collection	807,731
Infrastructure	20,571,068
Intangibles - easements	33,758
Intangibles - software	104,775
Less: Accumulated depreciation	<u>(23,157,014)</u>
Adjustment for Capital Assets	<u>\$ 18,151,921</u>

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

Bonds and notes payable	\$ 21,627,000
Premium on debt issued	404,757
Accumulated sick pay benefits	1,087,123
Accrued interest payable	126,226
Net pension liability	2,948,094
Net and Total OPEB liability	<u>26,556,591</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 52,749,791</u>

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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##### **A. BUDGETARY INFORMATION**

A budget has been adopted for all funds except for the following Special Revenue Funds – Tax Incremental District, Community Development Block Grant Fund, Police Fund, Library Fund, and the following Capital Project Funds – Public Works Projects Fund, Capital Equipment Fund, TIF Increment District #1, TIF Increment District #2, TIF Increment District #3, TIF Increment District #4, and TIF Increment District #5. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

##### **B. EXCESS OF ACTUAL EXPENDITURE OVER APPROPRIATIONS**

	Budgeted Expenditures	Total Expenditures	Excess Expenditures
<b>Special Revenue Funds:</b>			
General Government Fund	\$ 6,250	\$ 51,347	\$ (45,097)
Police Fund	2,500	13,084	(10,584)
Health Fund	142,151	148,787	(6,636)
Fire Fund	7,100	10,349	(3,249)
Health Consortium Fund	160,980	163,377	(2,397)
City Sealer Fund	6,623	10,314	(3,691)
<b>Capital Project Funds:</b>			
Economic Development Fund	121,620	198,521	(76,901)

Budgetary control is exercised at the total fund level for all funds. Some individual funds experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

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

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (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 SOUTH MILWAUKEE

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

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#### **NOTE IV – DETAILED NOTES ON ALL FUNDS**

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##### **A. DEPOSITS AND INVESTMENTS**

The City of South Milwaukee's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	\$ 4,242,274	\$ 4,530,300	Custodial Credit
Certificates of deposit - non-negotiable	250,000	250,000	Custodial Credit
			Credit, Custodial Credit, Concentration of Credit, Interest Rate, Investment Highly Sensitive to Interest Rate
Certificates of deposit - negotiable	1,559,771	1,559,771	Changes
			Credit, Custodial Credit, Concentration of Credit, Interest Rate
U.S. agencies	299,943	299,943	Interest Rate
LGIP	40,581,007	40,581,007	Credit
Petty cash	20,710	-	Not applicable
<b>Total Cash and Investments</b>	<b><u>\$ 46,953,705</u></b>	<b><u>\$ 47,221,021</u></b>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 30,559,810		
Restricted cash and investments	2,985,983		
Per statement of fiduciary net position - Fiduciary Fund	<u>13,407,912</u>		
<b>Total Cash and Investments</b>	<b><u>\$ 46,953,705</u></b>		

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

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

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.

## CITY OF SOUTH MILWAUKEE

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

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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

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, 2019			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 299,943	\$ -	\$ 299,943
Certificates of deposits - non-negotiable	\$ -	\$ 1,559,771	\$ -	\$ 1,559,771
	\$ -	\$ 1,859,714	\$ -	\$ 1,859,714

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

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

As of December 31, 2019, none of the City's bank balances were exposed to custodial credit risk. The City has collateral at local banks in the amount of \$5,933,608.

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.

As of December 31, 2019, the City's investments were exposed to custodial credit risk as follows:

<u><i>U.S. Agencies</i></u>	
Neither insured nor registered and held by counterparty	\$ 299,943
<u><i>Certificates of Deposit - negotiable</i></u>	
Neither insured nor registered and held by counterparty	\$ 1,559,771

The City has adopted an investment policy pertaining to custodial credit risk for deposits and investments. See Note I.D.1. for further information.

## CITY OF SOUTH MILWAUKEE

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

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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

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

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

Investment Type	Standard & Poor's	Moody's Investor Service
Certificates of Deposit - negotiable	n/a	n/a
U.S. agencies	AA+	AAA

The City also had investments in the Local Government Investment Pool which is not rated.

The City has not adopted an investment policy pertaining to credit risk.

###### ***Interest Rate Risk***

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit - negotiable	\$ 1,559,771	1.13
U.S. agencies	200,012	4.87
U.S. agencies	99,931	1.63
Total Fair Value	<u>\$ 1,859,714</u>	

The City has not adopted an investment policy pertaining to interest rate risk.

# CITY OF SOUTH MILWAUKEE

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

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

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

##### ***Concentration of Credit Risk***

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

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

Issuer	Investment Type	Percentage of Portfolio
FHLMC	U.S. agencies	10%
BMO	Certificates of Deposit - negotiable	10%
Goldman Sachs	Certificates of Deposit - negotiable	10%
Sallie May	Certificates of Deposit - negotiable	10%
Wells Fargo	Certificates of Deposit - negotiable	10%

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

At December 31, 2019, the City held \$1,559,771 in certificates of deposit - negotiable. 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 three years maturing in 2022.

#### B. RECEIVABLES

Receivables as of year-end for the government's individual major funds, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are detailed on the governmental funds balance sheet, proprietary funds statement of net position and fiduciary funds statement of net position. All amounts are expected to be collected within one year except for \$1,173 of delinquent personal property taxes reported in the general fund, \$23,160 of water tower lease payments in the general fund, and \$41,045 of special assessments reported in the capital projects fund.

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

	Unearned	Unavailable
Property taxes receivable	\$ 14,006,520	\$ -
Water tower lease receivable	23,160	-
Special assessments not yet due	-	41,045
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 14,029,680	\$ 41,045
Unearned property taxes receivable for Enterprise Funds	\$ 965,076	\$ -

# CITY OF SOUTH MILWAUKEE

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

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

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#### C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

##### ***Debt Service***

Certain proceeds of the utility's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

Redemption -	Used to segregate resources accumulated for debt service payments over the next twelve months.
Reserve -	Used to report resources set aside to make up potential future deficiencies in the redemption account.
Construction -	Used to report debt proceeds restricted for use in construction.

