

TOWN OF CEDARBURG, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017

TOWN OF CEDARBURG, WISCONSIN
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TOWN OF CEDARBURG, WISCONSIN

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MEMBERS OF THE TOWN BOARD

Chairman	David Salvaggio
Supervisor	Wayne Pipkorn
Supervisor	Bill Wattson
Supervisor	Gary Wickert
Supervisor	Thomas Esser
Town Administrator	Tim Rhode
Assistant Administrator/Clerk	Eric Ryer
Town Treasurer	Charles Pretty



INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Cedarburg, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Cedarburg, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Cedarburg, Wisconsin'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 relevant to the entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Cedarburg, Wisconsin, as of December 31, 2017, and the respective changes in financial position, 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 budgetary comparison information and Wisconsin Retirement System schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018 on our consideration of the Town of Cedarburg, Wisconsin'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 Town of Cedarburg, Wisconsin's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
May 11, 2018

TOWN OF CEDARBURG, WISCONSIN

**BASIC
FINANCIAL STATEMENTS**

TOWN OF CEDARBURG, WISCONSIN

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

TOWN OF CEDARBURG, WISCONSIN

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and investments	\$ 2,529,560
Receivables	
Taxes	759,107
Accounts and other	9,082
Inventories	15,928
Prepays	16,324
Restricted assets	
Cash and investments	573,152
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	2,017,729
Capital assets being depreciated	11,949,701
TOTAL ASSETS	<u>17,870,583</u>
DEFERRED OUTFLOWS OF RESOURCES	
Wisconsin Retirement System pension	<u>282,299</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	<u>18,152,882</u>
LIABILITIES	
Accounts payable	101,997
Accrued liabilities	
Payroll	33,073
Deposit payable	261,200
Current portion of long-term obligations	26,062
Noncurrent portion of long-term obligations	653,831
TOTAL LIABILITIES	<u>1,076,163</u>
DEFERRED INFLOWS OF RESOURCES	
Wisconsin Retirement System pension	139,371
Unavailable revenue - tax roll	<u>2,074,829</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,214,200</u>
NET POSITION	
Net investment in capital assets	13,967,430
Restricted for	
Special revenue	620,147
Other activities	110,420
Unrestricted	<u>164,522</u>
TOTAL NET POSITION	<u>14,862,519</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 18,152,882</u>

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	\$ 517,800	\$ 259,001	\$ -	\$ -	\$ (258,799)
Public safety	308,994	-	32,561	-	(276,433)
Public works	1,874,247	123,543	247,294	-	(1,503,410)
Culture, recreation and education	152,087	76,799	-	-	(75,288)
Conservation and development	2,000	-	-	-	(2,000)
Interest and fiscal charges	19,657	-	-	-	(19,657)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,874,785	\$ 459,343	\$ 279,855	\$ -	(2,135,587)
General revenues					
Taxes					
Property taxes					
Other taxes					
Intergovernmental revenues not restricted to specific programs					
Interest and investment income					
Miscellaneous					
Total general revenues					
CHANGE IN NET POSITION					(97,048)
NET POSITION - BEGINNING OF YEAR					14,959,567
NET POSITION - END OF YEAR					\$ 14,862,519

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN

**FUND
FINANCIAL STATEMENTS**

TOWN OF CEDARBURG, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	GENERAL FUND	SPECIAL REVENUE	SPECIAL REVENUE - RECREATION	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	\$ 1,856,842	\$ 622,387	\$ 50,331	\$ -	\$ -	\$ 2,529,560
Receivables						
Taxes	640,201	-	-	-	118,906	759,107
Accounts and other	9,082	-	-	-	-	9,082
Due from other funds	688,029	-	-	-	-	688,029
Inventories	15,928	-	-	-	-	15,928
Prepays	16,324	-	-	-	-	16,324
Restricted - cash and investments	-	573,152	-	-	-	573,152
TOTAL ASSETS	3,226,406	1,195,539	50,331	-	118,906	4,591,182
LIABILITIES						
Accounts payable	97,339	-	3,336	1,322	-	101,997
Accrued expenses						
Payroll	33,073	-	-	-	-	33,073
Due to other funds	-	-	-	269,561	418,468	688,029
Deposit payable	-	261,200	-	-	-	261,200
TOTAL LIABILITIES	130,412	261,200	3,336	270,883	418,468	1,084,299
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - tax roll	1,749,829	-	-	-	325,000	2,074,829
FUND BALANCES						
Nonspendable	32,252	-	-	-	-	32,252
Restricted	-	573,152	46,995	-	-	620,147
Assigned	163,370	361,187	-	-	-	524,557
Unassigned	1,150,543	-	-	(270,883)	(624,562)	255,098
TOTAL FUND BALANCES	1,346,165	934,339	46,995	(270,883)	(624,562)	1,432,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,226,406	\$ 1,195,539	\$ 50,331	\$ -	\$ 118,906	

