

**CITY OF PORT WASHINGTON**

Port Washington, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

# CITY OF PORT WASHINGTON

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Port Washington  
Port Washington, 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 discretely presented component units and remaining fund information of the City of Port Washington, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Port Washington'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 Port Washington'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 Port Washington'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 City Council  
City of Port Washington

### ***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 discretely presented component units and remaining fund information of the City of Port Washington, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements is not affected by this missing information.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Washington'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.

To the City Council  
City of Port Washington

**Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 26, 2018 on our tests of its compliance with Wisconsin State Statutes Section 66.1109. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
June 26, 2018

**CITY OF PORT WASHINGTON**

**STATEMENT OF NET POSITION**  
As of December 31, 2017

|  | Primary Government         |                             |                      | Component Units   |                 |
|--|----------------------------|-----------------------------|----------------------|-------------------|-----------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Totals               | CDA               | BID             |
| <b>ASSETS</b>  |                            |                             |                      |                   |                 |
| Cash and investments                                     | \$ 3,189,776               | \$ 3,052,174                | \$ 6,241,950         | \$ -              | \$ 7,821        |
| Receivables (net)  |                            |                             |                      |                   |                 |
| Taxes  | 5,872,151                  | -                           | 5,872,151            | -                 | 61,648          |
| Accounts   | 514,217                    | 920,315                     | 1,434,532            | -                 | -               |
| Loans  | 143,032                    | -                           | 143,032              | -                 | -               |
| Internal balances  | (464,735)                  | 464,735                     | -                    | -                 | -               |
| Inventories and prepaid items                            | 124,079                    | 26,165                      | 150,244              | -                 | -               |
| Restricted Assets  |                            |                             |                      |                   |                 |
| Cash and investments                                     | -                          | 4,450,204                   | 4,450,204            | -                 | -               |
| Capital Assets   |                            |                             |                      |                   |                 |
| Land   | 3,889,709                  | 51,529                      | 3,941,238            | 310,994           | -               |
| Construction in progress                                 | 117,542                    | -                           | 117,542              | -                 | -               |
| Other capital assets, net of<br>accumulated depreciation | 41,178,299                 | 32,914,199                  | 74,092,498           | -                 | -               |
| Total Assets   | <u>54,564,070</u>          | <u>41,879,321</u>           | <u>96,443,391</u>    | <u>310,994</u>    | <u>69,469</u>   |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES</b>                |                            |                             |                      |                   |                 |
| Loss on advance refunding                                | -                          | 10,591                      | 10,591               | -                 | -               |
| Pension related amounts                                  | 2,083,584                  | 407,377                     | 2,490,961            | -                 | -               |
| Total Deferred Outflows of<br>Resources                  | <u>2,083,584</u>           | <u>417,968</u>              | <u>2,501,552</u>     | <u>-</u>          | <u>-</u>        |
| <b>LIABILITIES</b>                                       |                            |                             |                      |                   |                 |
| Accounts payable and accrued<br>expenses                 | 1,914,213                  | 173,474                     | 2,087,687            | -                 | -               |
| Unearned revenues  | 128,949                    | -                           | 128,949              | -                 | -               |
| Deposits   | 52,695                     | -                           | 52,695               | 1,000             | -               |
| Due to other governmental units                          | 598                        | -                           | 598                  | -                 | -               |
| Liabilities Payable from Restricted<br>Assets            |                            |                             |                      |                   |                 |
| Current portion of revenue<br>bonds                      | -                          | 730,939                     | 730,939              | -                 | -               |
| Accrued interest   | -                          | 38,998                      | 38,998               | -                 | -               |
| Noncurrent Liabilities                                   |                            |                             |                      |                   |                 |
| Due within one year                                      | 2,351,535                  | 83,110                      | 2,434,645            | -                 | -               |
| Due in more than one year                                | 25,925,512                 | 6,518,606                   | 32,444,118           | -                 | -               |
| Total Liabilities  | <u>30,373,502</u>          | <u>7,545,127</u>            | <u>37,918,629</u>    | <u>1,000</u>      | <u>-</u>        |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES</b>                 |                            |                             |                      |                   |                 |
| Pension related amounts                                  | 848,308                    | 167,824                     | 1,016,132            | -                 | -               |
| Unearned revenues  | 5,783,504                  | -                           | 5,783,504            | -                 | 61,648          |
| Total Deferred Inflows of<br>Resources                   | <u>6,631,812</u>           | <u>167,824</u>              | <u>6,799,636</u>     | <u>-</u>          | <u>61,648</u>   |
| <b>NET POSITION</b>                                      |                            |                             |                      |                   |                 |
| Net investment in capital assets                         | 20,391,071                 | 27,716,148                  | 48,107,219           | 310,994           | -               |
| Restricted for   |                            |                             |                      |                   |                 |
| Revolving loans  | 788,407                    | -                           | 788,407              | -                 | -               |
| Library  | 132,976                    | -                           | 132,976              | -                 | -               |
| TID purposes   | 221,913                    | -                           | 221,913              | -                 | -               |
| Capital projects   | 61,552                     | -                           | 61,552               | -                 | -               |
| Equipment replacement                                    | -                          | 2,382,099                   | 2,382,099            | -                 | -               |
| Debt service   | -                          | 321,209                     | 321,209              | -                 | -               |
| Grant purposes   | 8,253                      | -                           | 8,253                | -                 | -               |
| Unrestricted (deficit)                                   | <u>(1,961,832)</u>         | <u>4,164,882</u>            | <u>2,203,050</u>     | <u>(1,000)</u>    | <u>7,821</u>    |
| <b>TOTAL NET POSITION</b>                                | <u>\$ 19,642,340</u>       | <u>\$ 34,584,338</u>        | <u>\$ 54,226,678</u> | <u>\$ 309,994</u> | <u>\$ 7,821</u> |

See accompanying notes to financial statements.

**CITY OF PORT WASHINGTON**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

| Functions/Programs                | Program Revenues     |                      |                                    |                                  |
|-----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                   | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>         |                      |                      |                                    |                                  |
| Governmental Activities           |                      |                      |                                    |                                  |
| General government                | \$ 1,233,614         | \$ 279,667           | \$ -                               | \$ -                             |
| Public safety                     | 4,566,822            | 714,554              | 58,652                             | 55,677                           |
| Public works                      | 5,641,643            | 333,125              | 748,999                            | 293,542                          |
| Health and human services         | 8,154                | 12,689               | -                                  | -                                |
| Culture, education and recreation | 2,957,410            | 1,291,997            | 136,473                            | 60,302                           |
| Conservation and development      | 416,225              | -                    | -                                  | -                                |
| Interest and fiscal charges       | 961,632              | -                    | -                                  | -                                |
| Total Governmental Activities     | <u>15,785,500</u>    | <u>2,632,032</u>     | <u>944,124</u>                     | <u>409,521</u>                   |
| Business-type Activities          |                      |                      |                                    |                                  |
| Water Utility                     | 2,204,949            | 2,890,834            | -                                  | 1,181,467                        |
| Wastewater Utility                | 2,436,171            | 2,170,766            | -                                  | 167,416                          |
| Total Business-type Activities    | <u>4,641,120</u>     | <u>5,061,600</u>     | <u>-</u>                           | <u>1,348,883</u>                 |
| Total Primary Government          | <u>\$ 20,426,620</u> | <u>\$ 7,693,632</u>  | <u>\$ 944,124</u>                  | <u>\$ 1,758,404</u>              |
| <b>Component Units</b>            |                      |                      |                                    |                                  |
| CDA                               | \$ -                 | \$ -                 | \$ -                               | \$ -                             |
| BID                               | 58,612               | -                    | -                                  | -                                |
| Total Component Units             | <u>\$ 58,612</u>     | <u>\$ -</u>          | <u>\$ -</u>                        | <u>\$ -</u>                      |

**General Revenues**

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for TIF district purposes
- Other taxes

- Intergovernmental revenues not restricted to specific programs
- Public gifts and grants
- Investment income
- Miscellaneous

Transfers

Total General Revenues and Transfers

**Change in net position**

NET POSITION - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying notes to financial statements.

| Net (Expenses) Revenues and Changes in Net Position |                          |                      |                   |                 |
|---|--------------------------|----------------------|-------------------|-----------------|
| Primary Government                                  |                          |                      | Component Units   |                 |
| Governmental Activities                             | Business-type Activities | Totals               | CDA               | BID             |
| \$ (953,947)  | \$ -                     | \$ (953,947)         | \$ -              | \$ -            |
| (3,737,939)   | -                        | (3,737,939)          | -                 | -               |
| (4,265,977)   | -                        | (4,265,977)          | -                 | -               |
| 4,535   | -                        | 4,535                | -                 | -               |
| (1,468,638)   | -                        | (1,468,638)          | -                 | -               |
| (416,225)   | -                        | (416,225)            | -                 | -               |
| (961,632)   | -                        | (961,632)            | -                 | -               |
| <u>(11,799,823)</u>                                 | <u>-</u>                 | <u>(11,799,823)</u>  | <u>-</u>          | <u>-</u>        |
| -   | 1,867,352                | 1,867,352            | -                 | -               |
| -   | (97,989)                 | (97,989)             | -                 | -               |
| -   | <u>1,769,363</u>         | <u>1,769,363</u>     | -                 | -               |
| <u>(11,799,823)</u>                                 | <u>1,769,363</u>         | <u>(10,030,460)</u>  | -                 | -               |
| -   | -                        | -                    | -                 | -               |
| -   | -                        | -                    | -                 | (58,612)        |
| -   | -                        | -                    | -                 | (58,612)        |
| 3,120,276   | -                        | 3,120,276            | -                 | -               |
| 2,167,400   | -                        | 2,167,400            | -                 | -               |
| 48,757  | -                        | 48,757               | -                 | -               |
| 308,430   | -                        | 308,430              | -                 | -               |
| 2,717,120   | -                        | 2,717,120            | -                 | -               |
| 70,879  | -                        | 70,879               | -                 | -               |
| 45,501  | 48,290                   | 93,791               | -                 | 39              |
| 1,044,338   | 8,264                    | 1,052,602            | -                 | 60,076          |
| 433,130   | (433,130)                | -                    | -                 | -               |
| <u>9,955,831</u>                                    | <u>(376,576)</u>         | <u>9,579,255</u>     | <u>-</u>          | <u>60,115</u>   |
| (1,843,992)   | 1,392,787                | (451,205)            | -                 | 1,503           |
| <u>21,486,332</u>                                   | <u>33,191,551</u>        | <u>54,677,883</u>    | <u>309,994</u>    | <u>6,318</u>    |
| <u>\$ 19,642,340</u>                                | <u>\$ 34,584,338</u>     | <u>\$ 54,226,678</u> | <u>\$ 309,994</u> | <u>\$ 7,821</u> |

See accompanying notes to financial statements.

**CITY OF PORT WASHINGTON**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2017

|  | General                    | Debt Service               | Capital Project<br>Fund           |
|--|----------------------------|----------------------------|-----------------------------------|
|  | <u>General</u>             | <u>Debt Service</u>        | <u>2016 Capital<br/>Borrowing</u> |
| <b>ASSETS</b>  |                            |                            |                                   |
| Cash and investments   | \$ 1,274,753               | \$ -                       | \$ 215,211                        |
| Receivables (net)  |                            |                            |                                   |
| Taxes  | 3,311,801                  | 2,185,185                  | -                                 |
| Delinquent personal property taxes   | 254                        | -                          | -                                 |
| Accounts   | 432,425                    | 7,113                      | -                                 |
| Loans  | -                          | -                          | -                                 |
| Due from other funds   | 634,693                    | -                          | -                                 |
| Prepaid items  | 124,079                    | -                          | -                                 |
| Advances to other funds  | <u>136,119</u>             | <u>-</u>                   | <u>-</u>                          |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 5,914,124</u></b> | <b><u>\$ 2,192,298</u></b> | <b><u>\$ 215,211</u></b>          |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND<br/>FUND BALANCES (DEFICIT)</b>           |                            |                            |                                   |
| Liabilities  |                            |                            |                                   |
| Accounts payable   | \$ 194,226                 | \$ -                       | \$ 71,860                         |
| Accrued liabilities  | 1,179,317                  | -                          | -                                 |
| Due to other funds   | -                          | 4,509                      | -                                 |
| Due to other governments   | 598                        | -                          | -                                 |
| Unearned revenues  | 3,589                      | -                          | -                                 |
| Deposits   | 52,695                     | -                          | -                                 |
| Advances from other funds  | -                          | -                          | -                                 |
| Total Liabilities  | <u>1,430,425</u>           | <u>4,509</u>               | <u>71,860</u>                     |
| Deferred Inflows of Resources  |                            |                            |                                   |
| Unearned revenues  | 3,233,671                  | 2,174,668                  | -                                 |
| Unavailable revenues   | -                          | 10,516                     | -                                 |
| Total Deferred Inflows of Resources  | <u>3,233,671</u>           | <u>2,185,184</u>           | <u>-</u>                          |
| Fund Balances (Deficit)  |                            |                            |                                   |
| Nonspendable   | 260,452                    | -                          | -                                 |
| Restricted   | -                          | 2,605                      | 143,351                           |
| Committed  | -                          | -                          | -                                 |
| Assigned   | 9,110                      | -                          | -                                 |
| Unassigned (deficit)   | <u>980,466</u>             | <u>-</u>                   | <u>-</u>                          |
| Total Fund Balances (Deficit)  | <u>1,250,028</u>           | <u>2,605</u>               | <u>143,351</u>                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES<br/>(DEFICIT)</b> | <b><u>\$ 5,914,124</u></b> | <b><u>\$ 2,192,298</u></b> | <b><u>\$ 215,211</u></b>          |

See accompanying notes to financial statements.

| Capital Project Fund |                             |                      |
|----------------------|-----------------------------|----------------------|
| Breakwater Project   | Nonmajor Governmental Funds | Totals               |
| \$ -                 | \$ 1,699,812                | \$ 3,189,776         |
| -                    | 375,165                     | 5,872,151            |
| -                    | -                           | 254                  |
| 72,000               | 2,425                       | 513,963              |
| -                    | 143,032                     | 143,032              |
| -                    | -                           | 634,693              |
| -                    | -                           | 124,079              |
| -                    | -                           | 136,119              |
| <u>\$ 72,000</u>     | <u>\$ 2,220,434</u>         | <u>\$ 10,614,067</u> |

|                  |                |                  |
|------------------|----------------|------------------|
| \$ 9,529         | \$ 75,383      | \$ 350,998       |
| -                | -              | 1,179,317        |
| 621,612          | 8,572          | 634,693          |
| -                | -              | 598              |
| -                | 125,360        | 128,949          |
| -                | -              | 52,695           |
| <u>464,735</u>   | <u>136,119</u> | <u>600,854</u>   |
| <u>1,095,876</u> | <u>345,434</u> | <u>2,948,104</u> |

|   |                |                  |
|---|----------------|------------------|
| - | 375,165        | 5,783,504        |
| - | -              | 10,516           |
| - | <u>375,165</u> | <u>5,794,020</u> |

|                    |                  |                  |
|--------------------|------------------|------------------|
| -                  | 122,647          | 383,099          |
| -                  | 1,090,454        | 1,236,410        |
| -                  | 429,679          | 429,679          |
| -                  | 1,746            | 10,856           |
| <u>(1,023,876)</u> | <u>(144,691)</u> | <u>(188,101)</u> |
| <u>(1,023,876)</u> | <u>1,499,835</u> | <u>1,871,943</u> |

|                  |                     |                      |
|------------------|---------------------|----------------------|
| <u>\$ 72,000</u> | <u>\$ 2,220,434</u> | <u>\$ 10,614,067</u> |
|------------------|---------------------|----------------------|

See accompanying notes to financial statements.

