

CITY OF CEDARBURG

Cedarburg, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2018

CITY OF CEDARBURG

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CITY OF CEDARBURG

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Cedarburg
Cedarburg, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cedarburg, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Cedarburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Common Council
City of Cedarburg

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cedarburg, Wisconsin, as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

As management of the City of Cedarburg, we offer readers of the City of Cedarburg's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage the reader to consider the information presented here in conjunction with the City's financial statements, which begin on page 19 of this report.

THE FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources of the City of Cedarburg exceeded liabilities and deferred inflows of resources as of December 31, 2018, by \$117,419,148 (net position). Of this amount, \$16,130,253 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure and other capital assets of the City as a whole.
- The City of Cedarburg's total net position increased by \$4,605,391. Of this amount, \$1,522,464 was from the governmental activities; the balance \$3,082,927 was from business-type activities. Sewer Utility net position increased by \$475,274 and the Light & Water Utility net position increased by \$2,607,653.
- As of December 31, 2018, the City of Cedarburg's governmental funds reported a combined ending fund balance of \$9,129,903, an increase of \$3,859,143 from the prior year. \$2.8 million of the increase was due to the borrowing for the TID #4 project. The funds were borrowed for the full amount of remediation but spending only started in October 2018. As of December 31, 2018, the unassigned fund balance for the General Fund was \$2,237,438. The City policy states that unassigned General Fund fund balance should be between two and three months of General Fund expenditures, or approximately \$1.5 million and \$2.3 million.
- There were three borrowings in 2018. The City borrowed \$300,000 in March to fund the construction of a monopole. The City borrowed in June for street projects in the amount of \$1.23 million and then again in September for the remediation of the Amcast site; TID #4 in the amount of \$3.415 million. The City paid \$1,327,102 of principal on outstanding debt this year compared to \$1,358,552 in 2017. The City's outstanding General Obligation debt totaled \$20,215,457.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Cedarburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cedarburg include general government, public safety, health and human services, public works, culture, recreation and education, conservation and development, and public service. Other funds included are Capital Improvements, TID No. 4, Debt Service, and Internal Service. Non-major governmental funds include cemetery, room tax, recreation programs, CDBG Fund, swimming pool, park impact fees, library, rescue/EMS, and TIF Nos. 3 and 5. The business-type of activities of the City of Cedarburg include the Cedarburg Light & Water Utility and Sewer Utility.

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

Fund financial statements

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements (continued)

Governmental funds (continued)

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cedarburg maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvements Fund, TID No. 4 and Debt Service Fund. Data from the remaining ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in the section titled Supplementary Information at the end of the report.

The City of Cedarburg adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Light and Water Utility), the Sewer Utility, and the Internal Service Fund which are considered major funds of the City of Cedarburg. The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Agency funds

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-78 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 82-85 of this report.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedarburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$117,419,148 at the end of 2018.

Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) of the governmental activities of the City of Cedarburg less outstanding debt equal \$48,214,445. The majority of the outstanding debt of the governmental activities funds was incurred for the construction of the Library building in 2013 and the construction of the Public Works garage in 2016.

The largest portion of the City of Cedarburg's net position (81 percent) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City of Cedarburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cedarburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CEDARBURG'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$21,998,729	\$16,507,823	\$16,873,740	\$14,819,700	\$38,872,469	\$31,327,523
Capital assets	64,277,691	62,821,748	48,145,865	46,860,378	112,423,556	109,682,126
Deferred outflows of resources	1,991,556	2,234,333	722,081	883,544	2,713,637	3,117,877
Total assets	88,267,976	81,563,904	65,741,686	62,563,622	154,009,662	144,127,526
Long-term debt outstanding	20,562,742	17,160,070	1,339,712	1,508,583	21,902,454	18,668,653
Other liabilities	916,320	861,585	1,038,290	1,134,996	1,954,610	1,996,581
Deferred Inflows of resources	11,995,530	10,271,329	737,920	377,206	12,733,450	10,648,535
Total liabilities	33,474,592	28,292,984	3,115,922	3,020,785	36,590,514	31,313,769
Net position:						
Net investment in capital						
assets	48,214,445	47,035,979	47,211,694	45,884,864	95,426,139	92,920,843
Restricted	2,439,568	1,080,229	3,423,188	2,749,279	5,862,756	3,829,508
Unrestricted	4,139,371	5,154,712	11,990,882	10,908,694	16,130,253	16,063,406
Total net position	54,793,384	53,270,920	62,625,764	59,542,837	117,419,148	112,813,757
Total liabilities and net position	\$88,267,976	\$81,563,904	\$65,741,686	\$62,563,622	\$154,009,662	\$144,127,526

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

An additional portion of the City of Cedarburg's net position (5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted fund balance or \$16,581,417 may be used to meet the government's ongoing obligations to citizens or creditors. Of this unrestricted amount, funds are designated for the Revolving Loan Fund, capital improvement projects, cemetery maintenance, and other special revenue fund projects.

The City's net position increased \$4,605,391 during the year. The Governmental activities' net position increased by \$1,522,464 while the business-type activities' net position increased by \$3,082,927.

CITY OF CEDARBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,019,666	\$ 2,375,641	\$ 16,385,304	\$ 16,476,506	\$ 19,404,970	\$ 18,852,147
Operating Grants & Contributions	1,179,585	1,069,315			1,179,585	1,069,315
Capital Grants & Contributions	908,858	10,000	2,070,679	221,347	2,979,537	231,347
General Revenues:						
Property Taxes	9,342,396	9,119,074			9,342,396	9,119,074
Other Taxes	87,560	80,783			87,560	80,783
Grants & Contributions Not						
Restricted to Specific Programs	273,622	443,911			273,622	443,911
Other	291,599	331,626	264,892	168,940	556,491	500,566
Transfers	815,431	772,815	(815,431)	(772,814)		
Total Revenues	15,918,717	14,203,165	17,905,444	16,093,979	33,824,161	30,297,143
Expenses:						
General Government	1,544,698	1,547,715			1,544,698	1,547,715
Public Protection	4,830,952	4,860,025			4,830,952	4,860,025
Health & Sanitation	38,179	47,178			38,179	47,178
Engineering and Public Works	3,731,914	3,861,179			3,731,914	3,861,179
Culture, Recreation and Education	3,069,802	2,988,303			3,069,802	2,988,303
Conservation and Development	703,359	299,507			703,359	299,507
Interest and Fiscal Charges	477,349	301,760			477,349	301,760
Sewer			2,803,399	2,737,677	2,803,399	2,737,677
Light & Water			12,019,118	12,259,490	12,019,118	12,259,490
Total Expenses	14,396,253	13,905,667	14,822,517	14,997,167	29,218,770	28,902,834
Increase/(Decrease) in Net Position	1,522,464	297,498	3,082,927	1,096,812	4,605,391	1,394,310
Net Position - Beginning	53,270,920	52,973,422	59,542,837	58,446,025	112,813,757	111,419,447
Net Position - Ending	\$ 54,793,384	\$ 53,270,920	\$ 62,625,764	\$ 59,542,837	\$ 117,419,148	\$ 112,813,757

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities

Governmental activities increased the City of Cedarburg's net position by \$1,522,464 compared to an increase of \$297,498 in 2017. Some of the significant changes in revenues and expenditures from 2017 were as follows:

Revenues:

- ◇ Property taxes, the largest revenue source for governmental activities, increased \$223,322 or 2.4 percent. The Capital Improvement levy increased by \$320,000 and the Debt Service levy increased \$314,973 from 2017. To lessen the impact on the City's tax rate, the General Fund levy decreased \$178,969. Property taxes have increased to approximately 62 percent of total revenues, reflecting the declining revenues from the State of Wisconsin.
- ◇ Charges for services increased \$644,025 or 27.1 percent. The housing market in Cedarburg improved in 2018. Building permits alone were \$161,063 over 2017 due to new developments; Arrabelle, The Glen and Cedar Place Apartments. Electrical, plumbing and HVAC permits increased \$82,733 from 2017 or 121 percent. Due to the new development, impact fees also increased by \$260,925 over 2017; 101 percent. Rescue/EMS charges for services increased \$125,743 from 2017; 29 percent due to the increase in transports.
- ◇ Operating grant and contribution revenues increased from 2017 to 2018 by \$110,270; 10.3 percent. The stormwater grant from the WI DNR increased \$15,571 and the State Transportation Aids increased \$79,110 from 2017. The Library's reimbursement from the County increased by \$14,051 or 7.3 percent due to the increasing percentage share calculated by the County. The City used to only receive 85% of their costs and the reimbursement is working towards 100% reimbursement from the County for non-librariated communities.
- ◇ Capital grants and contributions increased \$898,858 as a result of a rescue squad donated by the Cedarburg Fire Department Inc.
- ◇ Other revenues increased from 2017 by \$210,316; 27.1 percent. Interest income increased \$62,620; 78.0 percent over 2017. Intergovernmental revenues not restricted to specific programs decreased \$170,289 due to the loss of expenditure restraint revenues and miscellaneous revenue decreased \$174,878 due to the sale of City property. The budgeted sale of property for 2018 did not occur until 2019 due to the delivery of the replacement equipment late in the year.

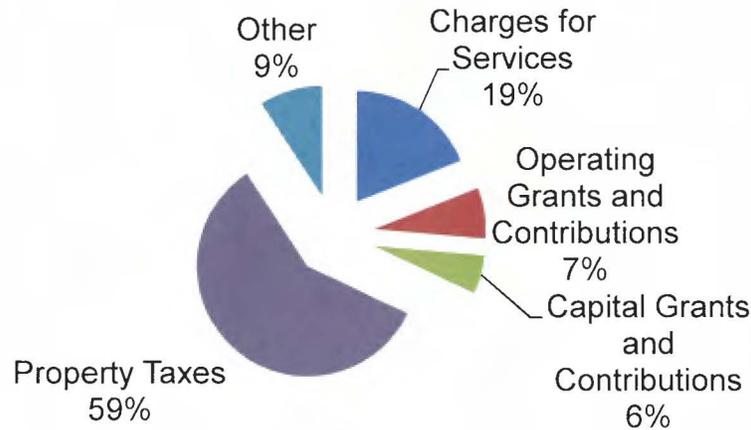
City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities (Continued)

Revenues by Source - Governmental Activities



Expenditures:

Governmental activities expenditures increased by \$490,587 from 2017.

- ◇ The General Government decreased by \$3,017 from 2017.
- ◇ Public Safety expenditures were \$29,073 more than 2017. There were no capital improvement purchases of vehicles in 2017 due to the replacement of vehicles through the insurance fund.
- ◇ Engineering and Public Works expenditures decreased \$129,265 from 2017. Street projects increased \$425,784 from 2017. The public works garage expenditures of \$622,992 were completed in 2017. There were no building expenditures in 2017.
- ◇ Health and Human Services decreased from 2017 by \$8,999.
- ◇ Culture, Recreation and Education increased \$81,499 from 2017. Parks, Recreation and Forestry expenditures increased by \$64,427 from 2017 due to the additional work completed throughout the year on tree maintenance. Tree trimming, removals and stumping were a priority for the year. Both Public Works and Parks & Forestry crews focused on these tasks.
- ◇ Conservation and Development increased \$403,852 from 2017 due to the expenditures of TID No. 4 of \$474,687 compared to \$56,762 in 2017.
- ◇ Interest and Fiscal Charges increased \$175,590 from 2017 due to the three new borrowings in 2018.