##### ***Equipment Replacement Account***

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

Following is a list of restricted assets as of December 31, 2019:

	Liabilities		
	Restricted Assets	Payable from Restricted Assets	Restricted Net Position
Debt service reserve	\$ 465,302	\$ 38,677	\$ 426,625
Construction account	898,962	-	N/A
Equipment replacement account	1,532,822	-	1,532,822
Redemption accounts	88,897	15,482	73,415
<b>Total Restricted Assets</b>	<b>\$ 2,985,983</b>	<b>\$ 54,159</b>	<b>\$ 2,032,862</b>

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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#### **D. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 2,696,513	\$ 140,000	\$ -	\$ 2,836,513
Intangible assets	33,758	-	-	33,758
Construction in progress	-	260,005	-	260,005
Total capital assets not being depreciated/amortized	2,730,271	400,005	-	3,130,276
Capital Assets Being Depreciated/Amortized				
Buildings	7,501,590	-	-	7,501,590
Machinery and equipment	10,067,562	639,032	1,513,098	9,193,496
Library book collection	800,075	80,099	72,443	807,731
Roads	17,225,270	962,692	-	18,187,962
Bridges	229,534	-	-	229,534
Sidewalks	2,044,392	109,179	-	2,153,571
Intangible assets	104,775	-	-	104,775
Total Capital Assets Being Depreciated/Amortized	37,973,198	1,791,002	1,585,541	38,178,659
Total Capital Assets	40,703,469	2,191,007	1,585,541	41,308,935
Less: Accumulated Depreciation/Amortization for				
Buildings	(4,630,510)	(105,592)	-	(4,736,102)
Machinery and equipment	(7,048,758)	(641,978)	(1,399,332)	(6,291,404)
Library book collection	(438,790)	(80,773)	(72,443)	(447,120)
Roads	(10,654,340)	(389,019)	-	(11,043,359)
Bridges	(28,085)	(9,181)	-	(37,266)
Sidewalks	(538,156)	(37,412)	-	(575,568)
Intangible assets	(5,239)	(20,956)	-	(26,195)
Total Accumulated Depreciation/Amortization	(23,343,878)	(1,284,911)	(1,471,775)	(23,157,014)
Net Capital Assets Being Depreciated/Amortized	14,629,320	506,091	113,766	15,021,645
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	\$ 17,359,591	\$ 906,096	\$ 113,766	\$ 18,151,921

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 148,202
Public safety	296,072
Public works	788,223
Library	47,283
Conservation and development	165
Parks and recreation	<u>4,966</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,284,911</u>

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 16,596	\$ -	\$ -	\$ 16,596
Construction in progress	7,369,185	1,754,729	9,083,814	40,100
Intangible asset	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Total capital assets not being depreciated/amortized	<u>7,495,781</u>	<u>1,754,729</u>	<u>9,083,814</u>	<u>166,696</u>
Capital assets being depreciated				
Structures and improvements	13,191,704	3,595	-	13,195,299
Machinery & equipment	51,451	2,457	-	53,908
Water distribution system	8,887,430	4,131,140	182,676	12,835,894
Sewer collection system	12,706,168	3,673,914	-	16,380,082
Sewer machinery & equipment	7,613,678	94,788	44,357	7,664,109
Water machinery & equipment	14,895,079	2,674,194	338,818	17,230,455
Stormwater equipment	78,335	57,113	-	135,448
Stormwater system	10,208,749	268,905	-	10,477,654
Total Capital Assets Being Depreciated	<u>67,632,594</u>	<u>10,906,106</u>	<u>565,851</u>	<u>77,972,849</u>
Total Capital Assets	<u>75,128,375</u>	<u>12,660,835</u>	<u>9,649,665</u>	<u>78,139,545</u>
Less: Accumulated Depreciation for				
Structures and improvements	(6,274,257)	(201,599)	-	(6,475,856)
Machinery & equipment	(43,928)	(2,932)	-	(46,860)
Water distribution system	(3,998,242)	(391,630)	(182,676)	(4,207,196)
Sewer collection system	(5,709,161)	(425,804)	-	(6,134,965)
Sewer machinery & equipment	(6,630,771)	(211,191)	(35,747)	(6,806,215)
Water machinery & equipment	(5,567,423)	(405,990)	(338,818)	(5,634,595)
Stormwater equipment	(19,584)	(7,996)	-	(27,580)
Stormwater system	(2,857,256)	(203,242)	-	(3,060,498)
Total Accumulated Depreciation	<u>(31,100,622)</u>	<u>(1,850,384)</u>	<u>(557,241)</u>	<u>(32,393,765)</u>
Net Capital Assets Being Depreciated	<u>36,531,972</u>	<u>9,055,722</u>	<u>8,610</u>	<u>45,579,084</u>
Total Business-Type Capital Assets, Net of Depreciation	<u>\$ 44,027,753</u>	<u>\$ 10,810,451</u>	<u>\$ 9,092,424</u>	<u>\$ 45,745,780</u>

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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

Depreciation expense was charged to functions as follows:

##### **Business-Type Activities**

Water	\$ 786,040
Sewer	755,445
Stormwater	211,239
Parkcrest Housing Authority	97,660
Total Business-Type Activities Depreciation Expense	<u>\$ 1,850,384</u>

#### **E. INTERFUND RECEIVABLES/PAYABLES 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 - City Sealer	\$ 565
General Fund	Capital Project -Equipment	529,348
General Fund	Water Utility	1,911
General Fund	Sewer Utility	40,550
Capital Projects Fund Public Works Projects	Sewer Utility	107,430
General Fund	Parkcrest Housing Fund	27,216
Sewer Utility	Water Utility	314,351
Water Utility	Sewer Utility	15,251
Capital Projects Fund Public Works Projects	Stormwater Utility	<u>124,500</u>
Total: Fund Financial Statements		1,161,122
Less: Fund Eliminations		<u>(859,515)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 301,607</u>

All amounts above are due within one year, except for the amounts due from the TIF Capital Projects funds.