## CITY OF PORT WASHINGTON

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

---

|  |    |           |
|--|----|-----------|
| Total Fund Balances - Governmental Funds | \$ | 1,871,943 |
|--|----|-----------|

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

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

|                                |  |              |
|--------------------------------|--|--------------|
| Land                           |  | 3,889,709    |
| Construction in progress       |  | 117,542      |
| Other capital assets           |  | 68,675,834   |
| Less: Accumulated depreciation |  | (27,497,535) |

|  |  |        |
|--|--|--------|
| Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. |  | 10,516 |
|--|--|--------|

|   |  |           |
|---|--|-----------|
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. |  | 2,083,584 |
|---|--|-----------|

|  |  |           |
|--|--|-----------|
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. |  | (848,308) |
|--|--|-----------|

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

|                               |  |              |
|-------------------------------|--|--------------|
| Bonds and notes payable       |  | (26,287,225) |
| Vested compensated absences   |  | (864,450)    |
| Net pension liability         |  | (276,598)    |
| Accrued interest              |  | (383,898)    |
| Unamortized premiums          |  | (422,830)    |
| Other postemployment benefits |  | (425,944)    |

|  |           |                          |
|--|-----------|--------------------------|
| <b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b> | <b>\$</b> | <b><u>19,642,340</u></b> |
|--|-----------|--------------------------|

**CITY OF PORT WASHINGTON**

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

|   | <u>General</u>      | <u>Debt Service</u> | <u>Capital Project<br/>Fund</u>   |
|---|---------------------|---------------------|-----------------------------------|
|   |                     |                     | <u>2016 Capital<br/>Borrowing</u> |
| <b>REVENUES</b>                                   |                     |                     |                                   |
| Taxes   | \$ 3,184,249        | \$ 2,167,400        | \$ -                              |
| Intergovernmental                                 | 3,636,818           | -                   | -                                 |
| Licenses and permits                              | 326,315             | 48,523              | -                                 |
| Fines, forfeitures and penalties                  | 150,543             | -                   | -                                 |
| Public charges for services                       | 871,039             | -                   | -                                 |
| Special assessments                               | -                   | 57,116              | -                                 |
| Investment income                                 | 10,438              | 1,268               | 24,242                            |
| Miscellaneous                                     | 702,898             | -                   | -                                 |
| Total Revenues                                    | <u>8,882,300</u>    | <u>2,274,307</u>    | <u>24,242</u>                     |
| <b>EXPENDITURES</b>                               |                     |                     |                                   |
| Current   |                     |                     |                                   |
| General government                                | 1,125,697           | -                   | -                                 |
| Public safety                                     | 3,993,388           | -                   | -                                 |
| Public works                                      | 2,100,088           | -                   | 44,351                            |
| Health and human services                         | 8,154               | -                   | -                                 |
| Culture, recreation and education                 | 1,633,456           | -                   | -                                 |
| Conservation and development                      | 197,160             | -                   | -                                 |
| Capital Outlay                                    | 187,081             | -                   | 2,726,781                         |
| Debt Service                                      |                     |                     |                                   |
| Principal   | -                   | 6,675,000           | -                                 |
| Interest and fiscal charges                       | -                   | 847,975             | -                                 |
| Total Expenditures                                | <u>9,245,024</u>    | <u>7,522,975</u>    | <u>2,771,132</u>                  |
| Excess (deficiency) of revenues over expenditures | <u>(362,724)</u>    | <u>(5,248,668)</u>  | <u>(2,746,890)</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                                   |
| General obligation debt issued                    | -                   | 4,780,000           | -                                 |
| Premium on debt issued                            | -                   | 224,609             | -                                 |
| Property sales                                    | 9,000               | -                   | -                                 |
| Transfers in                                      | 455,130             | 227,420             | -                                 |
| Transfers out                                     | (15,000)            | -                   | -                                 |
| Total Other Financing Sources (Uses)              | <u>449,130</u>      | <u>5,232,029</u>    | <u>-</u>                          |
| <b>Net Change in Fund Balances</b>                | 86,406              | (16,639)            | (2,746,890)                       |
| FUND BALANCES (DEFICIT) - Beginning of Year       | <u>1,163,622</u>    | <u>19,244</u>       | <u>2,890,241</u>                  |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <u>\$ 1,250,028</u> | <u>\$ 2,605</u>     | <u>\$ 143,351</u>                 |

See accompanying notes to financial statements.

---

| Capital Project Fund |                             |              |
|----------------------|-----------------------------|--------------|
| Breakwater Project   | Nonmajor Governmental Funds | Totals       |
| \$ -                 | \$ 387,001                  | \$ 5,738,650 |
| 286,907              | 82,203                      | 4,005,928    |
| -                    | -                           | 374,838      |
| -                    | -                           | 150,543      |
| -                    | 1,195,891                   | 2,066,930    |
| -                    | -                           | 57,116       |
| -                    | 9,553                       | 45,501       |
| 50,000               | 219,364                     | 972,262      |
| 336,907              | 1,894,012                   | 13,411,768   |
| -                    | 15,607                      | 1,141,304    |
| -                    | -                           | 3,993,388    |
| -                    | 181,856                     | 2,326,295    |
| -                    | -                           | 8,154        |
| -                    | 813,219                     | 2,446,675    |
| -                    | 215,300                     | 412,460      |
| 1,146,048            | 607,060                     | 4,666,970    |
| -                    | 59,492                      | 6,734,492    |
| -                    | 90,154                      | 938,129      |
| 1,146,048            | 1,982,688                   | 22,667,867   |
| (809,141)            | (88,676)                    | (9,256,099)  |
| 250,000              | 415,000                     | 5,445,000    |
| -                    | -                           | 224,609      |
| -                    | 139,092                     | 148,092      |
| -                    | 30,000                      | 712,550      |
| -                    | (264,420)                   | (279,420)    |
| 250,000              | 319,672                     | 6,250,831    |
| (559,141)            | 230,996                     | (3,005,268)  |
| (464,735)            | 1,268,839                   | 4,877,211    |
| \$ (1,023,876)       | \$ 1,499,835                | \$ 1,871,943 |

See accompanying notes to financial statements.

## CITY OF PORT WASHINGTON

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

---

|  |    |             |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (3,099,055) |
|--|----|-------------|

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

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

|  |  |             |
|--|--|-------------|
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements |  | 4,666,970   |
| Some items reported as capital outlay were not capitalized   |  | (2,463,143) |
| Depreciation is reported in the government-wide financial statements   |  | (1,571,235) |
| Net book value of assets retired   |  | (76,085)    |

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.

|                     |  |          |
|---------------------|--|----------|
| Special assessments |  | (50,461) |
|---------------------|--|----------|

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

|                  |  |             |
|------------------|--|-------------|
| Debt issued      |  | (5,445,000) |
| Principal repaid |  | 6,734,492   |

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

|              |  |           |
|--------------|--|-----------|
| Amortization |  | 14,159    |
| Premium      |  | (224,609) |

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.

|  |  |           |
|--|--|-----------|
| Vested compensated absences                        |  | 23,260    |
| Other postemployment benefits                      |  | (38,470)  |
| Accrued interest on debt                           |  | (37,656)  |
| Net pension liability                              |  | 261,864   |
| Deferred outflows of resources related to pensions |  | (646,037) |
| Deferred inflows of resources related to pensions  |  | 13,227    |

|  |           |                           |
|--|-----------|---------------------------|
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> | <b>\$</b> | <b><u>(1,937,779)</u></b> |
|--|-----------|---------------------------|

**CITY OF PORT WASHINGTON**

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

|                                       | Business-type Activities - Enterprise Funds |                       |                   |
|---------------------------------------|---|-----------------------|-------------------|
|                                       | Water Utility                               | Wastewater<br>Utility | Totals            |
| <b>ASSETS</b>                         |   |                       |                   |
| Current Assets                        |   |                       |                   |
| Cash and investments                  | \$ 954,239                                  | \$ 2,097,935          | \$ 3,052,174      |
| Receivables                           |   |                       |                   |
| Accounts                              | 524,105                                     | 396,210               | 920,315           |
| Inventory                             | 26,165                                      | -                     | 26,165            |
| Restricted Assets                     |   |                       |                   |
| Redemption account                    | 335,326                                     | 24,881                | 360,207           |
| Total Current Assets                  | <u>1,839,835</u>                            | <u>2,519,026</u>      | <u>4,358,861</u>  |
| Noncurrent Assets                     |   |                       |                   |
| Restricted Assets                     |   |                       |                   |
| Cash and investments                  | 2,430,959                                   | 1,659,038             | 4,089,997         |
| Capital Assets                        |   |                       |                   |
| Land and land rights                  | 51,529                                      | -                     | 51,529            |
| Property and equipment                | 28,737,389                                  | 32,109,550            | 60,846,939        |
| Less: Accumulated depreciation        | (10,381,237)                                | (17,551,503)          | (27,932,740)      |
| Other Assets                          |   |                       |                   |
| Unamortized debt issuance costs       | 464,735                                     | -                     | 464,735           |
| Total Noncurrent Assets               | <u>21,303,375</u>                           | <u>16,217,085</u>     | <u>37,520,460</u> |
| Total Assets                          | <u>23,143,210</u>                           | <u>18,736,111</u>     | <u>41,879,321</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |                       |                   |
| Loss on advance refunding             | -   | 10,591                | 10,591            |
| Pension related amounts               | 284,926                                     | 122,451               | 407,377           |
| Total Deferred Outflows of Resources  | <u>284,926</u>                              | <u>133,042</u>        | <u>417,968</u>    |

See accompanying notes to financial statements.

|  | Business-type Activities - Enterprise Funds |                      |                      |
|--|---|----------------------|----------------------|
|  | Water Utility                               | Wastewater Utility   | Totals               |
| <b>LIABILITIES</b>                         |   |                      |                      |
| Current Liabilities                        |   |                      |                      |
| Accounts payable                           | \$ 34,184                                   | \$ 97,542            | \$ 131,726           |
| Accrued wages                              | 21,963                                      | 13,685               | 35,648               |
| Accrued interest                           | -   | 5,859                | 5,859                |
| Accrued liabilities                        | 241   | -                    | 241                  |
| Compensated absences                       | 55,736                                      | 19,159               | 74,895               |
| Current portion of general obligation debt | -   | 8,215                | 8,215                |
| Liabilities payable from restricted assets |   |                      |                      |
| Current portion of revenue bonds           | 460,939                                     | 270,000              | 730,939              |
| Accrued Interest                           | 36,616                                      | 2,382                | 38,998               |
| Total Current Liabilities                  | <u>609,679</u>                              | <u>416,842</u>       | <u>1,026,521</u>     |
| Noncurrent Liabilities                     |   |                      |                      |
| Long-Term Debt                             |   |                      |                      |
| General obligation debt                    | -   | 126,339              | 126,339              |
| Revenue bonds                              | 4,891,711                                   | 1,130,000            | 6,021,711            |
| Unamortized debt premiums                  | 67,072                                      | 13,793               | 80,865               |
| Net pension liability                      | 33,337                                      | 12,861               | 46,198               |
| Compensated absences                       | 98,820                                      | 38,991               | 137,811              |
| OPEB obligation                            | <u>78,462</u>                               | <u>27,220</u>        | <u>105,682</u>       |
| Total Noncurrent Liabilities               | <u>5,169,402</u>                            | <u>1,349,204</u>     | <u>6,518,606</u>     |
| Total Liabilities                          | <u>5,779,081</u>                            | <u>1,766,046</u>     | <u>7,545,127</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |   |                      |                      |
| Pension related amounts                    | <u>118,237</u>                              | <u>49,587</u>        | <u>167,824</u>       |
| <b>NET POSITION</b>                        |   |                      |                      |
| Net investment in capital assets           | 14,430,857                                  | 13,285,291           | 27,716,148           |
| Restricted for                             |   |                      |                      |
| Debt service                               | 298,710                                     | 22,499               | 321,209              |
| Equipment replacement                      | 988,061                                     | 1,394,038            | 2,382,099            |
| Unrestricted                               | <u>1,813,190</u>                            | <u>2,351,692</u>     | <u>4,164,882</u>     |
| <b>TOTAL NET POSITION</b>                  | <u>\$ 17,530,818</u>                        | <u>\$ 17,053,520</u> | <u>\$ 34,584,338</u> |

See accompanying notes to financial statements.

**CITY OF PORT WASHINGTON**

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

|   | Business-type Activities - Enterprise Funds |                      |                      |
|---|---|----------------------|----------------------|
|   | Water Utility                               | Wastewater Utility   | Totals               |
| <b>OPERATING REVENUES</b>                             |   |                      |                      |
| Charges for services                                  | \$ 2,722,635                                | \$ 2,159,537         | \$ 4,882,172         |
| Other operating income                                | 168,199                                     | 11,229               | 179,428              |
| Total Operating Revenues                              | <u>2,890,834</u>                            | <u>2,170,766</u>     | <u>5,061,600</u>     |
| <b>OPERATING EXPENSES</b>                             |   |                      |                      |
| Operation and maintenance                             | 1,532,484                                   | 1,533,369            | 3,065,853            |
| Depreciation  | 495,689                                     | 863,902              | 1,359,591            |
| Total Operating Expenses                              | <u>2,028,173</u>                            | <u>2,397,271</u>     | <u>4,425,444</u>     |
| Operating Income (Loss)                               | <u>862,661</u>                              | <u>(226,505)</u>     | <u>636,156</u>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>               |   |                      |                      |
| Investment income                                     | 13,326                                      | 34,964               | 48,290               |
| Interest expense                                      | (180,216)                                   | (40,834)             | (221,050)            |
| Amortization of premium and loss on advance refunding | 3,440                                       | 1,934                | 5,374                |
| Other   | -   | 8,264                | 8,264                |
| Total Nonoperating Revenues (Expenses)                | <u>(163,450)</u>                            | <u>4,328</u>         | <u>(159,122)</u>     |
| Income (Loss) Before Contributions and Transfers      | <u>699,211</u>                              | <u>(222,177)</u>     | <u>477,034</u>       |
| <b>CONTRIBUTIONS AND TRANSFERS</b>                    |   |                      |                      |
| Capital contributions                                 | 1,181,467                                   | 167,416              | 1,348,883            |
| Transfers out   | (433,130)                                   | -                    | (433,130)            |
| Total Contributions and Transfers                     | <u>748,337</u>                              | <u>167,416</u>       | <u>915,753</u>       |
| <b>Change in Net Position</b>                         | 1,447,548                                   | (54,761)             | 1,392,787            |
| NET POSITION - Beginning of Year                      | <u>16,083,270</u>                           | <u>17,108,281</u>    | <u>33,191,551</u>    |
| <b>NET POSITION - END OF YEAR</b>                     | <u>\$ 17,530,818</u>                        | <u>\$ 17,053,520</u> | <u>\$ 34,584,338</u> |

See accompanying notes to financial statements.

