

CITY OF OAK CREEK

Oak Creek, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

This page intentionally blank.

CITY OF OAK CREEK

TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

	<u>Page</u>
Independent Auditors' Report	i – ii
Required Supplementary Information	
Management's Discussion and Analysis	iii -xii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Funds	7 – 8
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	9
Statement of Cash Flows – Proprietary Funds	10 – 11
Statement of Assets and Liabilities – Agency Fund	12
Notes to Financial Statements	13 – 64
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	65 – 67
Budgetary Comparison Schedule – Emergency Medical Services Fund	68
Schedule of Funded Status – Other Postemployment Benefits Plan – Health Care	69
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System	70
Schedule of Employer Contributions – Wisconsin Retirement System	70
Notes to Required Supplementary Information	71

CITY OF OAK CREEK

TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

	<u>Page</u>
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	72 – 73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	74 – 75

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Oak Creek
Oak Creek, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oak Creek, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Oak Creek'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 over financial reporting relevant to the City of Oak Creek'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 Oak Creek'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 Oak Creek

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oak Creek, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 31, 2017



CITY OF OAK CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and For the Year Ended December 31, 2016

As management of the City of Oak Creek (the City), we offer readers of the City of Oak Creek's financial statements this narrative overview and analysis of the financial activities of the City of Oak Creek for the fiscal year ended December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify material deviations from the approved budget, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements following this section.

FINANCIAL HIGHLIGHTS

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

Combined governmental and business-type activities net position decreased by 5% in 2016, to \$175.8 million. Of this amount, \$157.3 million represents the City's net investment in capital assets, while \$19.2 million was held for restricted purposes, and a deficit balance of \$0.7 million was unrestricted.

At the end of 2016, the City's governmental activities reported total net position of \$61.99 million, including a deficit balance in unrestricted net position of \$21.7 million and the City's business-type activities reported total net position of \$113.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Oak Creek's basic financial statements. The City of Oak Creek's basic financial statements are comprised of four components:

- *Management's discussion and analysis*
- *Basic financial statements*
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Required supplementary information
- Combining statements for non-major governmental funds



The basic financial statements include two kinds of statements presenting different views of the City:

Government-wide financial statements provide both long-term and short-term information about the City's overall financial status.

Fund financial statements focus on individual parts of city government and report the City's operations in more detail than the government-wide statements. The financial statements also include notes explaining some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information further explaining and supporting the information in the financial statements. In addition to these required elements, this financial report includes a section with combining statements providing details about the City's non-major governmental funds. The non-major funds are added together and presented in single columns in the basic financial statements.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Oak Creek's finances, in a manner similar to a private-sector business and are presented in two statements, the Statement of Net Position and the Statement of Activities, which can be found on pages 1 - 2 of this report.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Oak Creek include general government, public safety, health and human services, public works, leisure activities (recreation and library), and conservation and development. The business-type activities of the City of Oak Creek include the water and sewer utility. Fiduciary activities, such as tax collection, are not included in the government-wide statements since these assets are not available to fund City programs.

The first of these government-wide statements is the Statement of Net Position. This is the citywide statement of position presenting information including all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City should extend to other non-financial factors such as the diversification of the tax base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the City's distinct activities or functions on revenues.

Fund Financial Statements

The fund financial statements provide detailed information about the City's significant *funds*. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The City has three kinds of funds:

- **Governmental funds** – are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. The focus, however, is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.
- **Proprietary funds** – are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has two proprietary funds – water and sewer utilities. Proprietary fund statements offer short and long-term financial information about activities the City operates like a business. A second type of proprietary fund, the internal service fund, reports activities providing services to other City programs.
- **Fiduciary funds** – are reported in the fiduciary fund statements, but excluded from the government-wide reporting because these assets cannot be used to finance operations. The City is the trustee, or fiduciary, for collection of all property taxes within the City for all taxing jurisdictions, including the Oak Creek-Franklin Joint School District, Milwaukee County, State of Wisconsin, Milwaukee Area Technical College, and Milwaukee Metropolitan Sewerage District.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

Net position. The City's combined net position decreased by \$9.3 million from fiscal year 2015 to 2016, a change of less than 5%; this decrease was comprised of a government-activities decrease of \$11.7 million, and a business-type activities increase of \$2.4 million. The City's governmental activities and business-type activities have approximately 35% and 65%, respectively, of the combined net position.

Total net position of the City's governmental activities decreased to \$61.99 million, a decrease of 15.9% from 2015 net position. The City's net investment in capital assets represents 105.6% of the total. Restricted net position of \$18.2 million represents 29.4% of the total. Unrestricted net position deficit of \$21.7 million represents (-35.0%) of the total.

Total net position of the City's business-type activities increased by 2.2% to \$113.8 million, including unrestricted net position of \$18.9 million, representing 16.6% of the total. All government and business type activities are self-supporting entities; net position of one entity is not permanently used by other entities.

Table 1
 City of Oak Creek, Wisconsin
 2016 and 2015 Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	56.1	62.0	23.0	21.3	79.1	83.3
Capital assets	155.3	157.5	111.7	113.6	267.0	271.1
Total assets	211.4	219.5	134.7	134.9	346.1	354.4
Deferred charge on refunding	0.0	0.0	0.1	0.1	0.1	0.1
Deferred amount related to pensions	13.0	3.7	1.3	0.4	14.3	4.1
Total deferred outflows of resources	13.0	3.7	1.4	0.5	14.4	4.2
Long-term debt outstanding	130.2	119.8	20.7	22.5	150.9	142.3
Other liabilities	4.4	7.1	1.1	1.4	5.5	8.5
Total liabilities	134.6	126.9	21.8	23.9	156.4	150.8
Unearned revenue	22.9	22.7	0.0	0.0	22.9	22.7
Deferred amount related to pensions	4.9	0.0	0.5	0.0	5.4	0.0
Total deferred inflows of resources	27.8	22.7	0.5	0.0	28.3	22.7
Net position:						
Net investment in capital assets	65.5	78.7	93.9	93.8	157.3	172.5
Restricted	18.2	19.4	1.0	1.5	19.2	20.9
Unrestricted	-21.7	-24.4	18.9	16.1	-0.7	-8.3
Total net position - end of year	62.0	73.7	113.8	111.4	175.8	185.1
Net position - beginning of year	73.7	75.4	111.4	106.9	185.1	182.3
Change in net position	-11.7	-1.7	2.4	4.5	-9.3	2.8
Percent change in net position	-15.9%	-2.3%	2.2%	4.2%	-5.0%	1.5%

Change in combined net position.

The City had combined total revenues of \$60.0 million in 2016 and combined total expenses of \$69.3 million. After transfers, governmental activities had a decrease in net position of \$11.7 million, while business-type activities had an increase in net position of \$2.4 million. Table 2 and the following narrative consider the operations of governmental and business-type activities separately.



Table 2
City of Oak Creek, Wisconsin

2016 and 2015 Changes in Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for service	4.9	4.7	14.8	14.3	19.7	19.0
Operating grants & contributions	2.5	2.4	-	-	2.5	2.4
Capital contributions	1.8	4.5	0.9	2.4	2.7	6.9
General Revenues						
Taxes	23.1	22.1	-	-	23.1	22.1
Intergovernmental	6.7	6.6	-	-	6.7	6.6
Other	5.1	3.3	0.2	0.1	5.3	3.4
Total Revenues	44.1	43.6	15.9	16.8	60.0	60.4
Expenses:						
General government	9.5	3.9	-	-	9.5	3.9
Public safety	17.9	15.9	-	-	17.9	15.9
Health and social services	1.9	1.1	-	-	1.9	1.1
Public works	13.3	10.1	-	-	13.3	10.1
Leisure activities	3.2	0.6	-	-	3.2	0.6
Conservation & development	9.1	10.9	-	-	9.1	10.9
Interest and fiscal charges	2.6	2.5	-	-	2.6	2.5
Water	-	-	8.0	9.1	8.0	9.1
Sewer	-	-	3.8	3.5	3.8	3.5
Total Expenses	57.5	45.0	11.8	12.6	69.3	57.6
Excess/(Deficiency) before transfers:	-13.4	-1.4	4.1	4.2	-9.3	2.8
Transfers	1.7	-0.3	-1.7	0.3	-	-
Change in Net Position	-11.7	-1.7	2.4	4.5	-9.3	2.8
Beginning Net Position	73.7	75.4	111.4	106.9	185.1	182.3
ENDING NET POSITION	62.0	73.7	113.8	111.4	175.8	185.1

Governmental Activities

The City of Oak Creek received a total of \$44.1 million in governmental activities revenues in 2016, up \$0.5 million when compared to 2015 revenues. As Table 2 indicates, the largest revenue source is the property tax, which accounts for \$23.1 million, or 52.4% of all governmental revenues. Property tax revenue in 2016 was virtually flat when compared to 2015 levels. Any increase in tax revenue was due to increased values and revenues within the city's tax incremental districts. As of this writing, the Legislature of the State of Wisconsin has imposed a permanent levy freeze, with the exception of new growth.

The next largest category of revenues is intergovernmental revenue with \$6.7 million (15.1%), followed by investment income and miscellaneous revenues of \$5.1 million (11.4%), and public charges for service of \$4.9 million (11.1%). Operating grants and contributions account for \$2.5 million (5.9%), and capital grants and contributions of \$1.8 million (4.1%).

Total governmental activities expenses were \$57.5 million in 2016, which exceeded revenues by \$13.4 million. At \$17.9 million, public safety, including police, EMS, inspection and fire services, accounts for the largest share of City expenses at 31.2%. This is followed by public works with \$13.3 or 23.1%, and general government with \$9.5 million, representing 16.5%. Conservation and development group, at \$9.1 million, is next with 15.9%, leisure activities at \$3.2 million 5.5%, and health/social services with \$1.9 million (3.3%) complete the activities. Payment of interest and fiscal charges in the amount of \$2.6 million, accounts for 4.5% of total governmental activities expenses.

Business-type Activities

The City of Oak Creek received \$15.7 million in business-type activities revenue during 2016 from its water and sewer utilities. Charges for services are by far the largest revenue sources for these operations, representing \$14.8 million of non-capital contribution revenues. Capital grants and contributions received were \$0.9 million in 2016, with interest and miscellaneous income accounting for the balance of revenues of \$0.2 million.

Net position of the City of Oak Creek's water and sewer utilities increased by \$2.4 million in 2016, which represents a 2.2% increase over the prior year's net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, the level of unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The basic governmental fund financial statements can be found on pages 3 - 6 of this report.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.



The City maintains twenty six individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, EMS Fund, Debt Service Fund, Debt Amortization Fund, Capital Improvement Fund, TIF 8 and TIF 11, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* at the end of this report.

At the end of 2016, the combined fund balances for the City's governmental funds was \$26.6 million. Of this total, \$0.5 million is nonspendable, \$18.7 million is restricted, \$3.5 million is committed and \$1.7 is assigned. The balance of unassigned governmental fund balances is \$2.2 million. These funds are allocated across the following areas:

Unassigned Fund Balances (deficit):	
General Fund	\$ 5.6
Debt Amortization Fund	(0.1)
TIF No. 8 Capital Project Fund	(1.4)
Capital Improvement Fund	(1.6)
Consolidated Dispatch Services Fund	(0.2)
Developer Agreement Fund	(0.1)
Total	<u><u>\$ 2.2</u></u>

General Fund: The general fund is the primary operating fund of the City.

- Total fund balance as of December 31, 2016 was \$7.7 million, of which \$1.7 million was assigned. Included in the assigned amount are tax equivalent dollars to be paid by the utility in 2017, and \$0.4 million is nonspendable which includes minor amounts for delinquent personal property taxes, non-current receivables and inventories.
- Unassigned fund balance increased from 2015 to \$5.6 million. The unassigned fund balance is now approximately 21.2% of the general fund 2015 actual revenues and 2015 state shared revenues; this is within the City's policy target range of 15-25% for the purposes of cash flow, stabilization, and emergency reserves.

Emergency Medical Services Fund: This special revenue fund is used to account for resources legally restricted to supporting the operations for the paramedic rescue program.

- Total fund balance as of December 31, 2016 increased to \$0.3 million.
- Total revenues for 2016 were \$4.9 million, which included \$3.6 million from taxes and \$1.2 million from public charges for services.
- Total expenditures for the year were \$4.7 million.

Capital Improvement Fund: The general capital improvement fund is used to account for major capital improvement projects relating to City-owned capital assets and capital equipment.

- Total fund balance at the end of the year was a deficit \$1.6 million, a decrease of \$2.5 million from 2015.
- Revenue sources provided \$1.2 million.
- Expenditures in this fund totaled \$6.9 million in 2016. The largest expenses included the Lake Vista Park, terrace and access to the lake, stabilizing the north bluff at the Lakefront, road construction projects for Ikea Way, Lake Vista Drive, and 5th Avenue extension. As well as bridge repair, City Hall/Library project costs and capital equipment purchases.



GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget is adopted at the department level of expenditure.

The City ended the year with a favorable variance in general fund revenues and favorable variance in expenditures. Revenues and other financing sources were above budget projections by approximately \$400, while expenditures and other financing uses were under budget by \$808,000. The expenditure outcome relates mainly to retirements and unfilled positions which occurred throughout the year in the Police, Health and Engineering departments.

On the revenue side, conservative budgeting kept all categories quite close to budget. Year over year revenues were mostly stagnant, but the City continued to see increased construction activity resulting in \$317,000 in excess of the budgeted permit revenue. The City also saw higher insurance incentives as it continues to mitigate risk and reduce our claims resulting in a partial return of premium. The short-term revenue outlook is stable with the exception of planned growth in the next few years. The state approved legislation will continue to limit taxation to growth alone and short-term interest rates will remain near all-time lows.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2016, the City reported a combined investment in capital assets of \$157.3 million. Of this amount, \$65.5 million, or 41.6%, is attributable to governmental activities, with the assets related to the City's land, buildings, equipment and street network. Total accumulated depreciation for both governmental and business type activities was calculated at \$96.6 million.