The principal reason for the above interfund amounts relates to 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.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)***

##### **Transfers**

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Parkcrest Housing Authority	\$ 27,216
	Sewer Utility	11,008
	Water Utility	<u>563,106</u>
		<u>601,330</u>
Special Revenue		
Library Fund	General Fund	780,643
School Liaison Police Program		
Fund	General Fund	165,486
Community Development Block		
Grant	General Fund	465
General Government	General Fund	10,000
Economic Development	General Fund	177,546
Health Consortium	General Fund	<u>17,400</u>
		<u>1,151,540</u>
Debt Service Fund	Special Revenue Fund - Tax Incremental District #1	239,110
	Special Revenue Fund - Tax Incremental District #3	<u>226,233</u>
		<u>465,343</u>
Capital Project Fund		
Tax Increment District #2	Special Revenue Fund - Tax Incremental District #2	664,411
Equipment	Capital Project Fund - Public Works Projects	1,432,000
Equipment	Special Revenue Fund - Recycling	35,553
Tax Increment District #4	Special Revenue Fund - Tax Incremental District #4	5,000
Tax Increment District #5	Capital Project Fund - Tax Increment District #2	<u>701,240</u>
		<u>2,838,204</u>
	Subtotal - Fund Financial Statementns	5,056,417
	Less: Fund Eliminations	<u>(4,455,087)</u>
	Total Transfers - Government Wide Statement of Activities	<u>\$ 601,330</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. Transfers from the Enterprise Funds to the General Fund represent payments in lieu of taxes.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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#### **F. LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation notes	\$ 23,402,000	\$ -	\$ 1,775,000	\$ 21,627,000	\$ 2,075,000
Premium on debt issued	479,573	-	74,816	404,757	-
Other liabilities					
Net pension liability	-	2,948,094	-	2,948,094	-
Accumulated sick pay benefits	1,039,886	704,391	657,154	1,087,123	78,216
Net OPEB liability - LRLIF	517,837	-	76,312	441,525	-
Total OPEB liability - health insurance	23,735,962	4,209,492	1,830,388	26,115,066	-
Total Governmental Activities	<u>\$ 49,175,258</u>	<u>\$ 7,861,977</u>	<u>\$ 4,413,670</u>	<u>\$ 52,623,565</u>	<u>\$ 2,153,216</u>
Long-Term Liabilities	<u>\$ 49,175,258</u>	<u>\$ 7,861,977</u>	<u>\$ 4,413,670</u>	<u>\$ 52,623,565</u>	<u>\$ 2,153,216</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 5,548,000	\$ -	\$ 875,000	\$ 4,673,000	\$ 1,525,000
Revenue bonds from direct borrowings and direct placements	14,504,192	5,356,975	930,045	18,931,122	1,393,153
Premium on debt issued	99,194	-	13,301	85,893	-
Other liabilities					
Net pension liability	-	328,606	-	328,606	-
Accumulated sick pay benefits	210,465	971	9,835	201,601	27,384
Net OPEB liability - LRLIF	102,702	250	6,678	96,274	-
Total OPEB liability - health insurance	3,124,426	649,436	433,631	3,340,231	-
Total Business-Type Activities	<u>\$ 23,588,979</u>	<u>\$ 6,336,238</u>	<u>\$ 2,268,490</u>	<u>\$ 27,656,727</u>	<u>\$ 2,945,537</u>
Long-Term Liabilities	<u>\$ 23,588,979</u>	<u>\$ 6,336,238</u>	<u>\$ 2,268,490</u>	<u>\$ 27,656,727</u>	<u>\$ 2,945,537</u>

#### ***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 the future property tax levies or tax increments accumulated by the debt service fund. Business type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2019, was \$65,511,420. Total general obligation debt outstanding at year end was \$26,300,000.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS** (continued)

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#### **F. LONG-TERM OBLIGATIONS** (continued)

##### **General Obligation Debt** (continued)

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

General Obligation Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/19
GO Bond	05/18/11	10/01/20	2.00-3.00%	\$ 4,450,000	\$ 500,000
GO Refunding Bond	05/01/12	10/01/24	3.00-3.38	1,500,000	1,500,000
GO Bond	05/05/14	12/01/23	2.00-3.00	7,150,000	4,950,000
GO Refunding Bond	08/11/15	06/01/22	2.00-3.25	1,640,000	700,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	5,477,000	5,477,000
GO Refunding Bond	08/01/18	10/01/26	2.35-4.00	2,760,000	2,485,000
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	6,115,000	<u>6,015,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 21,627,000</u>

###### **Business-Type Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/19
<b>WATER UTILITY</b>					
GO Bond	05/18/11	10/01/20	2.00-3.00%	\$ 3,000,000	\$ 925,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	1,538,000	<u>1,164,170</u>
Total Water Utility					<u>2,089,170</u>
<b>SEWER UTILITY</b>					
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	435,478
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	<u>500,000</u>
Total Sewer Utility					<u>935,478</u>
<b>STORMWATER UTILITY</b>					
GO Bond	05/18/11	10/01/20	2.00-3.00	1,270,000	400,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	500,000	473,352
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	<u>775,000</u>
Total Stormwater Utility					<u>1,648,352</u>
Total Business-Type Activities - General Obligation Debt					<u>\$ 4,673,000</u>

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS** (continued)

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#### **F. LONG-TERM OBLIGATIONS** (continued)

##### ***General Obligation Debt*** (continued)

Debt service requirements to maturity are as follows:

	Governmental Type		Business-Type	
	General Obligation Debt		General Obligation Debt	
	Principal	Interest	Principal	Interest
2020	\$ 2,075,000	\$ 608,318	\$ 1,525,000	\$ 138,439
2021	2,530,000	549,961	495,000	86,264
2022	2,825,000	477,355	635,000	67,464
2023	2,769,015	392,830	630,985	46,789
2024	3,193,400	298,041	581,600	28,759
2025-2028	<u>8,234,585</u>	<u>385,698</u>	<u>805,415</u>	<u>17,126</u>
Totals	<u>\$ 21,627,000</u>	<u>\$ 2,712,203</u>	<u>\$ 4,673,000</u>	<u>\$ 384,841</u>

##### ***Revenue Debt***

Business-type activities revenue bonds are payable from revenues derived from the operation of the sewer utility and water utility.