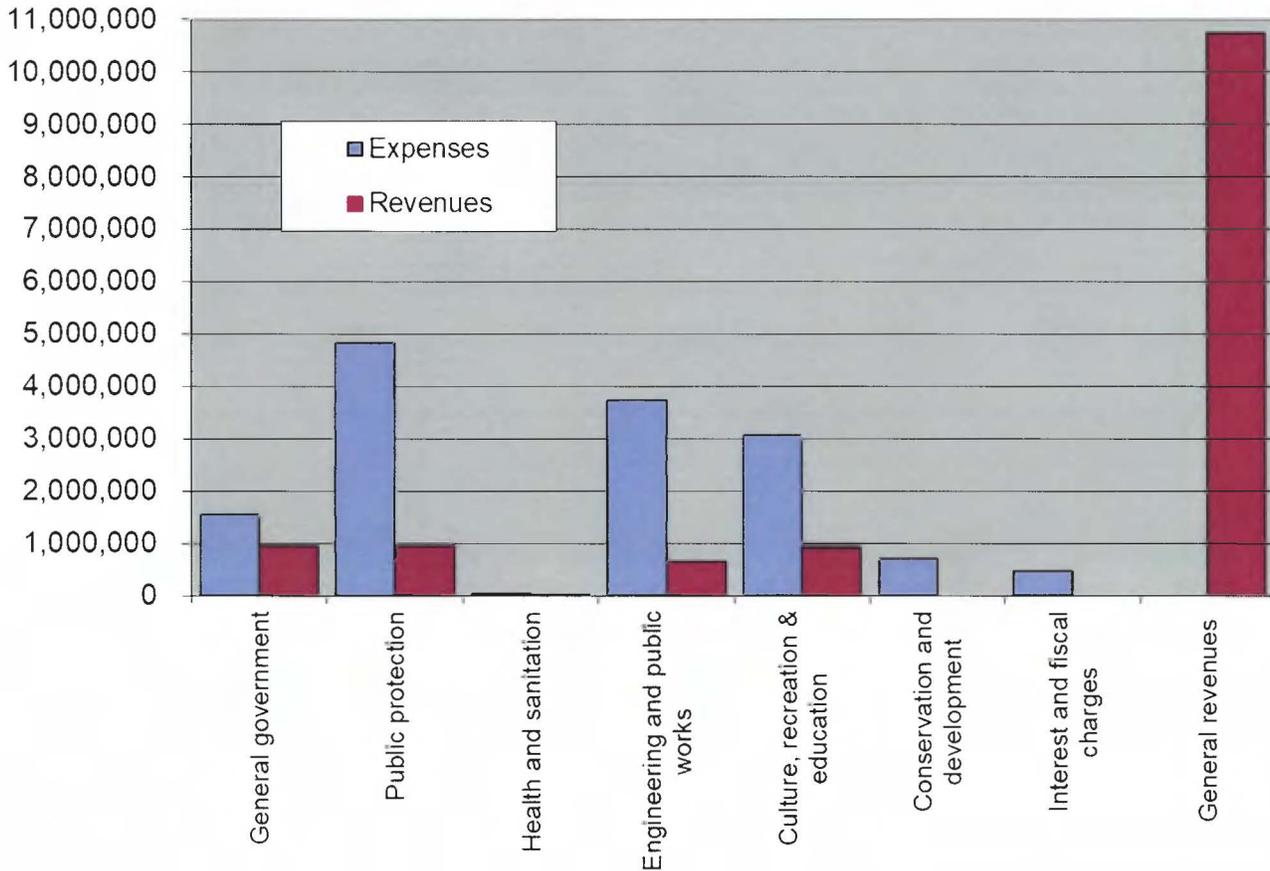
The following graph is based on the statement of activities found on pages 20-21, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Expenses and Program Revenues - Governmental Activities



Business-type activities

Business-type activities increased the City of Cedarburg's net position by \$3,082,927. Light & Water and Sewer Utilities amounts increased by \$2,607,653 and \$475,274 respectively. The Light & Water and Sewer Utilities are supported by user charges. The Sewer Utility charge is based on water usage for residential and commercial customers, and effluent volume and strength for our industrial customers. Other revenues include capital contributions of \$2,070,679 and total interest income of \$238,073. For 2017 capital contributions only totaled \$221,347 and investment income \$97,713. The charges for services accounted for 87.5 percent of total revenues for the business-type activities in 2018, compared to 97.7 percent in 2017 due to the increase in capital contributions and investment income.

Operating revenues for business-type activities decreased by \$91,202 from 2017. Light & Water Utility electric and water revenues decreased \$155,415 and the Sewer Utility charges increased by \$64,213.

- ◇ Sewer Utility operating revenues totaled \$2,638,738; an increase of \$64,213 from 2017. The increase was due to the 1.5% rate increase and the new residential customers. There was a sale of the televising camera for \$64,750 in 2017 and only a \$5,701 sale of a passenger car in 2018. Sewer connection fees and reserve capacity fees increased \$53,788 and \$25,706 respectively due to the continuing new construction.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

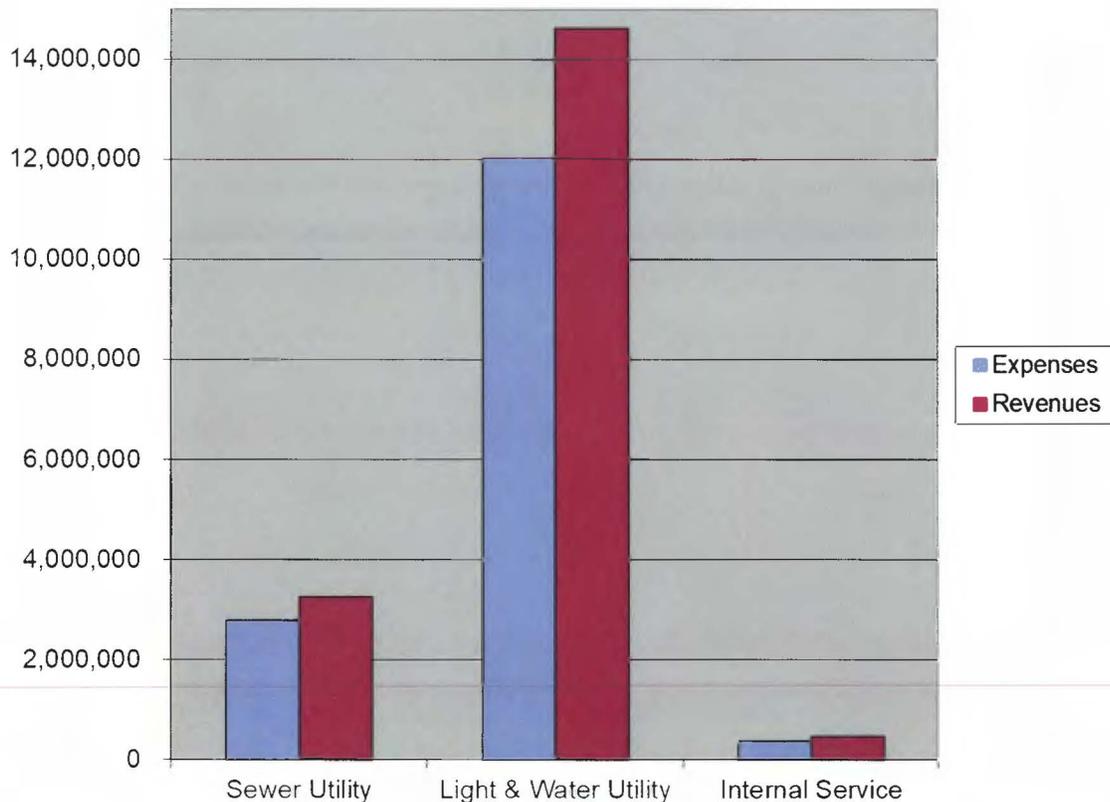
Business-type activities (Continued)

- ◇ Light and Water Utility operating revenues totaled \$13,746,566 for 2018, a decrease of \$155,415 from 2017. The electric operating revenues decreased from 2017 by \$160,566 because of the decrease in the average cost per kWh in 2018; 1.7 percent lower. Water sales decreased \$14,511 due to the decrease in gallons sold from 2017.
- ◇ Interest revenue increased from 2017 by \$140,360 due to the rising interest rates.

Operating expenses for business-type activities, excluding depreciation, decreased by \$181,577 from 2017. Depreciation expenses increased \$148,898 from 2017.

- ◇ Sewer Utility operating expenses, excluding depreciation, increased by \$141,247 from 2017. Salaries and benefits increased due to hiring and retention efforts made in 2018. General Labor salaries and benefits increased \$81,073; 32 percent from 2017.
- ◇ Light & Water expenses, excluding depreciation, decreased \$322,824 from 2017. Electric operating expenses decreased \$222,458 due to less electricity purchased and the reduced average cost of electricity. Water expenditures increased from 2017 by \$92,444 due to additional maintenance of water mains. There were more main breaks in 2018 than 2017. There also was an increase in pension and benefit expenses that were allocated to projects.

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



City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of December 31, 2018, the City of Cedarburg's governmental funds reported combined ending fund balances of \$9,129,903, an increase of \$3,859,143 from 2017. The General Fund and Capital Improvement Fund increased \$378,082 and \$111,868 from 2017 respectively. TID No. 4 fund balance increased \$2,852,989 due to the borrowing of \$3.4 million for the project; only \$474,687 was expended. Debt Service Fund increased by \$133,243 due to the increase in impact fees received of \$88,593. The non-major governmental funds increased \$382,961 due to the Rescue/EMS operations and Park Impact fees. Transport revenues increased for the Rescue/EMS fund and impact fees increased \$81,191 and \$95,167 respectively.

Approximately 24 percent of the total fund balance or \$2,198,082 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned or restricted to indicate that it is not available for new spending because it has already been reserved or restricted for other items such as contracts and purchase orders of the prior year, debt service, legally restricted assets, impact fees, and non-current loans and notes receivable.

General Fund

The General Fund is the chief operating fund of the City of Cedarburg. As of December 31, 2018, the total fund balance of the General Fund was \$2,836,152 of which \$2,437,438 was unassigned. This unassigned fund balance represents approximately 26 percent of the total 2019 General Fund budgeted expenditures. Of the assigned fund balance, \$200,000 was appropriated for 2019 General Fund budgeted expenditures as funding for the contingency reserve account. City policy requires a minimum of 17 percent and a maximum of 25 percent of General Fund expenditures of the ensuing year in unassigned funds.

The General Fund fund balance increased by \$378,082 during 2018. The 2018 original adopted budget for the City of Cedarburg's General Fund identified \$487,100 of expenditures over revenues or usage of fund balance. Actual operating expenditures and other financing uses were under budget by \$501,764 after the budget amendments were made for the year. Actual operating revenues and other financing sources were over budget by \$386,377 which was due the increase in building permit related fees and investment income.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Governmental Funds

General Fund operating revenues increased by \$486,735 (6.1 percent) from 2017. Some of the significant changes in General Fund revenues from the prior year were as follows:

- ◇ Property Tax revenues increased by \$267,723 (4.6 percent) from prior year due to the tax levy increase.
- ◇ Intergovernmental Revenues decreased \$103,511 (9.8 percent) from prior year due the loss of the Expenditure Restraint revenues. In 2017 \$166,773 was received and the City did not qualify for 2018.
- ◇ Licenses, Permits and Fees increased \$273,923 (73.6 percent) from 2017. Building Inspection Department permits increased from 2017 by \$253,777; 123.4 percent.
- ◇ Fines, Forfeitures and Penalties increased \$4,620 (8.8 percent) from 2017. The change was due to the increase in the court penalties and costs received of \$4,907.
- ◇ Public Charges for Services increased \$17,649 (8.4 percent) over prior year.
- ◇ Intergovernmental Charges for Services increased \$12,630 (5.8 percent) over 2017.
- ◇ Investment Income and Miscellaneous Revenues increased a total \$32,952 from 2017 due to the rising interest rates.