In 2016, capital assets of governmental activities decreased by \$2.2 million. Capital assets of business type activities decreased by \$1.9 million.

Table 3
City of Oak Creek, Wisconsin

**2016 and 2015 Capital Asset
Net of Accumulated Depreciation** (in millions of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and improvements	26.0	25.5	0.2	0.3	26.2	25.8
Construction in progress	0.3	28.5	1.1	1.3	1.4	29.8
Buildings	37.3	38.5	-	-	37.3	38.5
Machinery and equipment	8.2	8.0	110.4	112.0	118.6	120.0
Infrastructure	83.5	57.0	-	-	83.5	57.0
Total	155.3	157.5	111.7	113.6	267.0	271.1



Long-term Debt

At year-end, the governmental activities had \$97.3 million in general obligation bonds and promissory notes, an increase of \$7.2 million from last year. This was due to refinancing public improvements and infrastructure at the Drexel Town Square and Oak View Business Park; as well as developer incentives in TIF 11 and infrastructure improvements leading to Ikea. At the end of 2016, the business-type activities had a total of \$17.8 million in outstanding revenue bonds and general obligation debt. The City's general obligation bonds are rated Aa2 by Moody's Investors Service, which has also rated the City's short term notes with a MIG1 rating. Revenue bonds of the water & sewer utilities are rated Aa2.

State law limits the City to issuing general obligation bonds totaling no more than 5% of the City's equalized value. Based on the 2016 equalized value, this limit is \$155.4 million. The City currently has a combined total of \$97.3 million of general obligation notes and bonds outstanding, representing 62.6% of its legal debt capacity.

Table 4
City of Oak Creek, Wisconsin

2016 and 2015 Outstanding Debt (in millions of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation debt	97.3	90.1	-	-	97.3	90.1
Revenue debt	-	-	<u>17.8</u>	<u>19.7</u>	<u>17.8</u>	<u>19.7</u>
Totals	<u>97.3</u>	<u>90.1</u>	<u>17.8</u>	<u>19.7</u>	<u>115.1</u>	<u>109.8</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Oak Creek is located in southeastern Milwaukee County, and is one of only two municipalities in Milwaukee County with numerous tracts of vacant land. This location and land availability has contributed to the City's rapid growth and strong economic position. The local economy has picked up over the last few years with growth expected to continue in 2017 at Drexel Town Square and Oak View Business Park as well as other locations throughout the City. The majority of this growth is currently within TIF districts.

The City's population and building permit information is provided below:

	Estimated 2016	Estimated 2015	Estimated 2014	Estimated 2013	Census 2010
City of Oak Creek	35,206	34,791	34,707	34,695	34,495
Milwaukee County	948,930	949,795	949,741	950,410	948,369
State of Wisconsin	5,775,120	5,753,324	5,732,981	5,717,100	5,694,236

Total New Construction Building Permits			Total Residential Building Permits		
Year	Number	Value	Number	Value	
2016	65	\$148,178,567	31	\$8,636,875	



The Oak Creek City Council adopted the 2017 budget in December of 2016, which authorized general fund expenditures of \$23.5 million, a 1.15% increase from 2016. The combined general fund and debt service property tax levy is \$13.7 million, an increase of \$115,000 from 2016 due to new construction. The mill rate for City services decreased by \$.04 in 2016, due to the slight increase in property values. The total tax levy has remained essentially at the same level since 2009, with any increase limited to the amount generated by new growth to the tax base and closure of TIF districts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City of Oak Creek, 8040 S. 6th Street, Oak Creek, Wisconsin, 53154.

BASIC FINANCIAL STATEMENTS

This page intentionally blank.

CITY OF OAK CREEK

STATEMENT OF NET POSITION As of December 31, 2016

	Governmental Activities	Business- type Activities	Totals
ASSETS			
Cash and investments	\$ 26,682,849	\$ 20,012,629	\$ 46,695,478
Taxes receivable	23,581,777	-	23,581,777
Delinquent personal property taxes receivable	3,640	-	3,640
Accounts receivable	1,596,120	2,966,588	4,562,708
Special assessments receivable	706,353	-	706,353
Loans receivable	6,503	-	6,503
Other assets	-	5,000	5,000
Internal balances	1,125,688	(1,125,688)	-
Prepaid items and inventories	59,308	80,710	140,018
Restricted Assets			
Cash and investments	2,348,540	1,069,258	3,417,798
Capital Assets			
Land and land rights	24,963,323	268,469	25,231,792
Construction in progress	360,593	1,080,922	1,441,515
Other capital assets, net of depreciation	<u>129,968,080</u>	<u>110,411,684</u>	<u>240,379,764</u>
Total Assets	<u>211,402,774</u>	<u>134,769,572</u>	<u>346,172,346</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	67,049	67,049
Deferred amount related to pensions	<u>13,014,844</u>	<u>1,361,060</u>	<u>14,375,904</u>
Total Deferred Outflows of Resources	<u>13,014,844</u>	<u>1,428,109</u>	<u>14,442,953</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,022,411	1,084,819	5,107,230
Deposits	352,397	-	352,397
Unearned revenue	27,600	31,198	58,798
Noncurrent Liabilities			
Due within one year	3,806,142	1,854,479	5,660,621
Due in more than one year	<u>126,416,281</u>	<u>18,886,579</u>	<u>145,302,860</u>
Total Liabilities	<u>134,624,831</u>	<u>21,857,075</u>	<u>156,481,906</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	22,918,791	-	22,918,791
Deferred amount related to pensions	<u>4,885,115</u>	<u>509,705</u>	<u>5,394,820</u>
Total Deferred Inflows of Resources	<u>27,803,906</u>	<u>509,705</u>	<u>28,313,611</u>
NET POSITION			
Net investment in capital assets	65,455,381	93,897,371	157,272,037
Restricted for debt service	6,519,156	1,042,157	7,561,313
Restricted for TID activity	8,227,867	-	8,227,867
Restricted for impact fees	2,306,078	-	2,306,078
Restricted for park escrow	227,945	-	227,945
Restricted for other purposes	932,345	-	932,345
Unrestricted (deficit)	<u>(21,679,891)</u>	<u>18,891,373</u>	<u>(707,803)</u>
TOTAL NET POSITION	<u>\$ 61,988,881</u>	<u>\$ 113,830,901</u>	<u>\$ 175,819,782</u>

See accompanying notes to financial statements.

CITY OF OAK CREEK

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 9,482,831	\$ 1,357,782	\$ -	\$ 3,446	\$ (8,121,603)	\$ -	\$ (8,121,603)
Public safety	17,917,323	2,399,995	303,473	-	(15,213,855)	-	(15,213,855)
Health and social services	1,918,379	20,498	100,541	-	(1,797,340)	-	(1,797,340)
Public works	13,242,638	964,446	2,185,728	761,915	(9,330,549)	-	(9,330,549)
Leisure activities	3,168,574	149,564	-	72,704	(2,946,306)	-	(2,946,306)
Conservation and development	9,136,500	9	-	973,316	(8,163,175)	-	(8,163,175)
Interest and fiscal charges	2,589,979	-	-	-	(2,589,979)	-	(2,589,979)
Total Governmental Activities	<u>57,456,224</u>	<u>4,892,294</u>	<u>2,589,742</u>	<u>1,811,381</u>	<u>(48,162,807)</u>	<u>-</u>	<u>(48,162,807)</u>
Business-type Activities							
Water utility	7,994,028	10,874,218	-	676,282	-	3,556,472	3,556,472
Sewer utility	3,838,067	3,961,015	-	218,843	-	341,791	341,791
Total Business-type Activities	<u>11,832,095</u>	<u>14,835,233</u>	<u>-</u>	<u>895,125</u>	<u>-</u>	<u>3,898,263</u>	<u>3,898,263</u>
Totals	<u>\$ 69,288,319</u>	<u>\$ 19,727,527</u>	<u>\$ 2,589,742</u>	<u>\$ 2,706,506</u>	<u>(48,162,807)</u>	<u>3,898,263</u>	<u>(44,264,544)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					18,716,471	-	18,716,471
Property taxes, levied for debt service					1,847,781	-	1,847,781
Property taxes, levied for tax incremental districts					1,367,146	-	1,367,146
Other taxes					1,128,894	-	1,128,894
Intergovernmental revenues not restricted to specific programs					6,656,005	-	6,656,005
Investment income					541,095	154,375	695,470
Miscellaneous					4,520,504	2,383	4,522,887
Transfers					1,707,741	(1,707,741)	-
Total General Revenues and Transfers					<u>36,485,637</u>	<u>(1,550,983)</u>	<u>34,934,654</u>
Change in Net Position					<u>(11,677,170)</u>	<u>2,347,280</u>	<u>(9,329,890)</u>
NET POSITION - Beginning of Year					<u>73,666,051</u>	<u>111,483,621</u>	<u>185,149,672</u>
NET POSITION - END OF YEAR					<u>\$ 61,988,881</u>	<u>\$ 113,830,901</u>	<u>\$ 175,819,782</u>

See accompanying notes to financial statements.

CITY OF OAK CREEK

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	General Fund	Emergency Medical Services Fund	Debt Service Fund	Debt Amortization Fund	Capital Improvement Fund	TIF No. 8 Capital Projects Fund	TIF No. 11 Capital Projects Fund	Nonmajor Governmental Funds	Totals
ASSETS									
Cash and investments	\$ 4,198,308	\$ 324,118	\$ -	\$ 5,249,267	\$ -	\$ -	\$ 1,985,642	\$ 12,905,276	\$ 24,662,611
Receivables									
Taxes	13,394,198	3,602,939	850,000	-	-	578,814	666,863	4,488,966	23,581,780
Delinquent personal property taxes	3,640	-	-	-	-	-	-	-	3,640
Accounts, net of allowance for doubtful accounts	556,384	153,807	-	95,057	2,966	1,896	552,211	105,246	1,487,567
Special assessments	-	-	-	-	-	-	-	706,353	706,353
Loans	-	-	-	-	-	-	-	6,503	6,503
Due from other funds	4,443,855	-	-	-	-	-	-	314,900	4,758,755
Inventories	59,308	-	-	-	-	-	-	-	59,308
Restricted cash and investments	-	-	-	-	-	-	-	2,348,540	2,348,540
TOTAL ASSETS	\$ 22,655,693	\$ 4,080,864	\$ 850,000	\$ 5,344,324	\$ 2,966	\$ 580,710	\$ 3,204,716	\$ 20,875,784	\$ 57,595,057
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Liabilities									
Accounts payable	\$ 482,144	\$ 26,047	\$ -	\$ -	\$ 896,830	\$ -	\$ 14,169	\$ 407,993	\$ 1,827,183
Accrued liabilities	957,700	121,731	-	-	125,990	-	-	77,830	1,283,251
Deposits	95,104	-	-	-	-	-	-	257,293	352,397
Due to other funds	472,315	-	87,484	-	549,500	1,395,309	-	1,088,388	3,592,996
Unearned revenues	27,600	-	-	-	-	-	-	-	27,600
Total Liabilities	2,034,863	147,778	87,484	-	1,572,320	1,395,309	14,169	1,831,504	7,083,427
Deferred inflows of Resources									
Unearned revenues	12,922,642	3,602,939	850,000	-	-	578,814	666,863	4,297,533	22,918,791
Unavailable revenues	-	7,085	-	-	-	-	406,687	568,081	981,853
Total Deferred inflows of Resources	12,922,642	3,610,024	850,000	-	-	578,814	1,073,550	4,865,614	23,900,644
Fund Balances (Deficit)									
Nonspendable	429,425	-	-	-	-	-	-	-	429,425
Restricted	-	-	-	5,344,324	-	-	2,116,997	11,265,128	18,726,449
Committed	-	323,062	-	-	-	-	-	3,204,589	3,527,651
Assigned	1,707,741	-	-	-	-	-	-	-	1,707,741
Unassigned (Deficit)	5,561,022	-	(87,484)	-	(1,569,354)	(1,393,413)	-	(291,051)	2,219,720
Total Fund Balances	7,698,188	323,062	(87,484)	5,344,324	(1,569,354)	(1,393,413)	2,116,997	14,178,666	26,610,986
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,655,693	\$ 4,080,864	\$ 850,000	\$ 5,344,324	\$ 2,966	\$ 580,710	\$ 3,204,716	\$ 20,875,784	\$ 57,595,057

CITY OF OAK CREEK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2016

Fund balance - total governmental funds	\$ 26,610,986
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 and land rights	24,963,323
Construction in progress	360,593
Other capital assets, net of depreciation	129,968,080
Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	
Special assessments	561,578
Accounts receivable	413,772
Loans receivable	6,503
Internal service funds are used by management to charge costs of insurance coverage to individual funds. The assets and liabilities of the internal service fund are included in government activities in the statement of net position.	
	1,709,798
The net pension liability (asset) does not relate to current financial resources and is not reported in the governmental funds.	
	(2,321,290)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	
	13,014,844
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	
	(4,885,115)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, not reported in the funds.	
Bonds and notes payable	(97,330,000)
Unamortized debt premium	(1,436,631)
Unfunded OPEB liability	(27,766,614)
Compensated absences	(1,367,888)
Accrued interest	<u>(513,058)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,988,881</u>