The City has pledged future revenues, net of specified operating expenses, to repay \$25.6 million in revenue bonds issued in 2001, two revenue bonds issued in 2008, and one issued in both 2013, 2018 and 2019. Proceeds from the bonds provided financing for the City's Water and Sewer Systems. The bonds are payable solely from revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require 40% of net revenues. The total principal and interest remaining to be paid on the bonds is \$18,931,124. Principal and interest paid for the current year and total net customer revenues were \$930,045 and \$320,050 respectively.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS** (continued)

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#### **F. LONG-TERM OBLIGATIONS** (continued)

##### **Revenue Debt** (continued)

Revenue debt payable at December 31, 2019 consists of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/19
Sewer System Revenue Bonds - Direct	01/24/01	05/01/20	2.97%	\$ 3,002,550	\$ 192,333
	06/11/08	05/01/28	2.37	1,431,165	727,947
	06/26/13	05/01/33	2.63	5,412,363	4,090,004
	08/28/19	05/01/39	1.76	3,284,958	3,284,958
Water System Revenue Bonds - Direct	04/23/08	05/01/27	2.37	7,743,344	3,846,534
	06/27/18	05/01/38	1.87	6,789,348	<u>6,789,348</u>
Total Business-Type Revenue Debt					<u>\$ 18,931,124</u>

Debt service requirements to maturity are as follows:

Business-Type Activities		
Revenue Debt from Direct		
Borrowings and Direct Placements		
	Principal	Interest
2020	\$ 1,393,153	\$ 394,934
2021	1,227,530	359,956
2022	1,254,847	332,330
2023	1,282,783	304,077
2024	1,311,353	275,182
2025-2029	5,838,442	945,426
2030-2034	4,057,070	432,674
2035-2039	<u>2,565,946</u>	<u>103,395</u>
Totals	<u>\$ 18,931,124</u>	<u>\$ 3,147,974</u>

The City's outstanding revenue bonds from direct borrowings and/or direct placements related to business type-activities of \$18,931,124 contain provisions that in an event of default, outstanding amounts are recoverable by the State by deducting those amounts from any State payments due the City, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the City is located, or to collect user fees from the operations of the City's water and sewer system.

#### **Other Debt Information**

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

# CITY OF SOUTH MILWAUKEE

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

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### *F. LONG-TERM OBLIGATIONS* (continued)

##### *REVENUE BOND COMPLIANCE*

The City of South Milwaukee authorized the issuance of \$3,002,550 of Sewer System Mortgage Revenue Bonds dated January 24, 2001, \$1,431,165 of Sewer System Revenue Bonds dated June 11, 2008, \$7,743,344 of Safe Drinking Water Revenue Bonds dated March 23, 2008 and amended April 28, 2010, \$5,412,363 of Clean Water Revenue Bonds dated June 26, 2013, \$6,789,348 of Clean Water Revenue Bonds dated June 27, 2018, and \$3,284,958 of Clean Water Revenue Bonds dated August 28, 2019. In accordance with the City's resolution authorizing the issuance and sale of the Revenue Bonds, separate funds were established to account for the Sewer Enterprise Fund and Water Enterprise Fund. As of December 31, 2019 both the sewer enterprise fund and water enterprise fund were in compliance with revenue bond compliance.

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

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

##### *Governmental Activities*

Net investment in capital assets	
Land	\$ 2,836,513
Intangible assets	33,758
Construction in Progress	260,005
Other capital assets, net of accumulated depreciation	15,021,645
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(17,374,995)
Total Net Investment in Capital Assets	<u>776,926</u>
Restricted:	
Debt service	61,572
Library	363,280
Police federal asset forfeiture	68,547
TID purposes	4,229,923
Special assessment and interest - capital projects	<u>239,638</u>
Total Restricted	<u>4,962,960</u>
Unrestricted (deficit)	<u>(15,534,067)</u>
Total Governmental Activities Net Position (deficit)	<u>\$ (9,794,181)</u>

# CITY OF SOUTH MILWAUKEE

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

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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

##### **Governmental Fund Balances**

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

<b>Nonspendable</b>	
Major Funds	
General Fund	
Noncurrent receivables	\$ 73,544
Insurance contingencies	408,210
Delinquent personal property taxes	1,173
Total	<u>\$ 482,927</u>
<b>Restricted</b>	
Major Funds	
Debt Service	\$ 187,797
Special Revenue Funds	
Tax Incremental District Funds	3,102,940
Capital Project Fund	
Public works projects	1,773,382
Total	<u>\$ 5,064,119</u>
Nonmajor Funds	
Special Revenue Funds	
Library	\$ 363,280
Police Fund	68,547
Capital Project Funds	
Special assessments and interest	239,638
Equipment	938,205
Tax Increment District #1	543,404
Tax Increment District #3	595,565
Tax Increment District #4	39,903
Tax Increment District #5	543,676
Total	<u>\$ 3,332,218</u>

# CITY OF SOUTH MILWAUKEE

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

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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

##### **Governmental Fund Balances** (continued)

<b>Committed</b>	
Major Funds	
General Fund	
Stabilization Arrangement	\$ 3,944,630
Capital Projects fund	
Public works projects	829,221
Nonmajor Funds	
Special Revenue Funds	
Recycling program	491,543
Parmedic program	1,437,785
School liaison program	63,449
Health consortium	18,314
City sealer	20
General government fund	162,838
Health fund	169,666
Fire fund	34,034
Referendum Officer fund	204,922
Sub-Total	<u>2,582,571</u>
Total	<u>\$ 7,356,422</u>
<b>Assigned</b>	
Major Funds	
General Fund	
Equipment acquisitions	\$ 606,257
Insurance reserve	387,500
Future OPEB Expenditures	300,000
Projected retirements	303,259
Sub-total	<u>1,597,016</u>
Nonmajor Funds	
Capital Projects Fund - Economic Development	<u>652,623</u>
Total	<u>\$ 2,249,639</u>

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS** (continued)

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#### ***H. RESERVE ACCOUNT***

The rate structure for the Sewer Utility provides revenues to be generated for equipment replacement, depreciation and a rate of return on the net investment rate base. Revenues from these sources are then transferred into the Equipment Replacement Reserve and Clean Water Fund Debt Service Reserve. The Equipment Replacement Reserve is funds from which future replacements of equipment will be paid. Revenues generated from depreciation and the rate of return are transferred into the Clean Water Fund Debt Service Reserve. These Funds will be used to provide for system expansion and replacement not provided for in the Equipment Replacement Reserve and for payment of principal and interest due on long-term debt.

