

CITY OF OAK CREEK

Oak Creek, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

CITY OF OAK CREEK

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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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

To the City Council
City of Oak Creek

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Oak Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oak Creek's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 27, 2018



CITY OF OAK CREEK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and For the Year Ended December 31, 2017

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, 2017. 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 increased by 0.6% in 2017, to \$176.8 million. Of this amount, \$157.9 million represents the City's net investment in capital assets, while \$8.9 million was held for restricted purposes, and a balance of \$10.0 million was unrestricted.

At the end of 2017, the City's governmental activities reported total net position of \$60.4 million, including a deficit balance in unrestricted net position of \$15.5 million and the City's business-type activities reported total net position of \$116.4 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 increased by \$960,467 from fiscal year 2016 to 2017, a change of 0.6%; this increase was comprised of a government-activities decrease of \$1.5 million, and a business-type activities increase of \$2.5 million. The City’s governmental activities and business-type activities have approximately 34% and 66%, respectively, of the combined net position.

Total net position of the City’s governmental activities decreased to \$60.4 million, a decrease of 2.5% from 2016 net position. The City’s net investment in capital assets represents 112.5% of the total. Restricted net position of \$7.9 million represents 13.1% of the total. Unrestricted net position deficit of \$15.5 million represents (-25.7%) of the total.

Total net position of the City’s business-type activities increased by 2.3% to \$116.4 million, including unrestricted net position of \$23.4 million, representing 20.2% 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
2017 and 2016 Net Position (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|---------------|--------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | 55.8 | 56.1 | 27.7 | 23.0 | 83.5 | 79.1 |
| Capital assets | 163.5 | 155.3 | 110.8 | 111.7 | 274.3 | 267.0 |
| Total assets | 219.3 | 211.4 | 138.5 | 134.7 | 357.8 | 346.1 |
| Deferred charge on refunding | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred amount related to pensions | 9.1 | 13.0 | 0.9 | 1.3 | 10.0 | 14.3 |
| Total deferred outflows of resources | 9.1 | 13.0 | 1.0 | 1.4 | 10.1 | 14.4 |
| Long-term debt outstanding | 134.1 | 130.2 | 21.6 | 20.7 | 155.7 | 150.9 |
| Other liabilities | 5.8 | 4.4 | 1.1 | 1.1 | 6.9 | 5.5 |
| Total liabilities | 139.9 | 134.6 | 22.7 | 21.8 | 162.6 | 156.4 |
| Unearned revenue | 24.4 | 22.9 | 0.0 | 0.0 | 24.4 | 22.9 |
| Deferred amount related to pensions | 3.7 | 4.9 | 0.4 | 0.5 | 4.1 | 0.0 |
| Total deferred inflows of resources | 28.1 | 22.9 | 0.4 | 0.0 | 28.5 | 22.9 |
| Net position: | | | | | | |
| Net investment in capital assets | 68.0 | 65.5 | 92.0 | 93.9 | 157.9 | 159.4 |
| Restricted | 7.9 | 18.2 | 1.0 | 1.0 | 8.9 | 19.2 |
| Unrestricted | -15.5 | -21.7 | 23.4 | 18.9 | 10.0 | -2.8 |
| Total net position - end of year | 60.4 | 62.0 | 116.4 | 113.8 | 176.8 | 175.8 |
| Net position - beginning of year | 62.0 | 73.7 | 113.8 | 111.4 | 175.8 | 185.1 |
| Change in net position | -1.6 | -11.7 | 2.6 | 2.4 | 1.0 | -9.3 |
| Percent change in net position | -2.6% | -15.9% | 2.3% | 2.2% | 0.6% | -5.0% |

Change in combined net position.

The City had combined total revenues of \$63.6 million in 2017 and combined total expenses of \$62.6 million. After transfers, governmental activities had a decrease in net position of \$1.6 million, while business-type activities had an increase in net position of \$2.6 million. Table 2 and the following narrative consider the operations of governmental and business-type activities separately.



Table 2
City of Oak Creek, Wisconsin

2017 and 2016 Changes in Net Position (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Totals | |
|---------------------------------------|-------------------------|-------------|--------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for service | 5.4 | 4.9 | 14.8 | 14.8 | 20.2 | 19.7 |
| Operating grants & contributions | 3.0 | 2.5 | - | - | 3.0 | 2.5 |
| Capital contributions | 5.1 | 1.8 | 0.7 | 0.9 | 5.8 | 2.7 |
| General Revenues | | | | | | |
| Taxes | 23.3 | 23.1 | - | - | 23.3 | 23.1 |
| Intergovernmental | 6.7 | 6.7 | - | - | 6.7 | 6.7 |
| Other | 4.4 | 5.1 | 0.2 | 0.2 | 4.6 | 5.3 |
| Total Revenues | 47.9 | 44.1 | 15.7 | 15.9 | 63.6 | 60.0 |
| Expenses: | | | | | | |
| General government | 8.7 | 9.5 | - | - | 8.7 | 9.5 |
| Public safety | 18.8 | 17.9 | - | - | 18.8 | 17.9 |
| Health and social services | 2.1 | 1.9 | - | - | 2.1 | 1.9 |
| Public works | 10.2 | 13.3 | - | - | 10.2 | 13.3 |
| Leisure activities | 2.2 | 3.2 | - | - | 2.2 | 3.2 |
| Conservation & development | 6.2 | 9.1 | - | - | 6.2 | 9.1 |
| Interest and fiscal charges | 2.9 | 2.6 | - | - | 2.9 | 2.6 |
| Water | - | - | 7.2 | 8.0 | 7.2 | 8.0 |
| Sewer | - | - | 4.3 | 3.8 | 4.3 | 3.8 |
| Total Expenses | 51.1 | 57.5 | 11.5 | 11.8 | 62.6 | 69.3 |
| Excess/(Deficiency) before transfers: | -3.2 | -13.4 | 4.2 | 4.1 | 1.0 | -9.3 |
| Transfers | 1.6 | 1.7 | -1.6 | -1.7 | - | - |
| Change in Net Position | -1.6 | -11.7 | 2.6 | 2.4 | 1.0 | -9.3 |
| Beginning Net Position | 62.0 | 73.7 | 113.8 | 111.4 | 175.8 | 185.1 |
| ENDING NET POSITION | 60.4 | 62.0 | 116.4 | 113.8 | 176.8 | 175.8 |

Governmental Activities

The City of Oak Creek received a total of \$47.9 million in governmental activities revenues in 2017, up \$3.8 million when compared to 2016 revenues. As Table 2 indicates, the largest revenue source is the property tax, which accounts for \$23.3 million, or 48.7% of all governmental revenues. Property tax revenue in 2017 was virtually flat when compared to 2016 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 (14.1%), followed by public charges for service of \$5.4 million (11.2%), and capital contributions of \$5.1 million (10.6%). Investment income and miscellaneous revenue for \$4.4 million (9.1%) and operating grants and contributions account for \$3.0 million (6.3%).

Total governmental activities expenses were \$51.1 million in 2017, which exceeded revenues by \$3.2 million. At \$18.8 million, Public Safety, including Police, EMS, Inspection and Fire services, accounts for the largest share of City expenses at 36.8%. This is followed by Public Works with \$10.2 million or 19.9%, and General Government with \$8.7 million, representing 16.9%. Conservation and Development group, at \$6.2 million, is next with 12.1%, Leisure activities at \$2.2 million 4.4%, and Health/social services with \$2.1 million (4.1%) complete the activities. Payment of interest and fiscal charges in the amount of \$2.9 million, accounts for 5.8% of total governmental activities expenses.

Business-type Activities

The City of Oak Creek received \$15.7 million in business-type activities revenue during 2017 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 \$712,378 in 2017, with interest and miscellaneous income accounting for the balance of revenues of \$226,740.

Net position of the City of Oak Creek's water and sewer utilities increased by \$2.6 million in 2017, 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 seven 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 twenty 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 2017, the combined fund balances for the City’s governmental funds was \$23.2 million. Of this total, \$1.7 million is nonspendable, \$14.2 million is restricted, \$3.7 million is committed and \$1.7 is assigned. The balance of unassigned governmental fund balances is \$1.88 million. These funds are allocated across the following areas:

| Unassigned Fund Balances (deficit): | |
|--|-----------------|
| General Fund | \$ 4.795 |
| TIF No. 8 Capital Project Fund | \$(1.242) |
| Capital Improvement Fund | \$(1.631) |
| TIF No. 4 Debt Service Fund | \$(0.001) |
| Developer Agreement Fund | \$(0.015) |
| TIF No. 13 Capital Project Fund | \$(0.030) |
| Total | <u>\$ 1.876</u> |

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

- Total fund balance as of December 31, 2017 was \$8.2 million, of which \$1.7 million was assigned. Included in the assigned amount are tax equivalent dollars to be paid by the utility in 2018, and \$1.7 million is nonspendable which includes minor amounts for delinquent personal property taxes, non-current receivables and inventories.
- Unassigned fund balance decreased from 2016 to \$4.8 million. The unassigned fund balance is now approximately 17.9% of the general fund 2016 actual revenues and 2016 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, 2017 increased to \$349,530.
- Total revenues for 2017 were \$4.9 million, which included \$3.6 million from taxes, \$1.1 million from public charges for services, and \$154,941 of intergovernmental revenue.
- Total expenditures for the year were \$4.9 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 \$62,455 from 2016.
- Revenue sources provided \$2.1 million consisting of \$1 million in grants and sale of equipment and \$1.1 million from a land sale.
- Expenditures in this fund totaled \$10.7 million in 2017. The largest expenses included significant repairs to multiple City bridges, Ryan Road extension, Lake Vista Park, terrace and access to the lake, a new fire engine, a new street sweeper, and the bi-annual road replacement program.

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 were above budget projections by approximately \$515,451, while expenditures were under budget by \$852,846. The expenditure outcome relates mainly to retirements and vacant 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 \$242,000 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, 2017, the City reported a net combined investment in capital assets of \$157.9 million. Of this amount, \$68.0 million, or 43.1%, 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 \$102.9 million.

In 2017, capital assets of governmental activities increased by \$8.2 million. Capital assets of business type activities decreased by \$1.0 million.

Table 3
 City of Oak Creek, Wisconsin

**2017 and 2016 Capital Asset
 Net of Accumulated Depreciation** (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land and improvements | 25.8 | 26.0 | 0.2 | 0.2 | 26.0 | 26.2 |
| Construction in progress | 9.7 | 0.3 | 1.4 | 1.1 | 11.1 | 1.4 |
| Buildings | 36.3 | 37.3 | - | - | 36.3 | 37.3 |
| Machinery and equipment | 8.2 | 8.2 | 109.1 | 110.4 | 117.3 | 118.6 |
| Infrastructure | 83.5 | 83.5 | - | - | 83.5 | 83.5 |
| Total | 163.5 | 155.3 | 110.7 | 111.7 | 274.2 | 267.0 |

Long-term Debt

At year-end, the governmental activities had \$101.8 million in general obligation bonds and promissory notes, an increase of \$4.52 million from last year. This was due to developer incentives in TIF 11. At the end of 2017, the business-type activities had a total of \$18.7 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 2017 equalized value, this limit is \$165.9 million. The City currently has a combined total of \$101.8 million of general obligation notes and bonds outstanding, representing 61.4% of its legal debt capacity.