## CITY OF PORT WASHINGTON

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

|   | Business-type Activities - Enterprise Funds |                       |                     |
|---|---|-----------------------|---------------------|
|   | Water Utility                               | Wastewater<br>Utility | Totals              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |   |                       |                     |
| Received from customers   | \$ 2,939,075                                | \$ 2,186,636          | \$ 5,125,711        |
| Paid to suppliers for goods and services                            | (943,460)                                   | (1,031,902)           | (1,975,362)         |
| Paid to employees for services                                      | (567,314)                                   | (421,279)             | (988,593)           |
| Net Cash Flows From Operating Activities                            | <u>1,428,301</u>                            | <u>733,455</u>        | <u>2,161,756</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |   |                       |                     |
| Investments sold and matured  | 365,000                                     | 727,000               | 1,092,000           |
| Investment income   | 13,326                                      | 34,964                | 48,290              |
| Net Cash Flows From Investing Activities                            | <u>378,326</u>                              | <u>761,964</u>        | <u>1,140,290</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING<br/>ACTIVITIES</b>          |   |                       |                     |
| Paid to municipality for tax equivalent                             | (433,130)                                   | -                     | (433,130)           |
| Net Cash Flows From Noncapital Financing Activities                 | <u>(433,130)</u>                            | <u>-</u>              | <u>(433,130)</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING<br/>ACTIVITIES</b> |   |                       |                     |
| Debt retired  | (345,359)                                   | (267,787)             | (613,146)           |
| Interest paid   | (194,448)                                   | (41,606)              | (236,054)           |
| Connection fees received  | -   | 96,512                | 96,512              |
| Acquisition and construction of capital assets                      | (164,450)                                   | (467,822)             | (632,272)           |
| Net Cash Flows From Capital and Related Financing<br>Activities     | <u>(704,257)</u>                            | <u>(680,703)</u>      | <u>(1,384,960)</u>  |
| <b>Net Change in Cash and Cash Equivalents</b>                      | 669,240                                     | 814,716               | 1,483,956           |
| CASH AND CASH EQUIVALENTS - Beginning of Year                       | <u>3,051,284</u>                            | <u>2,967,138</u>      | <u>6,018,422</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                      | <u>\$ 3,720,524</u>                         | <u>\$ 3,781,854</u>   | <u>\$ 7,502,378</u> |

See accompanying notes to financial statements.

|   | Business-type Activities - Enterprise Funds |                     |                     |
|---|---|---------------------|---------------------|
|   | Water Utility                               | Wastewater Utility  | Totals              |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>            |   |                     |                     |
| Operating income (loss)   | \$ 862,661                                  | \$ (226,505)        | \$ 636,156          |
| Nonoperating revenue  | -   | 8,264               | 8,264               |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities            |   |                     |                     |
| Depreciation  | 495,689                                     | 863,902             | 1,359,591           |
| Depreciation charged to other funds   | 31,790                                      | -                   | 31,790              |
| Changes in assets, deferred outflows/inflows and liabilities  |   |                     |                     |
| Accounts receivable   | 16,451                                      | 7,606               | 24,057              |
| Inventories   | 3,131                                       | -                   | 3,131               |
| Compensated absences  | 7,996                                       | 3,009               | 11,005              |
| Accounts payable  | (63,961)                                    | 49,978              | (13,983)            |
| Other current liabilities   | 32,297                                      | 16,398              | 48,695              |
| Pension related deferrals and assets  | 42,247                                      | 10,803              | 53,050              |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <u>\$ 1,428,301</u>                         | <u>\$ 733,455</u>   | <u>\$ 2,161,756</u> |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b> |   |                     |                     |
| Cash and investments  | \$ 954,239                                  | \$ 2,097,935        | \$ 3,052,174        |
| Restricted cash and investments   | <u>2,766,285</u>                            | <u>1,683,919</u>    | <u>4,450,204</u>    |
| <b>CASH AND CASH EQUIVALENTS</b>  | <u>\$ 3,720,524</u>                         | <u>\$ 3,781,854</u> | <u>\$ 7,502,378</u> |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |   |                     |                     |
| Developer contributions of capital assets   | <u>\$ 26,962</u>                            | <u>\$ 47,029</u>    |                     |
| Municipality financed additions to utility plant  | <u>\$ 1,154,505</u>                         | <u>\$ 23,875</u>    |                     |
| Construction related accounts payable   | <u>\$ 7,086</u>                             | <u>\$ -</u>         |                     |
| Amortization  | <u>\$ 3,440</u>                             | <u>\$ 1,934</u>     |                     |

See accompanying notes to financial statements.

**CITY OF PORT WASHINGTON**

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

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|                           | <u>Agency Fund<br/>Tax Collection<br/>Fund</u> |
|---------------------------|--|
| <b>ASSETS</b>             |  |
| Cash and investments      | \$ 11,128,599                                  |
| Taxes receivable          | <u>1,800,462</u>                               |
| <b>TOTAL ASSETS</b>       | <u>\$ 12,929,061</u>                           |
| <b>LIABILITIES</b>        |  |
| Due to other taxing units | <u>\$ 12,929,061</u>                           |

# CITY OF PORT WASHINGTON

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

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# CITY OF PORT WASHINGTON

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

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

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

#### ***A. REPORTING ENTITY***

This report includes all of the funds of the 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 PORT WASHINGTON

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

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

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#### **A. REPORTING ENTITY (cont.)**

##### ***Discretely Presented Component Units***

###### *Community Development Authority of the City of Port Washington*

The government-wide financial statements include the Community Development Authority of the City of Port Washington ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. 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. See Note III.H. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2017. The CDA does not issue separate financial statements.

###### *Business Improvement District*

The government-wide financial statements include the Business Improvement District ("BID") as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the BID, and also create a potential financial benefit to or burden on the city. See Note III.H. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2017. The BID 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.

# CITY OF PORT WASHINGTON

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

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

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

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

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.

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.
- Breakwater Project Capital Project Fund - used to account for and report financial resources to be used for construction related to the Breakwater Project.
- 2016 Capital Borrowing Capital Project Fund - used to account for and report financial resources to be used for construction related to the 2016 Capital Borrowing.

The city reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system.
- Wastewater Utility - accounts for operations of the wastewater system.

# CITY OF PORT WASHINGTON

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

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

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

##### ***Fund Financial Statements (cont.)***

The 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).

|                       |                        |
|-----------------------|------------------------|
| Marina                | Revolving Loan         |
| Library               | Tourism                |
| Open Spaces           | Library Trust          |
| Payments to Townships | Tree Replacement       |
| Recycling/Garbage     | Senior Center          |
| Waterfront Safety     | Environmental Planning |
| Marina Special Events |                        |

Capital Projects Funds - 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.

|                        |                             |
|------------------------|-----------------------------|
| Coal Dock Project      | Franklin Street Streetscape |
| 2014 Capital Borrowing | TID No. 3                   |
| TID No. 2              |                             |

In addition, the city reports the following fund type:

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

#### ***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.

# CITY OF PORT WASHINGTON

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

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

---

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

##### ***Government-Wide Financial Statements (cont.)***

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

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

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2017, there were \$302,822 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

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

# CITY OF PORT WASHINGTON

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

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

---

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

##### ***Fund Financial Statements (cont.)***

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

##### ***All Financial Statements***

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

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

##### ***1. Deposits and Investments***

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

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

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

# CITY OF PORT WASHINGTON

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

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

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

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

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk

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 quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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

See Note III. A. for further information.

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

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

# CITY OF PORT WASHINGTON

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

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

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

##### **2. *Receivables* (cont.)**

Property tax calendar - 2017 tax roll:

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

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and wastewater 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 federal 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 been reduced by an allowance for uncollectible accounts of \$160,743.

It is the city's policy to record revenue when the initial loan is made from the federal grant funds. The net amount of the loan receivable balance is included in restricted fund balance. 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 PORT WASHINGTON

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

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

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

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

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

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

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

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

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

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

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair 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 PORT WASHINGTON

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

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

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

##### ***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. The range of estimated useful lives by type of asset is as follows:

|                         |        |       |
|-------------------------|--------|-------|
| Buildings               | 20-90  | Years |
| Machinery and Equipment | 3-50   | Years |
| Utility System          | 7-100  | Years |
| Infrastructure          | 20-100 | Years |

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

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

##### ***6. 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.

##### ***7. 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.

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.

# CITY OF PORT WASHINGTON

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

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

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

##### ***7. Compensated Absences (cont.)***

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

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

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

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

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

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

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

# CITY OF PORT WASHINGTON

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

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

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

##### *10. Equity Classifications*

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

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

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

# CITY OF PORT WASHINGTON

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

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

---

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

##### ***10. 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 City Council has, by resolution, adopted a financial policy authorizing the Finance Committee 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. G. for further information.

##### ***11. Pension***

For purposes of measuring the net pension 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 PORT WASHINGTON

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

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

---

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

##### ***12. Basis for Existing Rates***

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

Current water rates were approved by the Public Service Commission of Wisconsin on September 1, 2017.

###### ***Wastewater Utility***

Current wastewater rates were approved by the city council and were effective on January 3, 2011.

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### **NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

A budget has been adopted for the general fund, debt service fund, marina special revenue fund, tourism special revenue fund, senior center special revenue fund, payment to townships special revenue fund, coal dock capital project fund, breakwater capital project fund, recycling/garbage special revenue fund, TID No. 2 capital project fund, Water Utility, and Wastewater Utility. A budget has not been formally adopted for revolving loan special revenue fund, library special revenue fund, library trust special revenue fund, tree replacement special revenue fund, environmental planning special revenue fund, open space special revenue fund, waterfront safety special revenue fund, marina special events special revenue fund, Franklin Street streetscape capital project fund, 2014 capital borrowing capital project fund, TID No. 3 capital project fund and 2016 capital borrowing capital project fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

**CITY OF PORT WASHINGTON**

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

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

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

| Funds                                 | Budgeted<br>Expenditures | Actual<br>Expenditures | Excess<br>Expenditures Over<br>Budget |
|---------------------------------------|--------------------------|------------------------|---------------------------------------|
| Debt Service                          | \$ 2,511,439             | \$ 7,522,975           | \$ 5,011,536                          |
| Senior Center Special<br>Revenue      | 35,000                   | 437,420                | 402,420                               |
| Recycling/Garbage Special<br>Revenue  | 179,760                  | 180,349                | 589                                   |
| Breakwater Project Capital<br>Project | 700,000                  | 1,146,048              | 446,048                               |

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

**C. DEFICIT BALANCES**

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

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

| Fund                                    | Amount       | Reason                              |
|---|--------------|-------------------------------------|
| TID No. 3 Capital Project Fund          | \$ (136,119) | Expenditures in excess of increment |
| Breakwater Project Capital Project Fund | (1,023,876)  | Expenditures in excess of revenues  |
| Coal Dock Capital Project Fund          | (8,572)      | Expenditures in excess of 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. The breakwater project capital project and coal dock project fund deficits are anticipated to be funded with future contributions and/or grant revenues.

## CITY OF PORT WASHINGTON

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

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

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

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

#### **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<br>Value | Statement<br>Balances | Associated Risks |
|--|-------------------|-----------------------|------------------|
| Deposits                                   | \$ 21,811,983     | \$ 21,665,287         | Custodial credit |
| LGIP                                       | 5,010             | 5,010                 | Credit           |
| Petty cash                                 | 3,760             | -                     | N/A              |
| <br>Total Deposits and Investments         | <br>\$ 21,820,753 | <br>\$ 21,670,297     |                  |
| <br>Reconciliation to financial statements |                   |                       |                  |
| Per statement of net position              |                   |                       |                  |
| Unrestricted cash and investments          | \$ 6,241,950      |                       |                  |
| Restricted cash and investments            | 4,450,204         |                       |                  |
| Per statement of assets and liabilities -  |                   |                       |                  |
| agency fund                                |                   |                       |                  |
| Agency Fund                                | 11,128,599        |                       |                  |
| <br>Total Deposits and Investments         | <br>\$ 21,820,753 |                       |                  |

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

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

**CITY OF PORT WASHINGTON**

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

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

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

The city maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of \$16,922,057 to secure the city's deposits.

***Custodial Credit Risk***

**Deposits**

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

As of December 31, 2017, \$1,282,801 of the city's total bank balances was exposed to custodial credit risk as follows:

|                                |                            |
|--------------------------------|----------------------------|
| Uninsured and uncollateralized | <u>\$ 1,282,801</u>        |
| Total                          | <u><u>\$ 1,282,801</u></u> |

***Credit Risk***

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

The city had investments in the external Wisconsin Local Government Investment Pool which is not rated.

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

**CITY OF PORT WASHINGTON**

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

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

**B. RECEIVABLES**

Receivables as of year end for the government's individual major funds and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|   | General<br>Fund     | Debt<br>Service     | Breakwater<br>Project | Nonmajor<br>Funds | Totals              |
|---|---------------------|---------------------|-----------------------|-------------------|---------------------|
| Receivables   |                     |                     |                       |                   |                     |
| Taxes   | \$ 3,311,801        | \$ 2,185,185        | \$ -                  | \$ 375,165        | \$ 5,872,151        |
| Accounts  | 517,309             | -                   | 72,000                | 2,425             | 591,734             |
| Special assessments                                     | -                   | 7,113               | -                     | -                 | 7,113               |
| Delinquent personal property taxes                      | 254                 | -                   | -                     | -                 | 254                 |
| Loans   | -                   | -                   | -                     | 303,775           | 303,775             |
| Gross receivables                                       | 3,829,364           | 2,192,298           | 72,000                | 681,365           | 6,775,027           |
| Less: Allowance for uncollectibles                      | <u>(84,884)</u>     | <u>-</u>            | <u>-</u>              | <u>(160,743)</u>  | <u>(245,627)</u>    |
| Net Total Receivables                                   | <u>\$ 3,744,480</u> | <u>\$ 2,192,298</u> | <u>\$ 72,000</u>      | <u>\$ 520,622</u> | <u>\$ 6,529,400</u> |
| Amounts not expected to be collected<br>within one year | <u>\$ 254</u>       | <u>\$ -</u>         | <u>\$ -</u>           | <u>\$ 122,647</u> | <u>\$ 122,901</u>   |

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

|  | <u>Unearned</u>     | <u>Unavailable</u> |
|--|---------------------|--------------------|
| Property taxes receivable for subsequent year                | \$ 5,783,504        | \$ -               |
| Other unearned revenues                                      | 3,589               | -                  |
| Special assessments not yet due                              | -                   | 10,516             |
| Slip rentals collected in advance                            | <u>125,360</u>      | <u>-</u>           |
| Total Unearned/Unavailable Revenue for<br>Governmental Funds | <u>\$ 5,912,453</u> | <u>\$ 10,516</u>   |
| Unearned revenue included in liabilities                     | \$ 128,949          |                    |
| Unearned revenue included in deferred<br>inflows             | <u>5,783,504</u>    |                    |
| Total Unearned Revenue for Governmental<br>Funds             | <u>\$ 5,912,453</u> |                    |

**CITY OF PORT WASHINGTON**

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

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

**B. RECEIVABLES (cont.)**

For economic development loans, the city is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain to be loaned to other businesses and/or the amount of time for which funds may be held without use. Program income includes the principal and interest received from economic development loans repayments.

