

**NORTH SHORE WATER COMMISSION**

Milwaukee, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

# NORTH SHORE WATER COMMISSION

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## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
North Shore Water Commission  
Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Shore Water Commission, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the North Shore Water Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the North Shore Water Commission'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 North Shore Water Commission'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 Board of Commissioners  
North Shore Water Commission

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Shore Water Commission as of December 31, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Shore Water Commission'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 Board of Commissioners  
North Shore Water Commission

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Shore Water Commission's basic financial statements. The Schedule of Allocation Basis - Governmental Funds 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Milwaukee, Wisconsin  
February 23, 2018

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## **BASIC FINANCIAL STATEMENTS**

# NORTH SHORE WATER COMMISSION

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

As of December 31, 2017

	<u>General Fund</u>	<u>Maintenance Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 223,124	\$ 772,397	\$ 995,521
Accounts receivable	29,617	27,994	57,611
Storm water testing inventory	310	-	310
Prepaid items	7,466	-	7,466
	<u>260,517</u>	<u>800,391</u>	<u>1,060,908</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 260,517</u>	<u>\$ 800,391</u>	<u>\$ 1,060,908</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 44,502	\$ 391	\$ 44,893
Accrued liabilities	21,092	-	21,092
Due to municipalities	87,731	-	87,731
Noncurrent liabilities			
Due within one year	-	-	-
Due in more than one year	-	-	-
	<u>153,325</u>	<u>391</u>	<u>153,716</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Fund Balances			
Committed	82,192	-	82,192
Assigned	25,000	800,000	825,000
	<u>107,192</u>	<u>800,000</u>	<u>907,192</u>
	<u>\$ 260,517</u>	<u>\$ 800,391</u>	<u>\$ 1,060,908</u>
<b>NET POSITION</b>			
Unrestricted			
Total Net Position			

<u>Adjustments</u> <u>(Note II.A.)</u>	<u>Statement</u> <u>of Net Position</u>
\$ -	\$ 995,521
-	57,611
-	310
-	<u>7,466</u>
-	<u>1,060,908</u>
<u>200,071</u>	<u>200,071</u>
<u>200,071</u>	<u>1,260,979</u>
-	44,893
-	21,092
-	87,731
6,938	6,938
<u>76,557</u>	<u>76,557</u>
<u>83,495</u>	<u>237,211</u>
<u>83,775</u>	<u>83,775</u>
(82,192)	-
<u>(825,000)</u>	<u>-</u>
<u>(907,192)</u>	<u>-</u>
<u>939,993</u>	<u>939,993</u>
<u>\$ 939,993</u>	<u>\$ 939,993</u>

# NORTH SHORE WATER COMMISSION

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

	General Fund	Maintenance Reserve Fund	Total
<b>EXPENDITURES/EXPENSES</b>			
Water treatment and supply - operations	\$ 1,157,594	\$ -	\$ 1,157,594
Capital outlay	-	154,485	154,485
Total Expenditures/Expenses	1,157,594	154,485	1,312,079
<b>PROGRAM REVENUES</b>			
Charges for services			
Municipalities	1,143,287	154,165	1,297,452
Wholesale agreements	77,121	69,627	146,748
Other	17,539	-	17,539
Storm water analysis	206	-	206
Total Charges for Services	1,238,153	223,792	1,461,945
Net Program Revenue			
<b>GENERAL REVENUES AND TRANSFERS</b>			
Investment income	370	4,840	5,210
Transfers in (out)	(75,853)	75,853	-
Net General Revenues and Transfers	(75,483)	80,693	5,210
Excess (deficiency) of revenues over expenditures	5,076	150,000	155,076
<b>Change in Net Position</b>			
<b>FUND BALANCES/NET POSITION -</b>			
Beginning of Year	102,116	650,000	752,116
<b>FUND BALANCES/NET POSITION - END OF YEAR</b>	\$ 107,192	\$ 800,000	\$ 907,192

<u>Adjustments</u> (Note II.B.)	<u>Statement</u> <u>of Activities</u>
\$ 195,839	\$ 1,353,433
<u>(154,485)</u>	<u>-</u>
<u>41,354</u>	<u>1,353,433</u>
-	1,297,452
-	146,748
-	17,539
<u>-</u>	<u>206</u>
-	<u>1,461,945</u>
	<u>108,512</u>
-	5,210
<u>-</u>	<u>-</u>
<u>-</u>	<u>5,210</u>
(155,076)	-
113,722	113,722
<u>74,155</u>	<u>826,271</u>
<u>\$ 32,801</u>	<u>\$ 939,993</u>

