
CITY OF SOUTH MILWAUKEE

South Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 Virchow Krause, LLP

Milwaukee, Wisconsin
July 23, 2018

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Management's Discussion and Analysis

(unaudited)

As management of the City of South Milwaukee, 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, 2017. 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 21,070 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 \$20.78 million (net position).

The government's total net position decreased in total by \$2.56 million from 2016 to 2017.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$13.50 million, a decrease of \$1.48 million in comparison with the prior year. Of this total amount, approximately \$1.74 million is available for spending at the government's discretion (assigned and unassigned fund balance).

The total long-term obligations for the City of South Milwaukee decreased by approximately \$2.95 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 23 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 19 governmental funds are combined and titled Non-major 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 page 21 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 22 - 70 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 75 - 78 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 \$20.78 million at the close of the most recent fiscal year, as presented in the following table.

CITY OF SOUTH MILWAUKEE NET POSITION
December 31, 2017 and 2016
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 29,039	\$ 30,340	\$ 6,248	\$ 7,363	\$ 35,287	\$ 37,703
Capital assets, net of depreciation	17,763	18,728	37,066	37,599	54,829	56,327
Total assets	46,802	49,068	43,314	44,962	90,116	94,030
Deferred outflows of resources	5,191	7,390	608	861	5,799	8,251
Current and other liabilities	961	1,412	289	411	1,250	1,823
Noncurrent liabilities	38,432	39,885	18,739	20,242	57,171	60,127
Total liabilities	39,393	41,297	19,028	20,653	58,421	61,950
Deferred inflows of resources	15,666	15,871	1,040	1,113	16,706	16,984
Net position						
Net investment in capital assets	1,052	1,592	22,461	21,700	23,470 *	23,292 *
Restricted	3,717	3,545	1,572	1,603	5,289	5,148
Unrestricted	(7,835)	(5,847)	(179)	755	(7,971) *	(5,092) *
Total net position	\$ (3,066)	\$ (710)	\$ 23,854	\$ 24,058	\$ 20,788	\$ 23,348

The City of South Milwaukee's governmental activities net position includes \$1.05 million 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.

The government's net position decreased (\$2,560,155) during the current fiscal year. The decrease was related to the government activities which showed a (\$2,356,330) decrease, and the business activities which showed a (\$203,825) decrease in net position.

* Includes an adjustment for utility assets financed with governmental activities debt. See Note I. D. 10.

Governmental activities. The City's Tax Increment Districts increased in valuation and increment revenue. The Districts beginning fund balance of \$2,382,732 increased to \$2,501,050 in the Special Revenue Funds. The City's tax increment district project plans provide for the City to finance various development incentives.

Business-type activities. Business-type activities decreased the City of South Milwaukee's net position by \$203,825.

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, 2017 and 2016

(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 3,251	\$ 3,349	\$ 6,842	\$ 6,862	\$ 10,093	\$ 10,211
Operating grants and contributions	1,660	1,087	134	133	1,794	1,220
Capital grants and contributions	-	514	333	308	333	822
General revenues						
Property taxes	10,285	10,040	-	-	10,285	10,040
Other taxes	2,265	2,262	-	-	2,265	2,262
Intergovernmental revenues not restricted to specific programs	3,310	3,306	-	-	3,310	3,306
Investment income	183	145	33	19	216	164
Miscellaneous/Other	393	360	-	-	393	360
Total revenues	21,347	21,063	7,342	7,322	28,689	28,385
Expenses						
General government	2,897	3,047	-	-	2,897	3,047
Protection of persons and property	10,220	9,927	-	-	10,220	9,927
Public works	7,261	6,519	-	-	7,261	6,519
Conservation and development	908	475	-	-	908	475
Health and human services	757	774	-	-	757	774
Library	951	931	-	-	951	931
Parks and recreation	169	168	-	-	169	168
Other	462	456	-	-	462	456
Interest and fiscal charges	593	816	-	-	593	816
Water	-	-	2,952	2,796	2,952	2,796
Wastewater	-	-	3,044	2,848	3,044	2,848
Stormwater	-	-	550	717	550	717
Parkcrest	-	-	485	455	485	455
Total expenses	24,218	23,113	7,031	6,816	31,249	29,929
Increase (decrease) in net position before transfers	(2,871)	(2,050)	311	506	(2,560)	(1,544)
Transfers	515	494	(515)	(494)	-	-
Increase (decrease) in net position	(2,356)	(1,556)	(204)	12	(2,560)	(1,544)
Net position - January 1, 2017	(710)	846	24,058	24,046	23,348	24,892
Net position - December 31, 2017	\$ (3,066)	\$ (710)	\$ 23,854	\$ 24,058	\$ 20,788	\$ 23,348

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 \$13.50 million, a decrease of approximately \$1.48 million in comparison with the prior year. Approximately \$1.74 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 \$6,212,813.

The debt service fund has a total fund balance of \$188,628 which is restricted for debt service requirements.

The special revenue fund – tax increment district funds has a total fund balance of \$2,501,050 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$1,999,040 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 (\$54,267). The Sewer Utility had unrestricted net position of (\$786,541). The Stormwater Utility had unrestricted net position of \$350,964. The change in net position for the funds was a decrease in the Water Utility amounting to (\$280,869), a decrease in the Sewer Utility of (\$457,692) and an increase in the Stormwater Utility of \$572,404. 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 2017. The City's General Fund has \$778,890 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, 2017 amounts to \$54.8 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.

Major capital asset events during the current fiscal year included the following:

City of South Milwaukee Capital Assets						
As of December 31, 2017 and 2016						
(In Thousands)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land & improvements	\$ 2,697	\$ 2,957	\$ 17	\$ 17	\$ 2,714	\$ 2,974
Intangible assets	34	34	110	110	144	144
Construction in progress	-	31	362	58	362	89
Structures and improvements	2,925	2,984	6,932	6,995	9,857	9,979
Machinery & equipment	3,543	3,888	9	13	3,552	3,901
Library Books	361	367	-	-	361	367
Infrastructure	8,203	8,467	29,636	30,406	37,839	38,873
Total	<u>\$ 17,763</u>	<u>\$ 18,728</u>	<u>\$ 37,066</u>	<u>\$ 37,599</u>	<u>\$ 54,829</u>	<u>\$ 56,327</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 \$57.2 million. Of this amount, \$24.8 million was for the City's General Obligation debt which included TIF #1, TIF #2 and TIF #3.

CITY OF SOUTH MILWAUKEE LONG-TERM DEBT

As of December 31, 2017 and 2016

(In Thousands)

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Activities</u>					
	2017	2016	2017	2016	2017	2016
General Obligation Debt	\$ 19,807	\$ 22,257	\$ 5,023	\$ 5,798	\$ 24,830	\$ 28,055
Premium on Debt Issued	335	388	67	76	402	464
Revenue Bonds	-	-	10,694	11,578	10,694	11,578
Net pension liability (asset)	666	1,315	76	153	742	1,468
Unfunded Retirement Liability	16,466	14,813	2,601	2,373	19,067	17,186
Accumulated Sick Pay	1,158	1,112	279	264	1,437	1,376
Total	<u>\$ 38,432</u>	<u>\$ 39,885</u>	<u>\$ 18,740</u>	<u>\$ 20,242</u>	<u>\$ 57,172</u>	<u>\$ 60,127</u>

The City of South Milwaukee maintained its bond rating by Moody's Investor Service of AA2 for its general obligation debt in 2017. 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, 2017 for the City of South Milwaukee is \$60.08 million which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$24.83 million.

Additional information on the City of South Milwaukee's long-term debt can be found in Note IV.F. on pages 50-54 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 2018. TID 4 is an industrial TID approved in 2006 to assist with the retention and expansion of Bucyrus International (now Caterpillar). The developer-financed TID is expected to close in 2019. Due to recent conditions in downtown South Milwaukee, the City is pursuing the approval of a proposed TID 5 to spur reinvestment and catalyze downtown activation.