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### **NOTE V – OTHER INFORMATION**

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#### ***A. Employees' Retirement System***

##### ***General Information about the Pension Plan***

**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 credible 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 are the average of the employee's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years of 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 benefit.

The WRS also provides death and disability benefits for employees.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### **A. Employees' Retirement System (cont.)**

**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
2009	(2.1)%	(42)%
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

**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, including teachers, and Executives and Elected Officials. Starting 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 \$940,699 in contributions from the City.

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

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

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### **A. Employees' Retirement System (cont.)**

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

At December 31, 2019 the city reported a liability of \$3,276,700 for its proportionate share of the City's net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City of South Milwaukee's proportion was 0.09099685% which was an increase of 0.00100590% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the city recognized pension expense of \$2,141,004.

At December 31, 2019 the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,521,430	\$ 4,570,798
Net differences between projected and actual earnings on pension plan investments	4,727,975	-
Changes of actuarial assumptions	545,704	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,109	9,062
Employer contributions subsequent to the measurement date	1,124,221	-
<b>Total</b>	<b>\$ 8,927,439</b>	<b>\$ 4,579,860</b>

# CITY OF SOUTH MILWAUKEE

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

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

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#### A. *Employees' Retirement System* (cont.)

\$1,124,221 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 in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended <u>December 31:</u>	Outflows and Inflows of Resources (net)	Deferred
2020	\$ 1,210,684	
2021	304,064	
2022	528,807	
2023	1,179,803	
2024	-	

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

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

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE V – OTHER INFORMATION (cont.)**

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##### **A. Employees' Retirement System (cont.)**

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

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE V – OTHER INFORMATION (cont.)**

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##### **A. Employees' Retirement System (cont.)**

**Single discount rate.** A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The sensitivity analysis as of December 31, 2019 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The city's proportionate share of the net pension liability (asset)	\$ 12,865,697	\$ 3,276,700	\$ (3,922,016)

**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>.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

#### ***B. Other Postemployment Benefits***

##### ***Health Insurance Plan***

**Plan description.** The city's defined benefit OPEB plan, Retiree Health Plan (RHP), provides OPEB for all permanent full-time employees of the city and their dependents. RHP is a single-employer defined benefit OPEB plan administered by the town. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided.** Benefit provisions are established through collective bargaining agreements and state that eligible retirees receive healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

**Employees covered by benefit terms.** At January 1, 2019, the following employees were covered by the benefit terms:

Active plan members with health insurance coverage	148
Inactive plan members or beneficiaries receiving benefit payments	<u>36</u>
Total plan members	<u>148</u>

##### ***Total OPEB Liability***

The City's total OPEB liability of \$29,455,297 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

**Actuarial assumptions and other inputs.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.00 percent
Salary increases	3.00 percent, average, including inflation
Healthcare cost trend rates	9.4 percent for 2019, decreasing 0.6 percent per year to an ultimate rate of 4.0 percent for 2028 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on the RP-2014 Total Dataset Mortality Table projected to 2024 with Scale BB.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***B. Other Postemployment Benefits (cont.)***

##### ***Health Insurance Plan (cont.)***

The actuarial assumptions used in the January 1, 2019 valuation were based on mortality, withdrawal, disablement and retirement, changes in compensation and government provided OPEB benefits; rates of investment earnings and asset appreciation and depreciation.

##### ***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balances at January 1, 2019	<u>\$26,860,388</u>
Service cost	982,734
Interest	1,073,395
Difference between expected and actual experience	(1,018,415)
Changes in assumptions	2,603,282
Benefit payments	(1,046,087)
Net changes	<u>2,594,909</u>
 Balances at December 31, 2019	 <u>\$29,455,297</u>

There were no changes of benefit terms for the January 1, 2019 actuarial valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.10 percent in 2018 to 2.75 percent in 2019.

***Sensitivity of the total OPEB liability to changes in the discount rate.*** The following presents the total OPEB liability of the city, as well as what the city's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 32,975,205	\$ 29,455,297	\$ 26,512,713

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***B. Other Postemployment Benefits (cont.)***

##### ***Retiree Health Plan (cont.)***

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the city, as well as what the city's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (9.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (11.0 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

	1% Decrease (9.0% Decreasing to 3.0%)	Healthcare Cost Trend Rates (10.0% Decreasing to 4.0%)	1% Increase (11.0% Decreasing to 5.0%)
Total OPEB liability	\$ 26,309,471	\$ 29,455,297	\$ 33,157,828

#### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2019, the city recognized OPEB expense of \$2,216,024. At December 31, 2019, the city reported deferred outflows of resources and deferred inflows of resources relate to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experiences	\$ -	\$ 905,258
Changes of actuarial assumptions	<u>3,477,683</u>	<u>1,293,264</u>
	<u><u>\$ 3,477,683</u></u>	<u><u>\$ 2,198,522</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)	
2020	\$ 159,895	
2021	159,895	
2022	159,895	
2023	159,895	
2024	159,895	
Thereafter	479,686	

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE V – Other Information (cont.)**

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##### ***B. Other Postemployment Benefits (cont.)***

###### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)***

**Plan description.** The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

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 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.** The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

**Contributions.** The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

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

Coverage Type	Employer Contributions
50% Post Retirement Coverage	40% of employee contributions
25% Post Retirement Coverage	20% of employee contributions

## CITY OF SOUTH MILWAUKEE

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

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#### **NOTE V – OTHER INFORMATION (cont.)**

##### ***B. Other Postemployment Benefits (cont.)***

###### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)***

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the plan year are as listed below:

Life Insurance Employee Contribution Rates For the Plan Year

<b><u>Attained Age</u></b>	<b><u>Basic</u></b>
Under 30	\$0.05
30-34	0.06
34-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$4,015 in contributions from the employer.