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amount reported for governmental activities in the statement of net position are:

Governmental capital asset	\$ 22,716,759	
Governmental accumulated depreciation	(8,749,329)	13,967,430

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements. 142,928

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

Vested employee benefits	(26,062)	
WRS liability	(32,508)	
Pollution remediation	(621,323)	(679,893)

Total net position - governmental activities **\$ 14,862,519**

TOWN OF CEDARBURG, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	SPECIAL REVENUE	SPECIAL REVENUE - RECREATION	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 1,586,154	\$ -	\$ -	\$ -	\$ 353,884	\$ 1,940,038
Intergovernmental	354,021	-	-	-	-	354,021
Licenses and permits	203,398	56,850	-	-	-	260,248
Public charges for services	120,466	-	76,799	-	-	197,265
Miscellaneous	15,299	10,866	-	-	-	26,165
TOTAL REVENUES	<u>2,279,338</u>	<u>67,716</u>	<u>76,799</u>	<u>-</u>	<u>353,884</u>	<u>2,777,737</u>
EXPENDITURES						
Current						
General government	475,635	1,468	-	-	-	477,103
Public safety	285,889	-	-	-	-	285,889
Public works	1,412,963	7,771	-	-	-	1,420,734
Culture, recreation and education	23,970	-	70,239	-	-	94,209
Conservation and development	2,000	-	-	-	-	2,000
Debt service						
Principal	-	-	-	-	925,000	925,000
Interest	-	-	-	-	30,388	30,388
Capital outlay	63,872	5,081	-	512,287	-	581,240
TOTAL EXPENDITURES	<u>2,264,329</u>	<u>14,320</u>	<u>70,239</u>	<u>512,287</u>	<u>955,388</u>	<u>3,816,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>15,009</u>	<u>53,396</u>	<u>6,560</u>	<u>(512,287)</u>	<u>(601,504)</u>	<u>(1,038,826)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	80,142	-	-	-	-	80,142
Operating transfers (out)	-	(55,000)	(25,142)	-	-	(80,142)
TOTAL OTHER FINANCING SOURCES (USES)	<u>80,142</u>	<u>(55,000)</u>	<u>(25,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	95,151	(1,604)	(18,582)	(512,287)	(601,504)	(1,038,826)
FUND BALANCE - BEGINNING OF YEAR	<u>1,251,014</u>	<u>935,943</u>	<u>65,577</u>	<u>241,404</u>	<u>(23,058)</u>	<u>2,470,880</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,346,165</u>	<u>\$ 934,339</u>	<u>\$ 46,995</u>	<u>\$ (270,883)</u>	<u>\$ (624,562)</u>	<u>\$ 1,432,054</u>

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ (1,038,826)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$	581,240	
Less noncapitalized outlay		(31,768)	
Depreciation expense reported in the statement of activities		<u>(495,637)</u>	
Amount by which capital outlays are greater than depreciation in the current period:			53,835

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits increased by: (6,366)

Wisconsin Retirement System asset, deferred inflows of resources, liability and deferred outflows of resources changes: (41,422)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is: 925,000

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.

The amount of interest and other debt costs paid during the current period		30,388	
The amount of interest and other debt costs accrued during the current period		<u>(19,657)</u>	
Interest paid is greater than interest accrued by:			<u>10,731</u>

Change in net position - governmental activities \$ (97,048)

TOWN OF CEDARBURG, WISCONSIN

STATEMENT OF NET POSITION

FIDUCIARY FUND

DECEMBER 31, 2017

	<u>AGENCY FUND</u> <u>PROPERTY TAX</u>
ASSETS	
Cash and investments	\$ 6,922,625
Taxes receivable	<u>3,994,021</u>
TOTAL ASSETS	<u>10,916,646</u>
LIABILITIES	
Due to other governments	<u>10,916,646</u>
TOTAL LIABILITIES	<u>\$ 10,916,646</u>

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Cedarburg, Wisconsin (the "Town") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below.