CITY OF OAK CREEK

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Emergency Medical Services Fund	Debt Service Fund	Debt Amortization Fund	Capital Improvement Fund	TIF No. 8 Capital Projects Fund	TIF No. 11 Capital Projects Fund	Nonmajor Governmental Funds	Totals
REVENUES									
Taxes	\$ 13,427,303	\$ 3,589,590	\$ 850,000	\$ -	\$ -	\$ 247,376	\$ 564,852	\$ 4,381,170	\$ 23,060,291
Intergovernmental	5,415,480	145,271	-	3,143,229	374,160	3,525	2	545,327	9,626,994
Regulation and compliance	1,859,557	-	-	-	-	-	-	-	1,859,557
Public charges for services	304,371	1,150,736	-	-	-	-	-	2,147,510	3,602,617
Special assessments/developer contributions	-	-	-	-	-	-	-	283,206	283,206
Investment income	122,770	4,686	12,798	19,434	4,132	-	23,528	93,025	280,373
Miscellaneous	205,324	50	-	-	829,730	107,102	828,207	2,535,772	4,506,185
Interfund charges for services	244,025	-	-	-	-	-	-	-	244,025
Total Revenues	21,578,830	4,890,333	862,798	3,162,663	1,208,022	358,003	1,416,589	9,986,010	43,463,248
EXPENDITURES									
Current									
General government	6,517,355	-	-	-	-	-	-	91,990	6,609,345
Public safety	10,191,351	4,672,424	-	-	-	-	-	1,440,595	16,304,370
Health and social services	470,962	-	-	-	-	-	-	1,414,183	1,885,145
Public works	3,449,221	-	-	-	-	-	47,262	2,114,947	5,611,430
Leisure activities	1,840,592	-	-	-	-	-	-	536,347	2,376,939
Conservation and development	-	-	-	-	-	10,540	6,950,000	845,913	7,806,453
Capital Outlay	-	-	-	-	6,901,781	665,724	1,568,248	599,640	9,735,393
Debt Service	-	-	2,975,000	-	-	-	23,550,000	150,000	26,675,000
Principal retirement	-	-	2,975,000	-	-	-	23,550,000	150,000	26,675,000
Interest and fiscal charges	-	-	1,533,088	-	-	208,770	721,214	8,200	2,471,272
Total Expenditures	22,469,481	4,672,424	4,508,088	-	6,901,781	885,034	32,836,724	7,201,815	79,475,347
Excess (deficiency) of revenues over expenditures	(890,651)	217,909	(3,645,290)	3,162,663	(5,693,759)	(527,031)	(31,420,135)	2,784,195	(36,012,099)
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	-	-	-	-	5,750,000	5,100,000	10,850,000
Refunding debt issued	-	-	-	-	-	-	23,050,000	-	23,050,000
Premium on debt	-	-	-	-	-	-	500,000	-	500,000
Sale of property	10,882	-	-	274,396	-	-	-	-	285,278
Transfers in	1,707,741	-	3,073,989	-	4,172,627	180,611	444,664	141,000	9,720,632
Transfers out	(725,829)	-	(679,269)	(2,574,920)	(954,213)	-	-	(3,078,660)	(8,012,891)
Total Other Financing Sources (Uses)	992,794	-	2,394,720	(2,300,524)	3,218,414	180,611	29,744,664	2,162,340	36,393,019
Net Change in Fund Balance	102,143	217,909	(1,250,570)	862,139	(2,475,345)	(346,420)	(1,675,471)	4,946,535	380,920
FUND BALANCES (Deficit) - Beginning of Year	7,596,045	105,153	1,163,086	4,482,185	905,991	(1,046,993)	3,792,468	9,232,131	26,230,066
FUND BALANCES (Deficit) - END OF YEAR	\$ 7,698,188	\$ 323,062	\$ (87,484)	\$ 5,344,324	\$ (1,569,354)	\$ (1,393,413)	\$ 2,116,997	\$ 14,178,666	\$ 26,610,986

This page intentionally blank.

CITY OF OAK CREEK

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, 2016

Net change in fund balances - total governmental funds	\$	380,920
--	----	---------

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 with depreciation expense reported 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		9,735,393
Some items capitalized were not reported as capital outlay		(411,299)
Some amounts reported as capital outlay were not capitalized		(7,001,146)
Depreciation is reported in the government-wide statements		(4,407,157)
Net book value of disposed assets		(100,224)

Receivables not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Special assessments		(169,519)
Accounts receivable		(368,427)

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

Principal repaid		26,675,000
Debt proceeds		(33,900,000)

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other assets 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.

Premium on issued debt		(500,000)
Amortization of debt premium on debt issued		252,482

Part of net revenue of activities in the internal service fund is reported with governmental activities

367,472

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.

Other postemployment benefits		(612,617)
Compensated absences		(28,005)
Accrued interest on debt		(118,705)
Net pension liability		(5,883,878)
Deferred outflows related to pensions		9,297,655
Deferred inflows related to pensions		<u>(4,885,115)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (11,677,170)</u>
--	--	-------------------------------

See accompanying notes to financial statements.

CITY OF OAK CREEK

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Totals	Activities - Internal Service Fund
ASSETS				
Current Assets				
Cash and investments	\$ 12,388,785	\$ 7,623,844	\$ 20,012,629	\$ 2,020,237
Customer accounts receivable	2,073,822	867,612	2,941,434	-
Other accounts receivable	24,571	583	25,154	128,554
Due from other funds	398,474	265,188	663,662	-
Inventories	77,934	-	77,934	-
Prepaid items	1,943	833	2,776	-
Restricted assets				
Revenue bond redemption account	137,517	-	137,517	-
Total Current Assets	<u>15,103,046</u>	<u>8,758,060</u>	<u>23,861,106</u>	<u>2,148,791</u>
Noncurrent Assets				
Restricted Assets				
Revenue bond reserve account	931,741	-	931,741	-
Total Restricted Assets	<u>931,741</u>	<u>-</u>	<u>931,741</u>	<u>-</u>
Capital Assets				
Land and land rights	255,324	13,145	268,469	-
Construction in progress	1,067,872	13,050	1,080,922	-
Utility plant in service	113,827,263	44,177,115	158,004,378	-
Accumulated depreciation	(36,315,846)	(11,276,848)	(47,592,694)	-
Total Capital Assets	<u>78,834,613</u>	<u>32,926,462</u>	<u>111,761,075</u>	<u>-</u>
Other Assets				
Property held for future use	5,000	-	5,000	-
Due from other funds - special assessments	246,193	56,668	302,861	-
Due from other funds - advance	-	2,333,151	2,333,151	-
Total Other Assets	<u>251,193</u>	<u>2,389,819</u>	<u>2,641,012</u>	<u>-</u>
Total Assets	<u>95,120,593</u>	<u>44,074,341</u>	<u>139,194,934</u>	<u>2,148,791</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	67,049	-	67,049	-
Deferred outflows related to pension	1,088,846	272,214	1,361,060	-
Total Deferred Outflows	<u>1,155,895</u>	<u>272,214</u>	<u>1,428,109</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>96,276,488</u>	<u>44,346,555</u>	<u>140,623,043</u>	<u>2,148,791</u>

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Totals	Activities - Internal Service Fund
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 280,875	\$ 619,935	\$ 900,810	\$ 398,922
Accrued payroll	77,239	5,725	82,964	-
Accrued interest payable	32,940	-	32,940	-
Due to other funds	2,052,644	79,638	2,132,282	-
Unearned revenue	31,198	-	31,198	-
Compensated absences	41,004	-	41,004	-
Revenue bonds payable	529,479	-	529,479	-
Liabilities Payable From Restricted Assets				
Accrued interest	27,101	-	27,101	-
Current portion of revenue bonds	1,325,000	-	1,325,000	-
Total Current Liabilities	<u>4,397,480</u>	<u>705,298</u>	<u>5,102,778</u>	<u>398,922</u>
Noncurrent Liabilities				
Net other postemployment benefits obligation	845,936	211,484	1,057,420	-
Due to other funds - Advance	2,333,151	-	2,333,151	-
Net pension liability	193,760	48,440	242,200	-
Unamortized premiums on debt	-	-	-	-
Pollution remediation obligation	1,590,285	-	1,590,285	-
Revenue bonds	15,996,674	-	15,996,674	-
Total Noncurrent Liabilities	<u>20,959,806</u>	<u>259,924</u>	<u>21,219,730</u>	<u>-</u>
Total Liabilities	<u>25,357,286</u>	<u>965,222</u>	<u>26,322,508</u>	<u>398,922</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	407,764	101,941	509,705	-
Total Deferred Inflows	<u>407,764</u>	<u>101,941</u>	<u>509,705</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
	<u>25,765,050</u>	<u>1,067,163</u>	<u>26,832,213</u>	<u>398,922</u>
NET POSITION				
Net investment in capital assets	60,972,888	32,924,483	93,897,371	-
Restricted				
Debt service	1,042,157	-	1,042,157	-
Unrestricted	<u>8,496,393</u>	<u>10,354,909</u>	<u>18,851,302</u>	<u>1,749,869</u>
TOTAL NET POSITION	<u>\$ 70,511,438</u>	<u>\$ 43,279,392</u>	113,790,830	<u>\$ 1,749,869</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				
			40,071	
Net Position of Business-type Activities			<u>\$ 113,830,901</u>	

This page intentionally blank.

CITY OF OAK CREEK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Totals	Activities - Internal Service Fund
OPERATING REVENUES				
Charges for services and sales	\$ 10,470,508	\$ 3,906,569	\$ 14,377,077	\$ -
Other operating revenues	403,710	54,446	458,156	6,309,060
Total Operating Revenues	<u>10,874,218</u>	<u>3,961,015</u>	<u>14,835,233</u>	<u>6,309,060</u>
OPERATING EXPENSES				
Operation and maintenance	4,834,064	3,233,396	8,067,460	5,947,453
Depreciation	2,494,182	560,735	3,054,917	-
Taxes	125,139	43,936	169,075	-
Total Operating Expenses	<u>7,453,385</u>	<u>3,838,067</u>	<u>11,291,452</u>	<u>5,947,453</u>
Operating Income (Loss)	<u>3,420,833</u>	<u>122,948</u>	<u>3,543,781</u>	<u>361,607</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	103,646	50,729	154,375	8,248
Loss from merchandising and jobbing	(1,946)	-	(1,946)	-
Interest expense	(539,629)	-	(539,629)	-
Amortization of bond premiums	932	-	932	-
Total Nonoperating Revenues (Expenses)	<u>(436,997)</u>	<u>50,729</u>	<u>(386,268)</u>	<u>8,248</u>
Income (Loss) Before Contributions and Transfers	<u>2,983,836</u>	<u>173,677</u>	<u>3,157,513</u>	<u>369,855</u>
CAPITAL CONTRIBUTIONS	676,282	218,843	895,125	-
TRANSFERS OUT	<u>(1,707,741)</u>	<u>-</u>	<u>(1,707,741)</u>	<u>-</u>
Change in Net Position	<u>1,952,377</u>	<u>392,520</u>	<u>2,344,897</u>	<u>369,855</u>
NET POSITION - Beginning of Year	<u>68,559,061</u>	<u>42,886,872</u>	<u>111,445,933</u>	<u>1,380,014</u>
NET POSITION - END OF YEAR	<u>\$ 70,511,438</u>	<u>\$ 43,279,392</u>	<u>\$ 113,790,825</u>	<u>\$ 1,749,869</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>2,383</u>	
Change in Net Position of Business-Type Activities			<u>\$ 2,347,280</u>	

See accompanying notes to financial statements.

CITY OF OAK CREEK

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Water Utility	Sewer Utility	Totals	Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 10,455,473	\$ 3,852,625	\$ 14,308,098	\$ 6,308,871
Received from rents of water property	297,399	-	297,399	-
Payment for nonoperating activities	(1,234)	-	(1,234)	-
Received from miscellaneous sources	41,397	5,639	47,036	-
Paid to Milwaukee Metro Sewerage District for sewer user charges	-	(2,331,546)	(2,331,546)	-
Paid to suppliers for goods and services	(3,492,959)	(541,115)	(4,034,074)	(6,352,928)
Paid to employees for services	(1,667,453)	(420,489)	(2,087,942)	-
Net Cash Flows From Operating Activities	<u>5,632,623</u>	<u>565,114</u>	<u>6,197,737</u>	<u>(44,057)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to city for tax equivalent	(1,719,547)	-	(1,719,547)	-
Principal received from Water Utility - advance	-	41,783	41,783	-
Net Cash Flows From Noncapital Financing Activities	<u>(1,719,547)</u>	<u>41,783</u>	<u>(1,677,764)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments purchased	(4,277,598)	(1,258,919)	(5,536,517)	-
Proceeds from sale of investments	4,330,015	1,206,502	5,536,517	-
Interest received from Water Utility - advance	-	10,634	10,634	-
Investment income	36,690	23,266	59,956	8,248
Net Cash Flows From Investing Activities	<u>89,107</u>	<u>(18,517)</u>	<u>70,590</u>	<u>8,248</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(704,483)	(44,266)	(748,749)	-
Proceeds received for acquisition and construction of capital assets	57,181	30,422	87,603	-
Special assessment proceeds	263,814	16,766	280,580	-
Cost of removal	(1,016)	-	(1,016)	-
Principal payment to Sewer Utility - advance	(41,783)	-	(41,783)	-
Debt retired	(1,944,888)	-	(1,944,888)	-
Interest paid to Sewer Utility - advance	(10,634)	-	(10,634)	-
Interest paid	(561,354)	-	(561,354)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(2,943,163)</u>	<u>2,922</u>	<u>(2,940,241)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,059,020	591,302	1,650,322	(35,809)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>6,291,202</u>	<u>5,274,321</u>	<u>11,565,523</u>	<u>2,056,046</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,350,222	\$ 5,865,623	\$ 13,215,845	\$ 2,020,237