At December 31, 2017, the city has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

***Long-Term Debt Accounts***

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

***Equipment Replacement Account***

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

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

|                               | Restricted Assets |
|-------------------------------|-------------------|
| Bond redemption account       | \$ 360,207        |
| Bond reserve account          | 652,181           |
| Bond depreciation account     | 988,061           |
| Construction account          | 1,055,717         |
| Equipment replacement account | 1,394,038         |
| Total                         | \$ 4,450,204      |

**CITY OF PORT WASHINGTON**

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

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

**D. CAPITAL ASSETS**

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

|   | Beginning<br>Balance | Additions          | Deletions        | Ending<br>Balance    |
|---|----------------------|--------------------|------------------|----------------------|
| <b>Governmental Activities</b>  |                      |                    |                  |                      |
| Capital assets not being depreciated  |                      |                    |                  |                      |
| Land  | \$ 3,889,709         | \$ -               | \$ -             | \$ 3,889,709         |
| Construction in progress  | -                    | 117,542            | -                | 117,542              |
| Total Capital Assets Not Being Depreciated                                    | <u>3,889,709</u>     | <u>117,542</u>     | <u>-</u>         | <u>4,007,251</u>     |
| Capital assets being depreciated  |                      |                    |                  |                      |
| Buildings   | 15,483,363           | 444,762            | -                | 15,928,125           |
| Machinery and equipment   | 10,219,195           | 142,521            | 19,479           | 10,342,237           |
| Infrastructure  | <u>41,194,810</u>    | <u>1,499,002</u>   | <u>288,340</u>   | <u>42,405,472</u>    |
| Total Capital Assets Being Depreciated  | <u>66,897,368</u>    | <u>2,086,285</u>   | <u>307,819</u>   | <u>68,675,834</u>    |
| Total Capital Assets  | <u>70,787,077</u>    | <u>2,203,827</u>   | <u>307,819</u>   | <u>72,683,085</u>    |
| Less: Accumulated depreciation for  |                      |                    |                  |                      |
| Buildings   | (6,053,121)          | (291,178)          | -                | (6,344,299)          |
| Machinery and equipment   | (6,054,192)          | (460,872)          | 15,479           | (6,499,585)          |
| Infrastructure  | <u>(14,050,721)</u>  | <u>(819,185)</u>   | <u>216,255</u>   | <u>(14,653,651)</u>  |
| Total Accumulated Depreciation  | <u>(26,158,034)</u>  | <u>(1,571,235)</u> | <u>231,734</u>   | <u>(27,497,535)</u>  |
| Net Capital Assets Being Depreciated  | <u>40,739,334</u>    | <u>515,050</u>     | <u>76,085</u>    | <u>41,178,299</u>    |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 44,629,043</u> | <u>\$ 632,592</u>  | <u>\$ 76,085</u> | <u>\$ 45,185,550</u> |

Depreciation expense was charged to functions as follows:

|  |                     |
|--|---------------------|
| <b>Governmental Activities</b>                     |                     |
| General government                                 | \$ 93,745           |
| Public safety                                      | 285,876             |
| Public works                                       | 853,861             |
| Culture, recreation and education                  | <u>337,753</u>      |
| Total Governmental Activities Depreciation Expense | <u>\$ 1,571,235</u> |

**CITY OF PORT WASHINGTON**

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

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

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

**Business-type Activities**

|   | Beginning<br>Balance | Additions         | Deletions      | Ending<br>Balance    |
|---|----------------------|-------------------|----------------|----------------------|
| <u>Water</u>                                  |                      |                   |                |                      |
| Capital assets not being depreciated          |                      |                   |                |                      |
| Land and land rights                          | \$ 51,529            | \$ -              | \$ -           | \$ 51,529            |
| Total Capital Assets Not Being<br>Depreciated | <u>51,529</u>        | <u>-</u>          | <u>-</u>       | <u>51,529</u>        |
| Capital assets being depreciated              |                      |                   |                |                      |
| Source of supply                              | 702,078              | -                 | -              | 702,078              |
| Pumping                                       | 644,522              | 14,322            | 7,591          | 651,253              |
| Treatment                                     | 2,756,682            | 6,000             | -              | 2,762,682            |
| Transmission and distribution                 | 21,377,031           | 1,270,868         | 251,400        | 22,396,499           |
| Administrative and general assets             | <u>2,218,091</u>     | <u>61,815</u>     | <u>55,029</u>  | <u>2,224,877</u>     |
| Total Capital Assets Being<br>Depreciated     | <u>27,698,404</u>    | <u>1,353,005</u>  | <u>314,020</u> | <u>28,737,389</u>    |
| Total Capital Assets                          | <u>27,749,933</u>    | <u>1,353,005</u>  | <u>314,020</u> | <u>28,788,918</u>    |
| Less: Accumulated depreciation for            |                      |                   |                |                      |
| Source of supply                              | (432,981)            | (11,949)          | -              | (444,930)            |
| Pumping                                       | (618,132)            | (11,054)          | 7,591          | (621,595)            |
| Treatment                                     | (2,375,805)          | (70,950)          | -              | (2,446,755)          |
| Transmission and distribution                 | (4,575,761)          | (400,868)         | 251,400        | (4,725,229)          |
| Administrative and general assets             | <u>(2,165,097)</u>   | <u>(32,660)</u>   | <u>55,029</u>  | <u>(2,142,728)</u>   |
| Total Accumulated Depreciation                | <u>(10,167,776)</u>  | <u>(527,481)</u>  | <u>314,020</u> | <u>(10,381,237)</u>  |
| Net Capital Assets Being<br>Depreciated       | <u>17,530,628</u>    | <u>825,524</u>    | <u>-</u>       | <u>18,356,152</u>    |
| Net Water Capital Assets                      | <u>\$ 17,582,157</u> | <u>\$ 825,524</u> | <u>\$ -</u>    | <u>\$ 18,407,681</u> |

**CITY OF PORT WASHINGTON**

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

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

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

**Business-type Activities (cont.)**

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| <u>Wastewater</u>  |                              |                     |                  |                           |
| Capital assets being depreciated                                 |                              |                     |                  |                           |
| Collection system  | 13,859,276                   | 348,279             | 3,436            | 14,204,119                |
| Collection system pumping  | 3,298,522                    | 4,021               | -                | 3,302,543                 |
| Treatment and disposal   | 13,757,137                   | 186,426             | 9,213            | 13,934,350                |
| Administrative and general assets                                | <u>668,538</u>               | <u>-</u>            | <u>-</u>         | <u>668,538</u>            |
| Total Capital Assets Being<br>Depreciated                        | <u>31,583,473</u>            | <u>538,726</u>      | <u>12,649</u>    | <u>32,109,550</u>         |
| Less: Accumulated depreciation for                               |                              |                     |                  |                           |
| Wastewater plant   | <u>(16,700,250)</u>          | <u>(863,902)</u>    | <u>12,649</u>    | <u>(17,551,503)</u>       |
| Total Accumulated Depreciation                                   | <u>(16,700,250)</u>          | <u>(863,902)</u>    | <u>12,649</u>    | <u>(17,551,503)</u>       |
| Net Capital Assets Being<br>Depreciated                          | <u>14,883,223</u>            | <u>(325,176)</u>    | <u>-</u>         | <u>14,558,047</u>         |
| Net Wastewater Capital<br>Assets                                 | <u>\$ 14,883,223</u>         | <u>\$ (325,176)</u> | <u>\$ -</u>      | <u>\$ 14,558,047</u>      |
| Business-type Capital Assets, Net<br>of Accumulated Depreciation | <u>\$ 32,465,380</u>         | <u>\$ 500,348</u>   | <u>\$ -</u>      | <u>\$ 32,965,728</u>      |

Depreciation expense was charged to functions as follows:

**Business-type Activities**

|   |                     |
|---|---------------------|
| Water   | \$ 495,689          |
| Wastewater  | <u>863,902</u>      |
| Total Business-type Activities Depreciation Expense | <u>\$ 1,359,591</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 PORT WASHINGTON**

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

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

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

***Interfund Receivables/Payables***

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

| Receivable Fund   | Payable Fund               | Amount                   |
|---|----------------------------|--------------------------|
| General fund  | Debt service               | \$ 4,509                 |
|   | Breakwater project capital |                          |
| General fund  | project                    | 621,612                  |
| General fund  | Coal dock project          | <u>8,572</u>             |
| Total - Fund Financial Statements                                   |                            | 634,693                  |
| Less: Fund eliminations   |                            | (634,693)                |
| Add: Interfund advances   |                            | <u>464,735</u>           |
| Total Internal Balances - Government-Wide Statement of Net Position |                            | <u><u>\$ 464,735</u></u> |

All amounts are due within one year.

The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current 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 TID No. 3. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No repayment schedule has been established.

The water utility is advancing funds to the breakwater project to pay for the project until such time as the city receives grant funds for that project. No repayment schedule has been established.

**CITY OF PORT WASHINGTON**

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

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

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

***Advances (cont.)***

The following is a schedule of interfund advances:

| Receivable Fund                   | Payable Fund                       | Amount                   | Amount Not<br>Due Within One<br>Year |
|-----------------------------------|------------------------------------|--------------------------|--------------------------------------|
| General fund                      | TID No. 3 capital project          | \$ 136,119               | \$ 136,119                           |
| Water                             | Breakwater project capital project | <u>464,735</u>           | 464,735                              |
| Total - Fund Financial Statements |                                    | 600,854                  |                                      |
| Less: Fund eliminations           |                                    | <u>(136,119)</u>         |                                      |
| Total - Interfund Advances        |                                    | <u><u>\$ 464,735</u></u> |                                      |

The principal purpose of these advances is to fund start up costs of the district and project.

***Transfers***

The following is a schedule of interfund transfers:

| Fund Transferred To                                       | Fund Transferred From              | Amount                   | Principal Purpose     |
|---|------------------------------------|--------------------------|-----------------------|
| General fund  | Marina special revenue fund        | \$ 22,000                | Administrative costs  |
| General fund  | Water utility                      | 433,130                  | Tax equivalent        |
| Debt service fund   | Marina special revenue fund        | 227,420                  | Share of debt service |
| Marina project special revenue fund                       | General fund                       | 15,000                   | Fund projects         |
| Library special revenue fund                              | Library trust special revenue fund | <u>15,000</u>            | To fund operations    |
| Total - Fund Financial Statements                         |                                    | 712,550                  |                       |
| Less: Fund eliminations                                   |                                    | <u>(279,420)</u>         |                       |
| Total Transfers - Government-Wide Statement of Activities |                                    | <u><u>\$ 433,130</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.

## CITY OF PORT WASHINGTON

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

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

#### F. LONG-TERM OBLIGATIONS

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

|  | Beginning<br>Balance | Increases    | Decreases    | Ending<br>Balance | Amounts Due<br>Within One<br>Year |
|--|----------------------|--------------|--------------|-------------------|-----------------------------------|
| <b>Governmental Activities</b>                             |                      |              |              |                   |                                   |
| Bonds and Notes Payable                                    |                      |              |              |                   |                                   |
| General obligation debt                                    | \$ 27,576,717        | \$ 5,445,000 | \$ 6,734,492 | \$ 26,287,225     | \$ 1,947,887                      |
| (Discounts)/Premiums                                       | 212,379              | 224,609      | 14,158       | 422,830           | 39,115                            |
| Sub-totals   | 27,789,096           | 5,669,609    | 6,748,650    | 26,710,055        | 1,987,002                         |
| Other Liabilities  |                      |              |              |                   |                                   |
| Vested compensated<br>absences                             | 887,710              | 324,928      | 348,188      | 864,450           | 364,533                           |
| Other postemployment<br>benefits                           | 387,474              | 38,470       | -            | 425,944           | -                                 |
| Net pension liability                                      | 538,462              | -            | 261,864      | 276,598           | -                                 |
| Total Other Liabilities                                    | 1,813,646            | 363,398      | 610,052      | 1,566,992         | 364,533                           |
| Total Governmental<br>Activities Long-Term<br>Liabilities  | \$ 29,602,742        | \$ 6,033,007 | \$ 7,358,702 | \$ 28,277,047     | \$ 2,351,535                      |
| <b>Business-type Activities</b>                            |                      |              |              |                   |                                   |
| Bonds and Notes Payable                                    |                      |              |              |                   |                                   |
| General obligation debt                                    | \$ 142,341           | \$ -         | \$ 7,787     | \$ 134,554        | \$ 8,215                          |
| Revenue bonds  | 7,358,009            | -            | 605,359      | 6,752,650         | 730,939                           |
| (Discounts)/Premiums                                       | 92,636               | -            | 11,771       | 80,865            | -                                 |
| Sub-totals   | 7,592,986            | -            | 624,917      | 6,968,069         | 739,154                           |
| Other Liabilities  |                      |              |              |                   |                                   |
| Vested compensated<br>absences                             | 196,752              | 31,720       | 15,766       | 212,706           | 74,895                            |
| Other postemployment<br>benefits                           | 97,584               | 8,098        | -            | 105,682           | -                                 |
| Net pension liability                                      | 102,343              | -            | 56,145       | 46,198            | -                                 |
| Total Other Liabilities                                    | 396,679              | 39,818       | 71,911       | 364,586           | 74,895                            |
| Total Business-type<br>Activities Long-Term<br>Liabilities | \$ 7,989,665         | \$ 39,818    | \$ 696,828   | \$ 7,332,655      | \$ 814,049                        |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2017, was \$48,733,600. Total general obligation debt outstanding at year end was \$26,421,779.