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 Milwaukee Community and Business Association (known locally as "the Chamber", the 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 15th Avenue, South Milwaukee, Wisconsin 53172.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH MILWAUKEE
STATEMENT OF NET POSITION
As of December 31, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 21,918,759	\$ 1,228,132	\$ 23,146,891
Receivables			
Taxes	5,623,607	821,061	6,444,668
Accounts	861,874	1,132,790	1,994,664
Special assessments	32,897	-	32,897
Interest	10,125	-	10,125
Accrued revenue	-	496,670	496,670
Internal balances	591,699	(591,699)	-
Prepaid items and inventories	-	364,330	364,330
Other assets	-	431	431
Restricted assets			
Cash and investments	-	2,796,516	2,796,516
Capital assets			
Land	2,696,513	16,596	2,713,109
Intangible assets	33,758	110,000	143,758
Construction in progress	-	362,261	362,261
Other capital and intangible assets, net of depreciation/amortization	15,033,104	36,577,910	51,611,014
Total Assets	<u>46,802,336</u>	<u>43,314,998</u>	<u>90,117,334</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	52,543	-	52,543
Deferred outflows related to pensions	5,138,587	608,670	5,747,257
Total Deferred Outflows of Resources	<u>5,191,130</u>	<u>608,670</u>	<u>5,799,800</u>
LIABILITIES			
Accounts payable and accrued expenses	837,937	171,088	1,009,025
Accrued interest payable	123,314	78,695	202,009
Deposits	-	17,766	17,766
Unearned revenues	-	21,604	21,604
Noncurrent liabilities			
Net pension liability	666,439	75,641	742,080
Due within one year	2,760,943	1,711,428	4,472,371
Due in more than one year	35,004,803	16,952,443	51,957,246
Total Liabilities	<u>39,393,436</u>	<u>19,028,665</u>	<u>58,422,101</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,095,473	249,996	2,345,469
Unearned Revenue	13,570,943	790,654	14,361,597
Total Deferred Inflows of Resources	<u>15,666,416</u>	<u>1,040,650</u>	<u>16,707,066</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	1,052,075	22,461,464	23,470,118
Restricted			
Debt service	65,314	-	65,314
Library	332,381	-	332,381
Police federal asset forfeiture	49,614	-	49,614
TID purposes	3,080,838	-	3,080,838
Special assessment and interest - capital projects	188,914	-	188,914
Equipment replacement reserve	-	1,182,360	1,182,360
Debt service reserve	-	389,751	389,751
Unrestricted (deficit)	<u>(7,835,522)</u>	<u>(179,222)</u>	<u>(7,971,323)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (3,066,386)</u>	<u>\$ 23,854,353</u>	<u>\$ 20,787,967</u>

See accompanying notes to financial statements.

CITY OF SOUTH MILWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 2,897,434	\$ 1,126,078	\$ 4,914	\$ -	\$ (1,766,442)	\$ -	\$ (1,766,442)
Public safety	10,220,477	1,027,854	310,962	-	(8,881,661)	-	(8,881,661)
Public works	7,261,225	975,895	1,076,490	-	(5,208,840)	-	(5,208,840)
Conservation and development	907,633	75,000	-	-	(832,633)	-	(832,633)
Health and human services	756,790	22,621	259,153	-	(475,016)	-	(475,016)
Library	951,253	24,020	8,195	-	(919,038)	-	(919,038)
Parks and recreation	168,626	-	-	-	(168,626)	-	(168,626)
Other	461,571	-	-	-	(461,571)	-	(461,571)
Interest and fiscal charges	594,309	-	-	-	(594,309)	-	(594,309)
Total Governmental Activities	24,219,318	3,251,468	1,659,714	-	(19,308,136)	-	(19,308,136)
Business-type Activities							
Water	2,952,167	3,127,978	-	-	-	175,811	175,811
Sewer	3,044,651	2,585,470	-	-	-	(459,181)	(459,181)
Stormwater	549,936	790,438	-	333,288	-	573,790	573,790
Parkcrest housing authority	484,909	338,971	134,200	-	-	(11,738)	(11,738)
Total Business-type Activities	7,031,663	6,842,857	134,200	333,288	-	278,682	278,682
Totals	\$ 31,250,981	\$ 10,094,325	\$ 1,793,914	\$ 333,288	(19,308,136)	278,682	(19,029,454)
General Revenues							
Taxes							
Property taxes, levied for general purposes					8,300,776	-	8,300,776
Property taxes, levied for debt service					1,984,414	-	1,984,414
Property taxes, levied for tax increment					1,651,530	-	1,651,530
Property taxes, levied for other purposes					590,148	-	590,148
Other taxes					23,404	-	23,404
Intergovernmental revenues not restricted to specific programs					3,310,800	-	3,310,800
Investment income					182,848	32,529	215,377
Miscellaneous					392,850	-	392,850
Total General Revenues					16,436,770	32,529	16,469,299
Transfers					515,036	(515,036)	-
Change in net position					(2,356,330)	(203,825)	(2,560,155)
NET POSITION - Beginning of Year					(710,056)	24,058,178	23,348,122
NET POSITION (DEFICIT) - END OF YEAR					\$ (3,066,386)	\$ 23,854,353	\$ 20,787,967

See accompanying notes to financial statements.

CITY OF SOUTH MILWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

			<u>Special Revenue Funds</u>				
			Tax Incremental District Funds	Capital Projects Fund Public Works Projects	Nonmajor Governmental Funds		
	General	Debt Service				Totals	
ASSETS							
Cash and investments	\$ 10,198,269	\$ 2,051,398	\$ 3,410,433	\$ 1,678,361	\$ 3,441,260	\$ 20,779,721	
Receivables							
Taxes	2,906,130	1,165,868	569,162	-	980,386	5,621,546	
Accounts	606,114	-	-	39,270	177,826	823,210	
Special assessments	-	-	-	-	32,897	32,897	
Delinquent personal property taxes	2,061	-	-	-	-	2,061	
Interest	10,125	-	-	-	-	10,125	
Due from other funds	270,245	-	-	321,454	-	591,699	
TOTAL ASSETS	\$ 13,992,944	\$ 3,217,266	\$ 3,979,595	\$ 2,039,085	\$ 4,632,369	\$ 27,861,259	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 242,115	\$ -	\$ -	\$ 40,045	\$ 195,535	\$ 477,695	
Accrued liabilities	265,500	-	-	-	19,065	284,565	
Due to other funds	-	-	-	-	-	-	
Total Liabilities	<u>507,615</u>	<u>-</u>	<u>-</u>	<u>40,045</u>	<u>214,600</u>	<u>762,260</u>	
Deferred Inflows of Resources							
Unearned revenue	7,272,516	3,028,638	1,478,545	-	1,791,244	13,570,943	
Unavailable revenue	-	-	-	-	32,897	32,897	
Total Deferred Inflows of Resources	<u>7,272,516</u>	<u>3,028,638</u>	<u>1,478,545</u>	<u>-</u>	<u>1,824,141</u>	<u>13,603,840</u>	
Fund Balances							
Nonspendable	628,674	-	-	-	-	628,674	
Restricted	-	188,628	2,501,050	-	1,270,835	3,960,513	
Committed	3,844,630	-	-	1,999,040	1,322,793	7,166,463	
Assigned	1,739,509	-	-	-	-	1,739,509	
Unassigned (deficit)	-	-	-	-	-	-	
Total Fund Balances	<u>6,212,813</u>	<u>188,628</u>	<u>2,501,050</u>	<u>1,999,040</u>	<u>2,593,628</u>	<u>13,495,159</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,992,944	\$ 3,217,266	\$ 3,979,595	\$ 2,039,085	\$ 4,632,369		

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 IIA.	17,763,375
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.	32,897
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(666,439)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	5,138,587
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(2,095,473)
Internal service funds are reported in the statement of net position as governmental activities.	1,102,025
Other long-term assets are not available to pay for current period expenditures and are deferred outflows. Note IIA.	52,543
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. Note IIA.	(21,423,307)
Net post employment benefits liability is not due and payable in the current period and, therefore, is not reported in the funds.	(16,465,753)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (3,066,386)

See accompanying notes to financial statements.