General Fund operating expenditures increased by \$213,833 from 2017. Some of the significant changes in General Fund expenditures from the prior year were as follows:

- ◇ General Government expenditures decreased \$6,018 (0.6 percent) in part due to the Elections expenditures. The attorney fees were \$13,989 less in 2018 than 2017.
- ◇ Public Safety increased by \$176,683 from 2017. The Fire Department had an increase in expenditures of \$115,883 due to capital expenditures and administration costs.
- ◇ Public Works expenditures increased \$8,770 (0.4 percent) from 2017. The Public Works crew spent more time than usual working on tree maintenance in 2018. They helped the Parks & Forestry crew with tree trimming, removals and stump grinding. The Engineering Department had additional spending in 2018 for GIS mapping of \$7,730.
- ◇ Culture, Recreation and Education increased \$55,969 from 2017. Parks, Recreation and Forestry spending increased \$64,427 from 2017. Salaries alone increased \$71,060 due to the Public Works Crew helping with the forestry operations. Trees and supplies spending decreased \$44,065 while contracted services increased \$16,043 from 2017.
- ◇ Conservation and Development increased \$27,161 due to the City participating in a branding initiative in the amount of \$15,000 and planning contracted hours increased from 2017.

As identified earlier, actual operating revenues were over budgeted revenues by \$401,375 due to the Building Inspection Department fees. The final budget outcome for 2018 was an increase in fund balance of \$378,082, compared to the amended budgeted use of fund balance of \$510,059.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Governmental Funds (Continued)

Capital Improvements Fund

The Capital Improvement expenditures for 2018 included street and stormwater improvements, environmental remediation, equipment purchases and park improvements. Total expenditures were \$2,650,266 and \$2,646,295 in 2018 and 2017 respectively. In 2017 the DPW garage was completed with expenditures of \$622,992 and in 2018 there was a monopole constructed for \$327,057. Street improvements for 2018 were \$272,559 over 2017.

The Police Department purchased two vehicles for \$73,194 and none in 2017. In 2017, replacements were made through the City's insurance coverage because of the accidents for the year resulting in a total loss.

The Fire Department concrete work and parking lot maintenance was completed in 2018 in the amount of \$118,714 and in 2017 there was a retaining wall replacement for \$54,579.

Emergency Management siren replacement continued in 2018.

For 2018 a dump truck was replaced and a mini excavator purchased. In 2017, there was a one-ton dump truck with plow and salter purchased along with two front end loaders with a plow and wing.

Street improvements for the year increased \$272,559 from 2017.

Sidewalk replacement expenditures were more than 2017 by \$38,981 due to saw cuts only being made in 2017.

Storm Water improvements were \$30,358 more than 2017.

Environmental expenditures included the continuing legal and monitoring fees for Prochnow Landfill along with dam engineering costs. Prochnow and dam expenditures increased \$21,136 and \$16,487 respectively. Additional wells were tested for the Prochnow Land Fill Site and engineering work increased in preparation for DNR mandated modifications to the dams in 2019.

Parks, Recreation and Forestry expenditures were up \$55,969 from 2017. The Senior Van was replaced in 2018 in the amount of \$26,751. The Parks' equipment purchases decreased by \$182,974 but the park improvements increased by \$202,511. Prairie View Park shelter and restrooms were constructed in 2018. In 2017 only asphalt repairs were made in Zeunert Park.

Debt service expenditures increased in 2018 by \$41,420 for the borrowing for street improvements; there wasn't a borrowing in 2017.

There was \$207,474 transferred out of the Library reserve account to Debt Service to offset the principal and interest payments on the building debt in 2017 and \$58,741 in 2018 for the same purpose. The amount varies from year to year depending on the amount of impact fees collected.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget are from purchase orders carried over from 2017 into 2018 and any appropriations made during the year. In 2018, there were appropriations to balance the budget due to the overages in the Parks, Recreation and Forestry Department for the Public Works crew work on tree maintenance, the Senior Center tours and for the Legacy Bench Program donation expenditures. Additional funding was also allocated for the Planning Department contracted services for the planner and economic development coordinator.

The 2019 adopted budget included the use of \$200,000 of fund balance to fund the contingency reserve account. The net change in the fund balance for 2018 was an increase of \$378,082. Revenues for the year were over budget \$401,375. Of that amount \$249,567 was related to building inspection permits.

Operating expenditures were \$501,764 under budget for the year. General Government and Public Works were under budget \$399,170 and \$124,078 respectively for the year.

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Cedarburg's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$112,423,556 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. The City of Cedarburg implemented the infrastructure component of GASB Statement No. 34 for the year ended December 31, 2003.

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

- Monopole construction; \$327,056
- Police Department vehicle replacements; \$73,194
- Emergency Management siren replacement; \$20,892 and vehicle replacement; \$48,557
- Fire Department parking lot maintenance; \$118,714
- Public Works vehicle replacements; \$227,039
- Street improvements; \$1,035,475
- Storm sewer projects related to street projects; \$240,935 and NR216 compliance; \$26,135
- Prochnow Landfill remediation legal, testing and reporting expenditures; \$40,785 and engineering for dam repairs; \$29,844
- Parks, Recreation and Forestry expenditures included equipment replacements; \$66,004 and park improvements; \$211,390
- Operating transfers to Debt Service; \$58,741

City of Cedarburg's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Land	\$ 8,331,524	\$ 8,249,524	\$ 2,215,918	\$ 2,115,434	\$ 10,547,442
Buildings and improvements	25,198,297	24,475,920	87,871,082	84,605,010	113,069,379	109,080,930
Infrastructure	47,608,609	45,897,945			47,608,609	45,897,945
Vehicles	7,116,021	6,720,066			7,116,021	6,720,066
Machinery and equipment	4,063,443	4,065,388			4,063,443	4,065,388
Construction in progress	304,156	273,486	70,206	29,235	374,362	302,721
Accumulated depreciation	(28,344,359)	(26,860,581)	(42,011,341)	(39,889,301)	(70,355,700)	(66,749,882)
Total Capital Assets	\$64,277,691	\$62,821,748	\$48,145,865	\$46,860,378	\$112,423,556	\$109,682,126

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of the fiscal year, the City of Cedarburg had a total general obligation debt outstanding of \$20,215,457 entirely backed by the full faith, credit, and resources of the City. There were three borrowings in 2018; one for capital projects, one for TID No. 4 and one for the monopole construction. Principal payments for 2018 totaled \$1,327,102.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Cedarburg is \$67,373,260, which significantly exceeds the City's current outstanding general obligation debt. The City has established a policy whereby the City will not issue debt in excess of 4 percent of its total equalized valuation and the total annual debt service for general obligation debt shall not exceed 50 percent of the City's total annual general operating revenues (inclusive of all property tax levies and exclusive of revenues from proprietary entities). As of December 31, 2018, the City of Cedarburg's outstanding debt equaled 30.0 percent of the State authorized debt.

City of Cedarburg's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
	General obligation long-term bonds and notes payable	\$19,305,457	\$15,647,559	\$ 910,000	\$ 950,000	\$20,215,457

City of Cedarburg
Ozaukee County, Wisconsin

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2018
(unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, the State legislative changes, general economic conditions, and public sentiments toward taxation. The City increased the assessed tax rate from \$7.48/\$1,000 in 2017 to \$7.76/\$1,000 in 2018; a 3.7 percent increase.

The City's total equalized value for 2018 was \$1,347,444,900; 2.9 percent more than 2017.

The Ozaukee County unemployment rate for 2018 was 2.5 percent up from 2.1 percent in 2017. The State unemployment rate for 2018 was 3.0 percent and 3.9 percent nationally. The County is doing well compared to the rest of the State and nation.

Funds were appropriated in the 2019 General Fund budget for the funding of the contingency reserve account from fund balance.

Sewer flow rate increased from \$5.30/1,000 gallons in 2018 to \$5.40/1,000 in 2019. The monthly connection fee increased from \$14/month to \$15/month for 2019. Holding tank septage haulers' fees remained at the rate of \$8.70/1,000 gallons. The septage tank haulers' rate also remained the same; \$44.91/1,000 gallons.

Due to the Common Council's sentiment to keep the tax rate down, the funding levels for capital items that were previously paid for with cash were funded by borrowing. This practice was discontinued for 2019 and to keep the tax rate from rising the street projects for 2019 were cut in half and the remaining scheduled projects pushed back a year. As development continues to grow the City's assessed value, pre-funding of street and storm water capital projects should be a priority for the 2020 budget.

With increasing costs, State revenue cuts, and State legislative changes it will be another difficult budget preparation year. The new development the City is currently seeing will hopefully help fund future expenditure increases and lost revenues. The State levy limit legislation makes it difficult to fund operations as necessary and causes the City to borrow for capital projects which was not a common practice in prior years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF CEDARBURG

STATEMENT OF NET POSITION
As of December 31, 2018

	Governmental Activities	Business - type Activities	Totals
ASSETS			
Cash and investments	\$ 14,394,623	\$ 11,576,686	\$ 25,971,309
Receivables:			
Taxes	4,476,358	-	4,476,358
Delinquent personal property taxes	49,453	-	49,453
Accounts	279,332	1,252,414	1,531,746
Interest	-	13,068	13,068
Internal balances	194,143	(194,143)	-
Materials and supplies	23,477	659,342	682,819
Prepaid items	197,880	5,878	203,758
Restricted Assets:			
Cash and investments	1,233,795	3,040,341	4,274,136
Loans	105,215	-	105,215
Net pension asset	1,044,453	382,847	1,427,300
Other assets	-	137,307	137,307
Capital Assets:			
Land	8,331,524	2,215,918	10,547,442
Construction in progress	304,156	70,206	374,362
Other capital assets, net of depreciation	55,642,011	45,859,741	101,501,752
Total Assets	<u>86,276,420</u>	<u>65,019,605</u>	<u>151,296,025</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	81,119	-	81,119
Pension related items	1,910,437	722,081	2,632,518
Total Deferred Outflows of Resources	<u>1,991,556</u>	<u>722,081</u>	<u>2,713,637</u>
LIABILITIES			
Accounts payable and accrued liabilities	719,585	974,034	1,693,619
Deposits	113,469	54,992	168,461
Due to other governments	7,086	-	7,086
Accrued interest payable	76,180	9,264	85,444
Noncurrent Liabilities			
Due within one year	1,686,848	45,000	1,731,848
Due in more than one year	18,875,894	1,294,712	20,170,606
Total Liabilities	<u>21,479,062</u>	<u>2,378,002</u>	<u>23,857,064</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	9,903,631	3,961	9,907,592
Pension related items	2,091,899	733,959	2,825,858
Total Deferred Inflows of Resources	<u>11,995,530</u>	<u>737,920</u>	<u>12,733,450</u>
NET POSITION			
Net investment in capital assets	48,214,445	47,211,694	95,426,139
Restricted	2,439,568	3,423,188	5,862,756
Unrestricted	4,139,371	11,990,882	16,130,253
TOTAL NET POSITION	<u>\$ 54,793,384</u>	<u>\$ 62,625,764</u>	<u>\$ 117,419,148</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,544,698	\$ 1,007,295	\$ 190,648	\$ -
Public safety	4,830,952	1,266,826	112,166	-
Public works	3,731,914	33,361	644,355	908,858
Health and human services	38,179	11,740	-	-
Culture, recreation and education	3,069,802	687,444	232,416	-
Conservation and development	703,359	13,000	-	-
Interest and fiscal charges	477,349	-	-	-
Total Governmental Activities	14,396,253	3,019,666	1,179,585	908,858
Business-type Activities				
Light and Water Utility	12,019,118	13,746,566	-	1,535,179
Sewer Utility	2,803,399	2,638,738	-	535,500
Total Business-type Activities	14,822,517	16,385,304	-	2,070,679
Total	\$ 29,218,770	\$ 19,404,970	\$ 1,179,585	\$ 2,979,537

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Property taxes, levied for library

Property taxes, levied for other purposes

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total general revenues

Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to the financial statements.