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	<u>Activities - Internal Service Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 3,420,833	\$ 122,948	\$ 3,543,781	\$ 361,607
Nonoperating revenues (expenses)	(1,946)	-	(1,946)	-
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Noncash items included in income				
Uncollectible accounts written off	7,710			
Depreciation	2,494,182	560,735	3,054,917	-
Depreciation charged to other accounts	77,912	(43,709)	34,203	-
Gain on sale of transportation equipment	(6,000)		(6,000)	-
Changes in assets and liabilities				
Customer accounts receivable	(62,262)	(86,868)	(149,130)	-
Other accounts receivable	8,317	3,499	11,816	(189)
Due from other funds	-	833	833	-
Inventories	(15,794)	-	(15,794)	-
Prepaid items	3,709	-	3,709	-
Pension	130,011	32,500	162,511	-
Accounts payable and accrued liabilities	(68,121)	40,589	(27,532)	(405,475)
Accrued expenses	(8,809)	1,335	(7,474)	-
Pollution remediation obligation	(116,895)	-	(116,895)	-
Due to other funds	(281,819)	(79,830)	(361,649)	-
Net other post employment benefits obligation	52,329	13,082	65,411	-
Unearned revenue	(734)	-	(734)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 5,632,623	\$ 565,114	\$ 6,190,027	\$ (44,057)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments	\$ 12,388,785	\$ 7,623,844	\$ 20,012,629	\$ 2,020,237
Restricted cash and investments - current	137,517	-	137,517	-
Restricted cash and investments - noncurrent	931,741	-	931,741	-
Less: Investments not considered to be cash and cash equivalents	(6,107,821)	(1,758,221)	(7,866,042)	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,350,222	\$ 5,865,623	\$ 13,215,845	\$ 2,020,237
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Interest income earned on noncash equivalents	\$ 65,078	\$ 18,020	\$ 83,098	\$ -
Market value adjustment on investments	(1,309)	(362)	(1,671)	-
Cost of capital assets installed and/or financed by developers	\$ 571,310	\$ 218,843	\$ 790,153	\$ -
Cost of capital assets financed by assessment of benefits to property owners	\$ 104,972	\$ -	\$ 104,972	\$ -
Gain on sale of capital assets	\$ 6,000	\$ -	\$ 6,000	\$ -
Interest capitalized on construction projects	\$ 27,832	\$ -	\$ 27,832	\$ -

CITY OF OAK CREEK

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUND

As of December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 37,288,504
Property taxes receivable	<u>14,599,922</u>
TOTAL ASSETS	<u>\$ 51,888,426</u>
LIABILITIES	
Due to other taxing units	<u>\$ 51,888,426</u>
TOTAL LIABILITIES	<u>\$ 51,888,426</u>

See accompanying notes to financial statements.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	14
A. Reporting Entity	14
B. Government-Wide and Fund Financial Statements	14
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	17
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	19
1. Deposits and Investments	19
2. Receivables	21
3. Inventories and Prepaid Items	23
4. Restricted Assets	23
5. Capital Assets	23
6. Deferred Outflows of Resources	24
7. Compensated Absences	25
8. Long-Term Obligations/Conduit Debt	25
9. Pollution Remediation Obligations	26
10. Deferred Inflows of Resources	26
11. Equity Classifications	27
12. Pensions	28
II. Stewardship, Compliance, and Accountability	29
A. Excess Expenditures Over Appropriations	29
B. Deficit Balances	30
C. Limitation on the City's Tax Levy	30
III. Detailed Notes on All Funds	31
A. Deposits and Investments	31
B. Receivables	34
C. Restricted Assets	36
D. Capital Assets	37
E. Interfund Receivables/Payables, Advances and Transfers	40
F. Long-Term Obligations	43
G. Lease Disclosures	47
H. Net Position/Fund Balances	48
IV. Other Information	52
A. Employees' Retirement System	52
B. Risk Management	57
C. Commitments and Contingencies	58
D. Other Postemployment Benefits	61
E. Power Generating Facility Mitigation Revenue	64
F. Effect of New Accounting Standards on Current-Period Financial Statements	64
G. Subsequent Events	64

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Oak Creek, 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 of Oak Creek. 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 city has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued statement No. 77 – *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about 1) a reporting government's own tax abatement agreements and 2) agreements that are entered into by other governments that reduce the reporting government's tax revenues. This standard was implemented January 1, 2016.

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.

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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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 non-major 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 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

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

The city reports the following major governmental funds:

General Fund – accounts for the city's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Emergency Medical Services Fund – Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the paramedic rescue program.

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs for debt related public works projects.

Debt Amortization Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs.

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

TIF No. 8 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

TIF No. 11 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The city reports the following major enterprise funds:

Water Utility – accounts for operations of the water system
Sewer Utility – accounts for operations of the sewer system

The city reports the following non-major governmental and enterprise funds:

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

Solid Waste Fund
Donation and Activity Fund
WE Energies Fund
Low Income Loan Fund
Park Escrow Fund
Special Assessment Fund
Economic Development Fund
Future Improvement Fund
Impact Fee Escrow Fund
Asset Forfeiture Fund
Storm Water Fund
Consolidated Dispatch Services Fund
Tourism Commission Fund

Debt Service Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs

TIF No. 4 Debt Service Fund
TIF No. 6 Debt Service Fund

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Developer Agreement Fund
TIF No. 7 Capital Projects Fund
TIF No. 10 Capital Projects Fund
TIF No. 12 Capital Projects Fund

In addition, the city reports the following fund types:

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

Health Insurance Fund

Agency funds are 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.

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 sewer utility 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.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

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.

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

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

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

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 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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Deposits and Investments (cont.)

The city has adopted an investment policy. That policy contains the following guidelines for allowable investments.

Custodial Credit Risk

In order to safeguard investments and deposits, the city shall require, at a minimum, that each approved public depository, submit to the city its annual financial statements. The Finance Committee shall annually evaluate such statements as to the financial soundness of the depository by May 1st of each year.

The city shall require, when investing in repurchase agreements, that collateral be pledged by the depository in an amount equal to or greater than the amount of the repurchase agreements the city has with such depository.

- a) The collateral shall be direct obligations of the United States, or of its agencies, if the payment of principal and interest is guaranteed by the federal government, or obligations of the State of Wisconsin, or collateral of commercial loans at one-hundred twenty-five percent, which are at all times current with regard to interest and principal.
- b) Evidence of such collateral shall be provided by the depository.

Credit Risk

Any security including commercial paper which matures or which may be tendered for purchase at the option of the holder within not more than seven years on the date which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency, or if that security is senior to, or on a parity with a security of the same issuer which has such a rating.

Concentration of Credit Risk

Consideration shall be given to the total amount of existing city funds which are already in such depository and or the capacity of the depository to handle the size of the deposit or investment. A ceiling may be established for individual financial institutions at each annual evaluation.

Interest Rate Risk

Yield shall be the final determining factor of the investment decision.

Bids shall be required of all investments that are in excess of \$100,000 or have a maturity date of 30 days or longer. A minimum of three bids from the city's public depository list shall be acquired for time deposits.

Purchase obligations of the US Treasury and deposits into the Local Government Investment Pool and the BMO Investment Account shall not be subject to the bid process.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Deposits and Investments (cont.)

Interest Rate Risk (cont.)

Securities shall not be sold prior to maturity with the following exceptions:

- a) A declining credit security could be sold early to minimize loss of principal.
- b) A security swap would improve the quality, yield or target duration in the portfolio.
- c) Liquidity needs of the portfolio require that the security be sold.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank 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, 2016, 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, technical college district and the Milwaukee Metropolitan Sewerage 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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

2. Receivables (cont.)

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due (50%)	January 31, 2017
Second installment due (25%)	March 31, 2017
Third installment due (25%)	May 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

Accounts receivable have been shown net of an allowance for uncollectible accounts. 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 sewer utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance nonspendable account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The city has received grant funds for CDBG housing loan programs to qualified individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The city is no longer disbursing these funds.

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost using the consumption method of accounting. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction 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 for 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 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. Interest of \$27,832 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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

5. Capital Assets (cont.)

Government –Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30-50	Years
Land Improvements	20-30	Years
Machinery and Equipment	3-15	Years
Utility System	15-100	Years
Infrastructure	20-50	Years
Intangibles	2-15	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.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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.)

7. Compensated Absences

Under terms of employment, employees are granted paid time off in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested paid time off 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 available resources.

Payments for paid time off will be made at rates in effect when the benefits are used. The liabilities at December 31, 2016 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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 effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

8. Long-Term Obligations/Conduit Debt (cont.)

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is made up of the following issue:

Name	Date	Original Principal Amount	Maturity	Principal Amount Outstanding at 12-31-16
Suzy's Cheesecakes	2/21/14	\$ 2,200,000	2/1/44	\$ <u>1,978,861</u>

9. Pollution Remediation Obligations

As of December 31, 2016, the city was obligated to address the future pollution cleanup activities at its water treatment plant site due to federal and state laws and regulations. The city's obligation originated in the year 2016 to address the pollution remediation because the government unit has been determined to be the responsible party which compels the city to participate in remediation. Examples of expected future remediation activity costs include legal services, site investigation and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the expected cash flows to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2016, the obligation was \$1,590,285 with no related receivable. The city will recognize these liabilities and related expenses as an operating expense in the water utility financial statements only when such costs become measurable. Because of this, the liability is subject to change as the city becomes aware of new information which may affect its estimate. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

10. Deferred Inflows of Resources

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

11. Equity Classifications

Government–Wide Statements

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

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

The net position section includes an adjustment for capital assets owned by the business-type activities column but financed by debt of the governmental activities column. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net Investment in capital assets	\$ 65,455,381	\$ 93,897,371	\$ (2,080,715)	\$ 157,272,037
Unrestricted (deficit)	(21,679,891)	18,891,373	2,080,715	(707,803)

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.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Council that originally created the commitment.
- 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 City Administrator or Finance Director 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.

The city has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 15% to 25% of total general fund annual revenues plus the amount of state shared revenue during the previous year. In the previous year, general fund annual revenues were \$21,220,985 and the state shared revenue was \$5,022,090, for a total of \$26,243,075. At year end, amounts available for working capital and included in unassigned general fund balance totaled \$5,561,022, or 21.19%.

12. Pension

For purposes of measuring the net pension liability (asset), 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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. *EXCESS EXPENDITURES OVER APPROPRIATION*

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Paramedic Fund	\$ 4,660,520	\$ 4,672,424	\$ 11,904
Special Revenue Funds			
Solid Waste Fund	1,423,406	1,468,952	45,546
We Energies Fund	1,103,274	1,208,884	105,610
Park Escrow	-	57,941	57,941
Impact Fee Fund	-	461,083	461,083
Asset Forfeiture Fund	15,000	34,177	19,177
Donation & Activity Fund	-	372,720	372,720
Consolidated Dispatch Services Fund	1,216,739	1,348,310	131,571
Debt Service Funds			
TIF No. 4 Debt Service Fund	46,000	296,587	250,587
TIF No. 6 Debt Service Fund	157,750	181,900	24,150
Capital Projects Funds			
Capital Improvement Fund	2,290,138	6,901,781	4,611,643
Developer Improvement Fund	30,000	90,621	60,621
TIF No. 7 Capital Project Fund	257,150	462,091	204,941
TIF No. 8 Capital Project Fund	255,921	885,035	629,114
TIF No. 10 Capital Project Fund	250,150	299,401	49,251
TIF No. 11 Capital Project Fund	14,871,400	32,836,724	17,965,324
TIF No. 12 Capital Project Fund	-	28,496	28,496
Internal Service Fund			
Health Insurance Fund	5,933,700	5,947,453	13,753

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. DEFICIT BALANCES

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

As of December 31, 2016, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue Funds		
Consolidated Dispatch Services Fund	\$ 231,020	Excess of expenditures over revenues
Debt Service Fund		
Debt Service Fund	87,484	Excess of expenditures over revenues
TIF No. 4 Debt Service Fund	373	Excess of expenditures over revenues
Capital Project Fund		
Capital Improvement Fund	1,569,354	Excess of expenditures over revenues
TIF No. 8 Capital Projects Fund	1,393,413	Excess of expenditures over revenues
Developer Agreements Fund	59,658	Excess of expenditures over revenues

The Consolidated Dispatch Services Fund deficit is anticipated to be funded with future taxes levied and future charges for services. The Debt Service Fund and the Capital Improvement Fund deficits are anticipated to be funded with future taxes levied and future borrowings, respectively. 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 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 Developer Agreements Fund deficit is anticipated to be funded with future developer receipts.

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 42,844,371	\$ 40,631,002	Custodial credit risk
U.S. treasuries	4,644,293	4,644,293	Custodial credit risk, interest rate risk
U.S. agencies	125,199	125,199	Credit risk, custodial credit risk, interest rate risk, concentration of credit risk
Municipal bonds	251,068	251,068	Credit risk, custodial credit risk, interest rate risk, concentration of credit risk
Asset backed securities	8,250,608	8,250,608	Credit risk, custodial credit risk, interest rate risk, concentration of credit risk
Corporate bonds	5,271,932	5,271,932	Credit risk, custodial credit risk, interest rate risk, concentration of credit risk
Local Government Investment Pool	26,008,560	26,008,560	Credit risk
Petty cash	5,749	-	N/A
Total Cash and Investments	\$ 87,401,780	\$ 85,182,662	
Reconciliation to financial statements			
Per statement of net position			
Cash and investments	\$ 46,695,478		
Restricted cash and investments	3,417,798		
Per statement of net position – fiduciary funds			
Agency	37,288,504		
Total Cash and Investments	\$ 87,401,780		

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

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

The city has an agreement with Tri City National Bank, Oak Creek where city deposits are collateralized by government securities owned by Tri City Capital Corp., a wholly owned investment subsidiary of Tri City National Bank. The investment portfolio is maintained with BMO Harris Bank, Milwaukee.

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.

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

Investments

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2016 the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's</u>
Federal Home Loan Bank	AA	AAA	AAA
Federal National Mortgage Association	AA	AAA	AAA
Federal Home Loan Mortgage Corp.	AA	AAA	AAA
Asset backed securities	A+ – AA	AA- – AA	AA2
Corporate bonds	A – AA	A – AA	BAA – AAA

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

Local Government Investment Pool

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

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

At December 31, 2016, the investment portfolio did not contain any single issuer in excess of 5% of total investments.