CITY OF SOUTH MILWAUKEE

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

	Special Revenue Funds					
	General	Debt Service	Tax Incremental District Funds	Capital Projects Fund Public Works Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,324,180	\$ 1,984,414	\$ 1,651,530	\$ -	\$ 590,148	\$ 12,550,272
Intergovernmental	4,395,675	-	15,396	172,051	424,564	5,007,686
Regulation and compliance	736,221	-	-	-	-	736,221
Public charges for services	764,920	-	-	-	998,343	1,763,263
Public improvement revenues	-	-	-	-	4,914	4,914
Interdepartmental revenues	743,685	-	-	-	-	743,685
Investment income (loss)	129,726	-	-	11,596	41,525	182,847
Miscellaneous	233,384	-	-	4,258	46,773	284,415
Total Revenues	15,327,791	1,984,414	1,666,926	187,905	2,106,267	21,273,303
EXPENDITURES						
Current						
General government	2,366,492	-	-	-	55,263	2,421,755
Public safety	6,906,782	-	-	-	1,328,086	8,234,868
Public works	3,521,201	-	-	-	476,228	3,997,429
Health and human services	469,818	-	-	-	247,995	717,813
Library	-	-	-	-	745,795	745,795
Parks and recreation	151,325	-	-	-	-	151,325
Conservation and development	126,264	-	263,270	-	-	389,534
Other	461,571	-	-	-	-	461,571
Capital Outlay	221,312	-	-	2,057,884	808,504	3,087,700
Debt Service						
Principal retirement	-	2,450,000	-	-	-	2,450,000
Interest and fiscal charges	-	684,078	-	-	-	684,078
Total Expenditures	14,224,765	3,134,078	263,270	2,057,884	3,661,871	23,341,868
Excess (deficiency) of revenues over expenditures	1,103,026	(1,149,664)	1,403,656	(1,869,979)	(1,555,604)	(2,068,565)
OTHER FINANCING SOURCES (USES)						
Transfers in	514,052	1,148,544	-	3,379	1,157,764	2,823,739
Transfers out	(1,020,970)	-	(1,285,338)	-	(2,395)	(2,308,703)
Proceeds on sale of capital assets	-	-	-	-	76,000	76,000
Total Other Financing Sources (Uses)	(506,918)	1,148,544	(1,285,338)	3,379	1,231,369	591,036
Net Change in Fund Balance	596,108	(1,120)	118,318	(1,866,600)	(324,235)	(1,477,529)
FUND BALANCES - Beginning of Year	5,616,705	189,748	2,382,732	3,865,640	2,917,863	14,972,688
FUND BALANCES - END OF YEAR	\$ 6,212,813	\$ 188,628	\$ 2,501,050	\$ 1,999,040	\$ 2,593,628	\$ 13,495,159

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, 2017

Net change in fund balances - total governmental funds	\$ (1,477,529)
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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	3,087,700
Some items reported as capital outlay are not capitalized	(2,347,884)
Depreciation is reported in the government-wide statements	(1,427,963)
Net book value of assets retired	(276,541)

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	2,450,000
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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.

	(1,352)
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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.

	113,647
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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	(46,274)
Amortization of loss on refunding	(8,758)
Amortization of premium	53,401
Net pension liability	648,370
Deferred outflows of resources related to pensions	(2,190,462)
Deferred inflows of resources related to pensions	675,081
Other postemployment benefits	(1,652,893)
Accrued interest on debt	45,127

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,356,330)</u>
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CITY OF SOUTH MILWAUKEE

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

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Totals	Internal Service Fund
ASSETS						
CURRENT ASSETS						
Cash and investments	\$ 20,598	\$ -	\$ 887,500	\$ 320,034	\$ 1,228,132	\$ 1,139,038
Taxes receivable	278,112	238,589	304,360	-	821,061	-
Accounts receivable	599,346	531,146	-	2,298	1,132,790	38,664
Due from other funds	25,180	277,524	5,337	-	308,041	-
Prepaid items and inventories	349,211	-	-	15,119	364,330	-
Accrued revenue	496,670	-	-	-	496,670	-
Restricted assets	-	-	-	-	-	-
Cash and investments	88,897	347,072	-	-	435,969	-
Total Current Assets	1,858,014	1,394,331	1,197,197	337,451	4,786,993	1,177,702
NON-CURRENT ASSETS						
Restricted assets	-	-	-	-	-	-
Cash and investments	1,178,187	1,182,360	-	-	2,360,547	-
Capital assets	-	-	-	-	-	-
Land	2,400	8,000	-	6,196	16,596	-
Intangible assets	110,000	-	-	-	110,000	-
Property and equipment	23,235,226	28,633,637	9,634,470	4,824,364	66,327,697	-
Construction work in progress	176,747	185,514	-	-	362,261	-
Less: Accumulated depreciation	(8,852,297)	(14,802,452)	(2,803,991)	(3,291,047)	(29,749,787)	-
Other Assets	-	-	-	431	431	-
Total Non-Current Assets	15,850,263	15,207,059	6,830,479	1,539,944	39,427,745	-
Total Assets	17,708,277	16,601,390	8,027,676	1,877,395	44,214,738	1,177,702
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	271,193	253,923	-	83,554	608,670	-
LIABILITIES						
Accounts payable	-	63,945	46,775	9,129	119,849	910
Accrued liabilities	22,734	17,739	251	10,515	51,239	74,767
Accrued interest	23,924	-	8,553	-	32,477	-
Special deposits	-	-	-	17,766	17,766	-
Due to other funds	279,362	592,332	-	28,046	899,740	-
Current portion of general obligation debt	518,287	7,452	233,098	-	758,837	-
Current portion of compensated absences	-	45,698	-	-	45,698	-
Liabilities payable from restricted assets	-	-	-	-	-	-
Current portion of revenue bonds	422,205	484,688	-	-	906,893	-
Accrued interest	18,530	27,688	-	-	46,218	-
Total Current Liabilities	1,285,042	1,239,542	288,677	65,456	2,878,717	75,677
NON-CURRENT LIABILITIES						
Unearned revenue	21,604	-	-	-	21,604	-
Compensated absences	165,172	68,012	-	-	233,184	-
Net other postemployment benefit obligation	1,437,491	1,164,008	-	-	2,601,499	-
Net pension liability	34,653	32,148	-	8,840	75,641	-
Long-term bonds and notes payable	-	-	-	-	-	-
General obligation debt	2,726,049	457,529	1,147,318	-	4,330,896	-
Revenue bonds	4,278,724	5,508,140	-	-	9,786,864	-
Total Non-Current Liabilities	8,663,693	7,229,837	1,147,318	8,840	17,049,688	-
Total Liabilities	9,948,735	8,469,379	1,435,995	74,296	19,928,405	75,677
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	109,637	103,841	-	36,518	249,996	-
Unearned Revenue	-	-	790,654	-	790,654	-
Total Deferred Outflows of Resources	109,637	103,841	790,654	36,518	1,040,650	-
NET POSITION						
Net investment in capital assets	7,904,998	7,566,890	5,450,063	1,539,513	22,461,464	-
Restricted	-	-	-	-	-	-
Equipment replacement reserve	-	1,182,360	-	-	1,182,360	-
Debt service reserve	70,367	319,384	-	-	389,751	-
Unrestricted (deficit)	(54,267)	(786,541)	350,964	310,622	(179,222)	1,102,025
TOTAL NET POSITION	\$ 7,921,098	\$ 8,282,093	\$ 5,801,027	\$ 1,850,135	\$ 23,854,353	\$ 1,102,025

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, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Totals	Internal Service Fund
OPERATING REVENUES						
Charges for services	\$ 3,026,089	\$ 2,536,672	\$ 790,438	\$ -	\$ 6,353,199	\$ 466,389
Other operating revenues	101,889	48,798	-	338,971	489,658	96,851
Total Operating Revenues	3,127,978	2,585,470	790,438	338,971	6,842,857	563,240
OPERATING EXPENSES						
Operation and maintenance	1,933,094	2,074,815	350,036	393,688	4,751,633	456,593
Depreciation	761,116	750,428	124,042	91,221	1,726,807	-
Taxes	43,862	49,255	-	-	93,117	-
Total Operating Expenses	2,738,072	2,874,498	474,078	484,909	6,571,557	456,593
Operating Income (Loss)	389,906	(289,028)	316,360	(145,938)	271,300	106,647
NONOPERATING REVENUES (EXPENSES)						
Gain (Loss) of disposal of capital asset	-	-	(34,022)	-	(34,022)	-
Intergovernmental grants and aids	-	-	-	134,200	134,200	7,000
Investment income	15,925	12,495	1,993	2,116	32,529	-
Interest and amortization expense	(214,095)	(170,153)	(41,836)	-	(426,084)	-
Total Nonoperating Revenues (Expenses)	(198,170)	(157,658)	(73,865)	136,316	(293,377)	7,000
Income (Loss) Before Contributions and Transfers	191,736	(446,686)	242,495	(9,622)	(22,077)	113,647
CAPITAL CONTRIBUTIONS	-	-	333,288	-	333,288	-
TRANSFERS OUT	-	-	(3,379)	-	(3,379)	-
TRANSFERS OUT - TAX EQUIVALENT	(472,605)	(11,006)	-	(28,046)	(511,657)	-
CHANGE IN NET POSITION	(280,869)	(457,692)	572,404	(37,668)	(203,825)	113,647
NET POSITION - Beginning of Year	8,201,967	8,739,785	5,228,623	1,887,803	24,058,178	988,378
NET POSITION - END OF YEAR	\$ 7,921,098	\$ 8,282,093	\$ 5,801,027	\$ 1,850,135	\$ 23,854,353	\$ 1,102,025