**CITY OF PORT WASHINGTON**

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

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt**

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, 2017</u> |
|---|----------------------|-----------------------|-----------------------|------------------------------|----------------------------------|
| Promissory notes  | 09/15/08             | 09/01/18              | 3.40 - 5.60%          | \$ 730,000                   | \$ 90,000                        |
| Refunding bonds   | 06/02/10             | 09/01/29              | 2.00 - 4.45           | 2,895,000                    | 2,120,000                        |
| Refunding bonds   | 09/15/10             | 09/01/24              | 2.00 - 3.25           | 4,015,000                    | 2,095,000                        |
| Refunding bonds   | 07/18/11             | 09/01/27              | 2.00 - 3.80           | 3,650,000                    | 2,610,000                        |
| Public recreation bonds                                 | 11/14/12             | 09/01/27              | 2.00 - 2.38           | 1,030,000                    | 740,000                          |
| Refunding bonds   | 07/01/13             | 09/01/32              | 2.25 - 3.25           | 3,965,000                    | 3,485,000                        |
| Promissory notes  | 08/04/14             | 09/01/24              | 2.00 - 2.63           | 4,200,000                    | 3,090,000                        |
| State trust fund loan                                   | 02/03/15             | 03/15/34              | 3.75                  | 250,000                      | 232,070                          |
| Refunding bonds   | 07/06/16             | 09/01/31              | 2.00 - 2.50           | 5,030,000                    | 4,930,000                        |
| State trust fund loan                                   | 02/04/16             | 03/15/35              | 3.75                  | 1,500,000                    | 1,450,155                        |
| Promissory notes  | 06/27/17             | 09/01/26              | 2.00 - 3.00           | 5,445,000                    | <u>5,445,000</u>                 |
| Total Governmental Activities - General Obligation Debt |                      |                       |                       |                              | <u>\$ 26,287,225</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, 2017</u> |
|--|----------------------|-----------------------|-----------------------|------------------------------|----------------------------------|
| Promissory notes   | 06/10/09             | 03/15/29              | 5.50%                 | \$ 188,900                   | <u>\$ 134,554</u>                |
| Total Business-type Activities - General Obligation Debt |                      |                       |                       |                              | <u>\$ 134,554</u>                |

## CITY OF PORT WASHINGTON

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

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

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

##### *General Obligation Debt* (cont.)

Debt service requirements to maturity are as follows:

| <u>Years</u>  | <u>Governmental Activities<br/>General Obligation Debt</u> |                     | <u>Business-type Activities<br/>General Obligation Debt</u> |                  |
|---------------|--|---------------------|---|------------------|
|               | <u>Principal</u>   | <u>Interest</u>     | <u>Principal</u>  | <u>Interest</u>  |
| 2018          | \$ 1,947,887   | \$ 752,459          | \$ 8,215  | \$ 7,400         |
| 2019          | 2,010,433  | 676,758             | 8,667   | 6,949            |
| 2020          | 2,117,916  | 624,714             | 9,125   | 6,490            |
| 2021          | 2,180,809  | 567,622             | 9,645   | 5,970            |
| 2022          | 2,363,651  | 516,185             | 10,176  | 5,440            |
| 2023-2027     | 10,824,630   | 1,512,691           | 59,900  | 18,175           |
| 2028-2032     | 4,493,469  | 399,859             | 28,826  | 2,404            |
| 2033-2035     | 348,430  | 25,768              | -   | -                |
| <b>Totals</b> | <b>\$ 26,287,225</b>                                       | <b>\$ 5,076,056</b> | <b>\$ 134,554</b>   | <b>\$ 52,828</b> |

##### *Revenue Debt*

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and wastewater utilities.

The city has pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2000-2016. Proceeds from the bonds provided financing for the water system. The bonds are payable solely from water revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 25.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,549,990. Principal and interest paid for the current year and total customer net revenues were \$539,807 and \$1,371,676, respectively.

The city has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 2012. Proceeds from the bonds provided financing for the wastewater system. The bonds are payable solely from wastewater revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 44% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,487,746. Principal and interest paid for the current year and total customer net revenues were \$309,393 and \$680,265, respectively.

**CITY OF PORT WASHINGTON**

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

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**Revenue Debt (cont.)**

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

**Business-type Activities Revenue Debt**

|   | <u>Date of<br/>Issue</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rates</u> | <u>Original<br/>Indebtedness</u> | <u>Balance<br/>December 31,<br/>2017</u> |
|---|--------------------------|---------------------------|---------------------------|----------------------------------|--|
| <u>Water Utility</u>                          |                          |                           |                           |                                  |  |
| Revenue bonds                                 | 11/29/00                 | 05/01/20                  | 2.97%                     | \$ 539,587                       | \$ 102,366                               |
| Revenue bonds                                 | 11/28/01                 | 05/01/21                  | 2.75                      | 2,864,113                        | 720,284                                  |
| Revenue bonds                                 | 05/01/08                 | 05/21/28                  | 3.25 - 4.00               | 3,100,000                        | 2,030,000                                |
| Revenue bonds                                 | 06/06/16                 | 05/01/36                  | 2.25 - 3.00               | 2,500,000                        | <u>2,500,000</u>                         |
|   |                          |                           |                           |                                  | <u>5,352,650</u>                         |
| <u>Wastewater Utility</u>                     |                          |                           |                           |                                  |  |
| Revenue bonds                                 | 11/01/12                 | 12/01/22                  | 2.00 - 2.15%              | \$ 2,650,000                     | \$ <u>1,400,000</u>                      |
| Total Business-type Activities - Revenue Debt |                          |                           |                           |                                  | \$ <u>6,752,650</u>                      |

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Business-type Activities<br/>Revenue Debt</u> |                     |
|--------------|--|---------------------|
|              | <u>Principal</u>                                 | <u>Interest</u>     |
| 2018         | \$ 730,939                                       | \$ 189,596          |
| 2019         | 751,676  | 169,593             |
| 2020         | 767,572  | 149,065             |
| 2021         | 757,463  | 128,550             |
| 2022         | 580,000  | 110,460             |
| 2023-2027    | 1,615,000  | 361,814             |
| 2028-2032    | 920,000  | 138,548             |
| 2033-2036    | <u>630,000</u>                                   | <u>37,460</u>       |
| Totals       | \$ <u>6,752,650</u>                              | \$ <u>1,285,086</u> |

# CITY OF PORT WASHINGTON

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

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

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

##### *Other Debt Information*

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

A statutory mortgage lien upon the city's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The city's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

##### *Bond Covenant Disclosures*

##### *Insurance*

The utilities are 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. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The utilities are covered under the following insurance policies at December 31, 2017:

| <u>Type</u>                  | <u>Coverage</u>             | <u>Expiration</u> |
|------------------------------|-----------------------------|-------------------|
| General Liability & Property | \$ 1,000,000 Combined limit | 01/01/18          |
| Automobile                   | 1,000,000 Combined limit    | 01/01/18          |
| Excess Liability             | 5,000,000 Each occurrence   | 01/01/18          |
| Workers Compensation         | 500,000 Each incident       | 01/01/18          |

**CITY OF PORT WASHINGTON**

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

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

**F. LONG-TERM OBLIGATIONS (cont.)**

***Number of Customers and Billed Volumes***

The utility has the following number of customers and billed volume for 2017:

|                  | Customers |            | Sales (000 gals) |
|------------------|-----------|------------|------------------|
|                  | Water     | Wastewater | Total            |
| Residential      | 4,853     | 4,839      | 171,959          |
| Commercial       | 386       | 305        | 41,560           |
| Industrial       | 35        | 31         | 103,095          |
| Public authority | 62        | 48         | 23,275           |
| Wholesale        | 39        | 39         | 16,403           |
|                  |           |            |                  |
| Totals           | 5,375     | 5,262      | 356,292          |

***Utility Budget***

The 2017 utility budgets were prepared and approved as required by the bond resolutions.

**G. NET POSITION/FUND BALANCES**

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

***Governmental Activities***

|   |               |
|---|---------------|
| Net Investment in Capital Assets                      |               |
| Land  | \$ 3,889,709  |
| Construction in progress                              | 117,542       |
| Other capital assets, net of accumulated depreciation | 41,178,299    |
| Less: Long-term capital debt outstanding              | (24,515,000)  |
| Plus: Unspent capital related debt proceeds           | 143,351       |
| Less: Unamortized debt premium                        | (422,830)     |
| Total Net Investment in Capital Assets                | \$ 20,391,071 |

**CITY OF PORT WASHINGTON**

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

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

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

**Governmental Funds**

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

|  | <u>General</u>             | <u>Debt<br/>Service</u> | <u>2016<br/>Capital<br/>Borrowing<br/>Capital<br/>Project</u> | <u>Breakwater<br/>Project<br/>Capital<br/>Project</u> | <u>Nonmajor<br/>Funds</u> | <u>Totals</u>             |
|--|----------------------------|-------------------------|---|---|---------------------------|---------------------------|
| <b>Fund Balances</b>                         |                            |                         |   |   |                           |                           |
| <b>Nonspendable:</b>                         |                            |                         |   |   |                           |                           |
| Prepaid items                                | \$ 124,079                 | \$ -                    | \$ -  | \$ -  | \$ -                      | \$ 124,079                |
| Long-term<br>receivables                     | 136,373                    | -                       | -   | -   | -                         | 136,373                   |
| <b>Restricted for:</b>                       |                            |                         |   |   |                           |                           |
| Debt service                                 | -                          | 2,605                   | -   | -   | -                         | 2,605                     |
| Loan programs                                | -                          | -                       | -   | -   | 788,407                   | 788,407                   |
| Library                                      | -                          | -                       | -   | -   | 132,976                   | 132,976                   |
| Capital projects                             | -                          | -                       | 143,351   | -   | 61,552                    | 204,903                   |
| Grant purposes                               | -                          | -                       | -   | -   | 8,253                     | 8,253                     |
| TID purposes                                 | -                          | -                       | -   | -   | 221,913                   | 221,913                   |
| <b>Committed to:</b>                         |                            |                         |   |   |                           |                           |
| Marina projects                              | -                          | -                       | -   | -   | 133,328                   | 133,328                   |
| Open spaces                                  | -                          | -                       | -   | -   | 140,075                   | 140,075                   |
| Tree replacement                             | -                          | -                       | -   | -   | 99,954                    | 99,954                    |
| Payments to<br>townships                     | -                          | -                       | -   | -   | 2,395                     | 2,395                     |
| Senior center                                | -                          | -                       | -   | -   | 16,554                    | 16,554                    |
| Recycling                                    | -                          | -                       | -   | -   | 35,124                    | 35,124                    |
| Marina special<br>events                     | -                          | -                       | -   | -   | 2,249                     | 2,249                     |
| <b>Assigned to:</b>                          |                            |                         |   |   |                           |                           |
| Civil defense fund                           | 300                        | -                       | -   | -   | -                         | 300                       |
| Bike path fund                               | 1,493                      | -                       | -   | -   | -                         | 1,493                     |
| Subdivider deposits<br>- trees               | 860                        | -                       | -   | -   | -                         | 860                       |
| Equipment<br>purchases                       | 6,457                      | -                       | -   | -   | -                         | 6,457                     |
| Capital projects                             | -                          | -                       | -   | -   | 1,746                     | 1,746                     |
| Unassigned (deficit):                        | <u>980,466</u>             | <u>-</u>                | <u>-</u>  | <u>(1,023,876)</u>                                    | <u>(144,691)</u>          | <u>(188,101)</u>          |
| <b>Total Fund<br/>Balances<br/>(Deficit)</b> | <b><u>\$ 1,250,028</u></b> | <b><u>\$ 2,605</u></b>  | <b><u>\$ 143,351</u></b>                                      | <b><u>\$ (1,023,876)</u></b>                          | <b><u>\$1,499,835</u></b> | <b><u>\$1,871,943</u></b> |

**CITY OF PORT WASHINGTON**

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

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

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

***Business-type Activities***

|   |                          |
|---|--------------------------|
| Net Investment in Capital Assets                                |                          |
| Land  | \$ 51,529                |
| Other capital assets, net of accumulated depreciation           | 32,914,199               |
| Less: Long-term debt outstanding                                | (6,887,204)              |
| Plus: Unspent capital related debt proceeds                     | 1,707,898                |
| Plus: Unamortized debt discount, premiums and loss on refunding | <u>(70,274)</u>          |
| <br>Total Net Investment in Capital Assets                      | <br><u>\$ 27,716,148</u> |

**H. COMPONENT UNITS**

**COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF PORT WASHINGTON**

This report contains the Community Development Authority of the City of Port Washington (CDA), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The CDA follows the modified accrual basis of accounting and the flow of financial resources measurement focus.

b. Capital Assets

|      | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> | <u>Useful Lives<br/>(Years)</u> |
|------|------------------------------|------------------|------------------|---------------------------|---------------------------------|
| Land | <u>\$ 310,994</u>            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 310,994</u>         | N/A                             |

**CITY OF PORT WASHINGTON**

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

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

*H. COMPONENT UNIT (cont.)*

***BUSINESS IMPROVEMENT DISTRICT***

This report contains the Business Improvement District (BID), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The BID follows the modified accrual basis of accounting and the flow of financial resources measurement focus.

b. Deposits and Investments

|          | <u>Carrying<br/>Value</u> | <u>Statement<br/>Balances</u> | <u>Associated Risks</u> |
|----------|---------------------------|-------------------------------|-------------------------|
| Deposits | \$ <u>7,821</u>           | \$ <u>7,821</u>               | Custodial credit        |

***Custodial Credit Risk***

**Deposits**

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

The BID does not have any deposits exposed to custodial credit risk.

c. Receivables

Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. At the end of the current fiscal year, the BID reported \$61,648 in unearned revenue for property taxes receivable for the subsequent year.

# CITY OF PORT WASHINGTON

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

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### NOTE IV - OTHER INFORMATION

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#### A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

CITY OF PORT WASHINGTON

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

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NOTE IV - OTHER INFORMATION (cont.)

---

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

# CITY OF PORT WASHINGTON

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

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

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

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

During the reporting period, the WRS recognized \$374,065 in contributions from the city.

Contribution rates as of December 31, 2017 are:

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

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

At December 31, 2017, the city reported a liability of \$322,796 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city's proportion was 0.03916297%, which was a decrease of 0.00027166% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$832,000.

**CITY OF PORT WASHINGTON**

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

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

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

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

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 123,770                                    | \$ 1,015,166                                 |
| Changes in assumptions  | 337,496                                       | -  |
| Net differences between projected and actual earnings on pension plan investments                             | 1,608,892                                     | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 12,799  | 966  |
| Employer contributions subsequent to the measurement date   | <u>408,004</u>                                | <u>-</u>                                     |
| Totals  | <u>\$ 2,490,961</u>                           | <u>\$ 1,016,132</u>                          |

\$408,004 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| <u>Year Ended<br/>December 31:</u> | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------|---|--|
| 2018                               | \$ 757,682                                | \$ 324,416                               |
| 2019                               | 757,682                                   | 324,416                                  |
| 2020                               | 618,907                                   | 324,416                                  |
| 2021                               | (51,955)                                  | 42,884                                   |
| 2022                               | 641                                       | -  |

# CITY OF PORT WASHINGTON

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

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

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

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

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

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

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

**CITY OF PORT WASHINGTON**

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

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

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

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

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

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

**CITY OF PORT WASHINGTON**

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

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

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

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

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

|   | 1% Decrease to<br>Discount Rate<br>(6.20%) | Current Discount<br>Rate (7.20%) | 1% Increase to<br>Discount Rate<br>(8.20%) |
|---|--|----------------------------------|--|
| City's proportionate share of the net pension liability (asset) | \$4,246,593                                | \$322,796                        | \$(2,698,705)                              |

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

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

**B. RISK MANAGEMENT**

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**C. COMMITMENTS AND CONTINGENCIES**

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

**CITY OF PORT WASHINGTON**

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

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

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**C. COMMITMENTS AND CONTINGENCIES** (cont.)