Reporting Entity - The Town of Cedarburg, Wisconsin was incorporated under the provisions of Chapter 280, Laws of Wisconsin. The Town operates under a Town Administrator form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The Town's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the Town has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the Town's financial accountability for a legally separate organization: the Town is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town 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

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the Town's primary operating fund.

Special Revenue Fund - is used to account for and report the proceeds of specific revenue sources that are restricted or committed to the expenditure for specific purposes.

Special Revenue - Recreation Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for operating the Town's recreation program and capital outlays, including the acquisition or construction of recreation facilities.

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

Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest payments.

In addition, the Town reports the following fund type:

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

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Accounts Receivable - Accounts receivable have been adjusted for all uncollectible accounts. No allowance for uncollectible accounts has been recorded since management believes all accounts are collectible. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof.

Due To/From Other Funds - 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. Eliminations have been made for amounts due to/from within the same fund type on the government-wide statements.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Inventories - Inventories are valued at cost using the average cost method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

A nonspendable fund balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

Prepays - Prepaid items represent payments for goods or services for which benefits extend beyond December 31.

A nonspendable fund balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

Restricted Cash - Certain resources set aside for 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.

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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 for governmental activities is as follows:

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Buildings	25 - 50 years
Equipment	10 - 20 years
Infrastructure	35 - 50 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Pensions - 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 the WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources expenditure until then. The Town has one item that qualifies for reporting in this category, which is the Wisconsin Retirement System pension. The Wisconsin Retirement System pension results from changes in the actuarial study and is amortized over the average of the expected remaining service lives of participants.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources until then. The Town has two types of these items: unavailable revenue and Wisconsin Retirement System pension. The unavailable revenue is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The Wisconsin Retirement System pension results from changes in the actuarial study and is amortized over the average of the expected remaining service lives of participants.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF CEDARBURG, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Balance Classifications - The Town classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the Town itself, using its highest level of decision making authority - resolutions, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body, the Town Board has not delegated the authority to assign fund balances and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the Town's policy to record the net loss against committed fund balance, then assigned fund balance, and lastly to unassigned fund balance (GASB 54 default for no policy). The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 2 - Cash and Investments

State statutes permit the Town to invest available cash balances in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2017, the Town had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
Certificates of deposit	Less than one year	\$ 49,774

Determining Fair Value - The Town categorizes its fair value measurement 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 Town has no items requiring recurring fair value measurements.

Income Allocation - Interest income is allocated to the fund which owns the certificate of deposit, money market account, savings account and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The Town has a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF CEDARBURG, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 2 - Cash and Investments - Continued

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has a formal investment policy that would not further limit its investment choices.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2017, \$7,919,211 of the Town's bank balance of \$9,740,782 was uninsured and uncollateralized.

Restricted cash on December 31, 2017 consists of the following:

Impact fees account	\$	573,152
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NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31 or payable in full on January 31. Personal property taxes are payable in full on January 31. The Town bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the county for collection. Delinquent personal property tax remains the collection responsibility of the Town. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. Town property tax revenue is recognized in the year they are levied for and available for use. The 2017 tax roll has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,523,257	\$ 300,000	\$ -	\$ 1,823,257
Construction in progress	-	194,472	-	194,472
Total capital assets not being depreciated	1,523,257	494,472	-	2,017,729
Capital assets being depreciated:				
Buildings and improvements	2,824,357	-	-	2,824,357
Equipment	1,749,396	55,000	-	1,804,396
Infrastructure	16,070,277	-	-	16,070,277
Total capital assets being depreciated	20,644,030	55,000	-	20,699,030

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 4 - Capital Assets - Continued

Less accumulated depreciation for:				
Buildings and improvements	(959,324)	(76,704)	-	(1,036,028)
Equipment	(1,125,917)	(91,606)	-	(1,217,523)
Infrastructure	<u>(6,168,451)</u>	<u>(327,327)</u>	-	<u>(6,495,778)</u>
Total accumulated depreciation	<u>(8,253,692)</u>	<u>(495,637)</u>	-	<u>(8,749,329)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>12,390,338</u>	<u>(440,637)</u>	-	<u>11,949,701</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 13,913,595</u>	<u>\$ 53,835</u>	<u>\$ -</u>	<u>\$ 13,967,430</u>