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business - type Activities	Totals
\$ (346,755)	\$ -	\$ (346,755)
(3,451,960)	-	(3,451,960)
(2,145,340)	-	(2,145,340)
(26,439)	-	(26,439)
(2,149,942)	-	(2,149,942)
(690,359)	-	(690,359)
(477,349)	-	(477,349)
<u>(9,288,144)</u>	<u>-</u>	<u>(9,288,144)</u>
-	3,262,627	3,262,627
-	370,839	370,839
-	<u>3,633,466</u>	<u>3,633,466</u>
<u>(9,288,144)</u>	<u>3,633,466</u>	<u>(5,654,678)</u>
6,133,050	-	6,133,050
1,502,211	-	1,502,211
915,000	-	915,000
722,194	-	722,194
69,941	-	69,941
87,560	-	87,560
273,622	-	273,622
287,925	238,073	525,998
3,674	26,819	30,493
<u>9,995,177</u>	<u>264,892</u>	<u>10,260,069</u>
<u>815,431</u>	<u>(815,431)</u>	<u>-</u>
1,522,464	3,082,927	4,605,391
<u>53,270,920</u>	<u>59,542,837</u>	<u>112,813,757</u>
<u>\$ 54,793,384</u>	<u>\$ 62,625,764</u>	<u>\$ 117,419,148</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

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

	Capital Project Funds		
	General Fund	Capital Improvements Fund	TIF District No. 4
ASSETS			
Unrestricted cash and investments	\$ 9,236,186	\$ 1,645,966	\$ -
Restricted cash and investments	-	-	-
Receivables:			
Taxes	2,723,046	563,625	-
Delinquent personal property taxes	49,453	-	-
Accounts	139,456	29,459	-
Loans	-	-	-
Due from other funds	479,683	34,847	2,999,350
Materials and supplies	3,217	-	-
Prepaid expenditures	9,115	-	-
Advances to other funds	196,707	-	-
TOTAL ASSETS	\$ 12,836,863	\$ 2,273,897	\$ 2,999,350
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 105,606	\$ 114,939	\$ 35,514
Accrued liabilities	327,414	-	-
Deposits	113,469	-	-
Due to other funds	3,387,183	116,296	-
Due to other governments	7,027	-	-
Advance from other fund	-	-	167,609
Total Liabilities	3,940,699	231,235	203,123
Deferred Inflows of Resources			
Unavailable revenues	568	-	-
Unearned revenues	6,059,444	1,235,000	-
Total Deferred Inflows of Resources	6,060,012	1,235,000	-
Fund Balances			
Nonspendable	258,492	-	-
Restricted	-	-	2,796,227
Assigned	340,222	807,662	-
Unassigned (deficit)	2,237,438	-	-
Total Fund Balances	2,836,152	807,662	2,796,227
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,836,863	\$ 2,273,897	\$ 2,999,350

See accompanying notes to the financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,105,577	\$ 1,342,909	\$ 13,330,638
-	1,233,795	1,233,795
829,321	360,366	4,476,358
-	-	49,453
-	110,417	279,332
-	105,215	105,215
58,741	217,841	3,790,462
-	20,260	23,477
-	188,765	197,880
-	-	196,707
<u>\$ 1,993,639</u>	<u>\$ 3,579,568</u>	<u>\$ 23,683,317</u>

\$ -	\$ 45,527	\$ 301,586
-	38,361	365,775
-	-	113,469
-	55,898	3,559,377
-	59	7,086
-	29,098	196,707
-	<u>168,943</u>	<u>4,544,000</u>

-	105,215	105,783
<u>1,817,184</u>	<u>792,003</u>	<u>9,903,631</u>
<u>1,817,184</u>	<u>897,218</u>	<u>10,009,414</u>

-	187,580	446,072
176,455	1,294,840	4,267,522
-	1,070,343	2,218,227
-	(39,356)	2,198,082
<u>176,455</u>	<u>2,513,407</u>	<u>9,129,903</u>

<u>\$ 1,993,639</u>	<u>\$ 3,579,568</u>	<u>\$ 23,683,317</u>
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See accompanying notes to the financial statements.

CITY OF CEDARBURG

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2018

Total Fund Balances - Governmental Funds	\$ 9,129,903
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Amounts reported for governmental activities in the statement of net position are different because different because:

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

Land	8,331,524
Construction in progress	304,156
Other capital assets, net of depreciation	55,642,011

The net pension asset does not related to current financial resources and is not reported in the governmental funds.	1,044,453
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Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds

Loan receivables	105,215
Interest on advance to TIF District No. 4	568

Internal service funds are used by the City to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	974,819
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Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	1,910,437
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(2,091,899)
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Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds, notes payable and unamortized premium/(discount)	(19,559,365)
Compensated absences	(516,177)
Unamortized loss on refunding	81,119
Pollution remediation liability	(487,200)
Accrued interest	(76,180)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 54,793,384</u>
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CITY OF CEDARBURG

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

	Capital Project Funds		
	General Fund	Capital Improvements Fund	TIF District No. 4
REVENUES			
Taxes	\$ 6,137,384	\$ 915,000	\$ -
Special assessments	-	11,030	-
Intergovernmental	952,889	24,263	-
Licenses and permits	646,064	-	-
Fines, forfeitures and penalties	56,853	-	-
Public charges for services	169,123	109,979	-
Intergovernmental charges for services	228,454	-	-
Investment income	94,696	18,005	-
Miscellaneous	212,424	19,759	-
Total Revenues	<u>8,497,887</u>	<u>1,098,036</u>	<u>-</u>
EXPENDITURES			
Current			
General government	1,047,784	-	-
Public safety	4,026,517	-	-
Public works	2,457,524	-	-
Health and human services	-	-	-
Culture, recreation and education	1,031,583	-	-
Conservation and development	113,612	-	474,687
Capital Outlay	172,636	2,550,105	-
Debt Service			
Principal	-	-	-
Interest and fees	-	41,420	87,324
Total Expenditures	<u>8,849,656</u>	<u>2,591,525</u>	<u>562,011</u>
Excess (deficiency) of revenues over expenditures	<u>(351,769)</u>	<u>(1,493,489)</u>	<u>(562,011)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	815,431	152,000	-
Transfers out	(87,500)	(58,741)	-
Debt issued	-	1,512,078	3,415,000
Premium on debt issued	-	-	-
Proceeds from sale of capital assets	1,920	20	-
Total Other Financing Sources (Uses)	<u>729,851</u>	<u>1,605,357</u>	<u>3,415,000</u>
Net Change in Fund Balances	378,082	111,868	2,852,989
FUND BALANCES (DEFICIT) - Beginning of Year	<u>2,458,070</u>	<u>695,794</u>	<u>(56,762)</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,836,152</u>	<u>\$ 807,662</u>	<u>\$ 2,796,227</u>

See accompanying notes to the financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,502,211	\$ 875,361	\$ 9,429,956
-	-	11,030
3,787	222,674	1,203,613
-	-	646,064
-	19,568	76,421
125,815	1,297,766	1,702,683
-	-	228,454
2,769	27,467	142,937
-	85,342	317,525
<u>1,634,582</u>	<u>2,528,178</u>	<u>13,758,683</u>
-	-	1,047,784
-	372,286	4,398,803
-	-	2,457,524
-	36,121	36,121
-	1,524,871	2,556,454
-	115,060	703,359
-	32,379	2,755,120
1,287,102	-	1,287,102
320,355	-	449,099
<u>1,607,457</u>	<u>2,080,717</u>	<u>15,691,366</u>
<u>27,125</u>	<u>447,461</u>	<u>(1,932,683)</u>
58,741	12,500	1,038,672
-	(77,000)	(223,241)
17,922	-	4,945,000
29,455	-	29,455
-	-	1,940
<u>106,118</u>	<u>(64,500)</u>	<u>5,791,826</u>
133,243	382,961	3,859,143
<u>43,212</u>	<u>2,130,446</u>	<u>5,270,760</u>
<u>\$ 176,455</u>	<u>\$ 2,513,407</u>	<u>\$ 9,129,903</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds	\$ 3,859,143
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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</p>	
Capital outlay is reported as an expenditure in the fund financial statements, but is capitalized in the government-wide statements	2,755,120
Some items reported as outlay were not capitalized	(204,036)
Contributed capital assets	908,858
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	38,535
Depreciation is reported in the government-wide statements	(1,983,209)
Net book value of assets retired	(59,325)
<p>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.</p>	
Debt issued	(4,945,000)
Principal repaid	1,287,102
<p>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.</p>	
Compensated absences	(16,454)
Accrued interest on debt	(23,125)
Net pension asset	1,329,080
Deferred outflows of resources related to pensions	(221,145)
Deferred inflows of resources related to pensions	(1,218,683)
<p>Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense</p>	
Premium on new debt	(29,455)
Amortization of debt premiums	19,076
Amortization of loss on refunding	(21,632)
Amortization of debt discount	(2,568)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements	(34,452)
Internal service funds are used by the City to charge the cost of insurance to individual funds. The net revenue of the internal service fund is reported in the governmental activities.	84,634
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,522,464

See accompanying notes to the financial statements.

CITY OF CEDARBURG

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

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 8,282,648	\$ 3,294,038	\$ 11,576,686	\$ 1,063,985
Receivables:				
Accounts	1,241,053	11,361	1,252,414	-
Interest	13,068	-	13,068	-
Due from other funds	45,858	373,855	419,713	-
Materials and supplies	659,342	-	659,342	-
Prepayments	4,878	1,000	5,878	-
Other Assets - Commitment to community	45,236	-	45,236	-
Total Current Assets	<u>10,292,083</u>	<u>3,680,254</u>	<u>13,972,337</u>	<u>1,063,985</u>
NON-CURRENT ASSETS				
Restricted Assets - cash and investments	229,769	2,810,572	3,040,341	-
Restricted Asset - net pension asset	283,186	99,661	382,847	-
Preliminary survey and investigation	37,890	-	37,890	-
Merchandising and jobbing work in process	6,469	-	6,469	-
Non-utility property	47,712	-	47,712	-
Capital Assets				
Land	378,837	1,837,081	2,215,918	-
Construction in progress	11,546	58,660	70,206	-
Property, plant, and equipment	53,993,706	33,877,376	87,871,082	-
Less: Accumulated depreciation	<u>(18,011,717)</u>	<u>(23,999,624)</u>	<u>(42,011,341)</u>	-
Total Noncurrent Assets	<u>36,977,398</u>	<u>14,683,726</u>	<u>51,661,124</u>	-
Total Assets	<u>47,269,481</u>	<u>18,363,980</u>	<u>65,633,461</u>	<u>1,063,985</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	<u>531,398</u>	<u>190,683</u>	<u>722,081</u>	-

See accompanying notes to the financial statements.