Table 4
 City of Oak Creek, Wisconsin

2017 and 2016 Outstanding Debt (in millions of dollars)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|-------------------------|--------------------------------|-------------|---------------------------------|-------------|---------------|--------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| General obligation debt | 101.8 | 97.3 | - | - | 101.8 | 97.3 |
| Revenue debt | — | — | 18.7 | 17.8 | 18.7 | 17.8 |
| Totals | <u>101.8</u> | <u>97.3</u> | <u>18.7</u> | <u>17.8</u> | <u>120.5</u> | <u>115.1</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 2018 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 2017 | Estimated 2016 | Estimated 2015 | Estimated 2014 | Census 2010 |
|--------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| City of Oak Creek | 35,560 | 35,206 | 34,791 | 34,707 | 34,495 |
| Milwaukee County | 945,416 | 948,930 | 949,795 | 949,741 | 948,369 |
| State of Wisconsin | 5,783,278 | 5,775,120 | 5,753,324 | 5,732,981 | 5,694,236 |

| Total New Construction Building Permits | | | Total Residential Building Permits | | |
|---|--------|---------------|------------------------------------|-------------|--|
| Year | Number | Value | Number | Value | |
| 2017 | 62 | \$134,014,052 | 31 | \$8,645,252 | |



The Oak Creek City Council adopted the 2018 budget in November of 2017, which authorized general fund expenditures of \$24.2 million, a 3.15% increase from 2017. The tax levy for the City of Oak Creek is \$20.261 million, an increase of \$383,000 from 2017 due to new construction. The mill rate for City services decreased by \$.19 in 2017, due to the 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

CITY OF OAK CREEK

STATEMENT OF NET POSITION
As of December 31, 2017

| | Governmental Activities | Business- type Activities | Totals |
|--|----------------------------|---------------------------------|-----------------------|
| ASSETS | | | |
| Unrestricted cash and investments | \$ 24,201,592 | \$ 24,715,258 | \$ 48,916,850 |
| Taxes receivable | 25,053,044 | - | 25,053,044 |
| Delinquent personal property taxes receivable | 12,569 | - | 12,569 |
| Accounts receivable, net | 2,316,627 | 2,933,744 | 5,250,371 |
| Special assessments receivable | 505,255 | - | 505,255 |
| Loans receivable | 6,503 | - | 6,503 |
| Other assets | - | 5,000 | 5,000 |
| Internal balances | 953,791 | (953,791) | - |
| Inventories | 64,661 | 80,735 | 145,396 |
| Restricted Assets | | | |
| Cash and investments | 2,658,840 | 942,263 | 3,601,103 |
| Capital Assets | | | |
| Land and land rights | 24,963,323 | 255,895 | 25,219,218 |
| Construction in progress | 9,696,714 | 1,386,938 | 11,083,652 |
| Other capital assets, net of depreciation / amortization | 128,854,717 | 109,100,543 | 237,955,260 |
| Total Assets | <u>219,287,636</u> | <u>138,466,585</u> | <u>357,754,221</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | - | 37,780 | 37,780 |
| Deferred amount related to pensions | 9,123,112 | 946,272 | 10,069,384 |
| Total Deferred Outflows of Resources | <u>9,123,112</u> | <u>984,052</u> | <u>10,107,164</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 5,433,364 | 1,142,448 | 6,575,812 |
| Deposits | 307,821 | - | 307,821 |
| Unearned revenue | 240 | 23,288 | 23,528 |
| Noncurrent Liabilities | | | |
| Due within one year | 28,287,145 | 1,467,699 | 29,754,844 |
| Due in more than one year | 105,828,370 | 20,095,648 | 125,924,018 |
| Total Liabilities | <u>139,856,940</u> | <u>22,729,083</u> | <u>162,586,023</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue | 24,455,883 | - | 24,455,883 |
| Deferred amount related to pensions | 3,656,258 | 382,972 | 4,039,230 |
| Total Deferred Inflows of Resources | <u>28,112,141</u> | <u>382,972</u> | <u>28,495,113</u> |
| NET POSITION | | | |
| Net investment in capital assets | 68,004,547 | 91,977,717 | 157,901,549 |
| Restricted for debt service | 1,446,185 | 917,621 | 2,363,806 |
| Restricted for TID activity | 1,821,391 | - | 1,821,391 |
| Restricted for impact fees | 2,592,260 | - | 2,592,260 |
| Restricted for other purposes | 2,084,107 | - | 2,084,107 |
| Unrestricted (deficit) | <u>(15,506,823)</u> | <u>23,443,244</u> | <u>10,017,136</u> |
| TOTAL NET POSITION | <u>\$ 60,441,667</u> | <u>\$ 116,338,582</u> | <u>\$ 176,780,249</u> |

See accompanying notes to financial statements.

CITY OF OAK CREEK

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals |
| Governmental Activities | | | | | | | |
| General government | \$ 8,655,933 | \$ 1,622,830 | \$ 1,500 | \$ - | \$ (7,031,603) | \$ - | \$ (7,031,603) |
| Public safety | 18,787,074 | 2,422,943 | 355,789 | 27,463 | (15,980,879) | - | (15,980,879) |
| Health and social services | 2,119,602 | 26,367 | 82,342 | - | (2,010,893) | - | (2,010,893) |
| Public works | 10,160,834 | 1,171,834 | 2,542,239 | 2,196,898 | (4,249,863) | - | (4,249,863) |
| Leisure activities | 2,232,466 | 155,600 | - | 14,200 | (2,062,666) | - | (2,062,666) |
| Conservation and development | 6,172,961 | - | - | 2,857,493 | (3,315,468) | - | (3,315,468) |
| Interest and fiscal charges | 2,938,337 | - | - | - | (2,938,337) | - | (2,938,337) |
| Total Governmental Activities | 51,067,207 | 5,399,574 | 2,981,870 | 5,096,054 | (37,589,709) | - | (37,589,709) |
| Business-type Activities | | | | | | | |
| Water utility | 7,270,093 | 10,826,732 | - | 434,408 | - | 3,991,047 | 3,991,047 |
| Sewer utility | 4,303,622 | 3,979,155 | - | 277,970 | - | (46,497) | (46,497) |
| Total Business-type Activities | 11,573,715 | 14,805,887 | - | 712,378 | - | 3,944,550 | 3,944,550 |
| Totals | \$ 62,640,922 | \$ 20,205,461 | \$ 2,981,870 | \$ 5,808,432 | (37,589,709) | 3,944,550 | (33,645,159) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 19,192,741 | | 19,192,741 |
| Property taxes, levied for debt service | | | | | 1,274,750 | | 1,274,750 |
| Property taxes, levied for tax incremental districts | | | | | 1,794,174 | | 1,794,174 |
| Other taxes | | | | | 1,036,256 | | 1,036,256 |
| Intergovernmental revenues not restricted to specific programs | | | | | 6,744,612 | | 6,744,612 |
| Investment income | | | | | 473,992 | 222,002 | 695,994 |
| Miscellaneous | | | | | 3,862,361 | 4,738 | 3,867,099 |
| Transfers | | | | | 1,663,609 | (1,663,609) | - |
| Total General Revenues and Transfers | | | | | 36,042,495 | (1,436,869) | 34,605,626 |
| Change in Net Position | | | | | (1,547,214) | 2,507,681 | 960,467 |
| NET POSITION - Beginning of Year | | | | | 61,988,881 | 113,830,901 | 175,819,782 |
| NET POSITION - END OF YEAR | | | | | \$ 60,441,667 | \$ 116,338,582 | \$ 176,780,249 |

See accompanying notes to financial statements.

CITY OF OAK CREEK

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

| | Special Reveal Fund | | Debt Service Funds | | Capital Projects Fund | | | Nonmajor Governmental Funds | Totals |
|---|----------------------|---------------------------------|---------------------|------------------------|--------------------------|---------------------------------|----------------------------------|-----------------------------|----------------------|
| | 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 | | |
| ASSETS | | | | | | | | | |
| Unrestricted cash and investments | \$ 6,043,982 | \$ 345,586 | \$ 323,025 | \$ 1,506,146 | \$ - | \$ - | \$ 4,253,726 | \$ 9,310,753 | \$ 21,783,218 |
| Restricted cash and investments | - | - | - | - | - | - | - | 2,658,840 | 2,658,840 |
| Receivables | | | | | | | | | |
| Taxes | 13,553,226 | 3,788,857 | 850,000 | - | - | 627,954 | 1,582,352 | 4,650,655 | 25,053,044 |
| Delinquent personal property taxes | 12,569 | - | - | - | - | - | - | - | 12,569 |
| Accounts, net | 469,185 | 180,548 | - | - | 106,415 | 595 | 1,223,807 | 287,620 | 2,268,170 |
| Special assessments | - | - | - | - | - | - | - | 505,255 | 505,255 |
| Loans | - | - | - | - | - | - | - | 6,503 | 6,503 |
| Due from other funds | 3,362,459 | - | - | - | - | - | - | 314,900 | 3,677,359 |
| Inventories | 64,661 | - | - | - | - | - | - | - | 64,661 |
| TOTAL ASSETS | \$ 23,506,082 | \$ 4,314,991 | \$ 1,173,025 | \$ 1,506,146 | \$ 106,415 | \$ 628,549 | \$ 7,059,885 | \$ 17,734,526 | \$ 56,029,619 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ 424,668 | \$ 24,477 | \$ - | \$ - | \$ 1,155,258 | \$ - | \$ 729,731 | \$ 449,746 | \$ 2,783,880 |
| Accrued liabilities | 1,190,428 | 145,042 | - | - | 170,139 | - | - | 87,562 | 1,593,171 |
| Deposits | 117,073 | - | - | - | - | - | - | 190,748 | 307,821 |
| Due to other funds | 445,381 | - | - | - | 412,827 | 1,243,149 | - | 726,027 | 2,827,384 |
| Unearned revenues | 240 | - | - | - | - | - | - | - | 240 |
| Total Liabilities | 2,177,790 | 169,519 | - | - | 1,738,224 | 1,243,149 | 729,731 | 1,454,083 | 7,512,496 |
| Deferred Inflows of Resources | | | | | | | | | |
| Unearned revenues | 13,116,162 | 3,788,857 | 850,000 | - | - | 627,954 | 1,582,352 | 4,490,558 | 24,455,883 |
| Unavailable revenues | - | 7,085 | - | - | - | - | 303,540 | 537,052 | 847,677 |
| Total Deferred inflows of Resources | 13,116,162 | 3,795,942 | 850,000 | - | - | 627,954 | 1,885,892 | 5,027,610 | 25,303,560 |
| Fund Balances (Deficit) | | | | | | | | | |
| Nonspendable | 1,753,084 | - | - | - | - | - | - | - | 1,753,084 |
| Restricted | - | - | 323,025 | 1,506,146 | - | - | 4,444,262 | 7,919,973 | 14,193,406 |
| Committed | - | 349,530 | - | - | - | - | - | 3,379,669 | 3,729,199 |
| Assigned | 1,663,609 | - | - | - | - | - | - | - | 1,663,609 |
| Unassigned (Deficit) | 4,795,437 | - | - | - | (1,631,809) | (1,242,554) | - | (46,809) | 1,874,265 |
| Total Fund Balances | 8,212,130 | 349,530 | 323,025 | 1,506,146 | (1,631,809) | (1,242,554) | 4,444,262 | 11,252,833 | 23,213,563 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS) | \$ 23,506,082 | \$ 4,314,991 | \$ 1,173,025 | \$ 1,506,146 | \$ 106,415 | \$ 628,549 | \$ 7,059,885 | \$ 17,734,526 | \$ 56,029,619 |

CITY OF OAK CREEK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2017

| | |
|--|-----------------------------|
| Fund balance - total governmental funds | \$ 23,213,563 |
| 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 | 24,963,323 |
| Construction in progress | 9,696,714 |
| Other capital assets, net of depreciation | 128,854,717 |
| 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 | 376,422 |
| Accounts | 464,752 |
| Loans | 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. | 2,171,520 |
| The net pension liability does not relate to current financial resources and is not reported in the governmental funds. | (1,164,294) |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 9,123,112 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (3,656,258) |
| 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 | (101,850,000) |
| Unamortized debt premium | (1,333,199) |
| Other postemployment benefits | (28,375,067) |
| Vested compensated absences | (1,392,955) |
| Accrued interest | <u>(657,186)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 60,441,667</u> |

CITY OF OAK CREEK

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

| | Special Revenue Fund | | Debt Service Funds | | Capital Projects Fund | | | Nonmajor Governmental Funds | Totals |
|--|----------------------|---------------------------------|--------------------|------------------------|--------------------------|---------------------------------|----------------------------------|-----------------------------|----------------------|
| | 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 | | |
| REVENUES | | | | | | | | | |
| Taxes | \$ 13,632,350 | \$ 3,602,939 | \$ 850,000 | \$ - | \$ - | \$ 578,814 | \$ 666,863 | \$ 3,966,955 | \$ 23,297,921 |
| Intergovernmental | 5,714,573 | 154,941 | - | 3,148,295 | 760,875 | 11,696 | 822,167 | 574,472 | 11,187,019 |
| Regulation and compliance | 2,054,626 | - | - | - | - | - | - | - | 2,054,626 |
| Public charges for services | 334,464 | 1,125,373 | - | - | - | - | - | 1,884,686 | 3,344,523 |
| Special assessments/developer contributions | - | - | - | - | - | - | - | 319,822 | 319,822 |
| Investment income | 183,922 | 2,810 | 32,512 | 13,527 | 6,220 | - | 42,054 | 82,329 | 363,374 |
| Miscellaneous | 188,264 | - | - | - | 1,315,096 | 21,625 | 774,037 | 3,816,535 | 6,115,557 |
| Interfund charges for services | 329,401 | - | - | - | - | - | - | - | 329,401 |
| Total Revenues | 22,437,600 | 4,886,063 | 882,512 | 3,161,822 | 2,082,191 | 612,135 | 2,305,121 | 10,644,799 | 47,012,243 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| General government | 6,431,888 | - | - | - | - | - | - | 361,375 | 6,793,263 |
| Public safety | 10,386,204 | 4,859,595 | - | - | - | - | - | 1,240,658 | 16,486,457 |
| Health and social services | 501,377 | - | - | - | - | - | - | 1,553,318 | 2,054,695 |
| Public works | 3,493,477 | - | - | - | - | - | 4,685 | 2,029,239 | 5,527,401 |
| Leisure activities | 1,878,051 | - | - | - | - | - | - | 152,622 | 2,030,673 |
| Conservation and development | - | - | - | - | - | 369 | 4,585,134 | 530,662 | 5,116,165 |
| Capital Outlay | - | - | - | - | 10,720,181 | 235,516 | 2,015,525 | 2,884,406 | 15,855,628 |
| Debt Service | | | | | | | | | |
| Principal retirement | - | - | 3,080,000 | - | - | - | 2,950,000 | - | 6,030,000 |
| Interest and fiscal charges | - | - | 1,472,980 | - | - | 225,391 | 974,720 | 121,119 | 2,794,210 |
| Total Expenditures | 22,690,997 | 4,859,595 | 4,552,980 | - | 10,720,181 | 461,276 | 10,530,064 | 8,873,399 | 62,688,492 |
| Excess (deficiency) of revenues over expenditures | (253,397) | 26,468 | (3,670,468) | 3,161,822 | (8,637,990) | 150,859 | (8,224,943) | 1,771,400 | (15,676,249) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Long-term debt issued | - | - | - | - | - | - | 7,650,000 | - | 7,650,000 |
| Refunding debt issued | - | - | - | - | - | - | 2,900,000 | - | 2,900,000 |
| Premium on debt | - | - | - | - | - | - | 2,208 | - | 2,208 |
| Sale of property | 27,686 | - | - | - | 35,323 | - | - | - | 63,009 |
| Transfers in | 1,663,609 | - | 6,705,469 | - | 8,540,212 | - | - | 2,138,375 | 19,047,665 |
| Transfers out | (923,956) | - | (2,624,492) | (7,000,000) | - | - | - | (6,835,608) | (17,384,056) |
| Total Other Financing Sources (Uses) | 767,339 | - | 4,080,977 | (7,000,000) | 8,575,535 | - | 10,552,208 | (4,697,233) | 12,278,826 |
| Net Change in Fund Balance | 513,942 | 26,468 | 410,509 | (3,838,178) | (62,455) | 150,859 | 2,327,265 | (2,925,833) | (3,397,423) |
| FUND BALANCES (Deficit) - Beginning 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 |
| FUND BALANCES (Deficit) - END OF YEAR | \$ 8,212,130 | \$ 349,530 | \$ 323,025 | \$ 1,506,146 | \$ (1,631,809) | \$ (1,242,554) | \$ 4,444,262 | \$ 11,252,833 | \$ 23,213,563 |