Interest Rate Risk

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

As of December 31, 2016, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In years)		
		Less than 1 year	1 - 10	> 10 years
U.S. treasuries	\$ 4,644,293	\$ 145,856	\$ 4,498,437	\$ -
U.S. agencies	125,199	-	125,199	-
Municipal bonds	251,068	251,068	-	-
Asset backed securities	8,250,608	233,126	2,087,667	5,929,815
Corporate bonds	5,271,932	668,121	4,603,811	-
Totals	\$ 18,543,100	\$ 1,298,171	\$ 11,315,114	\$ 5,929,815

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

The City's investments are categorized are as follows:

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
U.S. treasuries	\$ -	\$ 4,644,293	\$ -	\$ 4,644,293
U.S. agencies	-	125,199	-	125,199
Municipal bonds	-	251,068	-	251,068
Asset backed securities	-	8,250,608	-	8,250,608
Corporate bonds	-	5,271,932	-	5,271,932
Total	\$ -	\$ 18,543,100	\$ -	\$ 18,543,100

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. RECEIVABLES

Receivables as of year end for the governmental-type individual major funds and nonmajor funds in the aggregate are as follows:

	Total Net Receivables	Amounts Not Expected To be Collected Within one year	
General Fund	\$ 13,954,222	\$ 3,640	
Emergency Medical Services Fund	3,756,746	-	
Debt Service Fund	850,000	-	
Debt Amortization Fund	95,057	-	
Capital Improvement Fund	2,966	-	
TIF No. 8 Capital Projects Fund	580,710	-	
TIF No. 11 Capital Projects Fund	1,219,074	-	
Nonmajor Governmental Funds	5,307,068	712,856	
Total	\$ 25,765,843	\$ 716,496	

Revenues of the city are reported net of uncollectible amounts. General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year-end. Accounts receivable in the Emergency Medical Services Fund have been adjusted by \$187,611 for an allowance for uncollectible accounts.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. RECEIVABLES (cont.)

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

	Unearned	Unavailable
Property taxes and special charges receivable for subsequent year	\$ 22,918,791	\$ -
Accounts receivable not collected	27,600	413,772
Special assessments not yet due	-	561,578
Loans Receivable	-	6,503
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 22,946,391	 \$ 981,853
 Unearned revenue included in liabilities	 \$ 27,600	
Unearned revenue included in deferred inflows	22,918,791	
 Total Unearned Revenue for Governmental Funds	 \$ 22,946,391	

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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.

Impact Fee Account

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

Asset Forfeiture Account

The city has received asset forfeitures which must be used for specific purposes.

Following is a list of restricted assets at December 31, 2016:

	Governmental Activities	Business- type Activities	Total
Redemption account	\$ -	\$ 137,517	\$ 137,517
Reserve account	-	931,741	931,741
Impact fee account	2,304,702	-	2,304,702
Asset forfeiture account	43,838	-	43,838
 Total	 \$ 2,348,540	 \$ 1,069,258	 \$ 3,417,798

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 24,842,570	\$ 120,753	\$ -	\$ 24,963,323
Construction in progress	28,546,451	360,593	28,546,451	360,593
Total Capital Assets Not Being Depreciated	53,389,021	481,346	28,546,451	25,323,916
Capital assets being depreciated				
Land improvements	1,663,530	415,772	-	2,079,302
Buildings	44,252,833	-	-	44,252,833
Intangible Asset – Easements	5,400	-	-	5,400
Machinery and equipment	20,157,081	1,747,250	1,185,975	20,718,356
Bridges	286,370	-	-	286,370
Roads	47,059,417	27,537,311	-	74,596,728
Sidewalks	4,389,129	142,867	-	4,531,996
Street lighting	6,827,499	191,216	-	7,018,715
Storm sewers	25,136,271	353,637	-	25,489,908
Total Capital Assets Being Depreciated	149,777,530	30,388,053	1,185,975	178,979,608
Less: Accumulated depreciation for				
Land improvements	(982,788)	(70,170)	-	(1,052,958)
Buildings	(5,801,836)	(1,181,780)	-	(6,983,616)
Intangible Asset – Easements	(5,400)	-	-	(5,400)
Machinery and equipment	(12,172,256)	(1,441,482)	1,085,751	(12,527,987)
Bridges	(28,640)	(2,864)	-	(31,504)
Roads	(10,477,369)	(885,823)	-	(11,363,192)
Sidewalks	(2,233,551)	(71,020)	-	(2,304,571)
Street lighting	(3,212,854)	(277,279)	-	(3,490,133)
Storm sewers	(10,775,428)	(476,739)	-	(11,252,167)
Total Accumulated Depreciation	(45,690,122)	(4,407,157)	1,085,751	(49,011,528)
Net Capital Assets Being Depreciated	104,087,408	25,980,896	100,224	129,968,080
Total Governmental Activities Assets, Net of Accumulated Depreciation	\$ 157,476,429	\$ 26,462,242	\$ 28,646,675	\$ 155,291,996

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 962,825
Public safety	1,010,137
Health and social services	550
Public works	2,194,185
Leisure activities	<u>239,460</u>
 Total Governmental Activities Depreciation Expense	 <u><u>\$ 4,407,157</u></u>

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 255,324	\$ -	\$ -	\$ 255,324
Construction in progress	<u>1,264,409</u>	<u>951,039</u>	<u>1,147,576</u>	<u>1,067,872</u>
Total Capital Assets Not Being Depreciated	<u>1,519,733</u>	<u>951,039</u>	<u>1,147,576</u>	<u>1,323,196</u>
Capital assets being depreciated				
Source of supply	7,206,417	-	-	7,206,417
Pumping	8,993,692	-	-	8,993,692
Treatment	25,021,414	147,366	221,751	24,947,029
Transmission and distribution	66,785,974	1,067,682	51,059	67,802,597
General	<u>4,787,953</u>	<u>106,502</u>	<u>16,927</u>	<u>4,877,528</u>
Total Capital Assets Being Depreciated	<u>112,795,450</u>	<u>1,321,550</u>	<u>289,737</u>	<u>113,827,263</u>
Total Capital Assets	<u>114,315,183</u>	<u>2,272,589</u>	<u>1,437,313</u>	<u>115,150,459</u>
Less: Accumulated depreciation for				
Source of supply	(2,175,292)	(125,691)	-	(2,300,983)
Pumping	(4,032,662)	(363,913)	-	(4,396,575)
Treatment	(9,689,068)	(812,314)	206,745	(10,294,637)
Transmission and distribution	(15,286,815)	(1,121,711)	51,059	(16,357,467)
General	<u>(2,770,849)</u>	<u>(212,262)</u>	<u>16,927</u>	<u>(2,966,184)</u>
Total Accumulated Depreciation	<u>(33,954,686)</u>	<u>(2,635,891)</u>	<u>274,731</u>	<u>(36,315,846)</u>
Net Water Plant	<u><u>\$ 80,360,497</u></u>	<u><u>\$ (363,302)</u></u>	<u><u>\$ 1,162,582</u></u>	<u><u>\$ 78,834,613</u></u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewer				
Capital assets not being depreciated				
Land and land rights	\$ 13,145	\$ -	\$ -	\$ 13,145
Construction in progress	3,333	241,863	232,146	13,050
Total Capital Assets Not Being Depreciated	<u>16,478</u>	<u>241,863</u>	<u>232,146</u>	<u>26,195</u>
Capital assets being depreciated				
Collection system	43,097,885	218,843	-	43,316,728
Collection system pumping	242,170	-	-	242,170
General	604,914	13,303	-	618,217
Total Capital Assets Being Depreciated	<u>43,944,969</u>	<u>232,146</u>	<u>-</u>	<u>44,177,115</u>
Total Capital Assets	<u>43,961,447</u>	<u>474,009</u>	<u>232,146</u>	<u>44,203,310</u>
Less: Accumulated depreciation for				
Collection system	(10,233,473)	(448,685)	-	(10,682,158)
Collection system pumping	(235,777)	(2,011)	-	(237,788)
General	(290,572)	(66,330)	-	(356,902)
Total Accumulated Depreciation	<u>(10,759,822)</u>	<u>(517,026)</u>	<u>-</u>	<u>(11,276,848)</u>
Net Sewer Plant	<u>\$ 33,201,625</u>	<u>\$ (43,017)</u>	<u>\$ 232,146</u>	<u>\$ 32,926,462</u>
Business-type Capital Assets, Net of Depreciation	<u>\$ 113,562,122</u>	<u>\$ (406,319)</u>	<u>\$ 1,394,728</u>	<u>\$ 111,761,075</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 2,494,182
Sewer	<u>560,735</u>
Total Business-type Activities Depreciation Expense	<u>\$ 3,054,917</u>

Depreciation expense does not agree to the increase in accumulated depreciation due to joint metering, salvage and the cost of removal.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, TRANSFERS, AND ADVANCES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	Water utility	\$ 2,021,509	\$ -
General fund	Sewer utility	79,638	-
General fund	TIF #8 capital projects fund	1,395,309	1,395,309
General fund	Developer agreement fund	72,991	72,991
General fund	Consolidated dispatch services	253,976	-
General fund	Capital improvement fund	531,342	-
General fund	Debt Service Fund	87,484	-
Economic development fund	TIF #7 capital projects fund	314,900	314,900
Water utility	General fund	280,331	-
Water utility	Capital improvement fund	12,766	-
Sewer utility	General fund	191,984	-
Sewer utility	Storm water fund	2,001	-
Sewer utility	Capital improvement fund	5,392	-
Water utility	Special assessment fund	364,949	246,193
Sewer utility	Special assessment fund	79,571	56,668
Sewer utility	Water utility	<u>42,608</u>	-
Total – Fund Financial Statements		5,736,751	
Less: Fund eliminations		(2,656,002)	
Government-wide eliminations		<u>(1,955,061)</u>	
Total Internal Balances – Government-Wide Statement of Net Position		<u>\$ 1,125,688</u>	

The principal purpose of these interfunds includes the tax equivalent payment from the utilities to general fund and special assessment collections by the special assessment fund for the utilities. 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.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Water utility	\$ 1,707,741	Tax equivalent
Debt service fund	Debt amortization fund	1,326,088	Finance debt service requirements
Debt service fund	Impact fee escrow fund	638,963	Finance debt service requirements
Debt service fund	TIF #7 capital projects fund	780,000	Finance debt service requirements
Debt service fund	Capital improvement fund	328,938	Finance debt service requirements
Capital improvements fund	General fund	584,829	Finance of capital projects
Capital improvements fund	Impact fee escrow fund	300,000	Finance of capital projects
Capital improvements fund	WE energies fund	1,222,000	Finance of capital projects
Capital improvements fund	Special assessment fund	100,000	Finance of capital projects
Capital improvements fund	Debt service fund	679,269	Finance of capital projects
Capital improvements fund	Debt amortization fund	1,248,832	Finance of capital projects
Capital improvements fund	Park escrow	37,697	Finance of capital projects
TIF # 8 capital projects fund	Capital improvement fund	180,611	Finance of capital projects
TIF # 11 capital projects fund	Capital improvement fund	444,664	Finance of capital projects
Donation & activity fund	General fund	141,000	Library donations
Subtotal – Fund financial statements		9,720,632	
Less: Fund eliminations		(8,012,891)	
Total – Government-Wide Statement of Activities		<u>\$ 1,707,741</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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Advances

The Sewer Utility advanced \$2,500,000 to the Water Utility, dated December 15, 2013, for various construction projects. This advance will be repaid through annual installment payments of principal and interest through December 15, 2028. The annual interest rate was set by the Commission at .34% and is variable thereafter based on the LGIP rate. Effective December 31, 2016, the Commission approved .70% as the interest rate on this advance.