CITY OF SOUTH MILWAUKEE

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

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 2,447,050	\$ 2,590,605	\$ 810,519	\$ 339,214	\$ 6,187,388	\$ 569,463
Received (paid) from/(to) municipality	646,509	-	-	-	646,509	-
Paid to vendors for goods and services	(1,544,723)	(1,212,120)	(266,876)	(199,054)	(3,222,773)	(455,041)
Paid to employees for services	(634,223)	(576,306)	(80,450)	(176,990)	(1,467,969)	-
Net Cash Flows From Operating Activities	914,613	802,179	463,193	(36,830)	2,143,155	114,422
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental grants and aids	-	-	-	134,200	134,200	-
Paid to municipality	(472,605)	(11,006)	(3,379)	(28,046)	(515,036)	-
Net Cash Flows From Noncapital Financing Activities	(472,605)	(11,006)	(3,379)	106,154	(380,836)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(952,729)	(479,084)	(227,510)	-	(1,659,323)	-
Interest paid and fees	(218,821)	(174,037)	(50,115)	-	(442,973)	-
Acquisition and construction of capital assets	(281,809)	(185,573)	(306,136)	(127,716)	(901,234)	-
Contribution received for construction	-	-	50,000	-	50,000	-
Net Cash Flows From Capital and Related Financing Activities	(1,453,359)	(838,694)	(533,761)	(127,716)	(2,953,530)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	15,925	12,495	1,993	2,116	32,529	-
Net Change in Cash and Cash Equivalents	(995,426)	(35,026)	(71,954)	(56,276)	(1,158,682)	114,422
CASH AND CASH EQUIVALENTS - Beginning of Year	2,283,108	1,564,458	959,454	376,310	5,183,330	1,024,616
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,287,682	\$ 1,529,432	\$ 887,500	\$ 320,034	\$ 4,024,648	\$ 1,139,038

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Totals	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 389,906	\$ (289,028)	\$ 316,360	\$ (145,938)	\$ 271,300	\$ 106,647
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	761,116	750,428	124,042	91,221	1,726,807	-
Depreciation charged to other utilities	11,581	(11,581)	-	-	-	-
Miscellaneous	-	-	-	-	-	7,000
Changes in assets, deferred outflows/inflows and liabilities						
Accounts receivable	(42,455)	5,973	-	(168)	(36,650)	(777)
Due from other funds	(3,545)	190,660	19,865	-	206,980	-
Inventories	(266,746)	-	-	(270)	(267,016)	-
Prepaid items	34,427	-	-	(124)	34,303	-
Accrued liabilities	9,854	4,705	-	-	14,559	-
Accounts payable	(176,256)	7,255	3,654	-	(165,347)	170
Due to other funds	2,685	11,983	-	1,795	16,463	-
Unearned revenues	3,945	-	-	-	3,945	-
Pension related deferrals and liabilities	46,401	42,549	-	16,318	105,268	-
Net other post employment benefit obligation	143,700	89,235	-	-	232,935	-
Customer deposits	-	-	-	411	411	-
Deferred inflows of resources	-	-	216	-	216	-
Other current liabilities	-	-	(944)	(75)	(1,019)	1,382
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 914,613</u>	<u>\$ 802,179</u>	<u>\$ 463,193</u>	<u>\$ (36,830)</u>	<u>\$ 2,143,155</u>	<u>\$ 114,422</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS						
Cash and investments - statement of net position	\$ 20,598	\$ -	\$ 887,500	\$ 320,034	\$ 1,228,132	\$ 1,139,038
Restricted cash and investments - statement of net position	<u>1,267,084</u>	<u>1,529,432</u>	<u>-</u>	<u>-</u>	<u>2,796,516</u>	<u>-</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 1,287,682</u>	<u>\$ 1,529,432</u>	<u>\$ 887,500</u>	<u>\$ 320,034</u>	<u>\$ 4,024,648</u>	<u>\$ 1,139,038</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets included in accounts payable	\$ -	\$ -	\$ 41,685	\$ -	\$ 41,685	\$ -
Amortization	\$ -	\$ 1,682	\$ -	\$ -	\$ 1,682	\$ -
Cost of utility plant additions financed by others	\$ -	\$ -	\$ 283,838	\$ -	\$ 283,838	\$ -

CITY OF SOUTH MILWAUKEE

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND**

As of December 31, 2017

	<u>Agency Fund</u>
	<u>Tax</u>
	<u>Collection</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 12,613,119
Taxes receivable	<u>7,704,372</u>
Total Assets	<u>\$ 20,317,491</u>
LIABILITIES	
Due to other taxing units	\$ 20,312,054
Special deposits	<u>5,437</u>
Total Liabilities	<u>\$ 20,317,491</u>

CITY OF SOUTH MILWAUKEE

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

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CITY OF SOUTH MILWAUKEE

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of South Milwaukee ("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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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, 2017

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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Fund
Special Assessment and Interest Fund
Tax Incremental District Funds - #1, #2, #3 and #4

Enterprise Funds – accounts for operations of the housing authority.
Parkcrest Housing Authority

In addition, the City reports the following fund types:

Internal service funds are 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

Agency funds are 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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 deferred 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, 2017

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 (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from 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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 maturing in three years or less.
- 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, 2017

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

See Note IV.A. for further information.

CITY OF SOUTH MILWAUKEE

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

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)

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 and vocational school districts. 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 assets and liabilities – agency fund.

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	April 30, 2018
Third installment due	July 31, 2018
Final settlement with County	August 15, 2018
Personal property taxes in full	January 31, 2018
Tax deed by County – 2017	
Delinquent real estate taxes	October 2020

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made 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, 2017

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)

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, 2017

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)

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, 2017

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)

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, 2017

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)

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.”

The net position section includes an adjustment of \$43,421 for capital assets owned by the business type activities, but financed by the governmental activities. The adjustment is included as a reduction of the “net investment in capital assets”, and an increase in the “unrestricted” net position, shown only in the total column.

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, 2017

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)

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 \$3,844,630.

See Note IV. G. for further information.

CITY OF SOUTH MILWAUKEE

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

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)

11. Basis for Existing Rates

Water Utility

Current water rates were approved by the PSCW effective December 31, 2013.

Sewer Utility

Current sewer rates were approved by the City's common council on April 1, 2012.

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.

CITY OF SOUTH MILWAUKEE

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

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

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	\$ 2,696,513
Buildings	7,453,762
Machinery and equipment	10,043,890
Library book collection	809,919
Infrastructure	18,508,438
Intangibles - easements	33,758
Intangibles - software	104,775
Less: Accumulated depreciation	<u>(21,887,680)</u>
Adjustment for Capital Assets	<u>\$ 17,763,375</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	\$ 19,807,000
Premium on debt issued	334,866
Accumulated sick pay benefits	1,158,127
Accrued interest payable	<u>123,314</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 21,423,307</u>

CITY OF SOUTH MILWAUKEE

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

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, Police Fund, and the following Capital Project Funds – TIF Increment District #1, TIF Increment District #2, TIF Increment District #3 and TIF Increment District #4. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. EXCESS OF ACTUAL EXPENDITURE OVER APPROPRIATIONS

	<u>Budgeted Expenditures</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Special Revenue Funds:			
General Government Fund	\$ 10,250	\$ 61,162	\$ (50,912)
Health Fund	59,504	77,665	(18,161)
Fire Fund	7,100	7,131	(31)
School Liason Fund	219,659	245,919	(26,260)
Health Consortium Fund	151,428	152,530	(1,102)

Budgetary control is exercised at the total fund level for all funds. Some individual departments 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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS

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	\$ 6,036,253	\$ 6,049,970	Custodial Credit Risk
Certificates of deposit - non-negotiable	100,188	100,188	Custodial Credit Risk
			Credit Risk, Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk, Investment Highly Sensitive to Interest Rate Changes
Certificates of deposit - negotiable	1,916,123	1,916,123	Credit Risk, Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. agencies	988,395	988,395	Credit Risk
LGIP	29,494,757	29,619,770	Not applicable
Petty cash	20,810	-	
Total Cash and Investments	<u>\$ 38,556,526</u>	<u>\$ 38,674,446</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 23,146,891		
Restricted cash and investments	2,796,516		
Per statement of assets and liabilities - Agency Fund	12,613,119		
Total Cash and Investments	<u>\$ 38,556,526</u>		

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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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, 2017			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 988,395	\$ -	\$ 988,395
Certificates of deposits - non-negotiable	100,188	1,916,123	-	2,016,311
	<u>\$ 100,188</u>	<u>\$ 2,904,518</u>	<u>\$ -</u>	<u>\$ 3,004,706</u>

Custodial Credit Risk

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

As of December 31, 2017, none of the City's total bank balances of \$6,150,158 was exposed to custodial credit risk. The City has collateral at local banks in the amount of \$7,085,556.