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, 2017

| | |
|--|----------------|
| Net change in fund balances - total governmental funds | \$ (3,397,423) |
|--|----------------|

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 | 15,855,628 |
| Some items capitalized were not reported as capital outlay | 243,529 |
| Some amounts reported as capital outlay were not capitalized | (2,898,009) |
| Depreciation is reported in the government-wide statements | (5,038,214) |
| Net book value of disposed assets | (35,867) |
| Some items previously shown as construction in progress were expensed | 95,691 |

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 | (185,156) |
| Accounts | 50,979 |

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 | 6,030,000 |
| Debt proceeds | (10,550,000) |

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 | (2,208) |
| Amortization of debt premium on debt issued | 105,640 |

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

| | |
|--|---------|
| | 461,722 |
|--|---------|

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 | (608,453) |
| Vest compensated absences | (25,067) |
| Accrued interest on debt | (144,127) |
| Net pension liability | 1,156,996 |
| Deferred outflows related to pensions | (3,891,732) |
| Deferred inflows related to pensions | 1,228,857 |

| | |
|--|-----------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ (1,547,214) |
|--|-----------------------|

See accompanying notes to financial statements.

CITY OF OAK CREEK

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

| | <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|--|--|-------------------|--------------------|---|
| | <u>Water</u> | <u>Sewer</u> | <u>Totals</u> | <u>Activities -</u> <u>Internal</u> <u>Service Fund</u> |
| | <u>Utility</u> | <u>Utility</u> | | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 16,941,953 | \$ 7,773,305 | \$ 24,715,258 | \$ 2,418,372 |
| Customer accounts receivable | 2,040,912 | 864,965 | 2,905,877 | - |
| Other accounts receivable | 26,732 | 1,135 | 27,867 | 38,325 |
| Due from other funds | 378,415 | 352,758 | 731,173 | 159,352 |
| Inventories | 80,735 | - | 80,735 | - |
| Restricted assets | | | | |
| Revenue bond redemption account | 91,309 | - | 91,309 | - |
| Total Current Assets | <u>19,560,056</u> | <u>8,992,163</u> | <u>28,552,219</u> | <u>2,616,049</u> |
| Noncurrent Assets | | | | |
| Restricted Assets | | | | |
| Revenue bond reserve account | 850,954 | - | 850,954 | - |
| Capital Assets | | | | |
| Land and land rights | 242,750 | 13,145 | 255,895 | - |
| Construction in progress | 1,375,093 | 11,845 | 1,386,938 | - |
| Utility plant in service | 114,652,374 | 44,602,507 | 159,254,881 | - |
| Accumulated depreciation | (38,405,731) | (11,748,607) | (50,154,338) | - |
| Total Capital Assets | <u>77,864,486</u> | <u>32,878,890</u> | <u>110,743,376</u> | <u>-</u> |
| Other Assets | | | | |
| Property held for future use | 5,000 | - | 5,000 | - |
| Due from other funds - special assessments | 188,989 | 45,381 | 234,370 | - |
| Due from other funds - advance | - | 2,216,084 | 2,216,084 | - |
| Total Other Assets | <u>193,989</u> | <u>2,261,465</u> | <u>2,455,454</u> | <u>-</u> |
| Total Assets | <u>98,469,485</u> | <u>44,132,518</u> | <u>142,602,003</u> | <u>2,616,049</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 37,780 | - | 37,780 | - |
| Deferred outflows related to pension | 757,013 | 189,259 | 946,272 | - |
| Total Deferred Outflows of Resources | <u>794,793</u> | <u>189,259</u> | <u>984,052</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>99,264,278</u> | <u>44,321,777</u> | <u>143,586,055</u> | <u>2,616,049</u> |

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|---|--|--------------------------|-----------------------|---|
| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Totals</u> | <u>Activities - Internal Service Fund</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 301,730 | \$ 646,339 | \$ 948,069 | \$ 399,720 |
| Accrued payroll | 79,328 | 6,734 | 86,062 | - |
| Accrued interest payable | 39,966 | - | 39,966 | - |
| Due to other funds | 1,809,721 | 37,355 | 1,847,076 | - |
| Due to other funds - Advance | 117,067 | - | 117,067 | - |
| Unearned revenue | 23,288 | - | 23,288 | - |
| Compensated absences | 43,709 | - | 43,709 | - |
| Revenue bonds payable | 667,699 | - | 667,699 | - |
| Liabilities Payable From Restricted Assets | | | | |
| Accrued interest | 24,642 | - | 24,642 | - |
| Current portion of revenue bonds | 800,000 | - | 800,000 | - |
| Total Current Liabilities | <u>3,907,150</u> | <u>690,428</u> | <u>4,597,578</u> | <u>399,720</u> |
| Noncurrent Liabilities | | | | |
| Net other postemployment benefits obligation | 887,970 | 221,993 | 1,109,963 | - |
| Due to other funds - Advance | 2,216,084 | - | 2,216,084 | - |
| Net pension liability | 96,060 | 24,015 | 120,075 | - |
| Pollution remediation obligation | 1,589,204 | - | 1,589,204 | - |
| Revenue bonds, net of unamortized premiums | <u>17,276,406</u> | <u>-</u> | <u>17,276,406</u> | <u>-</u> |
| Total Noncurrent Liabilities | <u>22,065,724</u> | <u>246,008</u> | <u>22,311,732</u> | <u>-</u> |
| Total Liabilities | <u>25,972,874</u> | <u>936,436</u> | <u>26,909,310</u> | <u>399,720</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pension | <u>306,377</u> | <u>76,595</u> | <u>382,972</u> | <u>-</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>26,279,251</u> | <u>1,013,031</u> | <u>27,292,282</u> | <u>399,720</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 59,105,099 | 32,872,618 | 91,977,717 | - |
| Restricted | | | | |
| Debt service | 917,621 | - | 917,621 | - |
| Unrestricted | <u>12,962,307</u> | <u>10,436,128</u> | <u>23,398,435</u> | <u>2,216,329</u> |
| TOTAL NET POSITION | <u>\$ 72,985,027</u> | <u>\$ 43,308,746</u> | 116,293,773 | <u>\$ 2,216,329</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | |
| | | | <u>44,809</u> | |
| Net Position of Business-type Activities | | | <u>\$ 116,338,582</u> | |

See accompanying notes to financial statements.

CITY OF OAK CREEK

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

For the Year Ended December 31, 2017

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|---|----------------------|---------------------|--|
| | Water Utility | Sewer Utility | Totals | Activities - Internal Service Fund |
| OPERATING REVENUES | | | | |
| Charges for services and sales | \$ 10,302,602 | \$ 3,926,957 | \$ 14,229,559 | \$ - |
| Other operating revenues | 524,130 | 52,198 | 576,328 | 6,355,257 |
| Total Operating Revenues | <u>10,826,732</u> | <u>3,979,155</u> | <u>14,805,887</u> | <u>6,355,257</u> |
| OPERATING EXPENSES | | | | |
| Operation and maintenance | 4,109,730 | 3,716,310 | 7,826,040 | 5,893,773 |
| Depreciation | 2,497,439 | 541,553 | 3,038,992 | - |
| Taxes | 118,944 | 45,759 | 164,703 | - |
| Total Operating Expenses | <u>6,726,113</u> | <u>4,303,622</u> | <u>11,029,735</u> | <u>5,893,773</u> |
| Operating Income (Loss) | <u>4,100,619</u> | <u>(324,467)</u> | <u>3,776,152</u> | <u>461,484</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 146,151 | 75,851 | 222,002 | 4,976 |
| Income from merchandising and jobbing | 4,553 | - | 4,553 | - |
| Interest expense | (543,340) | - | (543,340) | - |
| Loss on capital asset retirements | (260,288) | - | (260,288) | - |
| Amortization of bond premiums | (5,193) | - | (5,193) | - |
| Total Nonoperating Revenues (Expenses) | <u>(658,117)</u> | <u>75,851</u> | <u>(582,266)</u> | <u>4,976</u> |
| Income (Loss) Before Contributions and Transfers | <u>3,442,502</u> | <u>(248,616)</u> | <u>3,193,886</u> | <u>466,460</u> |
| CAPITAL CONTRIBUTIONS | 694,696 | 277,970 | 972,666 | - |
| TRANSFERS OUT | <u>(1,663,609)</u> | <u>-</u> | <u>(1,663,609)</u> | <u>-</u> |
| Change in Net Position | <u>2,473,589</u> | <u>29,354</u> | <u>2,502,943</u> | <u>466,460</u> |
| NET POSITION - Beginning of Year | <u>70,511,438</u> | <u>43,279,392</u> | | <u>1,749,869</u> |
| NET POSITION - END OF YEAR | <u>\$ 72,985,027</u> | <u>\$ 43,308,746</u> | | <u>\$ 2,216,329</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | <u>4,738</u> | |
| Change in Net Position of Business-Type Activities | | | <u>\$ 2,507,681</u> | |

See accompanying notes to financial statements.

CITY OF OAK CREEK

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

| | Business-type Activities - Enterprise Funds | | | Governmental |
|--|---|---------------------|----------------------|--|
| | Water Utility | Sewer Utility | Totals | Activities - Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Received from customers | \$ 10,423,967 | \$ 3,989,644 | \$ 14,413,611 | \$ 6,286,134 |
| Received from rents of water property | 288,929 | - | 288,929 | - |
| Received from nonoperating activities | 1,056 | - | 1,056 | - |
| Received from miscellaneous sources | 155,981 | 5,454 | 161,435 | - |
| Paid to Milwaukee Metro Sewerage District for sewer user charges | - | (2,457,408) | (2,457,408) | - |
| Paid to suppliers for goods and services | (2,474,385) | (890,928) | (3,365,313) | (5,892,975) |
| Paid to employees for services | (1,609,807) | (433,867) | (2,043,674) | - |
| Net Cash Flows From Operating Activities | <u>6,785,741</u> | <u>212,895</u> | <u>6,998,636</u> | <u>393,159</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Paid to city for tax equivalent | (1,707,741) | - | (1,707,741) | - |
| Principal received from Water Utility - advance | - | 41,925 | 41,925 | - |
| Net Cash Flows From Noncapital Financing Activities | <u>(1,707,741)</u> | <u>41,925</u> | <u>(1,665,816)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investments purchased | (3,873,133) | (1,215,461) | (5,088,594) | - |
| Proceeds from sale of investments | 3,931,684 | 1,156,910 | 5,088,594 | - |
| Interest received from Water Utility - advance | - | 16,625 | 16,625 | - |
| Investment income | 97,172 | 45,579 | 142,751 | 4,976 |
| Net Cash Flows From Investing Activities | <u>155,723</u> | <u>3,653</u> | <u>159,376</u> | <u>4,976</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (921,129) | (221,618) | (1,142,747) | - |
| Proceeds received for acquisition and construction of capital assets | 31,931 | 19,451 | 51,382 | - |
| Special assessment proceeds | 84,192 | 18,248 | 102,440 | - |
| Proceeds from issuance of debt | 2,882,968 | - | 2,882,968 | - |
| Cost of removal | (298,095) | - | (298,095) | - |
| Connection fees received | 1,081 | 2,162 | 3,243 | - |
| Principal payment to Sewer Utility - advance | (41,925) | - | (41,925) | - |
| Debt retired | (1,965,940) | - | (1,965,940) | - |
| Interest paid to Sewer Utility - advance | (16,625) | - | (16,625) | - |
| Interest paid | (556,720) | - | (556,720) | - |
| Net Cash Flows From Capital and Related Financing Activities | <u>(800,262)</u> | <u>(181,757)</u> | <u>(982,019)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,433,461 | 76,716 | 4,510,177 | 398,135 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>7,350,222</u> | <u>5,865,623</u> | <u>13,215,845</u> | <u>2,020,237</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 11,783,683 | \$ 5,942,339 | \$ 17,726,022 | \$ 2,418,372 |