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

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

The city has active construction projects as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

**D. JOINT VENTURES**

***Mid-Moraine Municipal Court***

The various area communities jointly operate the local municipal court, which is called the Mid-Moraine Municipal Court and provides non-criminal citation processing.

The communities share in the annual operation of the municipal court based on the joint venture agreement as follows:

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

# CITY OF PORT WASHINGTON

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

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

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#### *D. JOINT VENTURES* (cont.)

##### *Mid-Moraine Municipal Court* (cont.)

The governing committee is made up of citizens from each community. Local representatives are appointed by the chief executive officer of each community. The committee recommends its own budget which is ratified by each community member. The committee also controls the financial affairs of the courts.

Financial information of the court as of December 31, 2017 is available directly from the municipal court in Jackson, Wisconsin.

The City of Port Washington does not have an equity interest in the Mid-Moraine Municipal Court.

#### *E. OTHER POSTEMPLOYMENT BENEFITS*

The city administers a single-employer defined benefit healthcare plan. The city's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. The city contributes 0% and 0% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses. For fiscal year 2017, the city contributed \$0 to the plan. Plan members receiving benefits contribute 100% and 100% of their premium costs for a family plan and a single plan, respectively.

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the city's net OPEB obligation to the Retiree Health Plan:

|  |    |                       |
|--|----|-----------------------|
| Annual required contribution               | \$ | 62,900                |
| Interest on net OPEB obligation            |    | 14,552                |
| Adjustment to annual required contribution |    | <u>-</u>              |
| Annual OPEB cost                           |    | 77,452                |
| Contributions made                         |    | <u>(30,884)</u>       |
| Increase in net OPEB obligation            |    | 46,568                |
| Net OPEB Obligation - Beginning of Year    |    | <u>485,058</u>        |
| Net OPEB Obligation - End of Year          | \$ | <u><u>531,626</u></u> |

## CITY OF PORT WASHINGTON

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

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

##### ***E. OTHER POSTEMPLOYMENT BENEFITS*** (cont.)

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

| Fiscal Year Ended | Annual OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------|---------------------|---|------------------------|
| December 31, 2015 | \$ 56,579           | 26.29 %   | \$ 365,319             |
| December 31, 2016 | 73,860              | 20.14   | 485,058                |
| December 31, 2017 | 77,452              | 39.88   | 531,626                |

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, was as follows:

|   |    |           |
|---|----|-----------|
| Actuarial accrued liability (AAL)                 | \$ | 602,334   |
| Actuarial value of plan assets                    |    | -         |
| Unfunded Actuarial Accrued Liability (UAAL)       | \$ | 602,334   |
| Funded ratio (actuarial value of plan assets/AAL) |    | -%        |
| Covered payroll (active plan members)             | \$ | 4,565,035 |
| UAAL as a percentage of covered payroll           |    | 13.19%    |

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

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

## CITY OF PORT WASHINGTON

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

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

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##### ***E. OTHER POSTEMPLOYMENT BENEFITS*** (cont.)

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 12 years. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2017, was 30 years.

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF PORT WASHINGTON

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

|   | <u>Original and<br/>Final Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|---|--------------------------------------|------------------|---------------------------------------|
| <b>REVENUES</b>                               |                                      |                  |                                       |
| <b>TAXES</b>                                  |                                      |                  |                                       |
| General property taxes                        | \$ 3,085,276                         | \$ 3,085,276     | \$ -                                  |
| Public accommodation (room) taxes             | 85,000                               | 95,203           | 10,203                                |
| Payments in lieu of taxes                     | -                                    | 2,708            | 2,708                                 |
| Interest and penalties on taxes               | 1,000                                | 1,062            | 62                                    |
| <b>Total Taxes</b>                            | <u>3,171,276</u>                     | <u>3,184,249</u> | <u>12,973</u>                         |
| <b>INTERGOVERNMENTAL</b>                      |                                      |                  |                                       |
| State shared revenues                         | 2,689,200                            | 2,687,632        | (1,568)                               |
| Fire insurance tax (2% fire dues)             | 32,000                               | 44,087           | 12,087                                |
| State aid - exempt computer                   | 12,000                               | 10,965           | (1,035)                               |
| State aid - law enforcement improvement       | 3,040                                | 3,040            | -                                     |
| State aid - other public safety               | 4,900                                | 12,778           | 7,878                                 |
| State aid - general transportation aids       | 688,143                              | 686,820          | (1,323)                               |
| Local government - libraries                  | -                                    | 500              | 500                                   |
| County aid - libraries                        | 130,637                              | 131,593          | 956                                   |
| State aid - disaster assistance               | -                                    | 43,000           | 43,000                                |
| Federal aid - law enforcement                 | 17,200                               | 16,403           | (797)                                 |
| <b>Total Intergovernmental</b>                | <u>3,577,120</u>                     | <u>3,636,818</u> | <u>59,698</u>                         |
| <b>LICENSES AND PERMITS</b>                   |                                      |                  |                                       |
| Liquor and malt beverage licenses             | 18,500                               | 18,852           | 352                                   |
| Operators' license                            | 6,000                                | 5,626            | (374)                                 |
| Cigarette licenses                            | 900                                  | 1,000            | 100                                   |
| Other business and occupational licenses      | 3,000                                | 2,655            | (345)                                 |
| Cable television franchise fees               | 148,000                              | 135,482          | (12,518)                              |
| Bicycle licenses                              | 15                                   | 18               | 3                                     |
| Dog and cat licenses                          | 1,770                                | 1,963            | 193                                   |
| Building permits                              | 150,000                              | 125,458          | (24,542)                              |
| Electrical permits                            | 19,000                               | 14,699           | (4,301)                               |
| Plumbing permits                              | 19,000                               | 16,145           | (2,855)                               |
| Occupancy permits                             | 4,000                                | 3,810            | (190)                                 |
| Other permits                                 | 1,125                                | 607              | (518)                                 |
| <b>Total Licenses and Permits</b>             | <u>371,310</u>                       | <u>326,315</u>   | <u>(44,995)</u>                       |
| <b>FINES, FORFEITURES AND PENALTIES</b>       |                                      |                  |                                       |
| Court penalties and costs                     | 112,350                              | 127,412          | 15,062                                |
| Parking violations                            | 25,000                               | 23,131           | (1,869)                               |
| <b>Total Fines, Forfeitures and Penalties</b> | <u>137,350</u>                       | <u>150,543</u>   | <u>13,193</u>                         |

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

## CITY OF PORT WASHINGTON

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

|                                    | <u>Original and<br/>Final Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|------------------------------------|--------------------------------------|---------------------|---------------------------------------|
| <b>PUBLIC CHARGES FOR SERVICES</b> |                                      |                     |                                       |
| Clerk's fees                       | \$ 2,400                             | \$ 2,189            | \$ (211)                              |
| Publication fees                   | 592                                  | 596                 | 4                                     |
| Photocopies                        | 1,200                                | 19,603              | 18,403                                |
| Law enforcement fees               | 17,900                               | 21,067              | 3,167                                 |
| Fire protection fees               | 109,000                              | 112,625             | 3,625                                 |
| Ambulance fees                     | 445,500                              | 429,042             | (16,458)                              |
| Other public safety                | 3,700                                | 9,659               | 5,959                                 |
| Streets                            | 12,000                               | 6,647               | (5,353)                               |
| Parking meters                     | 500                                  | -                   | (500)                                 |
| Zoning fees                        | 3,700                                | 12,689              | 8,989                                 |
| Refuse and garbage collection      | -                                    | 5,911               | 5,911                                 |
| Library fees                       | 9,000                                | 21,841              | 12,841                                |
| Recreation programs                | 201,400                              | 227,645             | 26,245                                |
| Senior citizens center             | -                                    | 1,275               | 1,275                                 |
| Plan review fees                   | -                                    | 250                 | 250                                   |
| Total Public Charges for Services  | <u>806,892</u>                       | <u>871,039</u>      | <u>64,147</u>                         |
| <b>INVESTMENT INCOME</b>           |                                      |                     |                                       |
| Investment income                  | <u>8,000</u>                         | <u>10,438</u>       | <u>2,438</u>                          |
| <b>MISCELLANEOUS</b>               |                                      |                     |                                       |
| Mitigation payment-WEPCO           | 500,000                              | 500,000             | -                                     |
| Rent                               | 115,000                              | 122,578             | 7,578                                 |
| Plans and specifications           | -                                    | 90                  | 90                                    |
| Other miscellaneous                | 30,225                               | 46,191              | 15,966                                |
| Insurance recoveries               | 2,000                                | 3,295               | 1,295                                 |
| Donations                          | 500                                  | 6,691               | 6,191                                 |
| Workmen's compensation             | 13,000                               | 13,084              | 84                                    |
| Insurance dividends                | 12,000                               | 10,969              | (1,031)                               |
| Total Miscellaneous                | <u>672,725</u>                       | <u>702,898</u>      | <u>30,173</u>                         |
| Total Revenues                     | <u>\$ 8,744,673</u>                  | <u>\$ 8,882,300</u> | <u>\$ 137,627</u>                     |

## CITY OF PORT WASHINGTON

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

| EXPENDITURES                               | Original and<br>Final Budget | Actual           | Variance with<br>Final Budget |
|--|------------------------------|------------------|-------------------------------|
| <b>GENERAL GOVERNMENT</b>                  |                              |                  |                               |
| Council                                    | \$ 48,290                    | \$ 46,329        | \$ 1,961                      |
| Police and fire commission                 | 6,275                        | 3,184            | 3,091                         |
| Administrative                             | 366,335                      | 358,656          | 7,679                         |
| Elections                                  | 70,864                       | 74,583           | (3,719)                       |
| Assessor                                   | 42,730                       | 40,008           | 2,722                         |
| Treasurer                                  | 77,978                       | 69,677           | 8,301                         |
| City attorney                              | 132,000                      | 147,302          | (15,302)                      |
| Municipal court                            | 42,000                       | 44,182           | (2,182)                       |
| Municipal building                         | 86,081                       | 91,452           | (5,371)                       |
| Insurance                                  | 265,486                      | 250,324          | 15,162                        |
| Total General Government                   | <u>1,138,039</u>             | <u>1,125,697</u> | <u>12,342</u>                 |
| <b>PUBLIC SAFETY</b>                       |                              |                  |                               |
| Police                                     | 3,145,702                    | 3,107,007        | 38,695                        |
| Parking meters                             | 1,590                        | 16,971           | (15,381)                      |
| Crossing guards                            | 43,287                       | 42,144           | 1,143                         |
| Fire department                            | 288,152                      | 311,993          | (23,841)                      |
| Emergency government                       | 1,420                        | 1,921            | (501)                         |
| Ambulance                                  | 403,381                      | 404,117          | (736)                         |
| Inspection and zoning                      | 105,449                      | 108,164          | (2,715)                       |
| McGruff safehouse                          | 958                          | 1,071            | (113)                         |
| Total Public Safety                        | <u>3,989,939</u>             | <u>3,993,388</u> | <u>(3,449)</u>                |
| <b>PUBLIC WORKS</b>                        |                              |                  |                               |
| Street commissioner                        | 102,108                      | 82,012           | 20,096                        |
| Engineering                                | 194,378                      | 187,944          | 6,434                         |
| Vacations, sick leave, holidays, longevity | 128,640                      | 145,233          | (16,593)                      |
| Gas and oil                                | 62,788                       | 44,777           | 18,011                        |
| Machinery and trucks                       | 169,994                      | 160,803          | 9,191                         |
| Garage                                     | 59,980                       | 59,742           | 238                           |
| Street repairs                             | 148,886                      | 171,007          | (22,121)                      |
| Tree and brush removal                     | 261,365                      | 268,057          | (6,692)                       |
| Street signs                               | 97,769                       | 75,292           | 22,477                        |
| Street cleaning                            | 16,055                       | 20,083           | (4,028)                       |
| Snow and ice control                       | 135,589                      | 99,773           | 35,816                        |
| Street lighting                            | 289,140                      | 282,861          | 6,279                         |
| Storm sewer maintenance                    | 43,791                       | 57,604           | (13,813)                      |
| Refuse and garbage collection              | 444,900                      | 444,900          | -                             |
| Recycling                                  | 11,851                       | -                | 11,851                        |
| Total Public Works                         | <u>2,167,234</u>             | <u>2,100,088</u> | <u>67,146</u>                 |
| <b>HEALTH AND HUMAN SERVICES</b>           |                              |                  |                               |
| Health and safety payments                 | <u>8,500</u>                 | <u>8,154</u>     | <u>346</u>                    |

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

## CITY OF PORT WASHINGTON

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

|   | Original and<br>Final Budget | Actual           | Variance with<br>Final Budget |
|---|------------------------------|------------------|-------------------------------|
| <b>CULTURE, RECREATION AND EDUCATION</b>                  |                              |                  |                               |
| Library   | \$ 592,975                   | \$ 594,317       | \$ (1,342)                    |
| Museum  | 1,730                        | 1,408            | 322                           |
| Senior citizens center                                    | 97,617                       | 127,305          | (29,688)                      |
| Public restrooms  | 21,000                       | 28,035           | (7,035)                       |
| Park maintenance  | 300,465                      | 303,567          | (3,102)                       |
| Concessions   | 18,134                       | 18,035           | 99                            |
| Triathlon   | 900                          | 2,539            | (1,639)                       |
| Yoga & more   | 11,250                       | 17,960           | (6,710)                       |
| Recreation administration                                 | 211,444                      | 193,436          | 18,008                        |
| Recreation maintenance                                    | 43,076                       | 40,512           | 2,564                         |
| Celebration and entertainment                             | 59,585                       | 63,278           | (3,693)                       |
| Playground  | 21,373                       | 23,394           | (2,021)                       |
| Playhouse   | 26,194                       | 29,049           | (2,855)                       |
| Swimming pool   | 142,995                      | 163,502          | (20,507)                      |
| Softball  | 7,628                        | 4,313            | 3,315                         |
| Tennis  | 3,422                        | 2,013            | 1,409                         |
| Basketball  | 3,881                        | 2,084            | 1,797                         |
| Gym activities  | 13,154                       | 18,050           | (4,896)                       |
| Volleyball  | 1,956                        | 659              | 1,297                         |
| Total Culture, Recreation and Education                   | <u>1,578,779</u>             | <u>1,633,456</u> | <u>(54,677)</u>               |
| <b>CONSERVATION AND DEVELOPMENT</b>                       |                              |                  |                               |
| Weed control  | 55,924                       | 42,889           | 13,035                        |
| Economic development                                      | 147,766                      | 152,771          | (5,005)                       |
| Planning Commission                                       | -                            | 1,500            | (1,500)                       |
| Total Conservation and Development                        | <u>203,690</u>               | <u>197,160</u>   | <u>6,530</u>                  |
| <b>CAPITAL OUTLAY</b>                                     |                              |                  |                               |
| Law enforcement   | 100,492                      | 101,437          | (945)                         |
| Elections   | 4,000                        | 4,519            | (519)                         |
| Fire protection   | 5,000                        | 4,709            | 291                           |
| General administration                                    | -                            | 449              | (449)                         |
| Ambulance   | -                            | 400              | (400)                         |
| Parks   | 30,000                       | 64,192           | (34,192)                      |
| Recreation  | 12,000                       | 11,375           | 625                           |
| Total Capital Outlay                                      | <u>151,492</u>               | <u>187,081</u>   | <u>(35,589)</u>               |
| Total Expenditures  | <u>9,237,673</u>             | <u>9,245,024</u> | <u>(7,351)</u>                |
| Excess (deficiency) of revenues over (under) expenditures | <u>(493,000)</u>             | <u>(362,724)</u> | <u>130,276</u>                |