	Business-type Activities - Enterprise Funds			Governmental
	Light and			Activities
	Water Utility	Sewer Utility	Totals	Internal Service Fund
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 762,598	\$ 41,991	\$ 804,589	\$ 52,224
Accrued payroll	-	30,452	30,452	-
Accrued interest payable	2,660	6,604	9,264	-
Deposits	54,992	-	54,992	-
Due to other funds	594,280	19,576	613,856	36,942
Current portion of general obligation debt	-	45,000	45,000	-
Other current liability	138,993	-	138,993	-
Total Current Liabilities	1,553,523	143,623	1,697,146	89,166
NONCURRENT LIABILITIES				
Compensated absences	338,014	50,609	388,623	-
Customer advances for construction	12,955	-	12,955	-
Deferred compensation	3,963	-	3,963	-
General obligation debt	-	889,171	889,171	-
Total Noncurrent Liabilities	354,932	939,780	1,294,712	-
Total Liabilities	1,908,455	1,083,403	2,991,858	89,166
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	3,961	-	3,961	-
Pension related items	546,321	187,638	733,959	-
Total Deferred Inflows of Resources	550,282	187,638	737,920	-
NET POSITION				
Net investment in capital assets	36,372,372	10,839,322	47,211,694	-
Restricted	512,955	2,910,233	3,423,188	-
Unrestricted	8,456,815	3,534,067	11,990,882	974,819
TOTAL NET POSITION	\$ 45,342,142	\$ 17,283,622	\$ 62,625,764	\$ 974,819

See accompanying notes to the financial statements.

CITY OF CEDARBURG

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
OPERATING REVENUES				
Charges for services	\$ 13,568,890	\$ 2,638,738	\$ 16,207,628	\$ 340,531
Other operating revenues	177,676	-	177,676	17,757
Total Operating Revenues	<u>13,746,566</u>	<u>2,638,738</u>	<u>16,385,304</u>	<u>358,288</u>
OPERATING EXPENSES				
Operation and maintenance	10,498,656	1,593,170	12,091,826	383,622
Depreciation	1,519,596	1,191,268	2,710,864	-
Total Operating Expenses	<u>12,018,252</u>	<u>2,784,438</u>	<u>14,802,690</u>	<u>383,622</u>
Operating Income (Loss)	<u>1,728,314</u>	<u>(145,700)</u>	<u>1,582,614</u>	<u>(25,334)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	141,237	96,836	238,073	109,968
Amortization expense	-	(1,343)	(1,343)	-
Interest expense	(866)	(17,618)	(18,484)	-
Miscellaneous revenues	19,220	7,599	26,819	-
Total Nonoperating Revenues (Expense)	<u>159,591</u>	<u>85,474</u>	<u>245,065</u>	<u>109,968</u>
Income (Loss) Before Capital Contributions and Transfers	<u>1,887,905</u>	<u>(60,226)</u>	<u>1,827,679</u>	<u>84,634</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contribution	1,535,179	535,500	2,070,679	-
Transfers	(815,431)	-	(815,431)	-
Total Capital Contributions and Transfers	<u>719,748</u>	<u>535,500</u>	<u>1,255,248</u>	<u>-</u>
Change in Net Position	2,607,653	475,274	3,082,927	84,634
NET POSITION - Beginning of Year	<u>42,734,489</u>	<u>16,808,348</u>	<u>59,542,837</u>	<u>890,185</u>
NET POSITION - END OF YEAR	<u>\$ 45,342,142</u>	<u>\$ 17,283,622</u>	<u>\$ 62,625,764</u>	<u>\$ 974,819</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

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

	Business - type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 13,535,184	\$ 2,654,841	\$ 16,190,025	\$ -
Paid to suppliers for goods and services	(9,170,804)	(980,822)	(10,151,626)	(426,404)
Paid to employees for services	(1,297,001)	(594,238)	(1,891,239)	-
Receipts from municipality	288,286	-	288,286	380,033
Net Cash Flows From Operating Activities	3,355,665	1,079,781	4,435,446	(46,371)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(1,603,222)	(428,732)	(2,031,954)	(134,300)
Proceeds from sale and maturities of investment securities	1,560,466	401,917	1,962,383	123,537
Investment income	136,675	96,836	233,511	109,968
Net Cash Flows From Investing Activities	93,919	70,021	163,940	99,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(768,000)	-	(768,000)	-
Transfers in (out)	(9,767)	-	(9,767)	-
Net Cash Flows From Noncapital Financing Activities	(777,767)	-	(777,767)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	-	(40,000)	(40,000)	-
Interest paid	-	(20,550)	(20,550)	-
Acquisition and contraction of capital assets	(1,856,850)	(618,543)	(2,475,393)	-
Salvage on retirement of plant	92,521	-	92,521	-
Cost of removal of property retired	(84,046)	-	(84,046)	-
Impact fees received	254,574	-	254,574	-
Contributions in-aid-of construction	236,542	-	236,542	-
Net Cash Flows From Capital and Related Financing Activities	(1,357,259)	(679,093)	(2,036,352)	-
Net Change in Cash and Cash Equivalents	1,314,558	470,709	1,785,267	52,834
CASH AND CASH EQUIVALENTS - Beginning of Year	5,594,637	3,813,288	9,407,925	206,246
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,909,195	\$ 4,283,997	\$ 11,193,192	\$ 259,080

See accompanying notes to the financial statements.

	Business - Type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewerage Department	Totals	Internal Service Fund - Risk Management
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,728,314	\$ (145,700)	\$ 1,582,614	\$ (25,334)
Miscellaneous nonoperating activities	18,354	7,599	25,953	-
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	1,519,596	1,319,209	2,838,805	-
Depreciation charged to clearing accounts	127,941	(127,941)	-	-
Changes in assets and liabilities:				
Accounts receivable	65,563	(9,773)	55,790	21,745
Due from other funds	(34,622)	18,277	(16,345)	2,316
Prepayments	(149)	(1,000)	(1,149)	-
Materials and supplies	(38,388)	-	(38,388)	-
Accounts payable	(24,174)	(11,682)	(35,856)	(45,098)
Accrued payroll and related benefits	(27,433)	7,013	(20,420)	-
Due to other funds	(2,137)	11,676	9,539	-
Deposits	(1,832)	-	(1,832)	-
Accrued interest on deposit	603	-	603	-
Pension related deferrals	18,872	7,998	26,870	-
Other current liabilities	5,157	4,105	9,262	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,355,665	\$ 1,079,781	\$ 4,435,446	\$ (46,371)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Current - cash and investments - unrestricted	\$ 8,282,648	\$ 3,294,038	\$ 11,576,686	\$ 1,063,985
Non-current - cash and investments - restricted	229,769	2,810,572	3,040,341	-
Non-cash equivalents	(1,603,222)	(1,820,613)	(3,423,835)	(804,905)
CASH AND CASH EQUIVALENTS	\$ 6,909,195	\$ 4,283,997	\$ 11,193,192	\$ 259,080
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization	\$ -	\$ 1,343	\$ 1,343	\$ -
Developer financed additions to utility plant	\$ 1,193,129	\$ 535,500	\$ 1,728,629	\$ -
Construction related accounts payable	\$ 63,322	\$ -	\$ 63,322	\$ -

See accompanying notes to the financial statements.

CITY OF CEDARBURG

**STATEMENT OF ASSETS AND LIABILITIES -
AGENCY FUND
As of December 31, 2018**

	<u>Agency Fund</u>
	<u>Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 8,790,980
Taxes receivable	7,380,551
Total Assets	<u>\$ 16,171,531</u>
LIABILITIES	
Due to other governments	<u>\$ 16,171,531</u>

See accompanying notes to the financial statements.

CITY OF CEDARBURG

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CITY OF CEDARBURG

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF CEDARBURG

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Community Development Authority of the City

The government-wide financial statements include the Community Development Authority of the City ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the Mayor and confirmed by the Common Council. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. The Community Development Authority of the City is part of the reporting entity of the City of Cedarburg. However, the CDA had no financial transactions during 2018 which are material to these financial statements. Also, the CDA does not own any assets nor is it liable for any debt. Therefore, no financial statements are presented in this report. The CDA does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

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

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

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

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

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

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Capital Improvements Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Tax Incremental District (TID) No. 4 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The city reports the following major enterprise funds:

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

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

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

Cemetery	Room Tax
Recreation Programs	Swimming Pool
Community Development Block Grant (CDBG)	Library
Park Impact Fee	Fuel System
Rescue/EMS	

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Tax Incremental Finance (TIF) District No. 3
Tax Incremental Finance (TIF) District No. 5

In addition, the city reports the following fund types:

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

Risk Management

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

Tax Collection Fund

CITY OF CEDARBURG

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2018, there were \$431,448 and \$200,348 of City and Sewer Utility, respectively, unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

CITY OF CEDARBURG

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

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

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

Fund Financial Statements (cont.)

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

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

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.

CITY OF CEDARBURG

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

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

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

1. Deposits and Investments (cont.)

- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school districts and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities - agency fund.

CITY OF CEDARBURG

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

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

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

2. Receivables (cont.)

Property tax calendar - 2018 tax roll:

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

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the light and water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

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

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

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

CITY OF CEDARBURG

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

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

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

3. Materials and Supplies and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$500 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

CITY OF CEDARBURG

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

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method over the range of estimated useful lives by type of asset or is computed under that straight-line method using rates certified by the Public Service Commission for the Light and Water utility. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

CITY OF CEDARBURG

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

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

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

6. Other Assets

Designated investments - the Light and Water Commission has internally designated \$2,305,974 of cash and investments for future construction projects and monthly operating reserves.

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

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

Non-Utility property - the Light and Water Utility in 2006, 2008, and 2015 transferred infrastructure and land no longer in utility use; specifically, the SW, Layton, and Lincoln Substations land, building and equipment and land from a well on Fair Street that was abandoned long ago. These assets, excluding land, are fully depreciated at December 31, 2018. Costs to construct a fitness area and the cost of fitness equipment and flooring was recorded as nonutility property in 2011. Costs were partially offset in 2011 and will continue to be so in future years through fees collected from users of the fitness room. The utility dismantled and sold the switchgear at the former SW substation and removed other obsolete substation equipment in 2017, which reduced the value in non-utility property.

7. Deferred Outflows of Resources

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

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

CITY OF CEDARBURG

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

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

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

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Sick leave pay earned and not taken is cumulative. Sick leave is earned at the rate of 1.25 working days for each month of service up to a maximum of 15 days for police department employees and 12 days for all other employees per year and a total of 120 days. Upon retirement, disability, or death, the employee or their estate shall be paid, at the current wage rate, 50% of the accumulated unused sick leave pay benefits. All employees who have reached the maximum allotment of 120 sick days shall be compensated 30% of any sick days accumulated over 120. This compensation shall be paid in the first check of the following year at the previous year's rate. At December 31, 2018, 50% of the accumulated sick leave pay benefits estimated to be paid out for all employees is recorded as a liability in the government-wide financial statements.