Infrastructure information prior to January 1, 1967 is not included in the above amount.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 16,540
Public safety	23,105
Public works	416,977
Culture, recreation and education	<u>39,015</u>
Total	<u>\$ 495,637</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Notes payable	\$ 925,000	\$ -	\$ (925,000)	\$ -	\$ -
Vested vacation pay	19,696	6,366	-	26,062	26,062
Wisconsin Retirement System					
Net pension liability	66,311	-	(33,803)	32,508	-
Pollution remediation obligation	<u>621,323</u>	<u>-</u>	<u>-</u>	<u>621,323</u>	<u>-</u>
Total	<u>\$ 1,632,330</u>	<u>\$ 6,366</u>	<u>\$ (958,803)</u>	<u>\$ 679,893</u>	<u>\$ 26,062</u>

Interest cost incurred during the year totaled \$19,657 for governmental activities. Total interest paid during the year aggregated \$30,388 for governmental activities.

General Obligation Debt Limit Calculation - The 2017 equalized valuation of the Town as certified by the Wisconsin Department of Revenue is \$874,306,600. The legal debt limit and margin of indebtedness as of December 31, 2017, in accordance with Section 67.03(1) (a) of the Wisconsin Statutes follows:

Debt limit (5% of \$874,306,600)	\$ 43,715,330
Applicable long-term debt	(-)
Amount available in debt service	<u>(624,562)</u>

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

Margin of indebtedness \$ 43,090,768

NOTE 5 - Long-Term Obligations - Continued

Pollution Remediation Obligation - At year end December 31, 2017, the Town was obligated to address the future pollution cleanup activities at Prochnow Landfill, due to federal or state laws or regulations. The Town's obligation originated in 2008 to address the pollution remediation because the pollution created an imminent endangerment to public health or welfare or the environment. Examples of expected future remediation activity costs include legal services, site investigation, and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the cash flows expected to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2017, the obligation was \$621,323. The Town will recognize these liabilities and related expenses as an operating expense in the government-wide financial statements only when such additional costs become measurable. Because of this, the liability is subject to change as the Town becomes aware of new information which may affect its estimate. Only when actual outlays are made are they recognized in the governmental fund financial statements as expenditures. This will also reduce the amount of the liability on the government-wide financial statements. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 6 - Wisconsin Retirement System

General Information about the Pension Plan

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

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.

NOTE 6 - Wisconsin Retirement System - Continued

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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	(5.0)

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

During the reporting period, the WRS recognized \$35,655 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.8%
Protective without Social Security	6.8%	15.1%

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 6 - Wisconsin Retirement System - Continued

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

At December 31, 2017, the Town reported a liability (asset) of \$32,508 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) 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 Town's proportion of the net pension liability (asset) was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Town's proportion was 0.003944%, which was a decrease of 0.00013674% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$82,166.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,395	\$ 102,235
Net differences between projected and actual earnings on pension plan investments	193,866	32,052
Change in assumptions	33,988	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,726	5,084
Employer contributions subsequent to the measurement date	40,324	-
Total	\$ 282,299	\$ 139,371

\$40,324 of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 84,187	\$ 42,561
2019	84,187	42,561
2020	70,489	41,827
2021	3,035	12,422
Thereafter	77	-

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:

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 6 - Wisconsin Retirement System - Continued

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	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 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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:

Asset Allocation Targets and Expected Returns
As of December 31, 2016

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

TOWN OF CEDARBURG, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

International Equities	30	30	8.5	5.6
Total Variable Fund	100%	100%	7.9%	5%

NOTE 6 - Wisconsin Retirement System - Continued

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

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

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town'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%)
Town's proportionate share of the net pension liability (asset)	\$ 427,663	\$ 32,508	\$ (271,780)

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>.