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------|----------------------|---|
| | Water Utility | Sewer Utility | Totals | Activities - Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 4,100,619 | \$ (324,467) | \$ 3,776,152 | \$ 461,484 |
| Nonoperating revenues (expenses) | 4,553 | - | 4,553 | - |
| Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities | | | | |
| Noncash items included in income | | | | |
| Depreciation | 2,497,439 | 541,553 | 3,038,992 | - |
| Depreciation charged to other accounts | 76,576 | (44,834) | 31,742 | - |
| Gain on sale of transportation equipment | (5,500) | - | (5,500) | - |
| Changes in assets and liabilities and deferred outflows and inflows | | | | |
| Customer accounts receivable | 32,910 | 2,647 | 35,557 | - |
| Other accounts receivable | (2,161) | (552) | (2,713) | 90,229 |
| Due from other funds | (20,359) | 87,570 | 67,211 | (159,352) |
| Inventories | (2,801) | - | (2,801) | - |
| Prepaid items | 1,943 | 833 | 2,776 | - |
| Pension | 132,746 | 33,184 | 165,930 | - |
| Accounts payable and accrued liabilities | 45,806 | 22,819 | 68,625 | 798 |
| Accrued expenses | 4,402 | 301 | 4,703 | - |
| Pollution remediation obligation | (1,081) | - | (1,081) | - |
| Due to other funds | (113,475) | (116,668) | (230,143) | - |
| Net other post employment benefits obligation | 42,034 | 10,509 | 52,543 | - |
| Unearned revenue | (7,910) | - | (7,910) | - |
| | | | | |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 6,785,741 | \$ 212,895 | \$ 6,998,636 | \$ 393,159 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS | | | | |
| Cash and investments | \$ 16,941,953 | \$ 7,773,305 | \$ 24,715,258 | \$ 2,418,372 |
| Restricted cash and investments - current | 91,309 | - | 91,309 | - |
| Restricted cash and investments - noncurrent | 850,954 | - | 850,954 | - |
| Less: Investments not considered to be cash and cash equivalents | (6,100,533) | (1,830,966) | (7,931,499) | - |
| | | | | |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 11,783,683 | \$ 5,942,339 | \$ 17,726,022 | \$ 2,418,372 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Interest income earned on noncash equivalents | \$ 71,774 | \$ 19,874 | \$ 91,648 | \$ - |
| Market value adjustment on investments | \$ (20,511) | \$ (5,680) | \$ (26,191) | \$ - |
| Cost of capital assets installed and/or financed by developers | \$ 670,125 | \$ 261,028 | \$ 931,153 | \$ - |
| Cost of capital assets financed by assessment of benefits to property owners | \$ 23,491 | \$ 14,780 | \$ 38,271 | \$ - |
| Gain on sale of capital assets | \$ 5,500 | \$ - | \$ 5,500 | \$ - |
| Loss on capital asset retirements | \$ 260,288 | \$ - | \$ 260,288 | \$ - |
| Interest capitalized on construction projects | \$ 35,289 | \$ - | \$ 35,289 | \$ - |

CITY OF OAK CREEK

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

| | <u>Agency Fund</u> |
|---------------------------|-----------------------------|
| ASSETS | |
| Cash and investments | \$ 36,857,408 |
| Property taxes receivable | <u>16,153,023</u> |
| | |
| TOTAL ASSETS | <u>\$ 53,010,431</u> |
| | |
| LIABILITIES | |
| Due to other taxing units | <u>\$ 53,010,431</u> |

See accompanying notes to financial statements.

CITY OF OAK CREEK

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

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CITY OF OAK CREEK

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the City 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

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, 2017

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, 2017

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, 2017

NOTE I – 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
TIF No. 13 Capital Projects Fund

In addition, the city reports the following fund types:

Internal service fund 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 fund 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, 2017

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 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, 2017

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, 2017

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 or complete Form ADV Part 2A, Part 2B and the IARD/CRD/SEC number that pertains to the public depository.

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.

CITY OF OAK CREEK

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

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.)

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.

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

See Note III.A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district, 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, 2017

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 – 2017 tax roll:

| | |
|---|------------------|
| Lien date and levy date | December 2017 |
| Tax bills mailed | December 2017 |
| Payment in full, or | January 31, 2018 |
| First installment due (50%) | January 31, 2018 |
| Second installment due (25%) | March 31, 2018 |
| Third installment due (25%) | May 31, 2018 |
| Personal property taxes in full | January 31, 2018 |
| Tax sale – 2017 delinquent real estate taxes | October 2020 |

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. This activity is accounted for in the Low Income Loan Fund.

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, 2017

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

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.

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 acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. Interest of \$35,289 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, 2017

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 proprietary fund financial statements.

CITY OF OAK CREEK

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

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, 2017 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 straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF OAK CREEK

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

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 issues:

| Name | Date | Original Principal Amount | Maturity | Principal Amount Outstanding at 12-31-17 |
|---------------------------------|----------|---------------------------------|----------|---|
| Suzy's Cheesecakes | 02/21/14 | \$ 2,200,000 | 02/1/44 | \$ 1,978,861 |
| Marquette13 LLC and Tower13 LLC | 12/29/17 | 6,300,000 | 12/1/37 | 6,300,000 |
| | | | | <u>\$ 8,278,861</u> |

9. Pollution Remediation Obligations

As of December 31, 2017, 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 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, 2017, the obligation was \$1,589,204 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, 2017

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 | \$ 68,004,547 | \$ 91,977,717 | \$ (2,080,715) | \$ 157,901,549 |
| Unrestricted (deficit) | (15,506,823) | 23,443,244 | 2,080,715 | 10,017,136 |

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, 2017

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 \$21,578,830 and the state shared revenue was \$5,266,417, for a total of \$26,845,247. At year end, amounts available for working capital and included in unassigned general fund balance totaled \$4,795,437, or 17.86%.

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, 2017

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. *BUDGETARY INFORMATION*

A budget has been adopted for the following funds in accordance with Wisconsin Statute 65.90.

- General Fund
- Special Revenue Funds
 - Emergency Medical Services Fund
 - Solid Waste Funds
 - Donation and Activity Fund
 - WE Energies Fund
 - Low Income Loan Fund
 - Park Escrow Fund
 - Special Assessment Fund
 - Economic Improvement Fund
 - Impact Fee Escrow Fund
 - Asset Forfeiture Fund
 - Storm Water Fund
 - Tourism Commission Fund
- Debt Service Funds
 - Debt Service Fund
 - Debt Amortization Fund
 - TIF No. 4 Debt Service Fund
 - TIF No. 6 Debt Service Fund
- Capital Projects Fund
 - Capital Improvement Fund
 - TIF No. 7 Capital Projects Fund
 - TIF No. 8 Capital Projects Fund
 - TIF No. 10 Capital Projects Fund
 - TIF No. 11 Capital Projects Fund
 - TIF No. 12 Capital Projects Fund

A budget has not been formally adopted for the TIF No. 13 Capital Projects Fund as of December 31, 2017.

CITY OF OAK CREEK

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATION

| <u>Fund</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess Expenditures Over Budget</u> |
|-------------------------------------|----------------------------------|--------------------------------|--|
| Special Revenue Funds | | | |
| Emergency Medical Services Fund | \$ 4,826,296 | \$ 4,859,595 | \$ 33,299 |
| Solid Waste Fund | 1,346,892 | 1,356,630 | 9,738 |
| We Energies Fund | 1,105,793 | 1,193,442 | 87,649 |
| Storm Sewer Fund | 656,595 | 672,609 | 16,014 |
| Impact Fee Escrow Fund | - | 6,016 | 6,016 |
| Donation and Activity Fund | - | 329,856 | 329,856 |
| Consolidated Dispatch Services Fund | 1,458,355 | 1,479,556 | 21,201 |
| Debt Service Funds | | | |
| TIF No. 6 Debt Service Fund | 25,150 | 27,540 | 2,390 |
| Capital Projects Funds | | | |
| Capital Improvement Fund | 4,943,047 | 10,720,181 | 5,777,134 |
| Developer Improvement Fund | - | 59,506 | 59,506 |
| TIF No. 7 Capital Project Fund | 362,621 | 377,073 | 14,452 |
| TIF No. 11 Capital Project Fund | 9,411,175 | 10,530,064 | 1,118,889 |
| TIF No. 12 Capital Project Fund | 2,160,933 | 2,584,945 | 424,012 |

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, 2017

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

C. DEFICIT BALANCES

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

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

| Fund | Amount | Reason |
|----------------------------------|-----------|--------------------------------------|
| Debt Service Fund | | |
| TIF No. 4 Debt Service Fund | \$ 373 | Excess of expenditures over revenues |
| Capital Project Fund | | |
| Capital Improvement Fund | 1,631,809 | Excess of expenditures over revenues |
| TIF No. 8 Capital Projects Fund | 1,242,554 | Excess of expenditures over revenues |
| Developer Agreements Fund | 15,968 | Excess of expenditures over revenues |
| TIF No. 13 Capital Projects Fund | 30,468 | Excess of expenditures over revenues |

The Capital Improvement Fund deficit is anticipated to be funded with future borrowings. 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.

D. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF OAK CREEK

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

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 | \$ 18,857,062 | \$ 17,922,608 | Custodial credit |
| Certificates of deposit - negotiable | 2,892,170 | 2,892,170 | Credit, interest rate, concentration of credit, highly sensitive to interest rate changes |
| Certificates of deposit – non-negotiable | 125,060 | 125,060 | Custodial credit |
| U.S. treasuries | 8,824,157 | 8,824,157 | Custodial credit, interest rate, Highly sensitive to interest rate changes |
| U.S. agencies | 997,108 | 997,108 | Credit, custodial credit, interest rate, highly sensitive to interest rate changes, concentration of credit |
| Asset backed securities | 6,559,960 | 6,559,960 | Credit, custodial credit, interest rate, concentration of credit |
| Corporate bonds | 5,005,118 | 5,005,118 | Credit, custodial credit, interest rate, concentration of credit |
| Local Government Investment Pool | 46,108,596 | 46,108,596 | Credit |
| Petty cash | 6,130 | - | N/A |
| Total Cash and Investments | <u>\$ 89,375,361</u> | <u>\$ 88,434,777</u> | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 48,916,850 | | |
| Restricted cash and investments | 3,601,103 | | |
| Per statement of assets and liabilities – | | | |
| Agency Fund | <u>36,857,408</u> | | |
| Total Cash and Investments | <u>\$ 89,375,361</u> | | |

CITY OF OAK CREEK

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

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, 2017 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 |

CITY OF OAK CREEK

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

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

Local Government Investment Pool
Certificates of deposit – negotiable

Concentration of Credit Risk

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

At December 31, 2017, the investment portfolio 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, 2017, 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 | \$ 8,824,157 | \$ 4,193,997 | \$ 4,630,160 | \$ - |
| U.S. agencies | 997,108 | - | 997,108 | - |
| Asset backed securities | 6,559,960 | 214,609 | 1,794,713 | 4,550,638 |
| Certificates of deposit - negotiable | 2,892,170 | 2,842,244 | 49,926 | - |
| Corporate bonds | 5,005,118 | 1,417,093 | 3,588,025 | - |
| Totals | \$ 24,278,513 | \$ 8,667,943 | \$ 11,059,932 | \$ 4,550,638 |

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.

CITY OF OAK CREEK

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

The City's investments are categorized are as follows:

| Investment Type | December 31, 2017 | | | |
|-------------------------------------|-------------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| U.S. treasuries | \$ - | \$ 8,824,157 | \$ - | \$ 8,824,157 |
| U.S. agencies | - | 997,108 | - | 997,108 |
| Asset backed securities | - | 6,559,960 | - | 6,559,960 |
| Certificate of deposit - negotiable | - | 2,892,170 | - | 2,892,170 |
| Corporate bonds | - | 5,005,118 | - | 5,005,118 |
| Total | \$ - | \$ 24,278,513 | \$ - | \$ 24,278,513 |

Investments Highly Sensitive to Interest Rate Changes Risk

At December 31, 2017, the City held \$2,892,170, \$8,824,157, and \$997,108 in negotiable certificates of deposits, U.S. treasuries, and U.S. agencies, respectively. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the values will be to a change in interest rates. The longest time to maturity on any holdings is 3 years, maturing October 31, 2021.