# NORTH SHORE WATER COMMISSION

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# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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The accounting policies of the North Shore Water Commission (Commission) conform to generally accepted accounting principles 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***

The Commission is a water supply system which is jointly operated by the Villages of Whitefish Bay and Fox Point and the City of Glendale. The Commission, which was created on November 26, 1957 and commenced operations on April 1, 1963, was created pursuant to the provisions of the Wisconsin Statutes by the above communities upon entering into the Agreement for Water Supply Systems. The original agreement was recently superseded on September 18, 2017 by the Revised and Restated Agreement for Water Supply. The Commission is governed by a three member board consisting of one representative and one alternate from each municipality. Only one member from each municipality may vote. The Commission provides for the intake, pumping and treatment of water furnished to the above communities. Operating costs of the Commission are borne by the communities based on their pro-rata share of metered water delivered to each municipality. Capital costs are allocated based upon mutually agreeable percentages that are fixed until January 1, 2020 which were originally approved by the Commission in 2014.

This report includes all of the funds of the Commission. The reporting entity for the Commission 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 Commission 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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The Commission does not have any business-type activities to report.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

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

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

#### **Fund Financial Statements**

Financial statements of the Commission 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 expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Commission 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 fund are at least 10% of the corresponding total for all funds of that category or type.
- b. In addition, any other governmental fund that the Commission believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Commission reports the following major governmental funds:

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

Maintenance Reserve 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 maintenance reserve program.

The Commission does not report any non-major governmental funds.



# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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### ***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. Charges for services are recognized as revenue in the period earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. 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.

#### ***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 Commission 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.

Revenues susceptible to accrual include charges to municipalities, public charges for services and investment income. Charges for services to each participating municipality are based on budgeted operating expenditures using the prior year's pro-rata share of metered water delivered to each municipality. Other revenues are recognized when received in cash or when measurable and available under the criteria described above.

#### ***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.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

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

Investment of Commission 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, or by 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.

The Commission has adopted an investment policy. That policy follows the state statute for allowable investments. No policy exists for custodial credit risk, interest rate risk, investments highly sensitive to interest rate changes or credit risk.

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

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

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

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

Management has determined that an allowance for uncollectible accounts is not necessary as of December 31, 2017.

#### ***3. Prepaid Items***

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

#### ***4. Capital Assets***

##### ***Government –Wide Statements***

All capital assets are owned and reported by each municipality's respective water utility. No capital assets are owned or reported by the Commission.

##### ***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.

#### ***5. Deferred Outflows of Resources***

A deferred outflow of resource 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.

#### ***6. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

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

The Commission provides postemployment health insurance benefits for all eligible employees. Eligibility is based on contractual agreements with employee groups, local ordinances, or employee benefit policies. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 50% of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the Commission. Funding for those costs is provided out of the current operating budget of the Commission. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were \$0. The number of participants currently eligible to receive benefits is zero. The total amount outstanding at year end to be paid in the future is \$0.

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

#### **7. Long-Term Obligations**

All long-term obligations to be repaid from governmental activities are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face values of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

#### **8. 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.

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

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

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

#### ***10. Equity Classifications***

##### ***Government–Wide Statements***

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

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

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

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

Governmental fund balances are displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (motion) of the Board of Commissioners. 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 Board of Commissioners that created the commitment.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

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

- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board of Commissioners has by resolution, adopted a financial policy authorizing the Manager 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.

The Commission 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 Commission would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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## NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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### *A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET POSITION*

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	<u>\$ 200,071</u>
Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Compensated absences	\$ 57,192
Net pension liability	<u>26,303</u>
	<u>\$ 83,495</u>
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	<u>\$ 83,775</u>

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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## NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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***B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

Some expenses reported 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.