##### ***OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At December 31, 2019, the city reported a liability of \$537,799 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net OPEB liability was based on the city's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the city's proportion was 0.20842200%, which was a decrease of 0.00216600% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the city recognized OPEB expense of \$57,282.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***B. Other Postemployment Benefits (cont.)***

##### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)***

At December 31, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 27,282
Changes in assumptions	51,169	116,574
Net differences between projected and actual earnings on OPEB plan investments	12,852	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,201	-
Employer contributions subsequent to the measurement date	<u>7,150</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 83,372</u></b>	<b><u>\$ 143,856</u></b>

\$7,150 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ (8,470)
2021	(8,470)
2022	(8,470)
2023	(10,275)
2024	(12,135)
Thereafter	(19,814)

# CITY OF SOUTH MILWAUKEE

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

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

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#### B. Other Postemployment Benefits (cont.)

##### LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)

**Actuarial assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

**Long-term expected return on plan assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

#### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2018

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Government Bonds	Barclays Government	1%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### **B. Other Postemployment Benefits (cont.)**

##### **LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)**

**Single discount rate.** A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

**Sensitivity of the library's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the utility's proportionate share of the net OPEB liability calculated using the discount rate of 4.22 percent, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Net OPEB liability	<u>\$765,055</u>	<u>\$537,799</u>	<u>\$362,523</u>

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

#### **C. 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; injuries to employees; employee health claims; and environmental damage for which the City purchases commercial insurance. There has been no reduction in insurance from coverage in prior years. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

##### **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.

# CITY OF SOUTH MILWAUKEE

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

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### NOTE V – OTHER INFORMATION (continued)

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#### C. RISK MANAGEMENT (cont.)

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.

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 the mutual 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 \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2019. A total liability of approximately \$73,385 at December 31, 2019 was recorded as claims payable in the internal service fund.

	Beginning Balance	Incurred Claims	Claims/ Premiums	Ending Balance
2018	\$ 73,385	\$ 454,270	\$ 454,270	\$ 73,385
2019	73,385	462,673	462,673	73,385

#### D. COMMITMENTS AND CONTINGENCIES

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

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

The City participates in a number of State and Federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2019 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

# CITY OF SOUTH MILWAUKEE

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

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### **NOTE V – OTHER INFORMATION (continued)**

#### **E. TAX INCREMENTAL FINANCING DISTRICT (TID)**

The City has five Tax Incremental Financing Districts currently active. Tax increment financing, as authorized by the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in TID designated areas. These costs are recovered from property taxes generated on taxable value over a base valuation determined at the start of the project. The City has financed development and public improvement costs in certain designated areas through the issuance of bond anticipation notes, general obligation promissory notes and a line of credit. Project costs will be reported as Capital Projects Fund expenditures. Tax increments are reported as revenue of the Special Revenue Fund. Resources are transferred to the Debt Service Fund to the extent required for maturing debt obligations, which were incurred to provide financing for development and public improvement costs within the TID. Recovery of project costs through tax increments is limited by State law to a period of twenty-seven years.

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

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

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

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

#### **G. SUBSEQUENT EVENTS**

On May 6, 2020 the City issued general obligation promissory notes in the amount of \$8,800,000 with an interest rate ranging from 3.0% to 1.75%. This amount will be used for various capital improvement projects.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the City. As of the audit opinion date, the City's evaluation of the effects of these events is ongoing; however, based on current information we believe this situation will impact investment valuations and decreased investment income, increase in delinquencies or uncollectible accounts receivable, increased costs related to pensions, OPEBs, insurance, labor (sick time or overtime), etc. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF SOUTH MILWAUKEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP)  
GENERAL FUND  
For the Year Ended December 31, 2019

	Budgeted Amounts		Variance with
	Original and Final	Actual	Final Budget
<b>REVENUES</b>			
Taxes	\$ 7,766,132	\$ 7,783,402	\$ 17,270
Intergovernmental	4,079,603	4,125,443	45,840
Licenses and permits	329,786	351,238	21,452
Fines, forfeitures and penalties	325,000	292,160	(32,840)
Public charges for services	850,500	902,006	51,506
Interdepartmental revenues	598,836	593,131	(5,705)
Investment income	125,000	453,212	328,212
Miscellaneous	172,891	148,729	(24,162)
Total Revenues	<u>14,247,748</u>	<u>14,649,321</u>	<u>401,573</u>
<b>EXPENDITURES</b>			
Current			
General government	2,218,981	2,106,446	112,535
Public safety	6,898,520	7,037,266	(138,746)
Public works	3,631,780	3,617,589	14,191
Health and sanitation	511,690	512,354	(664)
Parks and recreation	167,655	168,045	(390)
Conservation and development	159,968	137,383	22,585
Other	669,235	532,271	136,964
Total Expenditures	<u>14,257,829</u>	<u>14,111,354</u>	<u>146,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,081)</u>	<u>537,967</u>	<u>548,048</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	519,025	601,330	82,305
Transfer out	<u>(963,529)</u>	<u>(1,151,540)</u>	<u>(188,011)</u>
Net Change in Fund Balance	<u>\$ (454,585)</u>	<u>(12,243)</u>	<u>\$ 442,342</u>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>			
Revenue credited to designated funds	173,823		
Expenditures credited to designated funds	<u>(350,004)</u>		
Net change in fund balance - generally accepted accounting principles basis	<u>(188,424)</u>		
FUND BALANCES - Beginning of Year		6,212,997	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,024,573</u>		

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

## CITY OF SOUTH MILWAUKEE

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

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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	0.090580130%	\$ (2,200,580)	\$ 9,655,137	22.79%	102.74%
12/31/15	0.090320880%	1,467,697	9,784,397	15.00%	98.20%
12/31/16	0.088959710%	742,080	9,722,475	7.63%	99.12%
12/31/17	0.089990950%	(2,703,945)	9,745,969	27.74%	102.93%
12/31/18	0.090996850%	3,276,700	9,861,966	33.23%	96.45%

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

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City Fiscal Year End	Contributions in Relation to the Contractually Required Contributions			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 863,388	\$ 863,388	\$	-	\$ 9,784,357	8.82%
12/31/16	859,080	859,080	\$	-	9,722,475	8.84%
12/31/17	934,900	934,900	\$	-	9,745,969	9.59%
12/31/18	952,574	952,574	\$	-	9,861,966	9.66%
12/31/19	1,124,221	1,124,221	\$	-	10,117,264	11.11%