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, 2017, the City's investments were exposed to custodial credit risk as follows:

<u>U.S. Agencies</u>	
Neither insured nor registered and held by counterparty	<u>\$ 988,395</u>
<u>Certificates of Deposit - negotiable</u>	
Neither insured nor registered and held by counterparty	<u>\$ 1,916,123</u>

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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit - negotiable	\$ 697,246	1.09
Certificates of Deposit - negotiable	521,490	1.65
Certificates of Deposit - negotiable	697,387	1.18
U.S. agencies	99,084	4.91
U.S. agencies	792,398	3.14
U.S. agencies	96,913	3.63
Total Fair Value	<u>\$ 2,904,518</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, 2017

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

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, 2017, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLMC	U.S. agencies	14%
FNMA	U.S. agencies	10%
Capital One	Certificates of Deposit - negotiable	10%
Goldman Sachs	Certificates of Deposit - negotiable	8%
FHLB	U.S. agencies	7%
Discover Bank	Certificates of Deposit - negotiable	7%
Morgan Stanley Bank	Certificates of Deposit - negotiable	7%

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2017, the City held \$1,916,123 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 2020.

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 \$2,061 of delinquent personal property taxes reported in the general fund, \$23,854 of water tower lease payments in the general fund, and \$32,897 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:

CITY OF SOUTH MILWAUKEE

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

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

B. RECEIVABLES (cont.)

	Unearned	Unavailable
Property taxes receivable	\$ 13,545,028	\$ -
Water tower lease receivable	23,854	-
Delinquent property taxes receivable	2,061	-
Special assessments not yet due	-	32,897
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 13,570,943	\$ 32,897
Unearned revenues included in deferred inflows	\$ 13,570,943	

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, 2017:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Clean water fund debt service reserve	\$ 347,072	\$ 27,688	\$ 319,384
Construction account	1,178,187	-	N/A
Equipment replacement account	1,182,360	-	1,182,360
Redemption accounts	88,897	18,530	70,367
Total Restricted Assets	\$ 2,796,516	\$ 46,218	\$ 1,572,111

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 2,956,671	\$ -	\$ 260,158	\$ 2,696,513
Intangible assets	33,758	-	-	33,758
Construction in progress	31,135	73,640	104,775	-
Total capital assets not being depreciated/amortized	<u>3,021,564</u>	<u>73,640</u>	<u>364,933</u>	<u>2,730,271</u>
Capital Assets Being Depreciated/Amortized				
Buildings	7,410,918	89,689	46,845	7,453,762
Machinery and equipment	9,881,349	280,563	118,022	10,043,890
Library book collection	824,815	75,051	89,947	809,919
Roads	16,226,273	161,247	21,903	16,365,617
Bridges	229,534	-	-	229,534
Sidewalks	1,869,113	59,626	15,452	1,913,287
Intangible assets	-	104,775	-	104,775
Total Capital Assets Being Depreciated/Amortized	<u>36,442,002</u>	<u>770,951</u>	<u>292,169</u>	<u>36,920,784</u>
Total Capital Assets	<u>39,463,566</u>	<u>844,591</u>	<u>657,102</u>	<u>39,651,055</u>
Less: Accumulated Depreciation/Amortization for				
Buildings	(4,427,355)	(148,868)	(46,845)	(4,529,378)
Machinery and equipment	(5,993,107)	(626,055)	(118,022)	(6,501,140)
Library book collection	(457,678)	(80,992)	(89,947)	(448,723)
Roads	(9,372,917)	(522,690)	(17,522)	(9,878,085)
Bridges	(23,494)	(4,591)	-	(28,085)
Sidewalks	(460,952)	(39,528)	(3,450)	(497,030)
Intangible assets	-	(5,239)	-	(5,239)
Total Accumulated Depreciation/Amortization	<u>(20,735,503)</u>	<u>(1,427,963)</u>	<u>(275,786)</u>	<u>(21,887,680)</u>
Net Capital Assets Being Depreciated/Amortized	<u>15,706,499</u>	<u>(657,012)</u>	<u>16,383</u>	<u>15,033,104</u>
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	<u>\$ 18,728,063</u>	<u>\$ (583,372)</u>	<u>\$ 381,316</u>	<u>\$ 17,763,375</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities	
General government	\$ 134,026
Public safety	304,407
Public works (including infrastructure)	897,150
Health and human services	286
Library	86,382
Conservation and Development	746
Parks and recreation	<u>4,966</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,427,963</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated/amortized				
Land	\$ 16,596	\$ -	\$ -	\$ 16,596
Construction in progress	57,849	304,412	-	362,261
Intangible asset	110,000	-	-	110,000
Total capital assets not being depreciated/amortized	<u>184,445</u>	<u>304,412</u>	<u>-</u>	<u>488,857</u>
Capital assets being depreciated				
Structures and improvements	12,876,648	129,703	-	13,006,351
Machinery & equipment	50,255	-	-	50,255
Water distribution system	8,887,430	-	-	8,887,430
Sewer collection system	12,708,725	27,653	20,239	12,716,139
Sewer machinery & equipment	7,655,006	30,255	-	7,685,261
Water machinery & equipment	14,273,226	122,102	47,536	14,347,792
Stormwater equipment	78,335	-	-	78,335
Stormwater system	8,997,071	631,109	72,046	9,556,134
Total Capital Assets Being Depreciated	<u>65,526,696</u>	<u>940,822</u>	<u>139,821</u>	<u>66,327,697</u>
Total Capital Assets	<u>65,711,141</u>	<u>1,245,234</u>	<u>139,821</u>	<u>66,816,554</u>
Less: Accumulated Depreciation for				
Structures and improvements	(5,880,700)	(193,010)	-	(6,073,710)
Machinery & equipment	(37,470)	(3,224)	-	(40,694)
Water distribution system	(3,214,984)	(391,628)	-	(3,606,612)
Sewer collection system	(5,060,556)	(346,225)	(20,239)	(5,386,542)
Sewer machinery & equipment	(6,320,749)	(287,609)	-	(6,608,358)
Water machinery & equipment	(4,879,307)	(381,069)	(30,497)	(5,229,879)
Stormwater equipment	(11,751)	(3,917)	-	(15,668)
Stormwater system	(2,706,223)	(120,125)	(38,024)	(2,788,324)
Total Accumulated Depreciation	<u>(28,111,740)</u>	<u>(1,726,807)</u>	<u>(88,760)</u>	<u>(29,749,787)</u>
Net Capital Assets Being Depreciated	<u>37,414,956</u>	<u>(785,985)</u>	<u>51,061</u>	<u>36,577,910</u>
Total Business-Type Capital Assets, Net of Depreciation	<u>\$ 37,599,401</u>	<u>\$ (481,573)</u>	<u>\$ 51,061</u>	<u>\$ 37,066,767</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 761,116
Sewer	750,428
Stormwater	124,042
Parkcrest Housing Authority	91,221
Total Business-Type Activities Depreciation Expense	<u>\$ 1,726,807</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	Parkcrest Housing Authority	\$ 28,046
General Fund	Water Utility	1,838
General Fund	Sewer Utility	240,361
Sewer Utility	Water Utility	277,524
Water Utility	Sewer Utility	25,180
Stormwater Utility	Sewer Utility	5,337
Capital Projects Fund	Sewer Utility	321,454
Total: Fund Financial Statements		899,740
Less: Fund Eliminations		(308,041)
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 591,699</u>