CITY OF OAK CREEK

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

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

B. RECEIVABLES

Receivables as of year end for the 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 | \$ 14,034,980 | \$ 12,569 | |
| Emergency Medical Services Fund | 3,969,405 | - | |
| Debt Service Fund | 850,000 | - | |
| Capital Improvement Fund | 106,415 | - | |
| TIF No. 8 Capital Projects Fund | 628,549 | - | |
| TIF No. 11 Capital Projects Fund | 2,806,159 | - | |
| Nonmajor Governmental Funds | 5,450,033 | 351,662 | |
| Total | \$ 27,845,541 | \$ 364,231 | |

Revenues of the city are reported net of uncollectible amounts. Accounts receivable in the Emergency Medical Services Fund have been adjusted by \$202,611 for an allowance for uncollectible accounts. No other allowance is necessary at year-end.

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

| | <u>Unearned</u> | <u>Unavailable</u> | |
|--|----------------------|--------------------|--|
| Property taxes and special charges receivable for subsequent year | \$ 24,455,883 | \$ - | |
| Accounts receivable not collected | 240 | 464,752 | |
| Special assessments not yet due | - | 376,422 | |
| Loans receivable not collected | - | 6,503 | |
| | | | |
| Total Unearned/Unavailable Revenue for Governmental Funds | <u>\$ 24,456,123</u> | <u>\$ 847,677</u> | |
| | | | |
| Unearned revenue included in liabilities | \$ 240 | | |
| Unearned revenue included in deferred inflows | <u>24,455,883</u> | | |
| | | | |
| Total Unearned Revenue for Governmental Funds | <u>\$ 24,456,123</u> | | |

CITY OF OAK CREEK

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

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, 2017:

| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> |
|--------------------------|------------------------------------|--|-------------------------|
| Redemption account | \$ - | \$ 91,309 | \$ 91,309 |
| Reserve account | - | 850,954 | 850,954 |
| Impact fee account | 2,592,260 | - | 2,592,260 |
| Asset forfeiture account | <u>66,580</u> | <u>-</u> | <u>66,580</u> |
| Total | <u>\$ 2,658,840</u> | <u>\$ 942,263</u> | <u>\$ 3,601,103</u> |

CITY OF OAK CREEK

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

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

D. CAPITAL ASSETS

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------|------------|-------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 24,963,323 | \$ - | \$ - | \$ 24,963,323 |
| Construction in progress | 360,593 | 9,696,714 | 360,593 | 9,696,714 |
| Total Capital Assets Not Being Depreciated | 25,323,916 | 9,696,714 | 360,593 | 34,660,037 |
| Capital assets being depreciated | | | | |
| Land improvements | 2,079,302 | - | 91,289 | 1,988,013 |
| Buildings | 44,252,833 | 279,838 | - | 44,532,671 |
| Intangible Asset – Easements | 5,400 | - | - | 5,400 |
| Machinery and equipment | 20,718,356 | 1,579,423 | 992,550 | 21,305,229 |
| Bridges | 286,370 | - | - | 286,370 |
| Roads | 74,596,728 | 1,711,198 | 257,270 | 76,050,656 |
| Sidewalks | 4,531,996 | 38,186 | - | 4,570,182 |
| Street lighting | 7,018,715 | 107,280 | - | 7,125,995 |
| Storm sewers | 25,489,908 | 244,793 | - | 25,734,701 |
| Total Capital Assets Being Depreciated | 178,979,608 | 3,960,718 | 1,341,109 | 181,599,217 |
| Less: Accumulated depreciation for | | | | |
| Land improvements | (1,052,958) | (134,460) | 84,304 | (1,103,114) |
| Buildings | (6,983,616) | (1,195,142) | (88,068) | (8,266,826) |
| Intangible Asset – Easements | (5,400) | - | - | (5,400) |
| Machinery and equipment | (12,527,987) | (1,706,247) | 1,155,471 | (13,078,763) |
| Bridges | (31,504) | (2,864) | - | (34,368) |
| Roads | (11,363,192) | (1,174,778) | 153,535 | (12,384,435) |
| Sidewalks | (2,304,571) | (71,482) | - | (2,376,053) |
| Street lighting | (3,490,133) | (270,986) | - | (3,761,119) |
| Storm sewers | (11,252,167) | (482,255) | - | (11,734,422) |
| Total Accumulated Depreciation | (49,011,528) | (5,038,214) | 1,305,242 | (52,744,500) |
| Net Capital Assets Being Depreciated | 129,968,080 | (1,077,496) | 35,867 | 128,854,717 |
| Total Governmental Activities Assets, Net of Accumulated Depreciation | \$ 155,291,996 | \$ 8,619,218 | \$ 396,460 | \$ 163,514,754 |

CITY OF OAK CREEK

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

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

| | |
|--|--------------------------------|
| General government | \$ 978,286 |
| Public safety | 1,164,388 |
| Health and social services | 1,100 |
| Public works | 2,606,998 |
| Leisure activities | <u>287,442</u> |
| Total Governmental Activities Depreciation Expense | <u><u>\$ 5,038,214</u></u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|---------------------|---------------------------|
| <u>Water</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 255,324 | \$ - | \$ 12,574 | \$ 242,750 |
| Construction in progress | <u>1,067,872</u> | <u>1,412,283</u> | <u>1,105,062</u> | <u>1,375,093</u> |
| Total Capital Assets Not Being Depreciated | <u>1,323,196</u> | <u>1,412,283</u> | <u>1,117,636</u> | <u>1,617,843</u> |
| Capital assets being depreciated | | | | |
| Source of supply | 7,206,417 | - | 149,842 | 7,056,575 |
| Pumping | 8,993,692 | - | 120,581 | 8,873,111 |
| Treatment | 24,947,029 | - | - | 24,947,029 |
| Transmission and distribution | 67,802,597 | 1,229,973 | 121,077 | 68,911,493 |
| General | <u>4,877,528</u> | <u>28,887</u> | <u>42,249</u> | <u>4,864,166</u> |
| Total Capital Assets Being Depreciated | <u>113,827,263</u> | <u>1,258,860</u> | <u>433,749</u> | <u>114,652,374</u> |
| Total Capital Assets | <u>115,150,459</u> | <u>2,671,143</u> | <u>1,551,385</u> | <u>116,270,217</u> |
| Less: Accumulated depreciation for | | | | |
| Source of supply | (2,300,983) | (226,224) | 149,842 | (2,377,365) |
| Pumping | (4,396,575) | (247,815) | 120,581 | (4,523,809) |
| Treatment | (10,294,637) | (811,087) | - | (11,105,724) |
| Transmission and distribution | (16,357,467) | (1,102,379) | 121,077 | (17,338,769) |
| General | <u>(2,966,184)</u> | <u>(136,129)</u> | <u>42,249</u> | <u>(3,060,064)</u> |
| Total Accumulated Depreciation | <u>(36,315,846)</u> | <u>(2,523,634)</u> | <u>433,749</u> | <u>(38,405,731)</u> |
| Net Water Plant | <u>\$ 78,834,613</u> | <u>\$ 147,509</u> | <u>\$ 1,117,636</u> | <u>\$ 77,864,486</u> |

CITY OF OAK CREEK

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

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

D. CAPITAL ASSETS (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|------------|--------------|-------------------|
| Sewer | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 13,145 | \$ - | \$ - | \$ 13,145 |
| Construction in progress | 13,050 | 449,147 | 450,352 | 11,845 |
| Total Capital Assets Not Being Depreciated | 26,195 | 449,147 | 450,352 | 24,990 |
| Capital assets being depreciated | | | | |
| Collection system | 43,316,728 | 448,013 | 15,774 | 43,748,967 |
| Collection system pumping | 242,170 | - | - | 242,170 |
| General | 618,217 | 2,339 | 9,186 | 611,370 |
| Total Capital Assets Being Depreciated | 44,177,115 | 450,352 | 24,960 | 44,602,507 |
| Total Capital Assets | 44,203,310 | 899,499 | 475,312 | 44,627,497 |
| Less: Accumulated depreciation for | | | | |
| Collection system | (10,682,158) | (452,344) | 15,774 | (11,118,728) |
| Collection system pumping | (237,788) | (2,011) | - | (239,799) |
| General | (356,902) | (42,364) | 9,186 | (390,080) |
| Total Accumulated Depreciation | (11,276,848) | (496,719) | 24,960 | (11,748,607) |
| Net Sewer Plant | \$ 32,926,462 | \$ 402,780 | \$ 450,352 | \$ 32,878,890 |
| Business-type Capital Assets, Net of Depreciation | \$ 111,761,075 | \$ 550,289 | \$ 1,567,988 | \$ 110,743,376 |

Depreciation expense was charged to functions as follows:

Business-type Activities

| | |
|--|------------------|
| Water | \$ 2,497,439 |
| Sewer | 541,553 |
| Total Business-type Activities Depreciation Expense | \$ 3,038,992 |

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, 2017

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 | \$ 1,681,121 | \$ - |
| General fund | Sewer utility | 5,484 | - |
| General fund | Capital projects fund – TIF #8 capital projects fund | 1,243,149 | 1,243,149 |
| General fund | Special revenue fund - Consolidated dispatch services | 34,828 | 34,828 |
| General fund | Capital projects fund – Capital improvement fund | 366,857 | 366,857 |
| General fund | Capital projects fund – TIF #13 capital projects fund | 29,454 | 29,454 |
| General fund | Capital projects fund – Developer agreement fund | 1,194 | 1,194 |
| General fund | Debt service fund – TIF #4 debt service fund | 372 | 372 |
| Special revenue fund – Economic development fund | Capital projects fund – TIF #7 capital projects fund | 314,900 | 314,900 |
| Water utility | General fund | 265,978 | - |
| Water utility | Capital projects fund – Capital improvement fund | 22,237 | - |
| Sewer utility | General fund | 178,698 | - |
| Sewer utility | Storm water fund | 2,101 | - |
| Sewer utility | Capital projects fund – Capital improvement fund | 23,733 | - |
| Water utility | Special revenue fund – Special assessment fund | 279,189 | 188,989 |
| Sewer utility | Special revenue fund – Special assessment fund | 75,139 | 45,381 |
| Sewer utility | Water utility | 118,467 | 117,067 |
| Internal service fund – Health Insurance | Water utility | 127,482 | - |
| Internal service fund – Health Insurance | Sewer utility | 31,870 | - |
| | Total – Fund Financial Statements | 4,802,253 | |
| | Less: Fund eliminations | (2,109,221) | |
| | Government-wide eliminations | (1,739,241) | |
| | Total Internal Balances – Government-Wide Statement of Net Position | <u>\$ 953,791</u> | |

CITY OF OAK CREEK

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

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

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

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.

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 | \$ 1,663,609 | Tax equivalent |
| Special revenue fund – Donation and activity fund | General fund | 109,165 | Performance pay funding |
| Debt service fund | Debt service fund – Debt amortization fund | 6,346,563 | Finance debt service requirements |
| Debt service fund | Special revenue fund – Impact fee escrow fund | 358,906 | Finance debt service requirements |
| Capital projects fund – Capital improvements fund | General fund | 789,669 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – Impact fee escrow fund | 371,725 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – WE energies fund | 1,000,000 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – Special assessment fund | 130,423 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Debt service fund | 2,624,492 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Debt service fund – Debt amortization fund | 653,437 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – Park escrow | 242,168 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – Storm water fund | 325,000 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Capital projects fund – TIF #13 capital projects fund | 1,816,308 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Special revenue fund – Economic development fund | 80,000 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Capital projects fund – TIF #10 capital projects fund | 44,195 | Finance of capital projects |
| Capital projects fund – Capital improvements fund | Capital projects fund – TIF #12 capital projects fund | 462,795 | Finance of capital projects |

CITY OF OAK CREEK

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

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

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

| <u>Fund Transferred To</u> | <u>Fund Transferred From</u> | <u>Amount</u> | <u>Principal Purpose</u> |
|--|--|---------------------|--------------------------|
| Special revenue fund – Tourism Commission fund | Special revenue fund – Economic development fund | \$ 187,780 | Budgeting purposes |
| Capital projects fund – TIF #13 capital projects fund | Capital projects fund – TIF #6 debt service fund | 1,816,308 | Donor / Donee |
| Special revenue fund – Consolidated dispatch services fund | General fund | <u>25,122</u> | Budgeting purposes |
| Subtotal – Fund financial statements | | 19,047,665 | |
| Less: Fund eliminations | | <u>(17,384,056)</u> | |
| Total – Government-Wide Statement of Activities | | <u>\$ 1,663,609</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.