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018, are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations

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

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

10. Deferred Inflows of Resources

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

CITY OF CEDARBURG

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

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

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

11. Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

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

CITY OF CEDARBURG

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

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Common Council has, by resolution, adopted a financial policy authorizing the Administrator/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. I. for further information.

12. Pension

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

CITY OF CEDARBURG

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

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

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

13. Basis for Existing Rates

Sewer Utility

Sewer rates are changed on January 1 of each year. The rates as of January 1, 2018 were \$5.30 per 1,000 gallons of flow with a \$14 connection fee. For January 1, 2019, the sewer use charge will increase to \$5.40 per 1,000 gallons with a \$15 monthly connection fee.

Electric Utility

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

Water Utility

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the General Fund, Capital Improvement Fund, Debt Service Fund, Special Revenue Fund - Cemetery, Special Revenue Fund - Room Tax, Special Revenue Fund - Recreation Programs, Special Revenue Fund - Swimming Pool, Special Revenue Fund - Park Impact Fee and Special Revenue Fund - Library. A budget has not been formally adopted for Special Revenue Fund - Community Development Block Grant, Special Revenue Fund - Rescue/EMS, Special Revenue Fund - Fuel System, Capital Project Fund - TIF No. 3 Fund, Capital Project Fund - TIF No. 4 Fund and Capital Project Fund - TIF No. 5. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF CEDARBURG

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

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

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Special Revenue Fund - Room Tax	\$ 65,000	\$ 83,204	\$ 18,204
Debt Service Fund	1,595,924	1,607,457	11,533
Special Revenue Fund - Recreation Programs	231,072	280,733	49,661

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

C. DEFICIT BALANCES

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

As of December 31, 2018, the following individual funds held a deficit balance:

Fund	Amount	Reason
Capital Project Fund - TIF District No. 3	\$ 29,488	Expenditures exceeded revenues
Capital Project Fund - TIF District No. 5	9,868	Expenditures exceeded revenues

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. TIF District No. 3 and TIF District No. 5 fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

D. LIMITATIONS ON THE DISTRICT'S TAX LEVY

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

CITY OF CEDARBURG

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 30,114,467	\$ 30,280,238	Custodial credit
US agencies	5,022,105	5,022,105	Custodial credit, interest rate and investments highly sensitive to interest rate changes
State and local bonds	268,457	268,457	Credit, custodial credit, interest rate and investments highly sensitive to interest rate changes
Corporate bonds	382,810	382,810	Credit, custodial credit, interest rate, concentration of credit and investments highly sensitive to interest rate changes
LGIP	3,113,609	3,113,609	Credit
US treasuries	133,926	133,926	Custodial credit, interest rate and investments highly sensitive to interest rate changes
Petty cash	1,051	-	N/A
Total Deposits and Investments	\$ 39,036,425	\$ 39,201,145	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 25,971,309		
Restricted cash and investments	4,274,136		
Per statement of assets and liabilities -			
agency fund			
Agency fund	8,790,980		
Total Deposits and Investments	\$ 39,036,425		

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.

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

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

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

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

- Market Value

Investment Type	December 31, 2018			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 5,022,105	\$ -	\$ 5,022,105
US treasuries	133,926	-	-	133,926
State and local bonds	-	268,457	-	268,457
Corporate bonds	-	382,810	-	382,810
Total	\$ 133,926	\$ 5,673,372	\$ -	\$ 5,807,298

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, 2018, \$28,930,077 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 726,710
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the city's name	28,203,367
Total	\$ 28,930,077

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

The city does not have any investments exposed to custodial credit risk.

Credit Risk

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

As of December 31, 2018, the city's investments were rated as follows:

Investment Type	Moody's Investors Services
State and local bonds	A1 through AAA

The city also held investments in the following which are not rated:

LGIP
Corporate bonds

Interest Rate Risk

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

As of December 31, 2018, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	4-5
US agencies	\$ 5,022,105	\$ 1,157,045	\$ 2,774,103	\$ 1,090,957
US treasuries	133,926	-	-	133,926
State and local bonds	268,457	-	268,457	-
Corporate bonds	382,810	-	290,161	92,649
Totals	<u>\$ 5,807,298</u>	<u>\$ 1,157,045</u>	<u>\$ 3,332,721</u>	<u>\$ 1,317,532</u>

CITY OF CEDARBURG

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2018, the city held \$5,022,105, \$133,926, \$268,457 and \$382,810 in US agencies, US treasuries, state and local bonds and corporate bonds respectively. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is 5 years maturing September 6, 2024.

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for delinquent personal property taxes of \$49,453.

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 9,903,631	\$ -
Loan receivables	-	105,215
Interest on advance to TIF District No. 4	-	568
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 9,903,631	 \$ 105,783

CITY OF CEDARBURG

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

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

Impact Fee Account

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

Net Pension Asset

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

Community Development Block Grant

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

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

	<u>Restricted Assets</u>
Equipment replacement account	\$ 2,274,313
Light and Water impact fee account	229,769
Sewer impact fee account	536,259
CDBG account	946,676
CDBG receivables	105,215
Park impact fee account	287,119
Net pension asset	<u>1,427,300</u>
Total	<u>\$ 5,806,651</u>

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,249,524	\$ 82,000	\$ -	\$ 8,331,524
Construction in progress	273,486	119,190	88,520	304,156
Total Capital Assets Not Being Depreciated	8,523,010	201,190	88,520	8,635,680
Capital assets being depreciated				
Buildings and Improvements	24,475,920	800,222	77,845	25,198,297
Infrastructure	45,897,945	2,011,728	301,064	47,608,609
Vehicles	6,720,066	497,724	101,769	7,116,021
Machinery and Equipment	4,065,388	76,133	78,078	4,063,443
Total Capital Assets Being Depreciated	81,159,319	3,385,807	558,756	83,986,370
Total Capital Assets	89,682,329	3,586,997	647,276	92,622,050
Less: Accumulated depreciation for				
Buildings and Improvements	(3,856,136)	(574,894)	77,741	(4,353,289)
Infrastructure	(16,178,708)	(777,379)	301,064	(16,655,023)
Vehicles	(4,296,790)	(342,645)	57,707	(4,581,728)
Machinery and Equipment	(2,528,947)	(288,291)	62,919	(2,754,319)
Total Accumulated Depreciation	(26,860,581)	(1,983,209)	499,431	(28,344,359)
Net Capital Assets Being Depreciated	54,298,738	1,402,598	59,325	55,642,011
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 62,821,748	\$ 1,603,788	\$ 147,845	\$ 64,277,691

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 44,234
Public safety	321,625
Public works	1,171,917
Health and human services	2,058
Culture, recreation and education	443,375
Total Governmental Activities Depreciation Expense	\$ 1,983,209

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land	\$ 1,736,597	\$ 100,484	\$ -	\$ 1,837,081
Construction in progress	8,200	50,460	-	58,660
Total Capital Assets Not Being Depreciated	1,744,797	150,944	-	1,895,741
Capital assets being depreciated				
Plant in service	32,874,277	1,003,099	-	33,877,376
Total Capital Assets Being Depreciated	32,874,277	1,003,099	-	33,877,376
Total Capital Assets	34,619,074	1,154,043	-	35,773,117
Less: Accumulated depreciation for				
Plant in service	(22,808,356)	(1,191,268)	-	(23,999,624)
Total Accumulated Depreciation	(22,808,356)	(1,191,268)	-	(23,999,624)
Net Capital Assets Being Depreciated	10,065,921	(188,169)	-	9,877,752
Net Sewer Capital Assets	\$ 11,810,718	\$ (37,225)	\$ -	\$ 11,773,493

CITY OF CEDARBURG

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Light and Water</u>				
Capital assets not being depreciated				
Land	\$ 378,837	\$ -	\$ -	\$ 378,837
Construction in progress	<u>21,035</u>	<u>-</u>	<u>9,489</u>	<u>11,546</u>
Total Capital Assets Not Being Depreciated	<u>399,872</u>	<u>-</u>	<u>9,489</u>	<u>390,383</u>
Capital assets being depreciated				
Plant in service	<u>51,730,733</u>	<u>2,987,603</u>	<u>724,630</u>	<u>53,993,706</u>
Total Capital Assets Being Depreciated	<u>51,730,733</u>	<u>2,987,603</u>	<u>724,630</u>	<u>53,993,706</u>
Total Capital Assets	<u>52,130,605</u>	<u>2,987,603</u>	<u>734,119</u>	<u>54,384,089</u>
Less: Accumulated depreciation for				
Plant in service	<u>(17,080,945)</u>	<u>(1,739,450)</u>	<u>808,678</u>	<u>(18,011,717)</u>
Total Accumulated Depreciation	<u>(17,080,945)</u>	<u>(1,739,450)</u>	<u>808,678</u>	<u>(18,011,717)</u>
Net Capital Assets Being Depreciated	<u>34,649,788</u>	<u>1,248,153</u>	<u>(84,048)</u>	<u>35,981,989</u>
Net Light and Water Capital Assets	<u>\$ 35,049,660</u>	<u>\$ 1,248,153</u>	<u>\$ (74,559)</u>	<u>\$ 36,372,372</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 46,860,378</u>	<u>\$ 1,210,928</u>	<u>\$ (74,559)</u>	<u>\$ 48,145,865</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 1,191,268
Light and Water	<u>1,519,596</u>
Total Business-type Activities Depreciation Expense	<u>\$ 2,710,864</u>

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

CITY OF CEDARBURG

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

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Capital Improvement Fund	Light and Water Utility	\$ 221
Capital Improvement Fund	Risk Management Fund	34,626
Special Revenue Fund - CDBG	General Fund	632
Debt Service Fund	Capital Improvement Fund	58,741
Special Revenue Fund - Fuel System	General Fund	14,276
Special Revenue Fund - Fuel System	Special Revenue Fund - Cemetary	296
Special Revenue Fund - Fuel System	Sewer Fund	6,744
Special Revenue Fund - Fuel System	Light and Water Utility	1,548
General Fund	Special Revenue Fund - Room Tax	1,207
General Fund	Capital Improvement Fund	24,496
General Fund	Special Revenue Fund - Library	1,185
General Fund	Special Revenue Fund - Fuel System	32,230
General Fund	Special Revenue Fund - EMS	10,766
General Fund	Capital Project Fund - TIF #4	2,999,350
General Fund	Capital Project Fund - TIF #5	9,868
General Fund	Light and Water Utility	397,270
General Fund	Special Revenue Fund - Cemetary	345
General Fund	Risk Management Fund	2,316
Light and Water Utility	General Fund	33,025
Light and Water Utility	Sewer Utility	12,832
Special Revenue Fund - Room Tax	General Fund	484
Sewer Utility	Capital Improvement Fund	33,059
Sewer Utility	General Fund	145,556
Sewer Utility	Light and Water Utility	195,239
Special Revenue Fund - Library	General Fund	85,491
Special Revenue Fund - Cemetary	General Fund	276
Special Revenue Fund - Recreation Programs	General Fund	99,132
Special Revenue Fund - Swimming Pool	General Fund	8,961
Total - Fund Financial Statements		4,210,172
Less: Fund eliminations		(3,979,087)
Less: Government-wide eliminations		(36,942)
Total Internal Balances - Government-Wide Statement of Net Position		\$ 194,143

Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 405,783
Business-type Activities	Governmental Activities	(211,640)
Total Government-Wide Financial Statements		\$ 194,143

CITY OF CEDARBURG

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

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

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

Interfund Receivables/Payables (cont.)