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

**CITY OF PORT WASHINGTON**

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

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|                                       | <u>Original and<br/>Final Budget</u> | <u>Actual</u>           | <u>Variance with<br/>Final Budget</u> |
|---------------------------------------|--------------------------------------|-------------------------|---------------------------------------|
| <b>OTHER FINANCING SOURCES (USES)</b> |                                      |                         |                                       |
| Transfers in                          | \$ 533,000                           | \$ 455,130              | \$ (77,870)                           |
| Transfers out                         | (40,000)                             | (15,000)                | 25,000                                |
| Property sales                        | -                                    | 9,000                   | 9,000                                 |
| Total Other Financing Sources (Uses)  | <u>493,000</u>                       | <u>449,130</u>          | <u>(43,870)</u>                       |
| <br><b>Net Change in Fund Balance</b> | <br><u>\$ -</u>                      | <br>86,406              | <br><u>\$ 86,406</u>                  |
| <br>FUND BALANCE - Beginning of Year  |                                      | <br><u>1,163,622</u>    |                                       |
| <br><b>FUND BALANCE - END OF YEAR</b> |                                      | <br><u>\$ 1,250,028</u> |                                       |

**CITY OF PORT WASHINGTON**

POSTEMPLOYMENT HEALTH CARE PLAN  
 SCHEDULE OF FUNDING PROGRESS  
 For the Year Ended December 31, 2017

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|--|---------------------------|--------------------|---------------------|---|
| 12/31/07                 | \$ -                          | \$ 668,203   | \$ 668,203                | 0%                 | \$ 4,224,427        | 16%   |
| 12/31/10                 | -                             | 667,176  | 667,176                   | 0%                 | 4,128,064           | 16%   |
| 12/31/13                 | -                             | 602,334  | 602,334                   | 0%                 | 4,565,035           | 13%   |

The city is required to present the above information for the three most recent actuarial studies. The study completed December 31, 2013 was the third study performed for the city.

**CITY OF PORT WASHINGTON**

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

| WRS Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------|---|--|-----------------|---|--|
| 12/31/14               | 0.03973232%                                     | \$ (977,408)   | \$ 4,782,327    | 20.44%  | 102.74%  |
| 12/31/15               | 0.03943463%                                     | 640,805  | 4,861,923       | 13.18%  | 98.20%   |
| 12/31/16               | 0.03916297%                                     | 322,796  | 4,932,900       | 6.54%   | 99.12%   |

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

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--------------------|--------------------------------------|---|----------------------------------|-----------------|--|
| 12/31/15           | \$ 378,253                           | \$ 378,253  | \$ -                             | \$ 4,861,923    | 7.78%  |
| 12/31/16           | 373,731                              | 373,731   | -                                | 4,932,900       | 7.58%  |
| 12/31/17           | 408,004                              | 408,004   | -                                | 5,032,874       | 8.11%  |

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

## CITY OF PORT WASHINGTON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

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

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

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

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

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

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

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

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

*Changes in Assumptions.* There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

**CITY OF PORT WASHINGTON**

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

|  | Special Revenue Funds |                   |                  |                  |
|--|-----------------------|-------------------|------------------|------------------|
|  | Marina                | Revolving Loan    | Library          | Tourism          |
| <b>ASSETS</b>  |                       |                   |                  |                  |
| Cash and investments   | \$ 266,093            | \$ 645,375        | \$ 68,407        | \$ 44,446        |
| Receivables (net)  |                       |                   |                  |                  |
| Taxes  | -                     | -                 | -                | -                |
| Accounts   | 127                   | -                 | -                | -                |
| Loans  | -                     | 143,032           | -                | -                |
| <b>TOTAL ASSETS</b>  | <u>\$ 266,220</u>     | <u>\$ 788,407</u> | <u>\$ 68,407</u> | <u>\$ 44,446</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                       |                   |                  |                  |
| Liabilities  |                       |                   |                  |                  |
| Accounts payable   | \$ 7,532              | \$ -              | \$ -             | \$ 44,446        |
| Due to other funds   | -                     | -                 | -                | -                |
| Unearned revenues  | 125,360               | -                 | -                | -                |
| Advances from other funds  | -                     | -                 | -                | -                |
| <b>Total Liabilities</b>   | <u>132,892</u>        | <u>-</u>          | <u>-</u>         | <u>44,446</u>    |
| Deferred Inflows of Resources  |                       |                   |                  |                  |
| Unearned revenues  | -                     | -                 | -                | -                |
| Fund Balances (Deficit)  |                       |                   |                  |                  |
| Restricted   | -                     | 788,407           | 68,407           | -                |
| Committed  | 133,328               | -                 | -                | -                |
| Assigned   | -                     | -                 | -                | -                |
| Unassigned (deficit)   | -                     | -                 | -                | -                |
| <b>Total Fund Balances (deficit)</b>                                       | <u>133,328</u>        | <u>788,407</u>    | <u>68,407</u>    | <u>-</u>         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <u>\$ 266,220</u>     | <u>\$ 788,407</u> | <u>\$ 68,407</u> | <u>\$ 44,446</u> |

Special Revenue Funds

| <u>Library Trust</u> | <u>Open Spaces</u> | <u>Tree Replacement</u> | <u>Payments to Townships</u> | <u>Senior Center</u> | <u>Recycling/ Garbage</u> | <u>Environmental Planning</u> |
|----------------------|--------------------|-------------------------|------------------------------|----------------------|---------------------------|-------------------------------|
| \$ 64,569            | \$ 140,075         | \$ 100,054              | \$ 2,395                     | \$ 16,554            | \$ 35,124                 | \$ 8,253                      |
| -                    | -                  | -                       | 18                           | -                    | 160,132                   | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| <u>\$ 64,569</u>     | <u>\$ 140,075</u>  | <u>\$ 100,054</u>       | <u>\$ 2,413</u>              | <u>\$ 16,554</u>     | <u>\$ 195,256</u>         | <u>\$ 8,253</u>               |
| \$ -                 | \$ -               | \$ 100                  | \$ -                         | \$ -                 | \$ -                      | \$ -                          |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | -                  | 100                     | -                            | -                    | -                         | -                             |
| -                    | -                  | -                       | 18                           | -                    | 160,132                   | -                             |
| 64,569               | -                  | -                       | -                            | -                    | -                         | 8,253                         |
| -                    | 140,075            | 99,954                  | 2,395                        | 16,554               | 35,124                    | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| <u>64,569</u>        | <u>140,075</u>     | <u>99,954</u>           | <u>2,395</u>                 | <u>16,554</u>        | <u>35,124</u>             | <u>8,253</u>                  |
| <u>\$ 64,569</u>     | <u>\$ 140,075</u>  | <u>\$ 100,054</u>       | <u>\$ 2,413</u>              | <u>\$ 16,554</u>     | <u>\$ 195,256</u>         | <u>\$ 8,253</u>               |

**CITY OF PORT WASHINGTON**

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

|  | Special Revenue Funds |                             | Capital Projects Funds         |                           |
|--|-----------------------|-----------------------------|--------------------------------|---------------------------|
|  | Waterfront<br>Safety  | Marina<br>Special<br>Events | Franklin Street<br>Streetscape | 2014 Capital<br>Borrowing |
| <b>ASSETS</b>  |                       |                             |                                |                           |
| Cash and investments   | \$ 1,746              | \$ 2,367                    | \$ 62,165                      | \$ 33                     |
| Receivables (net)  |                       |                             |                                |                           |
| Taxes  | -                     | -                           | -                              | -                         |
| Accounts   | -                     | -                           | -                              | -                         |
| Loans  | -                     | -                           | -                              | -                         |
| <b>TOTAL ASSETS</b>  | <u>\$ 1,746</u>       | <u>\$ 2,367</u>             | <u>\$ 62,165</u>               | <u>\$ 33</u>              |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>                   |                       |                             |                                |                           |
| Liabilities  |                       |                             |                                |                           |
| Accounts payable   | \$ -                  | \$ 118                      | \$ 646                         | \$ -                      |
| Due to other funds   | -                     | -                           | -                              | -                         |
| Unearned revenues  | -                     | -                           | -                              | -                         |
| Advances from other funds  | -                     | -                           | -                              | -                         |
| Total Liabilities  | <u>-</u>              | <u>118</u>                  | <u>646</u>                     | <u>-</u>                  |
| Deferred Inflows of Resources  |                       |                             |                                |                           |
| Unearned revenues  | <u>-</u>              | <u>-</u>                    | <u>-</u>                       | <u>-</u>                  |
| Fund Balances (Deficit)  |                       |                             |                                |                           |
| Restricted   | -                     | -                           | 61,519                         | 33                        |
| Committed  | -                     | 2,249                       | -                              | -                         |
| Assigned   | 1,746                 | -                           | -                              | -                         |
| Unassigned (deficit)   | <u>-</u>              | <u>-</u>                    | <u>-</u>                       | <u>-</u>                  |
| Total Fund Balances (deficit)  | <u>1,746</u>          | <u>2,249</u>                | <u>61,519</u>                  | <u>33</u>                 |
| <b>TOTAL LIABILITIES,<br/>DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND<br/>BALANCES</b> | <u>\$ 1,746</u>       | <u>\$ 2,367</u>             | <u>\$ 62,165</u>               | <u>\$ 33</u>              |

| <u>Capital Project Funds</u> |                   |                  |  |
|------------------------------|-------------------|------------------|--|
| <u>Coal Dock Project</u>     | <u>TID No. 2</u>  | <u>TID No. 3</u> | <u>Total Nonmajor Governmental Funds</u> |
| \$ -                         | \$ 242,156        | \$ -             | \$ 1,699,812                             |
| -                            | 213,535           | 1,480            | 375,165                                  |
| -                            | -                 | 2,298            | 2,425                                    |
| -                            | -                 | -                | 143,032                                  |
| <u>\$ -</u>                  | <u>\$ 455,691</u> | <u>\$ 3,778</u>  | <u>\$ 2,220,434</u>                      |
| <br>                         |                   |                  |  |
| \$ -                         | \$ 20,243         | \$ 2,298         | \$ 75,383                                |
| 8,572                        | -                 | -                | 8,572                                    |
| -                            | -                 | -                | 125,360                                  |
| -                            | -                 | 136,119          | 136,119                                  |
| <u>8,572</u>                 | <u>20,243</u>     | <u>138,417</u>   | <u>345,434</u>                           |
| <br>                         |                   |                  |  |
| -                            | 213,535           | 1,480            | 375,165                                  |
| <br>                         |                   |                  |  |
| -                            | 221,913           | -                | 1,213,101                                |
| -                            | -                 | -                | 429,679                                  |
| -                            | -                 | -                | 1,746                                    |
| (8,572)                      | -                 | (136,119)        | (144,691)                                |
| <u>(8,572)</u>               | <u>221,913</u>    | <u>(136,119)</u> | <u>1,499,835</u>                         |
| <br>                         |                   |                  |  |
| <u>\$ -</u>                  | <u>\$ 455,691</u> | <u>\$ 3,778</u>  | <u>\$ 2,220,434</u>                      |

**CITY OF PORT WASHINGTON**

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

|   | Special Revenue Funds |                   |                  |                |
|---|-----------------------|-------------------|------------------|----------------|
|   | Marina                | Revolving Loan    | Library          | Tourism        |
| <b>REVENUES</b>                                   |                       |                   |                  |                |
| Taxes   | \$ -                  | \$ -              | \$ -             | \$ 209,446     |
| Intergovernmental                                 | -                     | -                 | -                | -              |
| Public charges for services                       | 983,396               | -                 | 52,580           | -              |
| Investment income                                 | 243                   | 7,778             | 10               | -              |
| Miscellaneous                                     | 5,460                 | -                 | -                | -              |
| <b>Total Revenues</b>                             | <u>989,099</u>        | <u>7,778</u>      | <u>52,590</u>    | <u>209,446</u> |
| <b>EXPENDITURES</b>                               |                       |                   |                  |                |
| Current   |                       |                   |                  |                |
| General government                                | -                     | -                 | -                | -              |
| Public works                                      | -                     | -                 | -                | -              |
| Culture, recreation and education                 | 725,621               | -                 | 19,283           | -              |
| Conservation and development                      | -                     | 5,854             | -                | 209,446        |
| Capital Outlay                                    | -                     | -                 | -                | -              |
| Debt Service                                      |                       |                   |                  |                |
| Principal   | -                     | -                 | -                | -              |
| Interest and fiscal charges                       | -                     | -                 | -                | -              |
| <b>Total Expenditures</b>                         | <u>725,621</u>        | <u>5,854</u>      | <u>19,283</u>    | <u>209,446</u> |
| Excess (deficiency) of revenues over expenditures | <u>263,478</u>        | <u>1,924</u>      | <u>33,307</u>    | <u>-</u>       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |                   |                  |                |
| Property sales                                    | -                     | -                 | -                | -              |
| General obligation debt issued                    | -                     | -                 | -                | -              |
| Transfers in                                      | -                     | -                 | 15,000           | -              |
| Transfers out                                     | (249,420)             | -                 | -                | -              |
| <b>Total Other Financing Sources (Uses)</b>       | <u>(249,420)</u>      | <u>-</u>          | <u>15,000</u>    | <u>-</u>       |
| <b>Net Change in Fund Balances</b>                | 14,058                | 1,924             | 48,307           | -              |
| FUND BALANCES (DEFICIT) - Beginning of Year       | <u>119,270</u>        | <u>786,483</u>    | <u>20,100</u>    | <u>-</u>       |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <u>\$ 133,328</u>     | <u>\$ 788,407</u> | <u>\$ 68,407</u> | <u>\$ -</u>    |