Unused accumulated sick leave	\$ (5,076)
Change in net pension liability	25,645
Change in deferred outflows of resources related to pensions	(88,528)
Change in deferred inflows of resources related to pension	26,605
Expenses charged to water treatment and supply	154,485
Expenses credited against capital outlay	<u>(154,485)</u>
Total Adjustment	\$ <u>(41,354)</u>



# NORTH SHORE WATER COMMISSION

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

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

	Carrying Value	Statement Balance	Associated Risks
Deposits	\$ 393,527	\$ 342,886	Custodial Credit Risk
LGIP	601,944	601,944	Credit Risk
Petty cash	50	-	N/A
Total Deposits and Investments	\$ 995,521	\$ 944,830	

#### Reconciliation to financial statements

Per statement of net position	
Cash and investments	\$ 995,521

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 not been considered in computing custodial credit risk.

#### **Custodial Credit Risk**

##### **Deposits**

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

As of December 31, 2017, \$92,886 of the Commission's total bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

# NORTH SHORE WATER COMMISSION

## 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**

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

The Commission held investments in the external Wisconsin Local Government Investment Pool which is not rated.

#### B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

#### C. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences	\$ 52,116	\$ 10,074	\$ 4,998	\$ 57,192	\$ 6,938
Net pension liability	<u>51,948</u>	<u>-</u>	<u>25,645</u>	<u>26,303</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 104,064</u>	<u>\$ 10,074</u>	<u>\$ 30,643</u>	<u>\$ 83,495</u>	<u>\$ 6,938</u>

##### **Other Debt Information**

The compensated absences attributable to government activities will be liquidated primarily by the general fund.

## NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

#### *D. FUND BALANCES*

##### *Governmental Funds*

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

Fund Balances	General Fund	Maintenance Reserve Fund	Total
	Fund	Fund	Total
<b>Committed to:</b>			
Emergencies	\$ 25,000	\$ -	\$ 25,000
Compensated absences	57,192	-	57,192
Sub-total	82,192	-	82,192
<b>Assigned to:</b>			
Capital projects	-	800,000	800,000
Contingencies	25,000	-	25,000
Sub-total	25,000	800,000	825,000
<b>Total Fund Balances</b>	\$ 107,192	\$ 800,000	\$ 907,192

### NOTE IV – OTHER INFORMATION

#### *A. EMPLOYEES' RETIREMENT SYSTEM*

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

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

## NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

**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.

# NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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## NOTE IV – OTHER INFORMATION (cont.)

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

**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)

**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 and Elected officials category merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$29,962 in contributions from the Commission.

## NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
General (executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the Commission reported a liability of \$26,303 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 Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Commission's proportion was 0.00319120%, which was a decrease of 0.00000564% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Commission recognized pension expense of \$67,319.

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,028	\$ 82,721
Changes in assumptions	27,501	-
Net differences between projected and actual earnings on pension plan investments	130,927	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	574	1,054
Employer contributions subsequent to the measurement date	31,041	-
Total	\$ 200,071	\$ 83,775

## NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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

\$31,041 reported as deferred outflows related to pension resulting from the Commission'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 Inflows of Resources
2018	\$ 61,530	\$ 26,729
2019	61,528	26,729
2020	50,296	26,729
2021	(4,371)	3,586
2022	47	2

**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 (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% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

# NORTH SHORE WATER COMMISSION

## 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 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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.24	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
<u>Variable Fund Asset Class</u>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

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



# NORTH SHORE WATER COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the year ended December 31, 2017

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

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

**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 Commission's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Commission'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%)
Commission's proportionate share of the net pension liability (asset)	\$346,034	\$26,303	\$(219,904)

**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://elf.wi.gov/publications/cafr.htm>.

At December 31, 2017, the Commission reported a payable to the pension plan of \$7,225, which represents contractually required contributions outstanding as of the end of the year.

#### B. RISK MANAGEMENT

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

# NORTH SHORE WATER COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the year ended December 31, 2017

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

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#### **C. COMMITMENTS AND CONTINGENCIES**

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 only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements when the related liabilities are incurred.

#### **D. WHOLESALE WATER SALES AGREEMENT**

On May 1, 2009, the Commission entered into an agreement with the City of Mequon to provide up to 2.0 million gallons per day of water for resale to City of Mequon customers. The wholesale rate from April 1, 2016 to March, 2017 was \$2.120 per 1,000 gallons and is subject to change annually thereafter as provided by the agreement. The wholesale rate from April 1, 2017 to March 31, 2018 is \$2.143 per 1,000 gallons. The wholesale rate includes a conveyance charge for conveying water from the transfer points to the metering points of \$0.39 per 1,000 gallons. This conveyance charge is remitted to the participating municipalities on a monthly basis.