All amounts are due within one year.

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

Advances

The General Fund is advancing funds to the Capital Project Fund - TIF District No. 3 and the Capital Project Fund - TIF District No. 4. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The General Fund is charging interest on the advance based on the average outstanding advance balance during the year at a rate of 1%. No repayment schedule has been established.

As of December 31, 2018, the General Fund has advanced \$29,098 to the Capital Project Fund - TIF District No. 3 and \$167,609 to the Capital Project Fund - TIF District No. 4.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Light and Water Utility	\$ 815,431	Property tax equivalent
Debt Service Fund	Capital Improvement Fund	58,741	Debt service
Capital Improvement Fund	General Fund	75,000	Fund capital purchases
Capital Improvement Fund	Special Revenue Fund - Cemetery	7,000	To fund operations
Capital Improvement Fund	Special Revenue - Park Impact Fee	70,000	To fund operations
Special Revenue Fund - Swimming Pool	General Fund	11,500	To fund operations
Special Revenue Fund - Recreation Programs	General Fund	<u>1,000</u>	To fund operations
Total - Fund Financial Statements		1,038,672	
Less: Fund eliminations		<u>(223,241)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 815,431</u>	

CITY OF CEDARBURG

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

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

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

Transfers (cont.)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 815,431
Business-type Activities	Governmental Activities	<u> -</u>
Total Government-wide Financial Statements		<u><u>\$ 815,431</u></u>

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 15,647,559	\$ 4,945,000	\$ 1,287,102	\$ 19,305,457	\$ 1,646,407
(Discounts)/Premiums	240,961	29,455	16,508	253,908	-
Sub-totals	<u>15,888,520</u>	<u>4,974,455</u>	<u>1,303,610</u>	<u>19,559,365</u>	<u>1,646,407</u>
Other Liabilities					
Compensated absences	499,723	16,454	-	516,177	40,441
Pollution remediation liability	487,200	-	-	487,200	-
Net pension liability	284,627	-	284,627	-	-
Total Other Liabilities	<u>1,271,550</u>	<u>16,454</u>	<u>284,627</u>	<u>1,003,377</u>	<u>40,441</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 17,160,070</u>	<u>\$ 4,990,909</u>	<u>\$ 1,588,237</u>	<u>\$ 20,562,742</u>	<u>\$ 1,686,848</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 950,000	\$ -	\$ 40,000	\$ 910,000	\$ 45,000
(Discounts)/Premiums	25,514	-	1,343	24,171	-
Sub-totals	<u>975,514</u>	<u>-</u>	<u>41,343</u>	<u>934,171</u>	<u>45,000</u>
Other Liabilities					
Compensated absences	376,460	66,371	54,208	388,623	-
Other long-term liabilities	49,914	10,791	43,787	16,918	-
Net pension liability	106,695	-	106,695	-	-
Total Other Liabilities	<u>533,069</u>	<u>77,162</u>	<u>204,690</u>	<u>405,541</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,508,583</u>	<u>\$ 77,162</u>	<u>\$ 246,033</u>	<u>\$ 1,339,712</u>	<u>\$ 45,000</u>

CITY OF CEDARBURG

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

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

F. LONG-TERM OBLIGATIONS (cont.)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2018, was \$67,373,260. Total general obligation debt outstanding at year end was \$20,215,457.

General Obligation Debt

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

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2018</u>
GO Notes	6/3/2015	3/1/2015	2.00%	\$ 3,470,000	\$ 2,685,000
GO Notes	9/5/2012	3/1/2027	0.50 - 2.20%	5,565,000	3,625,000
Build America Bonds	6/3/2010	3/15/2020	4.25%	800,000	185,457
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	8,700,000	7,865,000
2018A GO Note	6/28/2018	3/1/2028	3.00%	1,230,000	1,230,000
2018B GO Note	11/14/2018	3/1/2038	3.0-4.25%	3,415,000	3,415,000
2018 State Trust Fund Loan	3/16/2018	3/15/2028	3.50%	300,000	<u>300,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 19,305,457</u>

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2018</u>
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	\$ 1,005,000	<u>\$ 910,000</u>

CITY OF CEDARBURG

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,646,407	\$ 438,063	\$ 45,000	\$ 19,813
2020	1,641,096	425,684	45,000	19,138
2021	1,657,396	337,930	45,000	18,462
2022	1,678,354	359,117	45,000	17,675
2023	1,319,347	327,308	45,000	16,775
2024-2028	5,492,857	1,210,139	240,000	69,925
2029-2033	3,215,000	698,923	265,000	43,712
2034-2038	<u>2,655,000</u>	<u>190,401</u>	<u>180,000</u>	<u>8,100</u>
Totals	<u>\$ 19,305,457</u>	<u>\$ 3,987,565</u>	<u>\$ 910,000</u>	<u>\$ 213,600</u>

Other Debt Information

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

G. LEASE DISCLOSURES

Lessor - Operating Leases

The City of Cedarburg entered into various legal agreements to use a portion of the City's water tower to attach antennae. For the year ended December 31, 2018, the City received \$151,179. The terms of the leases are for five years, with a right to extend for four additional five-year terms. The following is a summary of projected revenues for the next five years.

<u>Years</u>	<u>Governmental Activities Principal</u>
2019	\$ 165,953
2020	173,491
2021	181,382
2022	189,645
2023	<u>162,740</u>
Totals	<u>\$ 873,211</u>

CITY OF CEDARBURG

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

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

H. POLLUTION REMEDIATION OBLIGATIONS

At year end December 31, 2018, the city was obligated to address the future pollution cleanup activities at Prochnow Landfill, due to federal or state laws and regulations. The city's obligation is to address the pollution remediation because the pollution created an imminent endangerment to public health or welfare or the environment. Examples of expected future remediation activity costs include legal services, site investigation, and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the cash flows expected to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2018, the obligation was \$487,200. The city will recognize these liabilities and related expenses as an operating expense in the government-wide financial statements only when such costs become measurable. Because of this, the liability is subject to change as the city becomes aware of new information which may affect its estimate. Only when actual outlays are made are they recognized in the governmental fund financial statements as expenditures. This will also reduce the amount of the liability on the government-wide financial statements. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

I. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 8,331,524
Construction in progress	304,156
Other capital assets, net of accumulated depreciation	55,642,011
Less: Long-term debt outstanding	(19,305,457)
Plus: Noncapital debt proceeds	3,415,000
Plus: Unamortized refunding loss	81,119
Less: Unamortized debt premium	(253,908)
Total Net Investment in Capital Assets	<u>48,214,445</u>
Restricted	
Debt service	100,275
Community development	947,308
Park impact fees	287,119
Library	60,413
Pension	1,044,453
Total Restricted	<u>2,439,568</u>
Unrestricted	<u>4,139,371</u>
Total Governmental Activities Net Position	<u>\$ 54,793,384</u>

CITY OF CEDARBURG

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

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

I. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2018, include the following:

	General Fund	Capital Project Funds Capital Improvement Fund	TIF District No. 4	Debt Service Fund	Nonmajor Governmental Funds	Totals
Fund Balances						
Nonspendable:						
Noncurrent receivables	\$ 49,453	\$ -	\$ -	\$ -	\$ -	\$ 49,453
Prepaid and materials and supplies	12,332	-	-	-	187,580	199,912
Advance to other fund	196,707	-	-	-	-	196,707
Restricted for:						
Debt service	-	-	-	176,455	-	176,455
Park impact fees	-	-	-	-	287,119	287,119
Community development	-	-	-	-	947,308	947,308
Library	-	-	-	-	60,413	60,413
TIF District No. 4	-	-	2,796,227	-	-	2,796,227
Assigned to:						
Revaluations	116,949	-	-	-	-	116,949
Subsequent year purchases	23,273	-	-	-	-	23,273
Subsequent years budget	200,000	-	-	-	-	200,000
Capital improvements	-	807,662	-	-	-	807,662
Cemetery	-	-	-	-	255,687	255,687
Room tax	-	-	-	-	484	484
Recreation programs	-	-	-	-	93,230	93,230
Fuel system	-	-	-	-	1,748	1,748
Swimming pool	-	-	-	-	7,281	7,281
Rescue/EMS	-	-	-	-	711,913	711,913
Unassigned (deficit):	2,237,438	-	-	-	(39,356)	2,198,082
Total Fund Balances	\$ 2,836,152	\$ 807,662	\$ 2,796,227	\$ 176,455	\$ 2,513,407	\$ 9,129,903

CITY OF CEDARBURG

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

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

I. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Table with 2 columns: Description and Amount. Rows include Net Investment in Capital Assets (Land, Construction in progress, Other capital assets, Less: Long-term debt outstanding, Less: Unamortized debt premium, Total Net Investment in Capital Assets), Restricted (Light and Water impact fees, Equipment replacement, Sewer impact fees, Pension, Total Restricted), Unrestricted, and Total Business-type Activities Net Position.

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$492,085 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2018 are:

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

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

At December 31, 2018, the city reported an asset of \$1,427,300 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was 0.04807152%, which was an increase of 0.00059480% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the city recognized pension expense of \$653,797.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2018, the 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	\$ 1,813,420	\$ 848,258
Changes in assumptions	282,006	-
Net differences between projected and actual earnings on pension plan investments	-	1,961,693
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	15,907
Employer contributions subsequent to the measurement date	<u>537,092</u>	<u>-</u>
Totals	<u>\$ 2,632,518</u>	<u>\$ 2,825,858</u>

\$537,092 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2019	\$ 148,572
2020	(17,737)
2021	(492,894)
2022	(371,784)
2023	3,411

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

CITY OF CEDARBURG

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

NOTE IV - 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%)
City's proportionate share of the net pension liability (asset)	\$3,692,913	\$(1,427,300)	\$(5,318,821)

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

At December 31, 2018, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

Public Entity Risk Pool

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

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

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

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

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

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$17,500 per occurrence and an annual aggregate limit of \$70,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2018. A total liability of approximately \$89,365 at December 31, 2018, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2017	\$ 42,556	\$ 689,166	\$ 639,552	\$ 92,170
2018	92,170	658,171	660,976	89,365

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI Energy

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

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

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

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$342 million as of December 31, 2018.

Claims and Other Legal Procedures

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Municipal Revenue Obligation - HSI Arrabelle, LLC

In 2018, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation is \$1,925,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 5.

Payments are scheduled through the year 2046, and carry an interest rate of 0%. 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 TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end is \$1,925,000.

D. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Developer Incentive - Cedarburg Land and Cattle, LLC

In 2014, the city provided a developer incentive as part of TIF District No. 3. The incentive is based on the completed project value or value at January 1, 2020, whichever occurs first, less the base value multiplied by 25%. The developer has committed to creating a total real property tax increment in the project area with an equalized value of at least \$950,000. There were no payments made for the year ended December 31, 2018. 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 TIF increments, the obligation is not reported as a liability in the accompanying financial statements.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

D. TAX ABATEMENT (cont.)

Developer Incentive - Oliver Fiontar, LLC

In 2017, the city entered into a development agreement as part of TIF District No. 4. The agreement relates to a property that is at an economic disadvantage to other available sites due to its blighted condition. The City has provided an incentive to the developer for the difference in costs compared to other available sites in an amount not to exceed \$3,053,000. Once the funding has been spent the developer is responsible to cover the remaining costs.