The Utility's interfund loan repayment schedule to maturity is as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 41,925	\$ 10,450
2018	117,067	10,266
2019	117,465	9,751
2020	117,865	9,234
2021	193,265	13,865
2022 – 2026	1,227,252	46,834
2027 – 2028	<u>560,237</u>	<u>5,757</u>
Totals	<u>\$ 2,375,076</u>	<u>\$ 129,617</u>

The current portion of principal due is included in due to other funds, on the Statement of Net Position – Proprietary Funds.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt:					
Notes and bonds	\$ 90,105,000	\$ 33,900,000	\$ 26,675,000	\$ 97,330,000	\$ 3,280,000
Add: Unamortized debt premium	1,189,113	500,000	252,482	1,436,631	-
Sub-Total	91,294,113	34,400,000	26,927,482	98,766,631	3,280,000
Other Liabilities					
Vested compensated absences	1,339,883	824,217	796,212	1,367,888	526,142
Other postemployment benefits	27,153,997	2,421,617	1,809,000	27,766,614	-
Net pension liability (asset)	(3,562,588)	5,883,878	-	2,321,290	-
Total Other Liabilities	24,931,292	9,129,712	2,605,212	31,455,792	526,142
Total Governmental Activities Long-Term Liabilities	\$ 116,225,405	\$ 43,529,712	\$ 29,532,694	\$ 130,222,423	\$ 3,806,142
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
Revenue bonds	\$ 19,748,115	\$ -	\$ 1,944,888	\$ 17,803,227	\$ 1,830,402
Add: Unamortized debt premium	86,195	-	38,269	47,926	24,077
Sub-Total	19,834,310	-	1,983,157	17,851,153	1,854,479
Other Liabilities					
Other postemployment benefits	992,009	234,411	169,000	1,057,420	-
Net pension liability (asset)	(378,994)	621,194	-	242,200	-
Pollution remediation obligation	1,707,180	54,948	171,843	1,590,285	-
Total Business-type Activities Long-Term Liabilities	\$ 22,154,505	\$ 910,553	\$ 2,324,000	\$ 20,741,058	\$ 1,854,479

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt and Note Anticipation Notes

All governmental 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.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016 was \$155,444,895. Total general obligation debt outstanding at year end was \$97,330,000.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-16</u>
Governmental Activities					
General Obligation Debt					
G.O. notes and bonds					
2010 bonds	4/01/10	4/01/30	1.50-4.375%	\$ 7,000,000	\$ 5,525,000
2012 bonds	2/01/12	3/01/17	1.00-1.75%	4,530,000	955,000
2013 refunding bonds	4/2/13	4/01/32	2.00-3.75%	5,825,000	2,175,000
2013A notes	4/2/13	4/01/23	1.00-2.75%	3,000,000	5,225,000
2013E notes	12/30/13	12/01/22	1.00-4.00%	10,000,000	8,675,000
2014B refunding bonds	12/16/14	5/01/32	2.00-3.375%	2,725,000	2,475,000
2015A refunding bonds	1/20/15	6/01/34	2.00-4.00%	19,650,000	19,000,000
2015B notes	5/19/15	5/1/18	2.250%	8,900,000	8,900,000
2015C notes	9/29/15	9/1/18	2.125%	10,500,000	10,500,000
2016A notes	7/06/16	12/01/18	2.125%	5,750,000	5,750,000
2016B notes	8/30/16	10/01/19	2.000%	5,100,000	5,100,000
2016C refunding bonds	10/18/16	10/01/32	2.00-4.00%	17,125,000	17,125,000
2016D refunding bonds	10/18/16	10/01/32	2.00-3.150%	5,925,000	<u>5,925,000</u>
Total Governmental Activities – Notes and Bonds					<u>\$ 97,330,000</u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity for general obligation notes and bonds are as follows:

<u>Years</u>	Governmental Activities	
	Notes and Bonds	
	Principal	Interest
2017	\$ 3,280,000	\$ 2,767,914
2018	27,675,000	2,628,675
2019	8,100,000	2,120,237
2020	3,175,000	1,942,425
2021	3,375,000	1,840,003
2022 – 2026	22,975,000	6,846,546
2027 – 2031	21,025,000	3,196,807
2032 – 2034	7,725,000	294,681
Totals	\$ 97,330,000	\$ 21,637,288

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

The city has pledged future water and sewer revenues, net of specified operating expenses, to repay \$17,803,227 in revenue bonds. Proceeds from the bonds provided financing for capital improvements. The bonds are payable solely from revenues and are payable through May 1, 2034. The total principal and interest remaining to be paid on the bonds is \$22,209,505. Principal and interest paid for the current year and total customer net revenues were \$2,506,241 and \$6,018,661, respectively. Future principal and interest payments are expected to require 21% of net revenues.

Revenue debt payable at December 31, 2016 consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-16
Water utility revenue bonds	1/13/10	5/1/29	2.668%	\$ 791,863	\$ 583,100
Water utility revenue bonds	3/15/11	12/1/31	2.25-5.00%	6,500,000	5,900,000
Water utility revenue bonds	11/23/11	5/1/31	2.20%	5,889,583	4,648,117
Water utility revenue bonds	5/22/13	5/1/2033	1.925%	2,594,795	2,265,763
Water utility revenue bonds	5/28/14	5/1/34	1.925%	1,968,020	1,881,247
Water utility revenue bonds	11/17/15	1/1/20	2.00%	3,850,000	2,525,000
Total Business-type Activities Revenue Debt					<u>\$ 17,803,227</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,830,402	\$ 517,482
2018	1,316,143	477,126
2019	1,352,114	446,287
2020	1,088,320	413,460
2021	899,767	385,391
2022 – 2026	4,879,325	1,505,109
2027 – 2031	5,770,918	645,017
2032 – 2034	666,238	16,406
Totals	<u>\$ 17,803,227</u>	<u>\$ 4,406,278</u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments for capital leases, vested compensated absences and other post employment benefits are not included in the debt service requirement schedules. The compensated absences and other post employment benefits liabilities attributable to governmental activities will be liquidated primarily by the general fund.

Current Refundings

On October 18, 2016, the city issued \$17.125 million of general obligation refunding bonds with an average interest rate of 2.93% combined with \$0.5 million of city funds to refund \$17.625 million of outstanding 2013 general obligation promissory notes with an average interest rate of 2.00% on the maturity date of the notes.

On October 18, 2016, the city issued \$5.925 million of general obligation refunding bonds with an interest rate of 2.91% to refund \$5.925 million of outstanding 2013 general obligation promissory notes with an interest rate of 2.00% on the maturity date of the notes.

G. LEASE DISCLOSURES

Lessor – Operating Leases – Governmental Activities

The city has entered into an operating lease with AT&T Wireless to lease the premises of city property at 800 West Puetz Road. The term of the lease is 5 years commencing August 19, 2008. The lease shall be automatically renewed for three additional four year terms unless AT&T Wireless notifies Oak Creek of its intention not to renew. Future annual lease payments are as follows:

First term (years 1-5)	\$ 24,000
First renewal term (years 6-10)	27,600
Second renewal term (years 11-15)	31,740
Third renewal term (years 16-20)	36,501

Lessor – Operating Leases – Business-type Activities

The water and sewer utility has entered into operating leases with Verizon Wireless (VW), Sprint Spectrum L.P. (SSLP), Cingular Wireless (CW), Cricket Communications (CR) and Crown Castle (CC) for space on Utility reservoirs to be used for cellular antennas. These leases terminate on November 30, 2020 (VW), March 20, 2017 (SSLP), March 1, 2020 (CW), February 26, 2021 (CC), January 24, 2018 (CC) and January 31, 2028 (CW). Minimum future lease rentals are as follows:

2017	\$ 259,866
2018	236,080
2019	245,307
2020	197,021
2021	63,154
2022-2026	330,154
2027-2028	82,002

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016 includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 24,963,323
Other capital assets, net of accumulated depreciation	130,328,673
Less: Related long-term debt and premium outstanding (excluding non-capital debt)	(96,685,916)
Add: Unspent proceeds of capital-related debt included above	<u>6,849,301</u>
Total Net Investment in Capital Assets	<u>65,455,381</u>
Restricted	
Debt service	6,519,156
TID activity	8,227,867
Impact fee escrow	2,306,078
Park escrow	227,945
Storm Water	283,238
Donation and activity	595,135
Asset forfeiture	44,319
Low income loans	<u>9,653</u>
Total Restricted	<u>18,213,391</u>
Unrestricted	<u>(21,679,891)</u>
Total Governmental Activities Net Position	<u>\$ 61,988,881</u>

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Nonspendable Fund Balance

Major Funds	
General Fund	
Inventories	\$ 59,308
Delinquent personal property taxes	3,640
Non-current receivables from other funds	<u>366,477</u>
Total General Fund	<u>429,425</u>
Total Nonspendable Fund Balance	<u>\$ 429,425</u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted Fund Balance

Major Funds

Debt Amortization	\$ 5,344,324
TIF No. 11 Capital Projects	2,116,997
Total Major Funds	<u>7,461,321</u>

Non-Major Funds

Special Revenue Funds

Donation and Activity	595,135
Low Income Loan	9,653
Park Escrow	227,945
Impact Fee Escrow	2,306,078
Asset Forfeiture	44,319
Storm Water	283,238

Debt Service Funds

TIF No. 6 Debt Service	1,687,890
------------------------	-----------

Capital Projects Funds

TIF No. 7 Capital Projects	431,925
TIF No. 10 Capital Projects	600,822
TIF No. 12 Capital Projects	5,078,123
Total Non-Major Funds	<u>11,265,128</u>

Total Restricted Fund Balance \$ 18,726,449

Committed Fund Balance

Major Funds

Emergency Medical Services	<u>\$ 323,062</u>
----------------------------	-------------------

Non-Major Funds

Special Revenue Funds

Solid Waste	101,622
WE Energies Fund	44,330
Special Assessment	1,870,081
Economic Development	1,173,519
Tourism Commission	15,037
Total Non-Major Funds	<u>3,204,589</u>

Total Committed Fund Balance \$ 3,527,651

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Assigned Fund Balance

Major Funds

General Fund

Tax equivalent for subsequent year

\$ 1,707,741

Total General Fund

1,707,741

Total Assigned Fund Balance

\$ 1,707,741

Unassigned Fund Balance

Major Funds

General Fund

\$ 5,561,022

Debt Service Fund (deficit)

(87,484)

Capital Improvement Fund (deficit)

(1,569,354)

TIF No. 8 Capital Projects (deficit)

(1,393,413)

Total Major Funds

2,510,771

Non-Major Funds

Special Revenue Funds

Consolidated Dispatch Services (deficit)

(231,020)

Debt Service Funds

TIF No. 4 Debt Service (deficit)

(373)

Capital Projects Funds

Developer Agreement (deficit)

(59,658)

Total Non-major Funds

(291,051)

Total Unassigned Fund Balance

\$ 2,219,720

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land and land rights	\$ 268,469
Construction in progress	1,080,922
Other capital assets, net of accumulated depreciation	110,411,684
Less: Payables and accruals for capital assets	(79,600)
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(17,784,104)</u>
Total Net Investment in Capital Assets	<u>93,897,371</u>
Restricted	
Debt service	<u>1,042,157</u>
Total Restricted Fund Balance	<u>1,042,157</u>
Unrestricted	<u>18,891,373</u>
Total Business-type Activities Net Position	<u>\$ 113,830,901</u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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.

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 OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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
2006	0.8%	3%
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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. 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 \$1,484,844 in contributions from the city.

Contribution rates as of December 31, 2016 are:

	Employee	Employer
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

At December 31, 2016, the city reported a liability of \$2,563,490 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the city’s proportion was 0.15775090%, which was a decrease of 0.002714910% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the city recognized pension expense of \$3,087,612.

At December 31, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 433,669	\$ 5,394,820
Changes in assumptions	1,793,529	-
Net differences between projected and actual earnings on pension plan investments	10,495,660	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	157,091	-
Employer contributions subsequent to the measurement date	1,495,955	-
Total	\$ 14,375,904	\$ 5,394,820

\$1,495,955 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources
2017	\$ 3,346,874	\$ 1,305,556
2018	3,346,874	1,305,556
2019	3,346,874	1,305,556
2020	2,780,225	1,305,556
2021	59,102	172,596
Thereafter	-	-

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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% - 5.8%
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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

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

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 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
City of Oak Creek’s proportionate share of the net pension liability (asset)	\$ 17,980,365	\$ 2,563,490	\$ (9,477,365)

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, 2016, the City reported a payable to the pension plan of \$218,360 which represents contractually required contributions outstanding as of the end of the year.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The city purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission and workers compensation. Employee health and dental care are accounted for and financed by the city in the health insurance internal service fund, which includes commercial insurance and self-funding. 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.

Self Insurance

For health claims, the uninsured risk of loss is \$100,000 deductible per individual and \$3,888,465 in the aggregate for a policy year. Claims in excess of those amounts are covered by specific reinsurance up to \$1,920,000 lifetime maximum reimbursement and aggregate reinsurance up to a \$1,000,000 lifetime maximum per individual. 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.

All funds in the city participate in the health and dental insurance internal service fund. Amounts payable to the health insurance fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$1,380,014 was designated for that reserve at year end, and is included in unrestricted net position of the internal service fund.

A liability for a claim is established if information indicates that it is probably that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not yet reported. The city does not allocated overhead costs or other non-incremental costs to the claims liability.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 566,145	\$ 790,308
Current year claims and changes in estimates	4,790,276	4,018,908
Claim payments	(4,566,113)	(4,422,104)
Unpaid Claims – End of Year	<u>\$ 790,308</u>	<u>\$ 387,112</u>

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

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

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

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

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

Financial statements of WMIC and CVMIC are available from the WMIC / CVMIC administrative office.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000.

C. COMMITMENTS AND CONTINGENCIES

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

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city's legal counsel 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, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Tax Incremental Financing

The City of Oak Creek through its Tax Incremental Financing Districts (TID) 7 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreements. The developers guaranteed a property taxable value of \$10,200,000. The developers also pay property taxes as they become due, and after constructing the building as stated in the development agreements, are entitled to a future incentive payment that directly correlate to the taxes paid. The incentives are calculated based on the increment derived specifically from the parcels as stated in the developer agreement. The developer receives payments back of 75% taxes paid, up to \$900,000 or as much as can be received by October 1, 2020. Aggregate incentive payments for the year ended December 31, 2016 were \$108,577.

The City of Oak Creek through its Tax Incremental Financing District 8 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$650,000 upon confirmation of job creation and City being awarded a grant. The developer pays property taxes as they become due, and after constructing the building as stated in the development agreement, is entitled to a future incentive payment that directly correlate to the taxes paid. The incentives are calculated based on the increment derived specifically from the parcels as stated in the developer agreement. The developer receives payments back of 75% taxes paid for 8 years (2023). Aggregate incentive payments for the year ended December 31, 2016 were \$114,338.

The City of Oak Creek through its Tax Incremental Financing Districts (TID) 10 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plan and development agreements. The developers guaranteed a 15 year lease of space and job retainment. The developers are entitled to a future incentive payments that directly correlate to the taxes paid. The incentives are calculated based on the increment derived specifically from the parcels as stated in the developer agreement. The developer receives payments back of 75% taxes paid, up to \$1,800,000 or as much as can be received by October 1, 2023. Aggregate incentive payments for the year ended December 31, 2016 were \$0, first payment will be in 2017.

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$5,300,000 upon ownership of said property and entering into construction contracts and the construction process and agreed to meet a minimum assessed value varying each year from 2016-2032 and thereafter. In the event that the minimum assessed value is not met, the developer has a minimum valuation shortfall obligation payable for that year, in an amount equal to the difference between the real estate taxes that would have been due and payable had such real estate taxes been determined using the minimum assessed values, and the actual real estate taxes. Aggregate incentive payments for the year ended December 31, 2016 were \$0, (\$5,300,000 was paid in 2015).