Payables to the Pension Plan - The Town did not have an outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Project	\$ 269,561
General	Debt Service	418,468
		<u>\$ 688,029</u>

TOWN OF CEDARBURG, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are **NOTE 7 - Interfund Balance and Activity - Continued**

recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Interfund transfers at December 31, 2017 were as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Recreation Fund	\$ 25,142
General	Special Revenue	55,000
		<u>\$ 80,142</u>

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 - Fund Balance and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Nonspendable</u>		
General	Inventories	\$ 15,928
General	Prepaid expenses	\$ 16,324
<u>Restricted</u>		
Special Revenue	Impact fees	\$ 573,152
Special Revenue - Recreation	Recreation projects	\$ 46,995
<u>Assigned</u>		
General	Future public works facility	\$ 143,370
General	Future budget use	\$ 20,000
Special Revenue	Machinery	\$ 321,900
Special Revenue	Highways and bridges	\$ 33,464
Special Revenue	Environment	\$ (151,702)
Special Revenue	Five corners town center	\$ 35,207
Special Revenue	Remainder	\$ 122,318

Net Position

Governmental Activities

<u>Restricted</u>		
Special Revenue	Public facilities - impact fees	\$ 573,152
Special Revenue - Recreation	Recreation	\$ 46,995
Other activities	Wisconsin Retirement System pension	\$ 110,420

Deficits

TOWN OF CEDARBURG, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

The following individual funds had deficits at December 31, 2017:

NOTE 8 - Fund Balance and Net Position - Continued

Debt Service	\$	(624,562)
Capital Projects	\$	(270,883)

The deficits will be funded by future revenues.

The Town has adopted a resolution that a working fund balance for general operations will be maintained in order to support expenditures prior to collections of taxes or other major revenues. The working balance will be no less than 20% and no more than 25% of annual operating expenditures. The \$468,365 working fund balance, reported within the unassigned balance of the general fund, was in compliance with the above resolution.

NOTE 9 - Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the Town's policy is to purchase commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior year.

TOWN OF CEDARBURG, WISCONSIN

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF CEDARBURG, WISCONSIN
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,579,611	\$ 1,579,611	\$ 1,586,154	\$ 6,543
Intergovernmental	255,251	255,251	354,021	98,770
Licenses and permits	164,110	164,110	203,398	39,288
Fines, forfeits and penalties	250	250	-	(250)
Public charges for services	117,930	117,930	120,466	2,536
Miscellaneous	28,900	28,900	15,299	(13,601)
TOTAL REVENUES	<u>2,146,052</u>	<u>2,146,052</u>	<u>2,279,338</u>	<u>133,286</u>
EXPENDITURES				
Current				
General government	553,337	553,337	475,635	77,702
Public safety	264,591	264,591	285,889	(21,298)
Public works	1,382,500	1,382,500	1,412,963	(30,463)
Culture, recreation and education	14,500	14,500	23,970	(9,470)
Conservation and development	3,645	3,645	2,000	1,645
Capital outlay	127,156	127,156	63,872	63,284
TOTAL EXPENDITURES	<u>2,345,729</u>	<u>2,345,729</u>	<u>2,264,329</u>	<u>81,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(199,677)</u>	<u>(199,677)</u>	<u>15,009</u>	<u>214,686</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	199,677	199,677	80,142	(119,535)
NET CHANGE IN FUND BALANCE	-	-	95,151	95,151
FUND BALANCE - BEGINNING OF YEAR	<u>1,251,014</u>	<u>1,251,014</u>	<u>1,251,014</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,251,014</u>	<u>\$ 1,251,014</u>	<u>\$ 1,346,165</u>	<u>\$ 95,151</u>

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN
 BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUND
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 56,850	\$ 16,850
Miscellaneous	535	535	10,866	10,331
TOTAL REVENUES	<u>40,535</u>	<u>40,535</u>	<u>67,716</u>	<u>27,181</u>
EXPENDITURES				
Current				
General government	18,000	18,000	1,468	16,532
Public works	30,000	30,000	7,771	22,229
Debt Service				
Principal	55,000	55,000	-	55,000
Capital outlay	129,535	129,535	5,081	124,454
TOTAL EXPENDITURES	<u>232,535</u>	<u>232,535</u>	<u>14,320</u>	<u>218,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(192,000)</u>	<u>(192,000)</u>	<u>53,396</u>	<u>245,396</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	72,156	72,156	-	(72,156)
Operating transfers (out)	-	-	(55,000)	(55,000)
TOTAL OTHER FINANCING SOURCES	<u>72,156</u>	<u>72,156</u>	<u>(55,000)</u>	<u>(127,156)</u>
NET CHANGE IN FUND BALANCE	(119,844)	(119,844)	(1,604)	118,240
FUND BALANCE - BEGINNING OF YEAR	935,943	935,943	935,943	-
FUND BALANCE - END OF YEAR	<u>\$ 816,099</u>	<u>\$ 816,099</u>	<u>\$ 934,339</u>	<u>\$ 118,240</u>