All amounts above are due within one year, except for the amounts due from the TIF 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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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	Enterprise Fund - Parkcrest Housing Authority	\$ 28,046
	Enterprise Fund - Water Utility	472,605
	Enterprise Fund - Sewer Utility	11,006
	Special Revenue Fund - Recycling Fund	2,395
		<u>514,052</u>
Special Revenue		
Library Fund	General Fund	792,741
School Liaison Police Program Fund	General Fund	156,529
General Government Fund	General Fund	50,000
Health Consortium	General Fund	17,400
		<u>1,016,670</u>
Debt Service Fund	Special Revenue Fund - Tax Incremental District #1	217,000
	Special Revenue Fund - Tax Incremental District #2	314,500
	Special Revenue Fund - Tax Incremental District #3	617,044
		<u>1,148,544</u>
Capital Projects Fund		
Equipment	General Fund	4,300
Public Works Projects	Enterprise Fund - Stormwater Utility	3,379
Tax Incremental District #1	Special Revenue Fund - Tax Incremental District #1	15,619
Tax Incremental District #2	Special Revenue Fund - Tax Incremental District #2	116,175
Tax Incremental District #4	Special Revenue Fund - Tax Incremental District #4	5,000
		<u>144,473</u>
	Subtotal - Fund Financial Statements	2,823,739
	Less: Fund Eliminations	<u>(2,308,703)</u>
	Total Transfers - Government Wide Statement of Activities	<u>\$ 515,036</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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation notes	\$ 22,257,000	\$ -	\$ 2,450,000	\$ 19,807,000	\$ 2,580,000
Premium on debt issued	388,267	-	53,401	334,866	20,025
Net pension liability	1,314,809	-	648,370	666,439	-
Accumulated sick pay benefits	1,111,852	100,942	54,667	1,158,127	160,918
Other postemployment benefits	14,812,860	2,125,162	472,269	16,465,753	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 39,884,788</u>	<u>\$ 2,226,104</u>	<u>\$ 3,678,707</u>	<u>\$ 38,432,185</u>	<u>\$ 2,760,943</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 5,798,000	\$ -	\$ 775,000	\$ 5,023,000	\$ 750,000
Revenue bonds	11,578,080	-	884,323	10,693,757	906,893
Net pension liability	152,888	-	77,247	75,641	-
Premium on debt issued	75,570	-	8,837	66,733	8,837
Accumulated sick pay benefits	264,323	14,559	-	278,882	45,698
Other postemployment benefits	2,373,032	292,547	64,080	2,601,499	-
Total Business-Type Activities Long-Term Liabilities	<u>\$ 20,241,893</u>	<u>\$ 307,106</u>	<u>\$ 1,809,487</u>	<u>\$ 18,739,512</u>	<u>\$ 1,711,428</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, 2017, was \$60,079,800. Total general obligation debt outstanding at year end was \$24,830,000.

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

Governmental Activities

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/17
GO Refunding Bond	02/15/08	10/01/23	4.00-5.63%	\$ 8,650,000	\$ 3,125,000
GO Bond	09/01/08	09/01/18	3.50-4.00	4,395,000	805,000
GO Bond	05/18/11	10/01/20	2.00-3.00	4,450,000	1,550,000
GO Promissory Note	05/01/12	12/01/18	1.50-2.13	1,500,000	400,000
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	5,750,000
GO Refunding Bond	08/11/15	06/01/22	2.00-3.25	1,640,000	1,200,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	5,477,000	5,477,000
Total Governmental Activities - General Obligation Debt					<u>\$ 19,807,000</u>

Business-Type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/17
WATER UTILITY					
GO Bond	05/18/11	10/01/20	2.00-3.00%	\$ 3,000,000	\$ 1,775,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	1,538,000	1,428,050
Total Water Utility					<u>3,203,050</u>
SEWER UTILITY					
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	<u>452,788</u>
STORMWATER UTILITY					
GO Promissory Note	07/15/09	06/01/19	2.25-4.13	1,000,000	200,000
GO Bond	05/18/11	10/01/20	2.00-3.00	1,270,000	675,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	500,000	<u>492,162</u>
Total Stormwater Utility					<u>1,367,162</u>
Total Business-Type Activities - General Obligation Debt					<u>\$ 5,023,000</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

Debt service requirements to maturity are as follows:

	Governmental Type General Obligation Debt		Business-Type General Obligation Debt	
	Principal	Interest	Principal	Interest
2018	\$ 2,580,000	\$ 606,255	\$ 750,000	\$ 143,826
2019	1,850,000	520,530	875,000	121,951
2020	1,875,000	462,793	1,525,000	94,639
2021	2,400,000	398,793	200,000	46,889
2022	2,690,000	319,199	210,000	38,889
2023-2025	8,412,000	428,281	1,463,000	75,374
Totals	<u>\$ 19,807,000</u>	<u>\$ 2,735,851</u>	<u>\$ 5,023,000</u>	<u>\$ 521,568</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 \$17.2 million in revenue bonds issued in 2001, two revenue bonds issued in 2008 and one issued in 2013. 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 2033. Annual principal and interest payments on the bonds are expected to require 65% of net revenues. The total principal and interest remaining to be paid on the bonds is \$12,438,170. Principal and interest paid for the current year and total net customer revenues were \$1,280,146 and \$1,640,842 respectively.

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

Revenue debt payable at December 31, 2017 consists of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/17
Sewer System Revenue Bonds	01/24/01	05/01/20	2.97%	\$ 3,002,550	\$ 560,518
	06/11/08	05/01/28	2.37	1,431,165	869,949
	06/26/13	05/01/33	2.63	5,412,363	4,562,361 (1)
Water System Revenue Bonds	04/23/08	05/01/27	2.37	7,743,344	4,700,929
Total Business-Type Revenue Debt					<u>\$ 10,693,757</u>

(1) During 2013 the utility was authorized to issue \$5,643,816 of sewer system Clean Water Fund loan revenue bonds. The original amount reported above has been issued as of December 31, 2016. The repayment schedule is for the amount issued.

Debt service requirements to maturity are as follows:

	Business-Type Activities Revenue Debt	
	Principal	Interest
2018	\$ 906,893	\$ 256,585
2019	930,045	233,135
2020	953,793	209,082
2021	780,106	187,350
2022	799,211	168,011
2023-2027	4,299,449	532,934
2028-2032	1,680,406	152,803
2033	343,854	4,513
Totals	<u>\$ 10,693,757</u>	<u>\$ 1,744,413</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

REVENUE BOND COMPLIANCE

The City of South Milwaukee authorized the issuance of \$3,410,358 of Sewer System Revenue Bonds dated April 26, 1995 and amended May 22, 1997, \$3,002,550 of Sewer System Mortgage Revenue Bonds dated January 24, 2001, \$1,370,425 of Sewer System Revenue Bonds dated June 11, 2008, of \$7,740,344 of Safe Drinking Water Revenue Bonds dated March 23, 2008 and amended April 28, 2010, and \$5,643,816 of Clean Water Revenue Bonds dated June 26, 2013. 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, 2017 the sewer enterprise fund was not in compliance with debt coverage ratio.

G. NET POSITION / FUND BALANCES

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

Governmental Activities

Net Investment in capital assets

Land	\$ 2,696,513
Construction in Progress	33,758
Other capital assets, net of accumulated depreciation	15,033,104
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(16,711,300)</u>
Total Net Investment in Capital Assets	<u>1,052,075</u>

Restricted:

Debt service	65,314
Library	332,381
Police federal asset forfeiture	49,614
TID purposes	3,118,336
Special assessment and interest - capital projects	<u>188,914</u>
Total Restricted	<u>3,754,559</u>

Unrestricted (deficit)	<u>(7,873,020)</u>
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Total Governmental Activities Net Position (deficit)	<u>\$ (3,066,386)</u>
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CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Fund Balances

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

Nonspendable	
Major Funds	
General Fund	
Noncurrent receivables	\$ 73,544
Interfund receivables - cash deficits	196,641
Insurance contingencies	356,428
Delinquent personal property taxes	2,061
Total	<u>\$ 628,674</u>
 Restricted	
Major Funds	
Debt Service	\$ 188,628
Special Revenue Funds	
Tax Incremental District Funds	2,501,050
Total	<u>\$ 2,689,678</u>
 Nonmajor Funds	
Special Revenue Funds	
Library	\$ 332,381
Police Fund	49,614
Capital Project Funds	
Future equipment	120,138
Special assessments and interest	188,914
Tax Increment District #3	549,885
Tax Increment District #4	29,903
Total	<u>\$ 1,270,835</u>

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Fund Balances (continued)

Committed	
Major Funds	
General Fund	
Stabilization Arrangement	\$ 3,844,630
Capital Projects fund	
Public works projects	\$ 1,999,040
Nonmajor Funds	
Special Revenue Funds	
Recycling program	\$ 427,080
Paramedic program	295,265
School liaison program	35,323
Health consortium	37,566
City sealer	1,580
General government fund	315,072
Health fund	183,553
Fire fund	27,354
Total	\$ 1,322,793
Assigned	
Major Funds	
General Fund	
Equipment acquisitions	\$ 569,676
Insurance reserve	387,500
Future OPEB Expenditures	475,000
Projected retirements	307,333
Total	\$ 1,739,509

CITY OF SOUTH MILWAUKEE

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

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION

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 received 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, 2017

NOTE V – OTHER INFORMATION (cont.)