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Tax Incremental Financing (cont.)

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$2,500,000 upon beginning construction of a parking garage with 425 parking stalls. Once building permits are pulled for additional square footage of the medical facility (targeting 130,000 square foot) the developer will be paid \$65.80 per square foot up to an additional \$2,500,000. The City will in good faith effort work with the WEDC for a \$1,000,000 grant for the developer based on jobs, 425 parking stalls, and a 130,000 square foot facility. The developer agreed to meet a minimum assessed value varying each year from 2017-2032. In the event that the minimum assessed value is not met, the developer has a minimum valuation shortfall obligation payable for that year, in an amount equal to the difference between the real estate taxes that would have been due and payable had such real estate taxes been determined using the minimum assessed values, and the actual real estate taxes. Aggregate incentive payments for the year ended December 31, 2016 were \$2,500,000.

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$1,450,000 upon ownership of said property and entering into construction contracts and the construction process and a hotel franchise agreement and the construction process and agreed to meet a minimum assessed value varying each year from 2015-2032. In the event that the minimum assessed value is not met, the developer has a minimum valuation shortfall obligation payable for that year, in an amount equal to the difference between the real estate taxes that would have been due and payable had such real estate taxes been determined using the minimum assessed values, and the actual real estate taxes. Aggregate incentive payments for the year ended December 31, 2016 were \$1,450,000.

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$1,680,051 upon ownership of said property and entering into construction contracts and the construction process and agreed to meet a minimum assessed value varying each year from 2015-2032. In the event that the minimum assessed value is not met, the developer has a minimum valuation shortfall obligation payable for that year, in an amount equal to the difference between the real estate taxes that would have been due and payable had such real estate taxes been determined using the minimum assessed values, and the actual real estate taxes. Aggregate incentive payments for the year ended December 31, 2016 were \$1,680,051.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Tax Incremental Financing (cont.)

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developer received \$1,319,949 upon ownership of said property and entering into construction contracts and the construction process and agreed to meet a minimum assessed value varying each year from 2015-2032. In the event that the minimum assessed value is not met, the developer has a minimum valuation shortfall obligation payable for that year, in an amount equal to the difference between the real estate taxes that would have been due and payable had such real estate taxes been determined using the minimum assessed values, and the actual real estate taxes. Aggregate incentive payments for the year ended December 31, 2016 were \$1,319,949.

The City of Oak Creek through its Tax Incremental Financing District 12 has entered into a tax abatement agreement with developers in the form of a tax incremental financing incentive payment to stimulate economic development. The abatements are authorized through the TID project plan and development agreement. The developers agree to invest roughly \$50,000,000 in economic development building a 300,000 square foot retail facility. The City and developer agree to City Financing not to exceed \$5,225,000 for infrastructure leading up to the developer's property. In each year, beginning 2017 and ending the last year of the district 2036, the City will receive a check from the developer for taxes on the property. The developer will receive the tax amount back less the annual bond payment for infrastructure, and less \$25,000 for administrative costs each year up to \$13,000,000. Aggregate incentive payments for the year ended December 31, 2016 were \$0, as the project has not yet started.

D. OTHER POSTEMPLOYMENT BENEFITS

The city administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees and their spouses through the city's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. General employees hired after January 1, 2015 are not eligible to receive post employment benefits. Police officers hired after January 1, 2015, are not eligible to receive post employment benefits. Instead, the city shall pay into a Voluntary Employee Beneficiary Association (VEBA) plan for the benefit of the employee, which can be used to pay for retiree health insurance premiums. Firefighters hired after January 1, 2016, are not eligible to receive post employment benefits. Instead, the city shall pay into section 457 plan for the benefit of the employee, which can be used to pay for retiree health insurance premiums. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the city and the unions.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. 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	\$ 3,205,808
Interest on net OPEB obligation	844,380
Adjustment to annual required contribution	<u>(1,394,160)</u>
Annual OPEB cost	2,656,028
Contributions made	<u>(1,978,000)</u>
Increase in net OPEB obligation (Liability)	678,028
Net OPEB Obligation (Liability) – Beginning of Year	<u>28,146,006</u>
Net OPEB Obligation (Liability) – End of Year	<u><u>\$ 28,824,034</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 2,656,028	74.5%	\$ 28,824,034
12/31/2015	3,321,021	59.3%	28,146,006
12/31/2014	3,270,236	54.6%	26,795,985

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	44,983,388
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	44,983,388
Funded ratio (actuarial value of plan assets/AAL)		0 %
Covered payroll (active plan members)	\$	18,253,570
UAAL as percentage of covered payroll		246.4%

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

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.00 percent investment rate of return and an annual healthcare cost trend rate of 6.20 percent initially and reduced by decrements to an ultimate rate of 4 percent after sixty-five years. Both rates include assumptions for annual rates of medical inflation. 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 remaining amortization period at December 31, 2016, was 30 years.

CITY OF OAK CREEK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

E. POWER GENERATING FACILITY MITIGATION REVENUE

The city entered into an agreement with Wisconsin Energy Corporation (WEC). WEC is expanding its electric generating facilities within the City of Oak Creek by creating three new units. WEC is expected to pay the following annual mitigation payments to the city 30 days after the commencement of construction:

Elm Road Unit 1	\$1,500,000
Elm Road Unit 2	750,000
Elm Road Unit 3	250,000

The payments are required annually unless the Public Service Commission of Wisconsin determines that these payments may not be included in the rent payments of the facilities lease or a new unit ceases operation after start-up and is decommissioned.

In 2016, the city received \$2,250,000.

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

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

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pensions Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*

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

G. SUBSEQUENT EVENTS

In June 2017, the City issued \$4.9 million and \$2.75 million of General Obligation Promissory Notes. The proceeds of these bonds will be used for future projects in TIF No. 11.

In July 2017, the City issued \$2.9 million of General Obligation Refunding Bonds, which was used to refund previously issued debt.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAK CREEK

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

REVENUES	Original and		Variance with
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
TAXES			
General property taxes	\$ 12,827,700	\$ 12,817,444	\$ (10,256)
Motel room tax	457,000	457,000	-
Mobile home taxes	77,400	64,394	(13,006)
Other taxes	34,800	88,465	53,665
TOTALS	<u>13,396,900</u>	<u>13,427,303</u>	<u>30,403</u>
INTERGOVERNMENTAL REVENUES			
Shared taxes from state	3,027,809	3,026,255	(1,554)
State transportation aids	2,096,591	2,095,564	(1,027)
State computer aids	101,535	138,602	37,067
Other state aids	6,035	5,996	(39)
Health department block grant	4,500	-	(4,500)
Police grants	129,646	149,063	19,417
TOTALS	<u>5,366,116</u>	<u>5,415,480</u>	<u>49,364</u>
REGULATION AND COMPLIANCE			
Licenses			
Liquor and beer	36,500	66,919	30,419
Publishing fees	830	770	(60)
Operators	20,000	26,826	6,826
Amusement devices	10,500	8,190	(2,310)
Amusement operators	1,200	1,050	(150)
Electrical	1,000	-	(1,000)
Miscellaneous - business	10,000	10,365	365
Miscellaneous - non-business	75	4,557	4,482
DATCP	18,500	20,617	2,117
FSRL	49,500	48,754	(746)
Late sanitarian license renewal	-	205	205
Sanitarian plan review	-	2,926	2,926
Landfill	500	600	100
Permits			
Building	395,000	661,361	266,361
Electrical	90,000	120,635	30,635
Plumbing	75,000	95,359	20,359
Street opening	10,000	-	(10,000)
Erosion control	10,000	11,824	1,824
Fire inspections	2,600	6,675	4,075
Sundry	1,000	495	(505)
Cable TV	295,000	157,962	(137,038)
AT&T video service	180,000	228,284	48,284
Court fines	420,000	385,183	(34,817)
TOTALS	<u>1,627,205</u>	<u>1,859,557</u>	<u>232,352</u>
PUBLIC CHARGES FOR SERVICES			
General Government			
Property status letter fees	6,500	9,340	2,840
Administrative fees	23,000	26,446	3,446
Photo copies sold	1,500	1,034	(466)
Zoning/housing appeal fees	800	1,750	950
Rezoning petitions and filing fees	1,000	2,718	1,718
Text amendment fees	500	2,250	1,750
Right of way vacation fees	575	575	-
Special use request fees	9,500	13,075	3,575
Filing fee - certified survey maps	6,000	4,318	(1,682)
Plan commission agenda fees	9,000	13,500	4,500

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

CITY OF OAK CREEK

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (cont.)
For the Year Ended December 31, 2016**

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
PUBLIC CHARGES FOR SERVICES (cont.)			
General Government (cont.)			
Map amendments	\$ 1,200	\$ 775	\$ (425)
Subdivision plat fees	600	475	(125)
Public Safety			
State DWI seizures	2,400	1,872	(528)
Police patrol service fees	4,500	2,605	(1,895)
Miscellaneous fees	2,000	3,650	1,650
Copies of police and fire reports	3,000	3,167	167
False alarm penalties	5,700	4,643	(1,057)
Health and Sanitation			
Health Department			
Clinic fees	8,000	13,230	5,230
Pet license fees/Humane Society	16,000	15,053	(947)
Public Works			
Weed cutting	14,700	11,968	(2,732)
Sale of culvert pipe	10,000	12,431	2,431
Culvert installation	1,000	3,566	2,566
Library			
Other income	17,500	18,461	961
Photocopies	5,500	5,078	(422)
Recreation	135,000	125,898	(9,102)
Sanitarian			
Pre-inspection	-	15	15
Regular service fee	5,000	4,137	(863)
Miscellaneous charges for services	<u>3,100</u>	<u>2,341</u>	<u>(759)</u>
TOTALS	<u>293,575</u>	<u>304,371</u>	<u>10,796</u>
INVESTMENT INCOME			
Investment Income			
Investments	300,000	65,863	(234,137)
Taxes	<u>75,000</u>	<u>56,907</u>	<u>(18,093)</u>
TOTALS	<u>375,000</u>	<u>122,770</u>	<u>(252,230)</u>
MISCELLANEOUS INCOME			
Land rentals	100	-	(100)
AT&T American tower lease	29,000	27,600	(1,400)
Insurance incentives	75,000	71,211	(3,789)
Insurance recoveries	22,300	94,377	72,077
P-card rebates	12,000	11,433	(567)
Miscellaneous revenues	<u>10,000</u>	<u>703</u>	<u>(9,297)</u>
TOTALS	<u>148,400</u>	<u>205,324</u>	<u>56,924</u>
INTERFUND CHARGES FOR SERVICES			
Engineering and administration charged to capital projects	121,200	-	(121,200)
Engineering and administration charged to TID projects	200,000	200,000	-
Highway equipment service fee	5,000	4,025	(975)
Administrative services charged to enterprise funds	<u>45,000</u>	<u>40,000</u>	<u>(5,000)</u>
TOTALS	<u>371,200</u>	<u>244,025</u>	<u>(127,175)</u>
TOTAL REVENUES	<u>\$ 21,578,396</u>	<u>\$ 21,578,830</u>	<u>\$ 434</u>

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

CITY OF OAK CREEK

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (cont.)
For the Year Ended December 31, 2016**

EXPENDITURES	Original and		Variance with
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
GENERAL GOVERNMENT			
General government	\$ 2,897,153	\$ 2,675,439	\$ 221,714
Building maintenance	622,828	616,626	6,202
City administrator	971,340	992,235	(20,895)
Data processing	851,370	900,471	(49,101)
City clerk	204,600	213,975	(9,375)
Treasurer	203,051	191,588	11,463
Finance	295,197	302,715	(7,518)
Assessor	197,230	197,040	190
Attorney and legal	242,019	166,907	75,112
Community development	278,775	260,359	18,416
TOTALS	<u>6,763,563</u>	<u>6,517,355</u>	<u>246,208</u>
PUBLIC SAFETY			
Police department	7,833,336	7,593,378	239,958
Emergency operations	23,450	5,727	17,723
Fire department	1,820,127	1,996,979	(176,852)
Inspection	538,082	503,700	34,382
Other	96,697	91,567	5,130
TOTALS	<u>10,311,692</u>	<u>10,191,351</u>	<u>120,341</u>
HEALTH AND SOCIAL SERVICES			
Health department	634,995	470,962	164,033
TOTALS	<u>634,995</u>	<u>470,962</u>	<u>164,033</u>
PUBLIC WORKS			
Engineering	751,449	672,113	79,336
Streets	2,907,695	2,777,108	130,587
TOTALS	<u>3,659,144</u>	<u>3,449,221</u>	<u>209,923</u>
LEISURE ACTIVITIES			
Conservation and recreation	580,831	581,897	(1,066)
Library	826,678	802,648	24,030
Parks	500,297	456,047	44,250
TOTALS	<u>1,907,806</u>	<u>1,840,592</u>	<u>67,214</u>
TOTAL EXPENDITURES	<u>23,277,200</u>	<u>22,469,481</u>	<u>807,719</u>
OTHER FINANCING SOURCES (USES)			
Sale of city equipment	20,000	10,882	(9,118)
Transfer in - tax equivalent	1,596,033	1,707,741	111,708
Transfer out	-	(725,829)	(725,829)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,616,033</u>	<u>992,794</u>	<u>(623,239)</u>
Net Change in Fund Balance	(82,771)	102,143	184,914
FUND BALANCE - Beginning of Year	<u>7,596,045</u>	<u>7,596,045</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,513,274</u>	<u>\$ 7,698,188</u>	<u>\$ 184,914</u>

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

CITY OF OAK CREEK

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 EMERGENCY MEDICAL SERVICES FUND
 For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 3,589,590	\$ 3,589,590	\$ -
Intergovernmental	100,919	145,271	44,352
Public charges for services	1,087,308	1,150,736	63,428
Investment income	-	4,686	4,686
Miscellaneous	<u>50,000</u>	<u>50</u>	<u>(49,950)</u>
Total Revenues	<u>4,827,817</u>	<u>4,890,333</u>	<u>62,516</u>
EXPENDITURES			
Public Safety	<u>4,660,520</u>	<u>4,672,424</u>	<u>(11,904)</u>
Total Expenditures	<u>4,660,520</u>	<u>4,672,424</u>	<u>(11,904)</u>
Net Change in Fund Balance	167,297	217,909	50,612
FUND BALANCE - Beginning of year	<u>105,153</u>	<u>105,153</u>	<u>-</u>
FUND BALANCE - ENDING OF YEAR	<u>\$ 272,450</u>	<u>\$ 323,062</u>	<u>\$ 50,612</u>

CITY OF OAK CREEK

SCHEDULE OF FUNDED STATUS
 OTHER POST EMPLOYMENT BENEFITS PLAN - HEALTH CARE
 December 31, 2016

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)	
1/1/16	\$	-	\$ 44,983,388	\$ 44,983,388	0%	\$ 18,253,570	246.4%
1/1/14		-	51,018,862	51,018,862	0%	17,803,461	286.6%
1/1/12		-	57,307,289	57,307,289	0%	17,194,475	333.3%

CITY OF OAK CREEK

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET -
WISCONSIN RETIREMENT SYSTEM
December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.16047000%	\$ (3,941,582)	\$ 17,775,702	22.17%	102.74%
12/31/16	0.15775509%	\$ 2,563,490	\$ 18,256,231	14.04%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 1,495,972	\$ 1,495,972	\$ -	\$ 18,256,231	8.19%
12/31/16	\$ 1,495,955	\$ 1,495,955	\$ -	\$ 18,758,850	7.97%

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

CITY OF OAK CREEK

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2016

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.