Special Revenue Funds

| <u>Library Trust</u> | <u>Open Spaces</u> | <u>Tree Replacement</u> | <u>Payments to Townships</u> | <u>Senior Center</u> | <u>Recycling/ Garbage</u> | <u>Environmental Planning</u> |
|----------------------|--------------------|-------------------------|------------------------------|----------------------|---------------------------|-------------------------------|
| \$ -                 | \$ 93,787          | \$ -                    | \$ 11                        | \$ 35,000            | \$ -                      | \$ -                          |
| -                    | -                  | -                       | -                            | -                    | 19,180                    | -                             |
| -                    | -                  | -                       | -                            | -                    | 159,915                   | -                             |
| 698                  | 277                | -                       | -                            | -                    | -                         | -                             |
| -                    | 8,016              | 32,200                  | -                            | -                    | -                         | 4,562                         |
| <u>698</u>           | <u>102,080</u>     | <u>32,200</u>           | <u>11</u>                    | <u>35,000</u>        | <u>179,095</u>            | <u>4,562</u>                  |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | 180,349                   | 1,507                         |
| -                    | 111                | -                       | -                            | 22,145               | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | 32,089             | 24,156                  | -                            | 415,275              | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | <u>32,200</u>      | <u>24,156</u>           | <u>-</u>                     | <u>437,420</u>       | <u>180,349</u>            | <u>1,507</u>                  |
| <u>698</u>           | <u>69,880</u>      | <u>8,044</u>            | <u>11</u>                    | <u>(402,420)</u>     | <u>(1,254)</u>            | <u>3,055</u>                  |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| -                    | -                  | -                       | -                            | 415,000              | -                         | -                             |
| -                    | -                  | -                       | -                            | -                    | -                         | -                             |
| (15,000)             | -                  | -                       | -                            | -                    | -                         | -                             |
| <u>(15,000)</u>      | <u>-</u>           | <u>-</u>                | <u>-</u>                     | <u>415,000</u>       | <u>-</u>                  | <u>-</u>                      |
| (14,302)             | 69,880             | 8,044                   | 11                           | 12,580               | (1,254)                   | 3,055                         |
| <u>78,871</u>        | <u>70,195</u>      | <u>91,910</u>           | <u>2,384</u>                 | <u>3,974</u>         | <u>36,378</u>             | <u>5,198</u>                  |
| <u>\$ 64,569</u>     | <u>\$ 140,075</u>  | <u>\$ 99,954</u>        | <u>\$ 2,395</u>              | <u>\$ 16,554</u>     | <u>\$ 35,124</u>          | <u>\$ 8,253</u>               |

**CITY OF PORT WASHINGTON**

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

|   | Special Revenue Funds |                             | Capital Projects Funds         |                           |
|---|-----------------------|-----------------------------|--------------------------------|---------------------------|
|   | Waterfront<br>Safety  | Marina<br>Special<br>Events | Franklin Street<br>Streetscape | 2014 Capital<br>Borrowing |
| <b>REVENUES</b>                                   |                       |                             |                                |                           |
| Taxes   | \$ -                  | \$ -                        | \$ -                           | \$ -                      |
| Intergovernmental                                 | -                     | -                           | -                              | -                         |
| Public charges for services                       | -                     | -                           | -                              | -                         |
| Investment income                                 | -                     | -                           | 547                            | -                         |
| Miscellaneous                                     | 550                   | 30,840                      | -                              | -                         |
| <b>Total Revenues</b>                             | <b>550</b>            | <b>30,840</b>               | <b>547</b>                     | <b>-</b>                  |
| <b>EXPENDITURES</b>                               |                       |                             |                                |                           |
| Current   |                       |                             |                                |                           |
| General government                                | -                     | -                           | -                              | -                         |
| Public works                                      | -                     | -                           | -                              | -                         |
| Culture, recreation and education                 | 1,994                 | 44,065                      | -                              | -                         |
| Conservation and development                      | -                     | -                           | -                              | -                         |
| Capital Outlay                                    | -                     | -                           | 6,049                          | -                         |
| Debt Service                                      |                       |                             |                                |                           |
| Principal   | -                     | -                           | -                              | -                         |
| Interest and fiscal charges                       | -                     | -                           | -                              | -                         |
| <b>Total Expenditures</b>                         | <b>1,994</b>          | <b>44,065</b>               | <b>6,049</b>                   | <b>-</b>                  |
| Excess (deficiency) of revenues over expenditures | (1,444)               | (13,225)                    | (5,502)                        | -                         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |                             |                                |                           |
| Property sales                                    | -                     | -                           | -                              | -                         |
| General obligation debt issued                    | -                     | -                           | -                              | -                         |
| Transfers in                                      | -                     | 15,000                      | -                              | -                         |
| Transfers out                                     | -                     | -                           | -                              | -                         |
| <b>Total Other Financing Sources (Uses)</b>       | <b>-</b>              | <b>15,000</b>               | <b>-</b>                       | <b>-</b>                  |
| <b>Net Change in Fund Balances</b>                | <b>(1,444)</b>        | <b>1,775</b>                | <b>(5,502)</b>                 | <b>-</b>                  |
| FUND BALANCES (DEFICIT) - Beginning of Year       | 3,190                 | 474                         | 67,021                         | 33                        |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>      | <b>\$ 1,746</b>       | <b>\$ 2,249</b>             | <b>\$ 61,519</b>               | <b>\$ 33</b>              |

| <u>Capital Projects Funds</u> |                   |                     |  |
|-------------------------------|-------------------|---------------------|--|
| <u>Coal Dock Project</u>      | <u>TID No. 2</u>  | <u>TID No. 3</u>    | <u>Total Nonmajor Governmental Funds</u> |
| \$ -                          | \$ 48,757         | \$ -                | \$ 387,001                               |
| 45,000                        | 18,023            | -                   | 82,203                                   |
| -                             | -                 | -                   | 1,195,891                                |
| -                             | -                 | -                   | 9,553                                    |
| 6,766                         | 130,970           | -                   | 219,364                                  |
| <u>51,766</u>                 | <u>197,750</u>    | <u>-</u>            | <u>1,894,012</u>                         |
| -                             | 15,607            | -                   | 15,607                                   |
| -                             | -                 | -                   | 181,856                                  |
| -                             | -                 | -                   | 813,219                                  |
| -                             | -                 | -                   | 215,300                                  |
| 90,104                        | 36,559            | 2,828               | 607,060                                  |
| -                             | 59,492            | -                   | 59,492                                   |
| -                             | 90,154            | -                   | 90,154                                   |
| <u>90,104</u>                 | <u>201,812</u>    | <u>2,828</u>        | <u>1,982,688</u>                         |
| <u>(38,338)</u>               | <u>(4,062)</u>    | <u>(2,828)</u>      | <u>(88,676)</u>                          |
| -                             | 139,092           | -                   | 139,092                                  |
| -                             | -                 | -                   | 415,000                                  |
| -                             | -                 | -                   | 30,000                                   |
| -                             | -                 | -                   | (264,420)                                |
| <u>-</u>                      | <u>139,092</u>    | <u>-</u>            | <u>319,672</u>                           |
| (38,338)                      | 135,030           | (2,828)             | 230,996                                  |
| <u>29,766</u>                 | <u>86,883</u>     | <u>(133,291)</u>    | <u>1,268,839</u>                         |
| <u>\$ (8,572)</u>             | <u>\$ 221,913</u> | <u>\$ (136,119)</u> | <u>\$ 1,499,835</u>                      |

**CITY OF PORT WASHINGTON**

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

|  | <u>Original and<br/>Final Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget</u> |
|--|--------------------------------------|-------------------|---------------------------------------|
| <b>REVENUES</b>  |                                      |                   |                                       |
| <b>PUBLIC CHARGES FOR SERVICES</b>                     |                                      |                   |                                       |
| Marina   | \$ 996,000                           | \$ 983,396        | \$ (12,604)                           |
| <b>INVESTMENT INCOME</b>                               |                                      |                   |                                       |
| Investment income                                      | <u>1,000</u>                         | <u>243</u>        | <u>(757)</u>                          |
| <b>MISCELLANEOUS</b>                                   |                                      |                   |                                       |
| Donations  | 1,500                                | 200               | (1,300)                               |
| Other miscellaneous                                    | <u>8,000</u>                         | <u>5,260</u>      | <u>(2,740)</u>                        |
| Total Miscellaneous                                    | <u>9,500</u>                         | <u>5,460</u>      | <u>(4,040)</u>                        |
| Total Revenues   | <u>1,006,500</u>                     | <u>989,099</u>    | <u>(17,401)</u>                       |
| <b>EXPENDITURES</b>                                    |                                      |                   |                                       |
| <b>CURRENT - CULTURE, RECREATION AND<br/>EDUCATION</b> |                                      |                   |                                       |
| Marina   | <u>724,080</u>                       | <u>725,621</u>    | <u>(1,541)</u>                        |
| Total Expenditures                                     | <u>724,080</u>                       | <u>725,621</u>    | <u>(1,541)</u>                        |
| Excess of revenues over expenditures                   | <u>282,420</u>                       | <u>263,478</u>    | <u>(18,942)</u>                       |
| <b>OTHER FINANCING USES</b>                            |                                      |                   |                                       |
| Transfers out  | <u>(282,420)</u>                     | <u>(249,420)</u>  | <u>33,000</u>                         |
| <b>Net Change in Fund Balance</b>                      | <u>\$ -</u>                          | 14,058            | <u>\$ 14,058</u>                      |
| FUND BALANCE - Beginning of Year                       |                                      | <u>119,270</u>    |                                       |
| FUND BALANCE - END OF YEAR                             |                                      | <u>\$ 133,328</u> |                                       |

**CITY OF PORT WASHINGTON**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET -  
 COMPONENT UNIT - COMMUNITY DEVELOPMENT AUTHORITY  
 As of December 31, 2017

|                                    | <u>Community<br/>Development<br/>Authority</u> | <u>Adjustments</u> | <u>Statement<br/>of Net Position</u> |
|------------------------------------|--|--------------------|--------------------------------------|
| <b>ASSETS</b>                      |  |                    |                                      |
| Land                               | \$ -   | \$ 310,994         | \$ 310,994                           |
| <b>LIABILITIES</b>                 |  |                    |                                      |
| Deposits                           | \$ 1,000                                       | \$ -               | \$ 1,000                             |
| <b>TOTAL LIABILITIES</b>           | <u>1,000</u>                                   | <u>-</u>           | <u>1,000</u>                         |
| <b>FUND BALANCE/NET POSITION</b>   |  |                    |                                      |
| Fund Balance                       |  |                    |                                      |
| Unassigned (deficit)               | <u>(1,000)</u>                                 | <u>1,000</u>       | <u>-</u>                             |
| Total Fund Balance                 | <u>(1,000)</u>                                 | <u>1,000</u>       | <u>-</u>                             |
| Total Liabilities and Fund Balance | <u>\$ -</u>                                    |                    |                                      |
| Net Position                       |  |                    |                                      |
| Net investment in capital assets   |  | 310,994            | 310,994                              |
| Unrestricted (deficit)             |  | <u>(1,000)</u>     | <u>(1,000)</u>                       |
| <b>TOTAL NET POSITION</b>          |  | <u>\$ 310,994</u>  | <u>\$ 309,994</u>                    |

**CITY OF PORT WASHINGTON**

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/NET POSITION - COMPONENT UNIT - COMMUNITY DEVELOPMENT AUTHORITY  
For the Year Ended December 31, 2017

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|  | <u>Community<br/>Development<br/>Authority</u> | <u>Adjustments</u> | <u>Statement<br/>of Activities</u> |
|--|--|--------------------|------------------------------------|
| <b>EXPENDITURES/EXPENSES</b>                                       | \$ -   | \$ -               | \$ -                               |
| <b>GENERAL REVENUES</b>  | -  | -                  | -                                  |
| Excess of revenues over expenditures                               | -  | -                  | -                                  |
| <b>FUND BALANCE/NET POSITION -<br/>BEGINNING OF YEAR (DEFICIT)</b> | <u>(1,000)</u>                                 | <u>310,994</u>     | <u>309,994</u>                     |
| <b>END OF YEAR (DEFICIT)</b>                                       | <u>\$ (1,000)</u>                              | <u>\$ 310,994</u>  | <u>\$ 309,994</u>                  |

**CITY OF PORT WASHINGTON**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET -  
 COMPONENT UNIT - BUSINESS IMPROVEMENT DISTRICT  
 As of December 31, 2017

|   | <u>Business<br/>Improvement<br/>District</u> | <u>Adjustments</u> | <u>Statement<br/>of Net Position</u> |
|---|--|--------------------|--------------------------------------|
| <b>ASSETS</b>   |  |                    |                                      |
| Cash and investments                                    | \$ 7,821                                     | \$ -               | \$ 7,821                             |
| Taxes receivable  | <u>61,648</u>                                | <u>-</u>           | <u>61,648</u>                        |
| <b>TOTAL ASSETS</b>                                     | <u>\$ 69,469</u>                             | <u>\$ -</u>        | <u>\$ 69,469</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |  |                    |                                      |
| Unearned revenue  | <u>\$ 61,648</u>                             | <u>\$ -</u>        | <u>\$ 61,648</u>                     |
| <b>FUND BALANCE/NET POSITION</b>                        |  |                    |                                      |
| Fund Balance  |  |                    |                                      |
| Unassigned  | <u>7,821</u>                                 | <u>(7,821)</u>     | <u>-</u>                             |
| Total Fund Balance                                      | <u>7,821</u>                                 | <u>(7,821)</u>     | <u>-</u>                             |
| Total Deferred Inflows of Resources<br>and Fund Balance | <u>\$ 69,469</u>                             |                    |                                      |
| Net Position  |  |                    |                                      |
| Unrestricted  |  | <u>7,821</u>       | <u>7,821</u>                         |
| <b>TOTAL NET POSITION</b>                               |  | <u>\$ -</u>        | <u>\$ 7,821</u>                      |

**CITY OF PORT WASHINGTON**

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE/NET POSITION -  
COMPONENT UNIT - BUSINESS IMPROVEMENT DISTRICT  
For the Year Ended December 31, 2017**

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|                                      | <u>Business<br/>Improvement<br/>District</u> | <u>Statement<br/>of Activities</u> |
|--------------------------------------|--|------------------------------------|
| <b>EXPENDITURES/EXPENSES</b>         |  |                                    |
| Economic development                 | \$ 58,612                                    | \$ 58,612                          |
| <b>GENERAL REVENUES</b>              |  |                                    |
| Investment income                    | 39   | 39                                 |
| Miscellaneous                        | <u>60,076</u>                                | <u>60,076</u>                      |
| Total General Revenues               | <u>60,115</u>                                | <u>60,115</u>                      |
| Excess of revenues over expenditures | 1,503  | 1,503                              |
| <b>FUND BALANCE/NET POSITION -</b>   |  |                                    |
| Beginning of Year                    | <u>6,318</u>                                 | <u>6,318</u>                       |
| <b>END OF YEAR</b>                   | <u>\$ 7,821</u>                              | <u>\$ 7,821</u>                    |

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the City Council  
City of Port Washington  
Port Washington, Wisconsin

We have audited the financial statements of the City of Port Washington, which includes the Business Improvement District (the "BID"), a component unit of the City of Port Washington, Wisconsin, as of and for the year ended December 31, 2017 and have issued our report thereon dated June 26, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, we noted that the BID failed to comply with the following requirement of Wisconsin State Statutes Section 66.1109:

- The board shall prepare and make available to the public annual reports describing the current status of the business improvement district, including expenditures and revenues. No annual report was prepared for the year ended December 31, 2017.

Our audit was not directed toward obtaining knowledge as to where the BID failed to comply with Wisconsin State Statutes Section 66.1109, insofar as it relates to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the BID's noncompliance with the above-referenced statutes, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the City Council, the BID's Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
June 26, 2018