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, 2017, the Commission approved 1.46% 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> |
|--------------|---------------------|-----------------|
| 2018 | \$ 117,067 | \$ 34,064 |
| 2019 | 117,465 | 32,355 |
| 2020 | 117,865 | 30,640 |
| 2021 | 193,265 | 28,919 |
| 2022 | 218,923 | 26,097 |
| 2023– 2027 | 1,306,424 | 79,767 |
| 2028 | <u>262,142</u> | <u>3,827</u> |
| Totals | <u>\$ 2,333,151</u> | <u>235,669</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, 2017

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

F. LONG-TERM OBLIGATIONS

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|-----------------------|----------------------|---------------------|-----------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds and Notes Payable: | | | | | |
| General obligation debt: | | | | | |
| Notes and bonds | \$ 97,330,000 | \$ 10,550,000 | \$ 6,030,000 | \$ 101,850,000 | \$ 27,675,000 |
| Add: Unamortized debt premium | 1,436,631 | 2,208 | 105,640 | 1,333,199 | 92,973 |
| Sub-Total | <u>98,766,631</u> | <u>10,552,208</u> | <u>6,135,640</u> | <u>103,183,199</u> | <u>27,767,973</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 1,367,888 | 823,145 | 798,078 | 1,392,955 | 519,172 |
| Other postemployment benefits | 27,766,614 | 2,447,453 | 1,839,000 | 28,375,067 | - |
| Net pension liability | 2,321,290 | - | 1,156,996 | 1,164,294 | - |
| Total Other Liabilities | <u>31,455,792</u> | <u>3,270,598</u> | <u>3,794,074</u> | <u>30,932,316</u> | <u>519,172</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 130,222,423</u> | <u>\$ 13,822,806</u> | <u>\$ 9,929,714</u> | <u>\$ 134,115,515</u> | <u>\$ 28,287,145</u> |
| | | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds and Notes Payable: | | | | | |
| Revenue bonds | \$ 17,803,227 | \$ 2,882,968 | \$ 1,965,940 | \$ 18,720,255 | \$ 1,454,289 |
| Add: Unamortized debt premium | 47,926 | - | 24,076 | 23,850 | 13,410 |
| Sub-Total | <u>17,851,153</u> | <u>2,882,968</u> | <u>1,990,016</u> | <u>18,744,105</u> | <u>1,467,699</u> |
| Other Liabilities | | | | | |
| Other postemployment benefits | 1,057,420 | 235,543 | 183,000 | 1,109,963 | - |
| Net pension liability | 242,200 | - | 122,125 | 120,075 | - |
| Pollution remediation obligation | 1,590,285 | 10,000 | 11,081 | 1,589,204 | - |
| Total Business-type Activities Long-Term Liabilities | <u>\$ 20,741,058</u> | <u>\$ 3,128,511</u> | <u>\$ 2,306,222</u> | <u>\$ 21,563,347</u> | <u>\$ 1,467,699</u> |

CITY OF OAK CREEK

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All 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, 2017 was \$165,916,655. Total general obligation debt outstanding at year end was \$101,850,000.

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebted- ness</u> | <u>Balance 12-31-17</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 | \$ 5,225,000 |
| 2013 refunding bonds | 4/2/13 | 4/01/32 | 2.00-3.75% | 5,825,000 | 4,975,000 |
| 2013A notes | 4/2/13 | 4/01/23 | 1.00-2.75% | 3,000,000 | 1,875,000 |
| 2013E notes | 12/30/13 | 12/01/22 | 1.00-4.00% | 10,000,000 | 8,250,000 |
| 2014B refunding bonds | 12/16/14 | 5/01/32 | 2.00-3.375% | 2,725,000 | 2,350,000 |
| 2015A refunding bonds | 1/20/15 | 6/01/34 | 2.00-4.00% | 19,650,000 | 18,275,000 |
| 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 | 17,025,000 |
| 2016D refunding bonds | 10/18/16 | 10/01/32 | 2.00-3.150% | 5,925,000 | 5,825,000 |
| 2017A notes | 7/6/17 | 10/1/20 | 3.00% | 4,900,000 | 4,900,000 |
| 2017B refunding bonds | 8/1/17 | 3/1/37 | 3.85-4.00% | 2,900,000 | <u>2,900,000</u> |
| Total Governmental Activities – General Obligation Debt | | | | | <u>\$101,850,000</u> |

CITY OF OAK CREEK

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

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

| <u>Years</u> | Governmental Activities General Obligation Debt | |
|--------------|--|---------------|
| | Principal | Interest |
| 2018 | \$ 27,675,000 | \$ 2,929,233 |
| 2019 | 8,100,000 | 2,376,945 |
| 2020 | 8,075,000 | 2,125,632 |
| 2021 | 3,375,000 | 1,949,710 |
| 2022 | 3,715,000 | 1,834,035 |
| 2023 – 2027 | 24,035,000 | 6,478,577 |
| 2028 – 2032 | 22,880,000 | 2,710,591 |
| 2033 – 2037 | 3,995,000 | 187,172 |
| Totals | \$ 101,850,000 | \$ 20,591,895 |

CITY OF OAK CREEK

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

The city has pledged future water and sewer revenues, net of specified operating expenses, to repay \$18,720,255 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 \$23,082,758. Principal and interest paid for the current year and total customer net revenues were \$2,522,660 and \$6,748,480, respectively. Future principal and interest payments are expected to require 20% of net revenues.

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

Business-type Activities Revenue Debt

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebted- ness</u> | <u>Balance 12-31-17</u> |
|--|--------------------------|---------------------------|---------------------------|--|-----------------------------|
| Water utility revenue bonds | 1/13/10 | 5/1/29 | 2.668% | \$ 791,863 | \$ 544,987 |
| Water utility revenue bonds | 3/15/11 | 12/1/31 | 2.25-5.00% | 6,500,000 | 5,700,000 |
| Water utility revenue bonds | 11/23/11 | 5/1/31 | 2.20% | 5,889,583 | 4,383,199 |
| Water utility revenue bonds | 5/22/13 | 5/1/33 | 1.925% | 2,594,795 | 2,151,835 |
| Water utility revenue bonds | 5/28/14 | 5/1/34 | 1.925% | 1,968,020 | 4,540,234 |
| Water utility revenue bonds | 11/17/15 | 1/1/20 | 2.00% | 3,850,000 | 1,400,000 |
| Total Business-type Activities Revenue Debt | | | | | <u>\$ 18,720,255</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> |
| 2018 | \$ 1,454,289 | \$ 528,684 |
| 2019 | 1,492,920 | 495,160 |
| 2020 | 1,231,836 | 459,597 |
| 2021 | 1,046,046 | 428,738 |
| 2022 | 1,060,554 | 400,077 |
| 2023 – 2027 | 5,831,307 | 1,507,322 |
| 2028 – 2032 | 5,835,127 | 529,569 |
| 2033 – 2034 | 768,176 | 13,356 |
| Totals | <u>\$ 18,720,255</u> | <u>\$ 4,362,503</u> |

CITY OF OAK CREEK

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

Current Refundings

On August 1, 2017, the city issued \$2.9 million of general obligation refunding bonds with an interest rate of 4.00% to refund \$2.75 million of outstanding 2017 general obligation promissory notes with an interest rate of 5.00% 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 have entered into operating leases with Verizon Wireless (VW), Sprint Spectrum L.P. (SSLP), Cingular Wireless (CW) 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, 2022 (SSLP), March 1, 2020 (CW), February 26, 2021 (CC), January 24, 2018 (CC), January 24, 2018 (CC) and January 31, 2028 (CW). Minimum future lease rentals are as follows:

| | | |
|-----------|----|---------|
| 2018 | \$ | 269,694 |
| 2019 | | 278,938 |
| 2020 | | 230,428 |
| 2021 | | 96,404 |
| 2022 | | 67,374 |
| 2023-2027 | | 345,536 |
| 2028 | | 6,442 |

CITY OF OAK CREEK

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

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, 2017 includes the following:

Governmental Activities

Net Investment in Capital Assets

| | |
|---|-------------------|
| Land | \$ 24,963,323 |
| Other capital assets, net of accumulated depreciation | 138,551,431 |
| Less: Related long-term debt and premium outstanding (excluding non-capital debt) | (101,102,484) |
| Add: Unspent proceeds of capital-related debt included above | 5,592,277 |
| Total Net Investment in Capital Assets | <u>68,004,547</u> |

Restricted

| | |
|--------------------------------|------------------|
| Debt service | 1,446,185 |
| TID activity | 1,821,391 |
| Impact fee escrow | 2,592,260 |
| Storm Water | 130,449 |
| Donation and activity | 1,846,486 |
| Asset forfeiture | 67,061 |
| Consolidated dispatch services | 32,286 |
| Low income loans | 7,825 |
| Total Restricted | <u>7,943,943</u> |

Unrestricted (deficit)

(15,506,823)

Total Governmental Activities Net Position

\$ 60,441,667

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

Nonspendable Fund Balance

Major Funds

General Fund

| | |
|--|------------------|
| Inventories | \$ 64,661 |
| Delinquent personal property taxes | 12,569 |
| Non-current receivables from other funds | 1,675,854 |
| Total General Fund | <u>1,753,084</u> |

Total Nonspendable Fund Balance

\$ 1,753,084

CITY OF OAK CREEK

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted Fund Balance

Major Funds

| | |
|-----------------------------|------------------|
| Debt Amortization | \$ 1,506,146 |
| TIF No. 11 Capital Projects | 4,444,262 |
| Debt Service Fund | 323,025 |
| Total Major Funds | <u>6,273,433</u> |

Non-Major Funds

Special Revenue Funds

| | |
|--------------------------------|-----------|
| Donation and Activity | 1,846,486 |
| Low Income Loan | 7,825 |
| Impact Fee Escrow | 2,592,260 |
| Asset Forfeiture | 67,061 |
| Storm Water | 130,449 |
| Consolidated Dispatch Services | 32,286 |

Debt Service Funds

| | |
|------------------------|---------|
| TIF No. 6 Debt Service | 274,200 |
|------------------------|---------|

Capital Projects Funds

| | |
|-----------------------------|------------------|
| TIF No. 7 Capital Projects | 284,319 |
| TIF No. 10 Capital Projects | 631,166 |
| TIF No. 12 Capital Projects | 2,053,921 |
| Total Non-Major Funds | <u>7,919,973</u> |

Total Restricted Fund Balance \$ 14,193,406

Committed Fund Balance

Major Funds

| | |
|----------------------------|-------------------|
| Emergency Medical Services | <u>\$ 349,530</u> |
|----------------------------|-------------------|

Non-Major Funds

Special Revenue Funds

| | |
|-----------------------|------------------|
| Solid Waste | 101,218 |
| WE Energies Fund | 102,916 |
| Special Assessment | 1,998,825 |
| Economic Development | 922,917 |
| Tourism Commission | 253,793 |
| Total Non-Major Funds | <u>3,379,669</u> |

Total Committed Fund Balance \$ 3,729,199

CITY OF OAK CREEK

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

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 \$ 1,663,609

Total Assigned Fund Balance \$ 1,663,609

Unassigned Fund Balance (Deficit)

Major Funds

General Fund

\$ 4,795,437

Capital Improvement Fund (deficit)

(1,631,809)

TIF No. 8 Capital Projects (deficit)

(1,242,554)

Total Major Funds

1,921,074

Non-Major Funds

Debt Service Funds

TIF No. 4 Debt Service (deficit)

(373)

Capital Projects Funds

Developer Agreement (deficit)

(15,968)

TIF No. 13 Capital Projects (deficit)

(30,468)

Total Non-Major Funds

(46,809)

Total Unassigned Fund Balance (Deficit) \$ 1,874,265

CITY OF OAK CREEK

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

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 | \$ 255,895 |
| Construction in progress | 1,386,938 |
| Other capital assets, net of accumulated depreciation | 109,100,543 |
| Less: Payables and accruals for capital assets | (59,334) |
| Less: related long-term debt outstanding (excluding unspent capital related debt proceeds, net of unamortized loss on debt refunding) | <u>(18,706,325)</u> |
| Total Net Investment in Capital Assets | <u>91,977,717</u> |
| Restricted | |
| Debt service | <u>917,621</u> |
| Total Restricted Fund Balance | <u>917,621</u> |
| Unrestricted | <u>23,443,244</u> |
| Total Business-type Activities Net Position | <u>\$ 116,338,582</u> |

CITY OF OAK CREEK

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

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, 2017

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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

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

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

During the reporting period, the WRS recognized \$1,511,210 in contributions from the city.

Contribution rates as of December 31, 2017 are:

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

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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

At December 31, 2017, the city reported a liability of \$1,284,369 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city’s proportion of the net pension liability was based on the city’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city’s proportion was 0.15582489%, which was a decrease of 0.00193020% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$3,335,553.

At December 31, 2017, 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 | \$ 489,729 | \$ 4,039,230 |
| Changes in assumptions | 1,342,857 | - |
| Net differences between projected and actual earnings on pension plan investments | 6,393,182 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 179,872 | - |
| Employer contributions subsequent to the measurement date | 1,663,744 | - |
| Total | \$ 10,069,384 | \$ 4,039,230 |

\$1,663,744 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended December 31: | Deferred Outflow of Resources | Deferred Inflow of Resources |
|------------------------------------|--|---|
| 2018 | \$ 3,052,656 | \$ 1,289,582 |
| 2019 | 3,052,655 | 1,289,582 |
| 2020 | 2,492,711 | 1,289,582 |
| 2021 | (195,403) | 170,484 |
| 2022 | 3,021 | - |

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2015 |
| Measurement Date of Net Pension Liability | December 31, 2016 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.8% |
| 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 2015 using experience from 2002 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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

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

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

| 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 allocations

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

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) | \$ 16,896,699 | \$ 1,284,369 | \$ (10,737,832) |

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

At December 31, 2017, the City reported a payable to the pension plan of \$249,031 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, 2017

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 \$4,219,902 in the aggregate for a policy year. Claims in excess of those amounts are covered by specific reinsurance with an unlimited lifetime maximum reimbursement. 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. \$2,216,329 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 | \$ 790,308 | \$ 387,112 |
| Current year claims and changes in estimates | 4,018,908 | 4,392,939 |
| Claim payments | <u>(4,422,104)</u> | <u>(4,394,659)</u> |
| Unpaid Claims – End of Year | <u>\$ 387,112</u> | <u>\$ 385,392</u> |

CITY OF OAK CREEK

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

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 \$75,000 per occurrence and an annual aggregate limit of \$250,000.