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

## CITY OF SOUTH MILWAUKEE

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - OTHER POSTEMPLOYMENT BENEFITS LIABILITY - HEALTH INSURANCE PLAN For the Year Ended December 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 982,734	\$ 1,077,152
Interest	1,073,395	942,022
Prior year activity	-	-
Differences between expected and actual experience	(1,018,415)	-
Changes of assumptions	2,603,282	-
Benefit payments	(1,046,087)	(1,386,619)
Net Change in Total OPEB Liability	2,594,909	632,555
Total OPEB Liability - Beginning	<u>26,860,388</u>	<u>26,227,833</u>
Total OPEB Liability - Ending	<u>\$ 29,455,297</u>	<u>\$ 26,860,388</u>
 Covered-employee payroll	 \$ 9,681,000	 \$ 8,554,897
Total OPEB liability as a percentage of covered-employee payroll	304.26%	313.98%

## CITY OF SOUTH MILWAUKEE

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) For the Year Ended December 31, 2019

Plan Fiscal Year End	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.20625600%	\$ 620,539	\$ 9,749,965	6.36%	44.81%
12/31/18	0.20842200%	\$ 537,799	\$ 9,577,000	5.62%	48.69%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) For the Year Ended December, 2019

City 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
12/31/18	\$ 6,452	\$ 6,452	\$ -	\$ 9,906,348	0.07%
12/31/19	\$ 7,150	\$ 7,150	\$ -	\$ 10,117,264	0.07%

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

## CITY OF SOUTH MILWAUKEE

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

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#### ***BUDGETARY INFORMATION***

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

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

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

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

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

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

#### ***HEALTH INSURANCE PLAN***

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

Changes in benefit terms. There were no changes of benefits terms for the city.

Changes in assumptions. The discount rate was changed from 4.1% to 2.75%.

#### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)***

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 years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in LRLIF.

Changes in assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SOUTH MILWAUKEE**

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

	Special Revenue Funds									
			School Liaison		Community Development		Health Consortium		City Sealer	General Government
	Library	Recycling	Paramedic	Police Program	Block Grant					
<b>ASSETS</b>										
Cash and investments	\$ 373,718	\$ 513,689	\$ 1,855,483	\$ 67,498	\$ -	\$ 21,244	\$ -	\$ -	\$ 163,050	
Receivables										
Taxes	-	469,297	352,250	-	-	-	-	-	-	
Accounts	-	-	138,913	-	4,818	701	585	-	-	
Special assessments	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 373,718</b>	<b>\$ 982,986</b>	<b>\$ 2,346,646</b>	<b>\$ 67,498</b>	<b>\$ 4,818</b>	<b>\$ 21,945</b>	<b>\$ 585</b>	<b>\$ 163,050</b>		
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
Liabilities										
Accounts payable	10,438	22,004	2,759	-	-	167	-	-	212	
Accrued payroll	-	142	16,736	4,049	465	3,464	-	-	-	
Deposits	-	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	4,353	-	565	-	-	
Total Liabilities	<b>10,438</b>	<b>22,146</b>	<b>19,495</b>	<b>4,049</b>	<b>4,818</b>	<b>3,631</b>	<b>565</b>	<b>212</b>		
Deferred Inflows of Resources										
Unearned revenues	-	469,297	889,366	-	-	-	-	-	-	
Unavailable revenues	-	-	-	-	-	-	-	-	-	
Total Deferred inflows of Resources	<b>-</b>	<b>469,297</b>	<b>889,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Fund Balances										
Restricted	363,280	-	-	-	-	-	-	-	-	
Committed	-	491,543	1,437,785	63,449	-	18,314	20	162,838		
Assigned	-	-	-	-	-	-	-	-	-	
Unassigned (Deficit)	-	-	-	-	-	-	-	-	-	
Total Fund Balances	<b>363,280</b>	<b>491,543</b>	<b>1,437,785</b>	<b>63,449</b>	<b>-</b>	<b>18,314</b>	<b>20</b>	<b>162,838</b>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 373,718</b>	<b>\$ 982,986</b>	<b>\$ 2,346,646</b>	<b>\$ 67,498</b>	<b>\$ 4,818</b>	<b>\$ 21,945</b>	<b>\$ 585</b>	<b>\$ 163,050</b>		

Special Revenue Funds							Capital Projects Funds						
Police	Health	Fire	Referendum Officer	Economic Development	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	Tax Increment District #5	Total Nonmajor Funds	
\$ 67,572	\$ 166,596	\$ 34,034	\$ 343,195	\$ 756,573	\$ 1,467,553	\$ 237,887	\$ 551,282	\$ -	\$ 628,492	\$ 39,903	\$ 545,865	\$ 7,833,634	
-	-	-	88,604	-	-	4,770	-	-	-	-	-	914,921	
975	9,962	-	-	-	-	-	-	-	-	-	-	155,954	
-	-	-	-	-	-	41,045	-	-	-	-	-	41,045	
<b>\$ 68,547</b>	<b>\$ 176,558</b>	<b>\$ 34,034</b>	<b>\$ 431,799</b>	<b>\$ 756,573</b>	<b>\$ 1,467,553</b>	<b>\$ 283,702</b>	<b>\$ 551,282</b>	<b>\$ -</b>	<b>\$ 628,492</b>	<b>\$ 39,903</b>	<b>\$ 545,865</b>	<b>\$ 8,945,554</b>	
-	1,573	-	-	25,436	-	-	7,878	-	32,927	-	2,189	105,583	
-	5,319	-	3,169	-	-	-	-	-	-	-	-	33,344	
-	-	-	78,514	-	-	-	-	-	-	-	-	78,514	
-	-	-	-	529,348	-	-	-	-	-	-	-	534,266	
-	6,892	-	3,169	103,950	529,348	-	7,878	-	32,927	-	2,189	751,707	
-	-	-	223,708	-	-	3,019	-	-	-	-	-	1,585,390	
-	-	-	-	-	-	41,045	-	-	-	-	-	41,045	
-	-	-	223,708	-	-	44,064	-	-	-	-	-	1,626,435	
68,547	-	-	-	-	938,205	239,638	543,404	-	595,565	39,903	543,676	3,332,218	
-	169,666	34,034	204,922	-	-	-	-	-	-	-	-	2,582,571	
-	-	-	-	652,623	-	-	-	-	-	-	-	652,623	
<b>68,547</b>	<b>169,666</b>	<b>34,034</b>	<b>204,922</b>	<b>652,623</b>	<b>938,205</b>	<b>239,638</b>	<b>543,404</b>	<b>-</b>	<b>595,565</b>	<b>39,903</b>	<b>543,676</b>	<b>6,567,412</b>	
<b>\$ 68,547</b>	<b>\$ 176,558</b>	<b>\$ 34,034</b>	<b>\$ 431,799</b>	<b>\$ 756,573</b>	<b>\$ 1,467,553</b>	<b>\$ 283,702</b>	<b>\$ 551,282</b>	<b>\$ -</b>	<b>\$ 628,492</b>	<b>\$ 39,903</b>	<b>\$ 545,865</b>	<b>\$ 8,945,554</b>	