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

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

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives & Elected Officials category was 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 \$848,773 in contributions from the city.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

Contribution rates as of December 31, 2017 are:

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

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

At December 31, 2017 the city reported a liability of \$742,080 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city's proportion was .08895971%, which was a decrease of .00016320% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$1,890,861.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 279,585	\$ 2,342,496
Changes in assumptions	766,631	-
Net differences between projected and actual earnings on pension plan investments	3,733,394	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,748	2,973
Employer contributions subsequent to the measurement date	<u>934,899</u>	<u>-</u>
Total	<u>\$ 5,747,257</u>	<u>\$ 2,345,469</u>

\$934,899 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 1,721,600	\$ 737,166
2019	1,721,600	737,166
2020	1,488,758	737,166
2021	(120,920)	133,971
2022	1,320	-

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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

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

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

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

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

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

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
The City's proportionate share of the net pension liability (asset)	\$ 9,646,248	\$ 742,080	\$ (6,130,179)

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

At December 31, 2017, the Department reported a payable to the pension plan of \$167,376, which represents contractually required contributions outstanding as of the end of the year.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; 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.

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 \$37,500 per occurrence and an annual aggregate limit of \$150,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2017. A total liability of approximately \$74,767 at December 31, 2017 was recorded as claims payable in the internal service fund. Changes in the fund's claims loss liability follow:

		<u>Beginning Balance</u>		<u>Incurred Claims</u>		<u>Claims/ Premiums</u>		<u>Ending Balance</u>
2016	\$	73,385	\$	437,456	\$	437,456	\$	73,385
2017		73,385		457,975		456,593		74,767

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

C. COMMITMENTS AND CONTINGENCIES

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

From time to time, the 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, 2017 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.

D. MUNICIPAL REVENUE OBLIGATIONS

In 2007 the City issued a municipal revenue obligation as part of a development agreement. The amount of the obligation is \$12 million, and is payable to the developer solely from tax increments collected from a specific development in Tax Incremental District No.4.

The obligation repayment terms are as listed below. The obligation bears no interest and matures on September 1, 2018. In no case, shall the term of this obligation and the City's obligation to make payments, extend beyond the statutory expiration of Tax Incremental District No.4, nor shall the amount of principal to be paid under the obligation exceed \$12 million.

Repayment requirements to maturity are as follows:

Municipal Revenue Obligation	
Principal	
2018	\$ 6,856,110

The obligation does not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the City. Since the amount of future payments is contingent on the collection of future tax increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at December 31, 2017 was \$6,856,110.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

E. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees through the City's group health insurance plan, which covers both active and retired members. 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.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes 75 percent of the current year premiums for a family and a single plan, respectively, for eligible retired plan members depending on union classification, age and hiring dates. Plan members receiving benefits contribute 25 percent of their premium costs for a family and a single plan up to the age of 53 for fire and police or age 55 for general and non-represented employees.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 2,703,943
Interest on net OPEB obligation	773,365
Adjustment to annual required contribution	<u>(1,059,599)</u>
Annual OPEB cost	2,417,709
Contribution made	<u>(536,349)</u>
Increase in net OPEB obligation	1,881,360
Net OPEB Obligation - Beginning of Year	<u>17,185,892</u>
Net OPEB Obligation - End of Year	<u><u>\$ 19,067,252</u></u>

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

E. OTHER POSTEMPLOYMENT BENEFITS (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
12/31/2015	\$ 2,507,489	17.5%	\$ 15,196,142
12/31/2016	\$ 2,507,489	20.6%	\$ 17,185,892
12/31/2017	\$ 2,417,709	22.2%	\$ 19,067,252

The funded status of the plan as of January 1, 2017, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 20,492,616
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 20,492,616</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 9,831,000
UAAL as percentage of covered payroll	208%

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

E. OTHER POSTEMPLOYMENT BENEFITS (continued)

In the January 1, 2017 actuarial valuation, the attained age actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized on a level dollar closed amortization method. The amortization period at December 31, 2017, was 21 years.

F. TAX INCREMENTAL FINANCING DISTRICT (TID)

The City has four 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.

CITY OF SOUTH MILWAUKEE

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

NOTE V – OTHER INFORMATION (continued)

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

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

- Statement No. 75, *Accounting and Financial Report for Postemployment Benefits Other Than Pension*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosure Related to Debt, Including Director Borrowings and Direct Placements*

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

H. SUBSEQUENT EVENTS

On April 3, 2018, the City issued \$7,390,000 of general obligation promissory notes. The notes were issued for various City projects including storm water, sanitary sewer, forestry and TID. Notes bear interest at 2.00 – 4.00%. Principal is due and payable on April 1 of each year beginning in 2019 through 2028. Interest is due April 1 and October 1 beginning on April 1, 2019.

The Water and Wastewater Commission, along with the City Common Council approved a sewer rate increase effective July 1, 2018.

On June 27, 2018, the City's water utility borrowed \$7,030,090 of Water System Revenue Bonds (Safe Drinking Water Loan). These monies will be used for improvements to the water system. Principal is due May 1 of each year beginning in 2020 through 2038. Bonds are at a fixed 1.87% interest rate. Interest is due May 1 and November 1 of each year beginning November 1, 2018 through May 1, 2038.

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, 2017

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original and Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES			
Taxes	\$ 8,211,892	\$ 8,324,180	\$ 112,288
Intergovernmental	4,341,454	4,395,675	54,221
Licenses and permits	295,036	408,936	113,900
Fines, forfeitures and penalties	321,914	327,285	5,371
Public charges for services	724,988	764,920	39,932
Interdepartmental revenues	438,379	521,425	83,046
Investment income	50,000	129,726	79,726
Miscellaneous	156,763	233,384	76,621
Total Revenues	<u>14,540,426</u>	<u>15,105,531</u>	<u>565,105</u>
EXPENDITURES			
Current			
General government	2,330,966	2,302,813	28,153
Public safety	6,902,608	6,840,499	62,109
Public works	3,551,234	3,471,162	80,072
Health and sanitation	484,878	469,818	15,060
Parks and recreation	160,768	147,596	13,172
Conservation and development	137,091	126,264	10,827
Other	518,851	461,571	57,280
Total Expenditures	<u>14,086,396</u>	<u>13,819,723</u>	<u>266,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>454,030</u>	<u>1,285,808</u>	<u>831,778</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	512,640	514,052	1,412
Transfer out	<u>(966,670)</u>	<u>(1,020,970)</u>	<u>(54,300)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>778,890</u>	<u>\$ 778,890</u>
Adjustments to Generally Accepted Accounting Principles Basis			
Revenue credited to designated funds		222,260	
Expenditures credited to designated funds		<u>(405,042)</u>	
Net change in fund balance - generally accepted accounting principles basis		596,108	
FUND BALANCES - Beginning of Year		<u>5,616,705</u>	
FUND BALANCES - END OF YEAR		<u>\$ 6,212,813</u>	

CITY OF SOUTH MILWAUKEE

SCHEDULE OF FUNDING PROGRESS For the Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Other Postemployment Benefits						
<u>Governmental Activities</u>						
1/1/2013	\$ -	\$ 21,353,170	\$ 21,353,170	0%	\$ 8,181,315	261%
1/1/2015	-	19,179,788	19,179,788	0%	8,262,656	232%
1/1/2017	-	18,088,747	18,088,747	0%	8,677,783	208%
<u>Business-type Activities</u>						
1/1/2013	\$ -	\$ 3,516,688	\$ 3,516,688	0%	\$ 1,135,289	310%
1/1/2015	-	3,078,924	3,078,924	0%	1,326,401	232%
1/1/2017	-	2,403,869	2,403,869	0%	1,153,217	208%

The City is required to present the above information for the three most recent actuarial reports.