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, 2017. 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, 2017

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, 2017 were \$105,465.

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, 2017 were \$235,516.

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, 2017 were \$231,464.

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, 2017 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, 2017

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 agreements with developers in the form of a tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans and development agreement. The developers received \$2,750,000 loan upon ownership of said property which will be paid back to the City beginning in 2021 (annually for 20 years). Additionally, the developer will receive a \$4,500,000 grant from the City for project costs once the construction process has begun and construction contracts are executed. The developer has agreed to meet a minimum assessed value of \$26,200,000 effective 2020 with a moderate increase each year the TID is open ending with a minimum assessed value of \$35,800,900 in 2032. Additionally in 2024 the developer will add another \$9 million in minimum assessed value for phase 3 of the development. 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, 2017 were \$2,750,000.

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 \$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, 2017 were \$1,835,134.

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, 2017 were \$0.

CITY OF OAK CREEK

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

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 \$1,680,051 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, 2017 were \$0.

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, 2017 were \$0.

The City of Oak Creek through its Tax Incremental Financing District 11 has entered into a tax abatement agreements with developers in the form of a tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans and development agreement. The developers will receive not to exceed \$900,000 upon ownership, build out of project and having reached the minimum assessed value: \$5 million in 2019 and \$8 million in 2020 and for the remaining life of the project. 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, 2017 were \$0.

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, 2017 were \$0, as the project has not yet started.

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

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.

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 | \$ 3,246,019 |
| Interest on net OPEB obligation | 864,722 |
| Adjustment to annual required contribution | <u>(1,427,745)</u> |
| Annual OPEB cost | 2,682,996 |
| Contributions made | <u>(2,022,000)</u> |
| Increase in net OPEB obligation | 660,996 |
| Net OPEB Obligation – Beginning of Year | <u>28,824,034</u> |
| Net OPEB Obligation – End of Year | <u><u>\$ 29,485,030</u></u> |

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|---|------------------------|
| 12/31/2017 | \$ 2,682,996 | 74.5% | \$ 29,485,030 |
| 12/31/2016 | 2,656,028 | 74.5% | 28,824,034 |
| 12/31/2015 | 3,321,021 | 59.3% | 28,146,006 |

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.

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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, 2017, was 30 years.

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 2017, 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. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

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

CITY OF OAK CREEK

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

NOTE IV – OTHER INFORMATION (cont.)

G. SUBSEQUENT EVENTS

In April 2018, the City issued \$8.9 million of Taxable 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, 2017**

| REVENUES | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|------------------------------------|--------------------------------------|-------------------|---------------------------------------|
| TAXES | | | |
| General property taxes | \$ 12,943,185 | \$ 13,101,353 | \$ 158,168 |
| Motel room tax | 457,000 | 457,000 | - |
| Mobile home taxes | 68,000 | 63,431 | (4,569) |
| Other taxes | 34,800 | 10,566 | (24,234) |
| TOTALS | <u>13,502,985</u> | <u>13,632,350</u> | <u>129,365</u> |
| INTERGOVERNMENTAL REVENUES | | | |
| Shared taxes from state | 3,043,748 | 3,036,408 | (7,340) |
| State transportation aids | 2,409,899 | 2,409,899 | - |
| State computer aids | 138,602 | 128,547 | (10,055) |
| Other state aids | 6,035 | 5,821 | (214) |
| Health department block grant | 4,500 | - | (4,500) |
| Police grants | 131,500 | 133,898 | 2,398 |
| TOTALS | <u>5,734,284</u> | <u>5,714,573</u> | <u>(19,711)</u> |
| REGULATION AND COMPLIANCE | | | |
| Licenses | | | |
| Liquor and beer | 52,000 | 58,534 | 6,534 |
| Publishing fees | 830 | 980 | 150 |
| Operators | 25,000 | 30,597 | 5,597 |
| Amusement devices | 9,500 | 8,010 | (1,490) |
| Amusement operators | 1,200 | 1,200 | - |
| Miscellaneous - business | 10,000 | 7,330 | (2,670) |
| Miscellaneous - non-business | 75 | 66 | (9) |
| DATCP | 72,000 | 88,657 | 16,657 |
| Late sanitarian license renewal | 200 | 565 | 365 |
| Sanitarian plan review | - | 3,717 | 3,717 |
| Landfill | 500 | - | (500) |
| Permits | | | |
| Building | 371,000 | 681,813 | 310,813 |
| Electrical | 90,000 | 146,431 | 56,431 |
| Plumbing | 75,000 | 112,640 | 37,640 |
| Street opening | 8,000 | 16,444 | 8,444 |
| Erosion control | 10,000 | 27,659 | 17,659 |
| Fire inspections | 4,000 | 6,151 | 2,151 |
| Temp food | - | 2,165 | 2,165 |
| Sundry | 500 | 1,845 | 1,345 |
| Cable TV | 285,000 | 339,183 | 54,183 |
| AT&T video service | 190,000 | 152,990 | (37,010) |
| Court fines | 425,000 | 367,649 | (57,351) |
| TOTALS | <u>1,629,805</u> | <u>2,054,626</u> | <u>424,821</u> |
| PUBLIC CHARGES FOR SERVICES | | | |
| General Government | | | |
| Property status letter fees | 7,000 | 9,060 | 2,060 |
| Administrative fees | 23,000 | 28,581 | 5,581 |
| Photo copies sold | 1,500 | 742 | (758) |
| Zoning/housing appeal fees | 800 | 1,000 | 200 |
| Rezoning petitions and filing fees | 1,500 | 6,975 | 5,475 |
| Text amendment fees | 500 | 500 | - |
| Right of way vacation fees | 575 | 575 | - |
| Special use request fees | 9,500 | 17,725 | 8,225 |
| Filing fee - certified survey maps | 6,000 | 8,450 | 2,450 |
| Plan commission agenda fees | 10,000 | 12,650 | 2,650 |

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, 2017

| | Original and Final Budget | Actual | Variance with Final Budget |
|--|------------------------------|----------------------|-------------------------------|
| PUBLIC CHARGES FOR SERVICES (cont.) | | | |
| General Government (cont.) | | | |
| Map amendments | \$ 1,200 | \$ 2,325 | \$ 1,125 |
| Subdivision plat fees | 500 | 950 | 450 |
| Maps sold | - | 42 | 42 |
| Public Safety | | | |
| State DWI seizures | 2,000 | 1,749 | (251) |
| Police patrol service fees | 4,500 | 5,904 | 1,404 |
| Miscellaneous fees | 2,500 | 3,850 | 1,350 |
| Copies of police and fire reports | 3,000 | 3,856 | 856 |
| False alarm penalties | 5,000 | 6,019 | 1,019 |
| Health and Sanitation | | | |
| Health Department | | | |
| Clinic fees | 8,000 | 15,709 | 7,709 |
| Pet license fees/Humane Society | 13,000 | 12,071 | (929) |
| Public Works | | | |
| Weed cutting | 11,000 | 10,870 | (130) |
| Sale of culvert pipe | 10,000 | 12,554 | 2,554 |
| Culvert installation | 1,000 | 2,310 | 1,310 |
| Library | | | |
| Other income | 18,500 | 19,051 | 551 |
| Photocopies | 7,000 | 7,992 | 992 |
| Recreation | 140,000 | 126,956 | (13,044) |
| Sanitarian | | | |
| Pre-inspection | - | 5 | 5 |
| Regular service fee | 5,000 | 6,376 | 1,376 |
| Miscellaneous charges for services | 3,100 | 9,617 | 6,517 |
| TOTALS | <u>295,675</u> | <u>334,464</u> | <u>38,789</u> |
| INVESTMENT INCOME | | | |
| Investment Income | | | |
| Investments | 200,000 | 130,701 | (69,299) |
| Taxes | 75,000 | 53,221 | (21,779) |
| TOTALS | <u>275,000</u> | <u>183,922</u> | <u>(91,078)</u> |
| MISCELLANEOUS INCOME | | | |
| AT&T American tower lease | 27,600 | 55,200 | 27,600 |
| South Suburban Chamber Lease | - | 8,000 | 8,000 |
| Insurance incentives | 75,000 | 108,782 | 33,782 |
| Insurance recoveries | 11,300 | 4,376 | (6,924) |
| P-card rebates | 12,000 | 11,529 | (471) |
| Miscellaneous revenues | 10,000 | 377 | (9,623) |
| TOTALS | <u>135,900</u> | <u>188,264</u> | <u>52,364</u> |
| INTERFUND CHARGES FOR SERVICES | | | |
| Engineering and administration charged to capital projects | 65,000 | 603 | (64,397) |
| Engineering and administration charged to TID projects | 200,000 | 225,000 | 25,000 |
| Highway equipment service fee | 38,500 | 40,990 | 2,490 |
| Administrative services charged to enterprise funds | 45,000 | 40,000 | (5,000) |
| Miscellaneous charges for services | - | 22,808 | 22,808 |
| TOTALS | <u>348,500</u> | <u>329,401</u> | <u>(19,099)</u> |
| TOTAL REVENUES | <u>\$ 21,922,149</u> | <u>\$ 22,437,600</u> | <u>\$ 515,451</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, 2017

| EXPENDITURES | Original and <u>Final Budget</u> | <u>Actual</u> | Variance with <u>Final Budget</u> |
|---|-------------------------------------|---------------------|--------------------------------------|
| GENERAL GOVERNMENT | | | |
| General government | \$ 2,629,859 | \$ 2,650,859 | \$ (21,000) |
| Building maintenance | 650,262 | 588,105 | 62,157 |
| City administrator | 963,393 | 937,454 | 25,939 |
| Data processing | 893,779 | 906,167 | (12,388) |
| City clerk | 204,872 | 205,618 | (746) |
| Treasurer | 198,836 | 188,568 | 10,268 |
| Finance | 346,979 | 331,584 | 15,395 |
| Assessor | 199,780 | 202,792 | (3,012) |
| Attorney and legal | 242,988 | 162,119 | 80,869 |
| Community development | 281,049 | 258,622 | 22,427 |
| TOTALS | <u>6,611,797</u> | <u>6,431,888</u> | <u>179,909</u> |
| PUBLIC SAFETY | | | |
| Police department | 7,962,793 | 7,805,735 | 157,058 |
| Emergency operations | 23,450 | 6,160 | 17,290 |
| Fire department | 1,881,914 | 1,969,234 | (87,320) |
| Inspection | 539,590 | 510,520 | 29,070 |
| Other | 96,683 | 94,555 | 2,128 |
| TOTALS | <u>10,504,430</u> | <u>10,386,204</u> | <u>118,226</u> |
| HEALTH AND SOCIAL SERVICES | | | |
| Health department | 633,503 | 501,377 | 132,126 |
| TOTALS | <u>633,503</u> | <u>501,377</u> | <u>132,126</u> |
| PUBLIC WORKS | | | |
| Engineering | 750,843 | 647,383 | 103,460 |
| Streets | 3,086,191 | 2,846,094 | 240,097 |
| TOTALS | <u>3,837,034</u> | <u>3,493,477</u> | <u>343,557</u> |
| LEISURE ACTIVITIES | | | |
| Conservation and recreation | 590,014 | 565,008 | 25,006 |
| Library | 857,950 | 830,657 | 27,293 |
| Parks | 509,115 | 482,386 | 26,729 |
| TOTALS | <u>1,957,079</u> | <u>1,878,051</u> | <u>79,028</u> |
| TOTAL EXPENDITURES | <u>23,543,843</u> | <u>22,690,997</u> | <u>852,846</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of property | 20,000 | 27,686 | 7,686 |
| Transfer in - tax equivalent | 1,719,547 | 1,663,609 | (55,938) |
| Transfer out | - | (923,956) | (923,956) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,739,547</u> | <u>767,339</u> | <u>(972,208)</u> |
| Net Change in Fund Balance | <u>\$ 117,853</u> | 513,942 | <u>\$ 396,089</u> |
| FUND BALANCE - Beginning of Year | | <u>7,698,188</u> | |
| FUND BALANCE - END OF YEAR | | <u>\$ 8,212,130</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 - SPECIAL REVENUE FUND
 For the Year Ended December 31, 2017

| | Original and Final Budget | Actual | Variance with Final Budget |
|----------------------------------|------------------------------|-------------------|-------------------------------|
| REVENUES | | | |
| Taxes | \$ 3,602,939 | \$ 3,602,939 | \$ - |
| Intergovernmental | 107,919 | 154,941 | 47,022 |
| Public charges for services | 1,115,438 | 1,125,373 | 9,935 |
| Investment income | - | 2,810 | 2,810 |
| Total Revenues | <u>4,826,296</u> | <u>4,886,063</u> | <u>59,767</u> |
| EXPENDITURES | | | |
| Public Safety | <u>4,826,296</u> | <u>4,859,595</u> | <u>(33,299)</u> |
| Total Expenditures | <u>4,826,296</u> | <u>4,859,595</u> | <u>(33,299)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | 26,468 | <u>\$ 26,468</u> |
| FUND BALANCE - Beginning of year | | <u>323,062</u> | |
| FUND BALANCE - ENDING OF YEAR | | <u>\$ 349,530</u> | |