A budget has been adopted for all governmental fund types. The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$0. Budgets are adopted at the function level of expenditure.

FUNDING PROGRESS DATA

The data presented in the Schedule of Funded Status was taken from the reports issued by the actuary.

WISCONSIN RETIREMENT SYSTEM

The amounts presented 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 data; however the standards allow the city to present 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 the assumptions.

SUPPLEMENTARY INFORMATION

CITY OF OAK CREEK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue Funds												
	Solid Waste Fund	Donation and Activity Fund	WE Energies Fund	Low Income Loan Fund	Park Escrow Fund	Special Assessment Fund	Economic Development Fund	Future Improvement Fund	Impact Fee Escrow Fund	Asset Forfeiture Fund	Storm Water Fund	Consolidated Dispatch Services Fund	Tourism Commission Fund
ASSETS													
Cash and investments	\$ 320,508	\$ 605,997	\$ 75,619	\$ 9,653	\$ 227,945	\$ 1,956,766	\$ 885,578	\$ 257,293	\$ -	\$ 481	\$ 303,685	\$ -	\$ 15,037
Taxes receivable	1,213,054	-	-	-	-	191,434	-	-	-	-	840,040	1,270,902	-
Accounts receivable	100	1,140	-	-	-	21,826	-	-	1,376	-	-	59,925	-
Special assessments receivable	-	-	-	-	-	706,353	-	-	-	-	-	-	-
Loans receivable	-	-	-	6,503	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	314,900	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-	-	-	2,304,702	43,838	-	-	-
TOTAL ASSETS	\$ 1,533,662	\$ 607,137	\$ 75,619	\$ 16,156	\$ 227,945	\$ 2,876,179	\$ 1,200,478	\$ 257,293	\$ 2,306,078	\$ 44,319	\$ 1,143,725	\$ 1,330,827	\$ 15,037
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES													
Liabilities													
Accounts payable	\$ 215,545	\$ 12,002	\$ 10,234	\$ -	\$ -	\$ -	\$ 24,984	\$ -	\$ -	\$ -	\$ 4,056	\$ -	\$ -
Accrued liabilities	3,441	-	21,055	-	-	-	1,975	-	-	-	14,390	36,969	-
Deposits	-	-	-	-	-	-	-	257,293	-	-	-	-	-
Due to other funds	-	-	-	-	-	444,520	-	-	-	-	2,001	253,976	-
Total Liabilities	218,986	12,002	31,289	-	-	444,520	26,959	257,293	-	-	20,447	290,945	-
Deferred Inflows of Resources													
Unearned revenues	1,213,054	-	-	-	-	-	-	-	-	-	840,040	1,270,902	-
Unavailable revenues	-	-	-	6,503	-	561,578	-	-	-	-	-	-	-
Total Deferred inflows of Resources	1,213,054	-	-	6,503	-	561,578	-	-	-	-	840,040	1,270,902	-
Fund Balances (Deficit)													
Restricted	-	595,135	-	9,653	227,945	-	-	-	2,306,078	44,319	283,238	-	-
Committed	101,622	-	44,330	-	-	1,870,081	1,173,519	-	-	-	-	-	15,037
Unassigned (Deficit)	-	-	-	-	-	-	-	-	-	-	-	(231,020)	-
Total Fund Balances (Deficit)	101,622	595,135	44,330	9,653	227,945	1,870,081	1,173,519	-	2,306,078	44,319	283,238	(231,020)	15,037
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,533,662	\$ 607,137	\$ 75,619	\$ 16,156	\$ 227,945	\$ 2,876,179	\$ 1,200,478	\$ 257,293	\$ 2,306,078	\$ 44,319	\$ 1,143,725	\$ 1,330,827	\$ 15,037

CITY OF OAK CREEK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (cont.)
As of December 31, 2016

	Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	TIF No. 4 Debt Service Fund	TIF No. 6 Debt Service Fund	Developer Agreement Fund	TIF No. 7 Capital Projects Fund	TIF No. 10 Capital Projects Fund		TIF No. 12 Capital Projects Fund
ASSETS							
Cash and investments	\$ 133,053	\$ 1,687,891	\$ -	\$ 746,825	\$ 600,822	\$ 5,078,123	\$ 12,905,276
Taxes receivable	-	425,039	-	210,238	338,259	-	4,488,966
Accounts receivable	-	-	21,079	-	-	-	105,246
Special assessments receivable	-	-	-	-	-	-	706,353
Loans receivable	-	-	-	-	-	-	6,503
Due from other funds	-	-	-	-	-	-	314,900
Restricted cash and investments	-	-	-	-	-	-	2,348,540
TOTAL ASSETS	\$ 133,053	\$ 2,112,930	\$ 21,079	\$ 957,063	\$ 939,081	\$ 5,078,123	\$ 20,875,784
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 133,426	\$ -	\$ 7,746	\$ -	\$ -	\$ -	\$ 407,993
Accrued liabilities	-	-	-	-	-	-	77,830
Deposits	-	-	-	-	-	-	257,293
Due to other funds	-	-	72,991	314,900	-	-	1,088,388
Total Liabilities	133,426	-	80,737	314,900	-	-	1,831,504
Deferred Inflows of Resources							
Unearned revenues	-	425,040	-	210,238	338,259	-	4,297,533
Unavailable revenues	-	-	-	-	-	-	568,081
Total Deferred inflows of Resources	-	425,040	-	210,238	338,259	-	4,865,614
Fund Balances (Deficit)							
Restricted	-	1,687,890	-	431,925	600,822	5,078,123	11,265,128
Committed	-	-	-	-	-	-	3,204,589
Unassigned (Deficit)	(373)	-	(59,658)	-	-	-	(291,051)
Total Fund Balances (Deficit)	(373)	1,687,890	(59,658)	431,925	600,822	5,078,123	14,178,666
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 133,053	\$ 2,112,930	\$ 21,079	\$ 957,063	\$ 939,081	\$ 5,078,123	\$ 20,875,784

CITY OF OAK CREEK

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds												
	Solid Waste Fund	Donation and Activity Fund	WE Energies Fund	Low Income Loan Fund	Park Escrow Fund	Special Assessment Fund	Economic Development Fund	Future Improvement Fund	Impact Fee Escrow Fund	Asset Forfeiture Fund	Storm Water Fund	Consolidated Dispatch Services Fund	Tourism Commission Fund
REVENUES													
Taxes	\$ 1,292,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,952	\$ -	\$ -	\$ -	\$ -	\$1,009,645	\$ 15,037
Intergovernmental	89,837	109,680	-	-	-	-	-	-	-	-	-	307,414	-
Public charges for service	3,425	-	-	-	72,704	-	-	-	1,341,743	-	729,638	-	-
Special assessments / developer contributions	-	-	-	-	-	220,855	-	-	-	-	-	-	-
Investment income	3,062	-	4,093	9	-	45,889	1,865	-	12,279	51	2,055	242	-
Miscellaneous	35,296	228,647	2,250,000	-	-	-	-	-	-	21,829	-	-	-
Total Revenues	1,424,058	338,327	2,254,093	9	72,704	266,744	513,817	-	1,354,022	21,880	731,693	1,316,701	15,037
EXPENDITURES													
Current													
General Government	-	69,328	22,662	-	-	-	-	-	-	-	-	-	-
Public safety	-	38,566	1,186,222	-	-	-	-	-	181,630	34,177	-	-	-
Public works	1,468,952	-	-	-	-	-	-	-	-	-	645,995	-	-
Health and social services	-	65,873	-	-	-	-	-	-	-	-	-	1,348,310	-
Leisure activities	-	198,953	-	-	57,941	-	-	-	279,453	-	-	-	-
Conservation and development	-	-	-	-	-	-	225,075	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	19,582	-	-	-	-	-	-
Debt Service													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,468,952	372,720	1,208,884	-	57,941	-	244,657	-	461,083	34,177	645,995	1,348,310	-
Excess (deficiency) of revenues over expenditures	(44,894)	(34,393)	1,045,209	9	14,763	266,744	269,160	-	892,939	(12,297)	85,698	(31,609)	15,037
OTHER FINANCING SOURCES (USES)													
Long-term debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	141,000	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(1,222,000)	-	(37,697)	(100,000)	-	-	(938,963)	-	-	-	-
Total Other Financing Sources (Uses)	-	141,000	(1,222,000)	-	(37,697)	(100,000)	-	-	(938,963)	-	-	-	-
Net change in fund balances	(44,894)	106,607	(176,791)	9	(22,934)	166,744	269,160	-	(46,024)	(12,297)	85,698	(31,609)	15,037
FUND BALANCES (DEFICIT) - Beginning of Year	146,516	488,528	221,121	9,644	250,879	1,703,337	904,359	-	2,352,102	56,616	197,540	(199,411)	-
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 101,622	\$ 595,135	\$ 44,330	\$ 9,653	\$ 227,945	\$ 1,870,081	\$ 1,173,519	\$ -	\$ 2,306,078	\$ 44,319	\$ 283,238	\$ (231,020)	\$ 15,037

CITY OF OAK CREEK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Cont)
For the Year Ended December 31, 2016

	Debt Service Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	TIF No. 4 Debt Service Fund	TIF No. 6 Debt Service Fund	Developer Agreements Fund	TIF No. 7 Capital Projects Fund	TIF No. 10 Capital Projects Fund	TIF No. 12 Capital Projects Fund	
REVENUES							
Taxes	\$ 561,418	\$ 436,362	\$ -	\$ 170,058	\$ 384,860	\$ -	\$ 4,381,170
Intergovernmental	3,446	3,629	-	20,662	10,659	-	545,327
Public charges for service	-	-	-	-	-	-	2,147,510
Special assessments / developer contributions	-	-	62,351	-	-	-	283,206
Investment income	145	6,785	-	6,949	2,982	6,619	93,025
Miscellaneous	-	-	-	-	-	-	2,535,772
Total Revenues	<u>565,009</u>	<u>446,776</u>	<u>62,351</u>	<u>197,669</u>	<u>398,501</u>	<u>6,619</u>	<u>9,986,010</u>
EXPENDITURES							
Current							
General Government	-	-	-	-	-	-	91,990
Public Safety	-	-	-	-	-	-	1,440,595
Public works	-	-	-	-	-	-	2,114,947
Health and social services	-	-	-	-	-	-	1,414,183
Leisure activities	-	-	-	-	-	-	536,347
Conservation and development	296,587	25,000	-	-	299,251	-	845,913
Capital Outlay	-	-	90,621	461,941	-	27,496	599,640
Debt Service							
Principal	-	150,000	-	-	-	-	150,000
Interest	-	6,900	-	150	150	1,000	8,200
Total Expenditures	<u>296,587</u>	<u>181,900</u>	<u>90,621</u>	<u>462,091</u>	<u>299,401</u>	<u>28,496</u>	<u>7,201,815</u>
Excess (deficiency) of revenues over expenditures	<u>268,422</u>	<u>264,876</u>	<u>(28,270)</u>	<u>(264,422)</u>	<u>99,100</u>	<u>(21,877)</u>	<u>2,784,195</u>
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	5,100,000	5,100,000
Transfers in	-	-	-	-	-	-	141,000
Transfers out	-	-	-	(780,000)	-	-	(3,078,660)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(780,000)</u>	<u>-</u>	<u>5,100,000</u>	<u>2,162,340</u>
Net change in fund balances	268,422	264,876	(28,270)	(1,044,422)	99,100	5,078,123	4,946,535
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(268,795)</u>	<u>1,423,014</u>	<u>(31,388)</u>	<u>1,476,347</u>	<u>501,722</u>	<u>-</u>	<u>9,232,131</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (373)</u>	<u>\$ 1,687,890</u>	<u>\$ (59,658)</u>	<u>\$ 431,925</u>	<u>\$ 600,822</u>	<u>\$ 5,078,123</u>	<u>\$ 14,178,666</u>