**CITY OF SOUTH MILWAUKEE**

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

	Special Revenue Funds								
	Library	Recycling	Paramedic	School	Community	Block	Health	City	General
				Liaison	Development				
<b>REVENUES</b>									
Taxes	\$ -	\$ 968,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	638	81,421	131,765	63,130	58,000	22,200	585	11,339	
Public charges for services	11,697	469,439	494,856	-	-	114,912	5,446	-	
Public improvement revenues	-	-	-	-	-	-	-	-	
Investment income	125	-	-	-	-	-	-	-	
Miscellaneous	12,198	-	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>24,658</b>	<b>550,860</b>	<b>1,595,100</b>	<b>63,130</b>	<b>58,000</b>	<b>137,112</b>	<b>6,031</b>	<b>11,339</b>	
<b>EXPENDITURES</b>									
Current									
General government	-	-	-	-	-	-	-	-	38,218
Public safety	-	-	1,072,888	200,857	-	-	-	-	2,244
Public works	-	515,271	-	-	-	-	-	10,314	435
Health and social services	-	-	-	-	58,465	163,377	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-
Library	696,634	-	-	-	-	-	-	-	-
Capital Outlay	80,099	-	-	-	-	-	-	-	10,450
<b>Total Expenditures</b>	<b>776,733</b>	<b>515,271</b>	<b>1,072,888</b>	<b>200,857</b>	<b>58,465</b>	<b>163,377</b>	<b>10,314</b>	<b>51,347</b>	
Excess (deficiency) of revenues over expenditures	(752,075)	35,589	522,212	(137,727)	(465)	(26,265)	(4,283)	(40,008)	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfer in	780,643	-	-	165,486	465	17,400	-	-	10,000
Transfer out	-	(35,553)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>780,643</b>	<b>(35,553)</b>	<b>-</b>	<b>165,486</b>	<b>465</b>	<b>17,400</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Net change in fund balances</b>	<b>28,568</b>	<b>36</b>	<b>522,212</b>	<b>27,759</b>	<b>-</b>	<b>(8,865)</b>	<b>(4,283)</b>	<b>(30,008)</b>	
<b>FUND BALANCES - Beginning of Year</b>									
	334,712	491,507	915,573	35,690	-	27,179	4,303	-	192,846
<b>FUND BALANCES - END OF YEAR</b>									
	<b>\$ 363,280</b>	<b>\$ 491,543</b>	<b>\$ 1,437,785</b>	<b>\$ 63,449</b>	<b>\$ -</b>	<b>\$ 18,314</b>	<b>\$ 20</b>	<b>\$ 162,838</b>	

Special Revenue Funds							Capital Projects Funds							Total Nonmajor Funds		
Police	Health	Fire	Referendum Officer	Economic Development	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	Tax Increment District #5					
\$ 29,176	\$ 146,658	\$ 14,796	\$ 216,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,185,068		
															\$ 559,708	
															\$ 1,096,350	
																40,977
																114,024
4,152	450	-	-	61,620	4,900	466	2,532	24,082	48,459	36,276	2,079	5	3,312		\$ 86,632	
<u>33,328</u>	<u>147,108</u>	<u>14,796</u>	<u>216,589</u>	<u>61,620</u>	<u>5,366</u>	<u>43,509</u>	<u>24,082</u>	<u>48,459</u>	<u>36,276</u>	<u>2,079</u>	<u>3,317</u>				<u>3,082,759</u>	
12,109	-	10,349	149,549	-	-	-	-	-	-	-	-	-	-		38,218	
															1,447,996	
															526,020	
	148,787	-	-	-	-	198,521	-	-	-	-	-	-	-		370,629	
															198,521	
															696,634	
975	-	-	-	-	-	623,395	-	87,535	11,630	11,839	2,103	160,881			988,907	
<u>13,084</u>	<u>148,787</u>	<u>10,349</u>	<u>149,549</u>	<u>198,521</u>	<u>623,395</u>	<u>-</u>	<u>87,535</u>	<u>11,630</u>	<u>11,839</u>	<u>2,103</u>	<u>160,881</u>				<u>4,266,925</u>	
20,244	(1,679)	4,447	67,040	(136,901)	(618,029)	43,509	(63,453)	36,829	24,437	(24)	(157,564)				(1,184,166)	
-	-	-	-	177,546	1,467,553	-	-	664,411	-	5,000	701,240				3,989,744	
								(701,240)							(736,793)	
				177,546	1,467,553	-	-	(36,829)		5,000	701,240				3,252,951	
20,244	(1,679)	4,447	67,040	40,645	849,524	43,509	(63,453)	-	24,437	4,976	543,676				2,068,785	
48,303	171,345	29,587	137,882	611,978	88,681	196,129	606,857	-	571,128	34,927	-				4,498,627	
<u>\$ 68,547</u>	<u>\$ 169,666</u>	<u>\$ 34,034</u>	<u>\$ 204,922</u>	<u>\$ 652,623</u>	<u>\$ 938,205</u>	<u>\$ 239,638</u>	<u>\$ 543,404</u>	<u>\$ -</u>	<u>\$ 595,565</u>	<u>\$ 39,903</u>	<u>\$ 543,676</u>				<u>\$ 6,567,412</u>	