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN
 BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE - RECREATION FUND
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Public charges for services	\$ 107,502	\$ 107,502	\$ 76,799	\$ (30,703)
TOTAL REVENUES	107,502	107,502	76,799	(30,703)
EXPENDITURES				
Current				
Culture, recreation and education	81,796	81,796	70,239	11,557
TOTAL EXPENDITURES	81,796	81,796	70,239	11,557
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,706	25,706	6,560	(19,146)
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(25,706)	(25,706)	(25,142)	564
NET CHANGE IN FUND BALANCE	-	-	(18,582)	(18,582)
FUND BALANCE - BEGINNING OF YEAR	65,577	65,577	65,577	-
FUND BALANCE - END OF YEAR	\$ 65,577	\$ 65,577	\$ 46,995	\$ (18,582)

The accompanying notes are an integral part of these statements.

TOWN OF CEDARBURG, WISCONSIN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 ON BUDGETARY ACCOUNTING AND CONTROL
 DECEMBER 31, 2017

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. In September of each year, all department heads of the Town submit requests for appropriations to the Town Administrator so that a budget may be prepared. In October, the Town Administrator submits a proposed operating budget for the fiscal year commencing the following January 1 to the Finance Committee. The operating budget includes proposed expenditures and the means of financing them.
2. The Town Board holds an initial review of the Finance Committee's recommended budget at its November Board meeting.
3. A public hearing is conducted for residents to approve the budget in December.
4. The department heads are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the Town Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America.
7. Budgetary expenditure control is exercised at the department level within the fund.
8. Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the Town Board.
9. Appropriations lapse at year-end, except those specifically carried forward by Board action.
10. Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

General Fund	Public safety	\$ 21,298
General Fund	Public works	30,463
General Fund	Culture, recreation and education	9,470
Special Revenue Fund	Operating transfer out	55,000

TOWN OF CEDARBURG, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.00394400%	0.00408074%	0.00400330%
Proportionate share of the net pension liability (asset)	\$ 32,508	\$ 66,311	\$ (98,332)
Covered payroll	\$ 540,232	\$ 572,586	\$ 568,300
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	6.02%	11.58%	-17.30%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 35,655	\$ 38,936	\$ 39,781
Contributions in relation to the contractually required contributions	<u>(35,655)</u>	<u>(38,936)</u>	<u>(39,781)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 540,232	\$ 572,586	\$ 568,300
Contributions as a percentage of covered payroll	6.60%	6.80%	7.00%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

The Town implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2017

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

Changes of assumptions - there were no changes in the assumptions.

TOWN OF CEDARBURG, WISCONSIN
OTHER REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Board
Town of Cedarburg, Wisconsin

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Town of Cedarburg, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Cedarburg, Wisconsin's basic financial statements and have issued our report thereon dated May 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cedarburg, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cedarburg, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cedarburg, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

2017-001 - Preparation of Financial Statements

Program: Government-Wide.

Criteria: Adequate internal controls necessitate personnel (management or others) of the Town have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2017-002 - Segregation of Duties

Program: Government-Wide.

Criteria: Separation of accounting duties is necessary for adequate internal control.

Condition: Separation of accounting duties for adjusting journal entries, cash receipts, cash disbursements and payroll is currently limited to obtain an adequate internal control system.

Questioned Costs: Not applicable.

Context: The number of personnel limits the separation of accounting duties.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Management should monitor the accounting internal controls or hire additional personnel to be able to properly separate accounting duties.

Management's Response: This weakness is impractical to entirely correct due to the limited resources and personnel available to our Town. We will continue to use other controls, where practical, to compensate for this limitation.

2017-003 - Material Audit Adjustments

Program: Government-Wide.

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the Town's financial statements from being materially misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Isolated instances.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Improve the Town's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The Town will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cedarburg, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Cedarburg, Wisconsin's Responses to Findings

The Town of Cedarburg, Wisconsin's responses to the findings identified in our audit are described below. The Town of Cedarburg, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Manitowoc, Wisconsin
May 11, 2018