In return for the overall minimum equalized property valuation of the development of \$10,025,000 for buildings to be constructed or rehabilitated on the sites, the CDA will contribute an amount not to exceed \$275,000 toward the redevelopment as developer assistance. This amount shall be based upon the final development plan, expected valuation of same and completion dates for occupancy of all buildings to be constructed. In no event shall any developer assistance payment be due and payable if the developer is in default. This payment will be allocated, prorated and paid pursuant to the following schedule, terms and conditions:

1. \$70,000 upon the later of execution of the agreement and final acquisition of the property
2. \$70,000 upon proof of razing and removal of all existing buildings on the property; except commercial office building
3. \$70,000 upon developer receiving building permits from the City and commencing construction for at least \$1,000,000 of new construction
4. \$65,000 upon developer showing proof of remediation of the property to the point in time that building occupancy has been granted and reaches a new construction combined equalized value of \$4,775,000

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 TIF increments, the obligation is not reported as a liability in the accompanying financial statements. As of December 31, 2018, the City balances of these commitments are \$2,598,000 and \$275,000.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

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

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

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

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

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

F. MID-MORAINES MUNICIPAL COURT

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

<u>Municipality</u>	<u>% Expenses Paid</u>
City of Cedarburg	3.24 %
Village of Grafton	7.07
Village of Thiensville	2.58
City of West Bend	28.29
Village of Germantown	11.84
City of Hartford	11.55
Village of Kewaskum	3.13
Village of Slinger	5.94
Village of Jackson	3.82
City of Port Washington	4.97
Village of Saukville	3.73
Town of Hartford	0.34
City of Mequon	11.45
Town of Trenton	1.81
Village of Newburg	0.14
Village of Fredonia	<u>0.10</u>
Total	<u><u>100.00</u></u> %

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CEDARBURG

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,133,050	\$ 6,133,050	\$ 6,137,384	\$ 4,334
Intergovernmental	876,083	876,083	952,889	76,806
Licenses and permits	411,820	396,495	646,064	249,569
Fines, forfeitures and penalties	67,500	67,500	56,853	(10,647)
Public charges for services	117,545	142,770	169,123	26,353
Intergovernmental charges for services	243,643	243,643	228,454	(15,189)
Investment income	46,554	46,554	94,696	48,142
Miscellaneous	181,657	190,417	212,424	22,007
Total Revenues	<u>8,077,852</u>	<u>8,096,512</u>	<u>8,497,887</u>	<u>401,375</u>
EXPENDITURES				
Current				
General government	1,130,334	1,446,954	1,047,784	399,170
Public safety	4,105,528	4,063,028	4,026,517	36,511
Public works	2,631,573	2,581,602	2,457,524	124,078
Culture, recreation and education	957,719	1,025,039	1,031,583	(6,544)
Conservation and development	119,647	112,997	113,612	(615)
Capital Outlay	365,000	121,800	172,636	(50,836)
Total Expenditures	<u>9,309,801</u>	<u>9,351,420</u>	<u>8,849,656</u>	<u>501,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,231,949)</u>	<u>(1,254,908)</u>	<u>(351,769)</u>	<u>903,139</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	832,349	832,349	815,431	(16,918)
Transfers out	(87,500)	(87,500)	(87,500)	-
Proceeds from sale of capital assets	-	-	1,920	1,920
Total Other Financing Sources (Uses)	<u>744,849</u>	<u>744,849</u>	<u>729,851</u>	<u>(14,998)</u>
Net Change in Fund Balance	<u>\$ (487,100)</u>	<u>\$ (510,059)</u>	<u>378,082</u>	<u>\$ 888,141</u>
FUND BALANCE - Beginning of Year			<u>2,458,070</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,836,152</u>	

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

CITY OF CEDARBURG

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2018**

<u>WRS Fiscal Year End</u>	<u>Proportion of the Net Pension Liability/(Asset)</u>	<u>Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.046698590%	\$ (1,146,730)	\$ 5,899,895	19.44%	102.74%
12/31/15	0.046968390%	\$ 763,227	\$ 6,094,159	12.52%	98.20%
12/31/16	0.047476720%	\$ 391,322	\$ 6,246,295	6.26%	99.12%
12/31/17	0.048071520%	\$ (1,427,300)	\$ 6,313,813	22.61%	102.93%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2018**

<u>City's Fiscal Year End</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 463,416	\$ 463,416	\$ -	\$ 6,094,159	7.60%
12/31/16	\$ 463,871	\$ 463,871	\$ -	\$ 6,246,295	7.43%
12/31/17	\$ 508,899	\$ 508,899	\$ -	\$ 6,313,813	8.06%
12/31/18	\$ 537,092	\$ 537,092	\$ -	\$ 6,587,858	8.15%

CITY OF CEDARBURG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2018

BUDGETARY INFORMATION

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

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

Appropriations lapse at year end unless specifically carried over. There was \$23,273 carried over to the following year. Budgets are adopted at the function level of expenditure for the general fund and total expenditures for the all other funds.

WISCONSIN RETIREMENT SYSTEM PENSION

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

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

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

Change of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF CEDARBURG

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
As of December 31, 2018**

	Special Revenue Funds			
	Cemetery Fund	Room Tax Fund	Recreation Programs Fund	Fuel System Fund
ASSETS				
Unrestricted cash and investments	\$ 258,392	\$ -	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	23,429	323	2,165
Loans	-	-	-	-
Inventory	-	-	-	20,260
Prepaid expenses	-	-	-	-
Due from other funds	277	484	99,132	22,864
Total Assets	\$ 258,669	\$ 23,913	\$ 99,455	\$ 45,289
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICITS)				
Liabilities				
Accounts payable	\$ 58	\$ 22,222	\$ 4,220	\$ 11,311
Accrued liabilities	292	-	2,005	-
Due to other funds	642	1,207	-	32,230
Due to other governments	-	-	-	-
Advance from other funds	-	-	-	-
Total Liabilities	992	23,429	6,225	43,541
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Unearned revenues	1,990	-	-	-
Total Deferred Inflows of Resources	1,990	-	-	-
Fund Balances (Deficit)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	255,687	484	93,230	1,748
Unassigned (deficit)	-	-	-	-
Total Fund Balances (Deficit)	255,687	484	93,230	1,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 258,669	\$ 23,913	\$ 99,455	\$ 45,289

Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
Community Development Block Grant Fund	Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS	TIF District No. 3	TIF District No. 5	
\$ -	\$ 36,656	\$ -	\$ 399,670	\$ 648,191	\$ -	\$ -	\$ 1,342,909
946,676	-	287,119	-	-	-	-	1,233,795
-	30,773	-	329,593	-	-	-	360,366
-	-	-	-	84,500	-	-	110,417
105,215	-	-	-	-	-	-	105,215
-	-	-	-	-	-	-	20,260
-	-	-	1,185	187,580	-	-	188,765
632	8,961	-	85,491	-	-	-	217,841
<u>\$ 1,052,523</u>	<u>\$ 76,390</u>	<u>\$ 287,119</u>	<u>\$ 815,939</u>	<u>\$ 920,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,579,568</u>
\$ -	\$ 41	\$ -	\$ 7,675	\$ -	\$ -	\$ -	\$ 45,527
-	1,580	-	24,472	10,012	-	-	38,361
-	-	-	1,185	10,766	-	9,868	55,898
-	59	-	-	-	-	-	59
-	-	-	-	-	29,098	-	29,098
-	1,680	-	33,332	20,778	29,098	9,868	168,943
105,215	-	-	-	-	-	-	105,215
-	67,429	-	722,194	-	390	-	792,003
<u>105,215</u>	<u>67,429</u>	<u>-</u>	<u>722,194</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>897,218</u>
-	-	-	-	187,580	-	-	187,580
947,308	-	287,119	60,413	-	-	-	1,294,840
-	7,281	-	-	711,913	-	-	1,070,343
-	-	-	-	-	(29,488)	(9,868)	(39,356)
<u>947,308</u>	<u>7,281</u>	<u>287,119</u>	<u>60,413</u>	<u>899,493</u>	<u>(29,488)</u>	<u>(9,868)</u>	<u>2,513,407</u>
<u>\$ 1,052,523</u>	<u>\$ 76,390</u>	<u>\$ 287,119</u>	<u>\$ 815,939</u>	<u>\$ 920,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,579,568</u>

CITY OF CEDARBURG

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

	Special Revenue Funds			
	Cemetery Fund	Room Tax Fund	Recreation Programs Fund	Fuel System Fund
REVENUES				
Taxes	\$ -	\$ 83,226	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Public charges for services	13,275	-	268,078	1,748
Investment income	4,040	-	-	-
Miscellaneous	13,920	-	13,932	-
Total revenues	<u>31,235</u>	<u>83,226</u>	<u>282,010</u>	<u>1,748</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Health and human services	36,121	-	-	-
Culture, recreation and education	-	-	280,733	-
Conservation and development	-	83,204	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>36,121</u>	<u>83,204</u>	<u>280,733</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(4,886)</u>	<u>22</u>	<u>1,277</u>	<u>1,748</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,000	-
Transfers out	(7,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Net Changes in Fund Balances	(11,886)	22	2,277	1,748
FUND BALANCES (DEFICIT) - Beginning of Year	<u>267,573</u>	<u>462</u>	<u>90,953</u>	<u>-</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 255,687</u>	<u>\$ 484</u>	<u>\$ 93,230</u>	<u>\$ 1,748</u>

Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
Community Development Block Grant Fund	Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS Fund	TIF District No. 3	TIF District No. 5	
\$ -	\$ 69,652	\$ -	\$ 722,194	\$ -	\$ 289	\$ -	\$ 875,361
-	-	-	217,020	5,654	-	-	222,674
-	-	-	19,568	-	-	-	19,568
-	238,238	207,204	2,224	553,999	-	13,000	1,297,766
14,655	-	3,821	-	4,951	-	-	27,467
35,020	4,785	-	12,110	5,575	-	-	85,342
<u>49,675</u>	<u>312,675</u>	<u>211,025</u>	<u>973,116</u>	<u>570,179</u>	<u>289</u>	<u>13,000</u>	<u>2,528,178</u>
-	-	-	-	372,286	-	-	372,286
-	-	-	-	-	-	-	36,121
-	301,022	-	943,116	-	-	-	1,524,871
3,727	-	-	-	-	5,261	22,868	115,060
-	15,887	-	2,362	14,130	-	-	32,379
<u>3,727</u>	<u>316,909</u>	<u>-</u>	<u>945,478</u>	<u>386,416</u>	<u>5,261</u>	<u>22,868</u>	<u>2,080,717</u>
<u>45,948</u>	<u>(4,234)</u>	<u>211,025</u>	<u>27,638</u>	<u>183,763</u>	<u>(4,972)</u>	<u>(9,868)</u>	<u>447,461</u>
-	11,500	-	-	-	-	-	12,500
-	-	(70,000)	-	-	-	-	(77,000)
-	11,500	(70,000)	-	-	-	-	(64,500)
45,948	7,266	141,025	27,638	183,763	(4,972)	(9,868)	382,961
<u>901,360</u>	<u>15</u>	<u>146,094</u>	<u>32,775</u>	<u>715,730</u>	<u>(24,516)</u>	<u>-</u>	<u>2,073,684</u>
<u>\$ 947,308</u>	<u>\$ 7,281</u>	<u>\$ 287,119</u>	<u>\$ 60,413</u>	<u>\$ 899,493</u>	<u>\$ (29,488)</u>	<u>\$ (9,868)</u>	<u>\$ 2,513,407</u>