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, 2017

WRS Fiscal Year End	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.090580130%	\$ (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%

CITY OF SOUTH MILWAUKEE

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

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
12/31/15	\$ 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%

CITY OF SOUTH MILWAUKEE

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

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using 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. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF SOUTH MILWAUKEE

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

	Special Revenue Funds							
	Library Funds	Recycling Fund	Paramedic Fund	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government Fund
ASSETS								
Cash and investments	\$ 343,802	\$ 447,681	\$ 864,750	\$ 38,174	\$ -	\$ 38,818	\$ 1,186	\$ 315,346
Receivables								
Taxes	-	469,529	429,873	-	-	-	-	-
Accounts	-	-	132,222	-	17,800	2,934	394	-
Special assessments	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 343,802</u>	<u>\$ 917,210</u>	<u>\$ 1,426,845</u>	<u>\$ 38,174</u>	<u>\$ 17,800</u>	<u>\$ 41,752</u>	<u>\$ 1,580</u>	<u>\$ 315,346</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	11,421	20,568	2,612	-	17,800	526	-	274
Accrued payroll	-	33	12,263	2,851	-	3,660	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>11,421</u>	<u>20,601</u>	<u>14,875</u>	<u>2,851</u>	<u>17,800</u>	<u>4,186</u>	<u>-</u>	<u>274</u>
Deferred Inflows of Resources								
Unearned revenues	-	469,529	1,116,705	-	-	-	-	-
Unavailable revenues	-	-	-	-	-	-	-	-
Total Deferred inflows of Resources	<u>-</u>	<u>469,529</u>	<u>1,116,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Restricted	332,381	-	-	-	-	-	-	-
Committed	-	427,080	295,265	35,323	-	37,566	1,580	315,072
Unassigned (Deficit)	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	<u>332,381</u>	<u>427,080</u>	<u>295,265</u>	<u>35,323</u>	<u>-</u>	<u>37,566</u>	<u>1,580</u>	<u>315,072</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	<u>\$ 343,802</u>	<u>\$ 917,210</u>	<u>\$ 1,426,845</u>	<u>\$ 38,174</u>	<u>\$ 17,800</u>	<u>\$ 41,752</u>	<u>\$ 1,580</u>	<u>\$ 315,346</u>

Special Revenue Funds				Capital Project Funds						Total Nonmajor Funds
Police Fund	Health Fund	Fire Fund	Referendum Officer Fund	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	
\$ 55,147	\$ 173,759	\$ 27,354	\$ 124,856	\$ 133,753	\$ 188,595	\$ 7,181	\$ 68,143	\$ 582,812	\$ 29,903	\$ 3,441,260
-	-	-	78,144	-	2,840	-	-	-	-	980,386
1,454	23,022	-	-	-	-	-	-	-	-	177,826
-	-	-	-	-	32,897	-	-	-	-	32,897
<u>\$ 56,601</u>	<u>\$ 196,781</u>	<u>\$ 27,354</u>	<u>\$ 203,000</u>	<u>\$ 133,753</u>	<u>\$ 224,332</u>	<u>\$ 7,181</u>	<u>\$ 68,143</u>	<u>\$ 582,812</u>	<u>\$ 29,903</u>	<u>\$ 4,632,369</u>
6,987	12,970	-	-	13,615	511	7,181	68,143	32,927	-	195,535
-	258	-	-	-	-	-	-	-	-	19,065
-	-	-	-	-	-	-	-	-	-	-
<u>6,987</u>	<u>13,228</u>	<u>-</u>	<u>-</u>	<u>13,615</u>	<u>511</u>	<u>7,181</u>	<u>68,143</u>	<u>32,927</u>	<u>-</u>	<u>214,600</u>
-	-	-	203,000	-	2,010	-	-	-	-	1,791,244
-	-	-	-	-	32,897	-	-	-	-	32,897
-	-	-	<u>203,000</u>	<u>-</u>	<u>34,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,824,141</u>
49,614	-	-	-	120,138	188,914	-	-	549,885	29,903	1,270,835
-	183,553	27,354	-	-	-	-	-	-	-	1,322,793
-	-	-	-	-	-	-	-	-	-	-
<u>49,614</u>	<u>183,553</u>	<u>27,354</u>	<u>-</u>	<u>120,138</u>	<u>188,914</u>	<u>-</u>	<u>-</u>	<u>549,885</u>	<u>29,903</u>	<u>2,593,628</u>
<u>\$ 56,601</u>	<u>\$ 196,781</u>	<u>\$ 27,354</u>	<u>\$ 203,000</u>	<u>\$ 133,753</u>	<u>\$ 224,332</u>	<u>\$ 7,181</u>	<u>\$ 68,143</u>	<u>\$ 582,812</u>	<u>\$ 29,903</u>	<u>\$ 4,632,369</u>

CITY OF SOUTH MILWAUKEE

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

	Special Revenue Funds							
	Library Funds	Recycling Fund	Paramedic Fund	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government Fund
REVENUES								
Taxes	\$ -	\$ -	\$ 590,148	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	850	81,311	124,132	63,130	17,800	17,500	394	17,683
Public charges for services	13,029	460,689	401,798	-	-	117,354	5,473	-
Public improvement revenues	-	-	-	-	-	-	-	-
Investment income	5,364	-	-	-	-	-	-	-
Miscellaneous	18,335	-	-	25,934	-	-	-	-
Total Revenues	37,578	542,000	1,116,078	89,064	17,800	134,854	5,867	17,683
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	55,263
Public safety	-	-	1,047,837	245,919	-	-	4,836	5,204
Public works	-	475,533	-	-	-	-	-	695
Health and social services	-	-	-	-	17,800	152,530	-	-
Library	745,795	-	-	-	-	-	-	-
Capital outlay	75,051	-	-	-	-	-	-	-
Total Expenditures	820,846	475,533	1,047,837	245,919	17,800	152,530	4,836	61,162
Excess (deficiency) of revenues over expenditures	(783,268)	66,467	68,241	(156,855)	-	(17,676)	1,031	(43,479)
OTHER FINANCING SOURCES (USES)								
Transfer in	792,741	-	-	156,529	-	17,400	-	50,000
Transfer out	-	(2,395)	-	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	792,741	(2,395)	-	156,529	-	17,400	-	50,000
Net change in fund balances	9,473	64,072	68,241	(326)	-	(276)	1,031	6,521
FUND BALANCES -								
Beginning of Year	322,908	363,008	227,024	35,649	-	37,842	549	308,551
FUND BALANCES -								
END OF YEAR (DEFICIT)	\$ 332,381	\$ 427,080	\$ 295,265	\$ 35,323	\$ -	\$ 37,566	\$ 1,580	\$ 315,072

Special Revenue Funds				Capital Project Funds						Total Nonmajor Funds
Police Fund	Health Fund	Fire Fund	Referendum Officer Fund	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590,148
12,443	80,207	9,114	-	-	-	-	-	-	-	424,564
-	-	-	-	-	-	-	-	-	-	998,343
-	-	-	-	-	4,914	-	-	-	-	4,914
-	-	-	-	1,876	889	3,897	15,981	12,813	705	41,525
2,474	30	-	-	-	-	-	-	-	-	46,773
14,917	80,237	9,114	-	1,876	5,803	3,897	15,981	12,813	705	2,106,267
-	-	-	-	-	-	-	-	-	-	55,263
17,159	-	7,131	-	-	-	-	-	-	-	1,328,086
-	77,665	-	-	-	-	-	-	-	-	476,228
-	-	-	-	-	-	-	-	-	-	247,995
8,697	-	-	-	484,558	-	19,516	207,156	11,763	1,763	745,795
25,856	77,665	7,131	-	484,558	-	19,516	207,156	11,763	1,763	808,504
-	-	-	-	-	-	-	-	-	-	3,661,871
(10,939)	2,572	1,983	-	(482,682)	5,803	(15,619)	(191,175)	1,050	(1,058)	(1,555,604)
-	-	-	-	4,300	-	15,619	116,175	-	5,000	1,157,764
-	-	-	-	-	-	-	-	-	-	(2,395)
-	-	-	-	1,000	-	-	75,000	-	-	76,000
-	-	-	-	5,300	-	15,619	191,175	-	5,000	1,231,369
(10,939)	2,572	1,983	-	(477,382)	5,803	-	-	1,050	3,942	(324,235)
60,553	180,981	25,371	-	597,520	183,111	-	-	548,835	25,961	2,917,863
\$ 49,614	\$ 183,553	\$ 27,354	\$ -	\$ 120,138	\$ 188,914	\$ -	\$ -	\$ 549,885	\$ 29,903	\$ 2,593,628