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

CITY OF OAK CREEK

SCHEDULE OF FUNDED STATUS
OTHER POST EMPLOYMENT BENEFITS PLAN - HEALTH CARE
December 31, 2017

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected unit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) | |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|--------|
| 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% |

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

CITY OF OAK CREEK

CITY'S SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM

December 31, 2017

| WRS Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|--|---|--------------------|--|--|
| 12/31/14 | 0.16047000% | \$ (3,941,582) | \$ 17,775,702 | 22.17% | 102.74% |
| 12/31/15 | 0.15775509% | \$ 2,563,490 | \$ 18,256,231 | 14.04% | 98.20% |
| 12/31/16 | 0.15582489% | \$ 1,284,369 | \$ 18,758,850 | 6.85% | 99.12% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

For the Year Ended December 31, 2017

| City Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|--|---|--|--------------------|---|
| 12/31/15 | \$ 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% |
| 12/31/17 | \$ 1,663,744 | \$ 1,663,744 | \$ - | \$ 19,136,951 | 8.69% |

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, 2017

BUDGETARY INFORMATION

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

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, 2017

| | 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 | \$ 300,366 | \$ 1,857,772 | \$ 133,735 | \$ 7,825 | \$ - | \$ 2,053,072 | \$ 621,342 | \$ 190,748 | \$ - | \$ 481 | \$ 153,800 | \$ - | \$ 259,511 |
| Restricted cash and investments | - | - | - | - | - | - | - | - | 2,592,260 | 66,580 | - | - | - |
| Taxes receivable | 1,236,780 | - | - | - | - | 160,097 | - | - | - | - | 897,407 | 1,269,332 | - |
| Accounts receivable | - | 2,458 | 364 | - | - | - | - | - | - | - | - | 263,719 | - |
| Special assessments receivable | - | - | - | - | - | 505,255 | - | - | - | - | - | - | - |
| Loans receivable | - | - | - | 6,503 | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | 314,900 | - | - | - | - | - | - |
| TOTAL ASSETS | \$ 1,537,146 | \$ 1,860,230 | \$ 134,099 | \$ 14,328 | \$ - | \$ 2,718,424 | \$ 936,242 | \$ 190,748 | \$ 2,592,260 | \$ 67,061 | \$ 1,051,207 | \$ 1,533,051 | \$ 259,511 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | |
| Accounts payable | \$ 195,983 | \$ 13,744 | \$ 9,152 | \$ - | \$ - | \$ - | \$ 10,948 | \$ - | \$ - | \$ - | \$ 6,330 | \$ 350 | \$ 2,777 |
| Accrued liabilities | 3,165 | - | 22,031 | - | - | - | 2,377 | - | - | - | 14,920 | 42,128 | 2,941 |
| Deposits | - | - | - | - | - | - | - | 190,748 | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | 343,177 | - | - | - | - | 2,101 | 34,828 | - |
| Total Liabilities | 199,148 | 13,744 | 31,183 | - | - | 343,177 | 13,325 | 190,748 | - | - | 23,351 | 77,306 | 5,718 |
| Deferred Inflows of Resources | | | | | | | | | | | | | |
| Unearned revenues | 1,236,780 | - | - | - | - | - | - | - | - | - | 897,407 | 1,269,332 | - |
| Unavailable revenues | - | - | - | 6,503 | - | 376,422 | - | - | - | - | - | 154,127 | - |
| Total Deferred Inflows of Resources | 1,236,780 | - | - | 6,503 | - | 376,422 | - | - | - | - | 897,407 | 1,423,459 | - |
| Fund Balances (Deficit) | | | | | | | | | | | | | |
| Restricted | - | 1,846,486 | - | 7,825 | - | - | - | - | 2,592,260 | 67,061 | 130,449 | 32,286 | - |
| Committed | 101,218 | - | 102,916 | - | - | 1,988,825 | 922,917 | - | - | - | - | - | 253,793 |
| Unassigned (Deficit) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Fund Balances (Deficit) | 101,218 | 1,846,486 | 102,916 | 7,825 | - | 1,988,825 | 922,917 | - | 2,592,260 | 67,061 | 130,449 | 32,286 | 253,793 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,537,146 | \$ 1,860,230 | \$ 134,099 | \$ 14,328 | \$ - | \$ 2,718,424 | \$ 936,242 | \$ 190,748 | \$ 2,592,260 | \$ 67,061 | \$ 1,051,207 | \$ 1,533,051 | \$ 259,511 |

CITY OF OAK CREEK

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (cont.)
As of December 31, 2017

| | 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 | TIF No. 13 Capital Projects Fund | |
| ASSETS | | | | | | | | |
| Cash and investments | \$ - | \$ 274,200 | \$ - | \$ 599,249 | \$ 631,166 | \$ 2,227,486 | \$ - | \$ 9,310,753 |
| Restricted cash and investments | - | - | - | - | - | - | - | 2,658,840 |
| Taxes receivable | - | 403,164 | - | 358,030 | 325,845 | - | - | 4,650,655 |
| Accounts receivable | - | - | 21,079 | - | - | - | - | 287,620 |
| Special assessments receivable | - | - | - | - | - | - | - | 505,255 |
| Loans receivable | - | - | - | - | - | - | - | 6,503 |
| Due from other funds | - | - | - | - | - | - | - | 314,900 |
| TOTAL ASSETS | \$ - | \$ 677,364 | \$ 21,079 | \$ 957,279 | \$ 957,011 | \$ 2,227,486 | \$ - | \$ 17,734,526 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 35,853 | \$ 30 | \$ - | \$ 173,565 | \$ 1,014 | \$ 449,746 |
| Accrued liabilities | - | - | - | - | - | - | - | 87,562 |
| Deposits | - | - | - | - | - | - | - | 190,748 |
| Due to other funds | 373 | - | 1,194 | 314,900 | - | - | 29,454 | 726,027 |
| Total Liabilities | 373 | - | 37,047 | 314,930 | - | 173,565 | 30,468 | 1,454,083 |
| Deferred inflows of Resources | | | | | | | | |
| Unearned revenues | - | 403,164 | - | 358,030 | 325,845 | - | - | 4,490,558 |
| Unavailable revenues | - | - | - | - | - | - | - | 537,052 |
| Total Deferred inflows of Resources | - | 403,164 | - | 358,030 | 325,845 | - | - | 5,027,610 |
| Fund Balances (Deficit) | | | | | | | | |
| Restricted | - | 274,200 | - | 284,319 | 631,166 | 2,053,921 | - | 7,919,973 |
| Committed | - | - | - | - | - | - | - | 3,379,869 |
| Unassigned (Deficit) | (373) | - | (15,968) | - | - | - | (30,468) | (46,809) |
| Total Fund Balances (Deficit) | (373) | 274,200 | (15,968) | 284,319 | 631,166 | 2,053,921 | (30,468) | 11,252,833 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ - | \$ 677,364 | \$ 21,079 | \$ 957,279 | \$ 957,011 | \$ 2,227,486 | \$ - | \$ 17,734,526 |

CITY OF OAK CREEK

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

| | 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 | \$ 1,213,054 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 186,880 | \$ - | \$ - | \$ - | \$ - | \$ 1,270,902 | \$ 322,872 |
| Intergovernmental | 94,053 | 90,028 | - | - | - | - | - | - | - | - | - | 354,086 | - |
| Public charges for service | 4,860 | - | - | - | 14,200 | - | - | - | 1,022,528 | - | 843,098 | - | - |
| Special assessments / developer contributions | - | - | - | - | - | 216,826 | - | - | - | - | - | - | - |
| Investment income | 1,459 | - | 2,028 | - | 23 | 42,541 | 1,398 | - | 301 | 76 | 1,722 | 636 | 268 |
| Miscellaneous | 42,800 | 1,382,014 | 2,250,000 | - | - | - | - | - | 32,658 | - | - | 92,116 | 16,947 |
| Total Revenues | 1,356,226 | 1,472,042 | 2,252,028 | - | 14,223 | 259,167 | 188,276 | - | 1,022,829 | 32,734 | 844,820 | 1,717,740 | 340,087 |
| EXPENDITURES | | | | | | | | | | | | | |
| Current | | | | | | | | | | | | | |
| General Government | - | 72,264 | - | - | - | - | - | - | - | - | - | - | 289,111 |
| Public safety | - | 34,220 | 1,193,442 | - | - | - | - | - | 3,004 | 9,992 | - | - | - |
| Public works | 1,356,630 | - | - | - | - | - | - | - | - | - | 672,609 | - | - |
| Health and social services | - | 73,762 | - | - | - | - | - | - | - | - | - | 1,479,556 | - |
| Leisure activities | - | 149,610 | - | - | - | - | - | - | 3,012 | - | - | - | - |
| Conservation and development | - | - | - | 1,828 | - | - | 167,902 | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - | 3,196 | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 1,356,630 | 329,856 | 1,193,442 | 1,828 | - | - | 171,098 | - | 6,016 | 9,992 | 672,609 | 1,479,556 | 289,111 |
| Excess (deficiency) of revenues over expenditures | (404) | 1,142,186 | 1,058,586 | (1,828) | 14,223 | 259,167 | 17,178 | - | 1,016,813 | 22,742 | 172,211 | 238,184 | 50,976 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | |
| Transfers in | - | 109,165 | - | - | - | - | - | - | - | - | - | 25,122 | 187,780 |
| Transfers out | - | - | (1,000,000) | - | (242,168) | (130,423) | (267,780) | - | (730,631) | - | (325,000) | - | - |
| Total Other Financing Sources (Uses) | - | 109,165 | (1,000,000) | - | (242,168) | (130,423) | (267,780) | - | (730,631) | - | (325,000) | 25,122 | 187,780 |
| Net change in fund balances | (404) | 1,251,351 | 58,586 | (1,828) | (227,945) | 128,744 | (250,602) | - | 286,182 | 22,742 | (152,789) | 263,306 | 238,756 |
| FUND BALANCES (DEFICIT) - Beginning 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 |
| FUND BALANCES (DEFICIT) - END OF YEAR | \$ 101,218 | \$ 1,846,486 | \$ 102,916 | \$ 7,825 | \$ - | \$ 1,998,825 | \$ 922,917 | \$ - | \$ 2,592,260 | \$ 67,061 | \$ 130,449 | \$ 32,286 | \$ 253,793 |

CITY OF OAK CREEK

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

| | 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 | \$ - | \$ 424,750 | \$ - | \$ 210,238 | \$ 338,259 | \$ - | \$ 3,966,955 |
| Intergovernmental | - | 1,021 | - | 17,093 | 18,191 | - | 574,472 |
| Public charges for service | - | - | - | - | - | - | 1,894,686 |
| Special assessments / developer contributions | - | - | 103,196 | - | - | - | 319,822 |
| Investment income | - | 4,387 | - | 2,136 | 1,818 | 23,538 | 82,329 |
| Miscellaneous | - | - | - | - | - | - | 3,816,535 |
| Total Revenues | - | 430,158 | 103,196 | 229,467 | 358,268 | 23,538 | 10,844,799 |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General Government | - | - | - | - | - | - | 361,375 |
| Public Safety | - | - | - | - | - | - | 1,240,658 |
| Public works | - | - | - | - | - | - | 2,029,239 |
| Health and social services | - | - | - | - | - | - | 1,553,318 |
| Leisure activities | - | - | - | - | - | - | 152,622 |
| Conservation and development | - | 25,000 | - | - | 281,464 | 25,000 | 530,662 |
| Capital Outlay | - | - | 59,506 | 374,808 | - | 2,446,896 | 2,884,406 |
| Debt Service | - | - | - | - | - | - | - |
| Principal | - | - | - | - | - | - | - |
| Interest | - | 2,540 | - | 2,265 | 2,265 | 113,049 | 121,119 |
| Total Expenditures | - | 27,540 | 59,506 | 377,073 | 283,729 | 2,584,945 | 8,873,399 |
| Excess (deficiency) of revenues over expenditures | - | 402,618 | 43,690 | (147,606) | 74,539 | (2,561,407) | 1,771,400 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | 1,816,308 |
| Transfers out | - | (1,816,308) | - | - | (44,195) | (462,795) | (6,835,608) |
| Total Other Financing Sources (Uses) | - | (1,816,308) | - | - | (44,195) | (462,795) | (4,697,233) |
| Net change in fund balances | - | (1,413,690) | 43,690 | (147,606) | 30,344 | (3,024,202) | (2,925,833) |
| FUND BALANCES (DEFICIT) - Beginning of Year | (373) | 1,687,890 | (59,558) | 431,925 | 600,822 | 5,078,123 | 14,178,666 |
| FUND BALANCES (DEFICIT) - END OF YEAR | (373) | 274,200 | (15,968) | 284,319 | 631,166 | 2,053,921 | 11,252,833 |