Amounts billed under the agreement for 2017 totaled \$179,999. The conveyance charge, accrued to the three communities, amounted to \$32,751 resulting in revenues for the Commission of \$147,248 for 2017.

Additionally, the Commission annually charges the City of Mequon for the operation, maintenance, and repair of the metering and telemetry devices as provided by the agreement. Billings for water purchased under this agreement are monthly. The agreement terminates on February 11, 2019 with an automatic renewal for successive five (5) year periods unless notice is given by either party at least two (2) years prior to the end of the initial or any renewal term.

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

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

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

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

## NORTH SHORE WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the year ended December 31, 2017

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

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#### *F. SUBSEQUENT EVENT*

As part of the Revised and Restated Agreement for Water Supply approved on September 18, 2018, the following items become effective in subsequent years.

Beginning January 1, 2018 and thereafter, the Commission shall maintain an account designated as the Operating Reserve. Funds in this account may be used by the Commission to pay for operating expenses defined in Section 6.01 of the Revised and Restated Agreement for Water Supply in the event of financial hardship. At the conclusion of the annual audit, the Commission shall decide what the Operating Reserve account balance shall be provided it is kept at or above 12% of the operating budget for the year being audited. Each member shall be responsible for maintaining their apportioned balance of the account.

Beginning January 1, 2018, the Maintenance Reserve Capital Projects Fund will change its name to the Capital Fund.

Beginning January 1, 2020 and thereafter, capital expenses shall be apportioned to each member based on the percentage of water delivered to each member over the previous 5 years. These percentages will be used to apportion capital expenses to each member and shall be referred to as the “capital allocation rates” hereafter.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## NORTH SHORE WATER COMMISSION

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

#### GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Charges to municipalities			
Current year billings	\$ 1,231,018	\$ 1,231,018	\$ -
Payments to be refunded to municipalities	-	(87,731)	(87,731)
Net charges to municipalities	1,231,018	1,143,287	(87,731)
Public charges for services			
Wholesale agreements	70,000	77,121	7,121
Other	14,000	17,539	3,539
Storm water analysis	-	206	206
Investment income	600	370	(230)
 Total Revenues	 <u>1,315,618</u>	 <u>1,238,523</u>	 <u>(77,095)</u>
<b>EXPENDITURES</b>			
Current			
Operating expenditures			
Source of supply	20,084	18,919	1,165
Pumping	492,770	452,782	39,988
Transmission	4,670	3,610	1,060
Water treatment	421,388	365,167	56,221
Customer service	788	747	41
Administrative and general	337,674	281,342	56,332
Storm water analysis	-	268	(268)
Taxes	38,244	34,759	3,485
Total Expenditures	<u>1,315,618</u>	<u>1,157,594</u>	<u>158,024</u>
 Excess of revenues over expenditures	 -	 80,929	 80,929
<b>OTHER FINANCING USES</b>			
Transfers out	-	(75,853)	(75,853)
 Net Change in Fund Balance	 <u>\$ -</u>	 5,076	 <u>\$ 5,076</u>
 FUND BALANCE - Beginning of Year		 <u>102,116</u>	
 <b>FUND BALANCE - END OF YEAR</b>		 <u>\$ 107,192</u>	

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

## NORTH SHORE WATER COMMISSION

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

WRS Fiscal Year Ending Date	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	0.003176560%	\$ (78,004)	\$ 459,178	16.99%	102.74%
12/31/15	0.003196840%	51,948	447,604	11.61%	98.20%
12/31/16	0.319120000%	26,303	453,973	5.79%	99.12%

## NORTH SHORE WATER COMMISSION

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

Commission Fiscal Year Ending Date	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	\$ 30,437	\$ 30,437	\$ -	\$ 447,604	6.80%
12/31/16	29,962	29,962	-	453,973	6.60%
12/31/17	31,041	31,041	-	456,488	6.80%

## **NORTH SHORE WATER COMMISSION**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2017**

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

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

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

Appropriations lapse at year-end unless specifically carried over by the Commission. Budgetary control is exercised at the total fund level of expenditure.

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

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

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

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

Changes of assumptions – There were no changes in the assumptions.



## **SUPPLEMENTARY INFORMATION**

**NORTH SHORE WATER COMMISSION**

SCHEDULE OF CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	Fund Balance 01/01/17	Charges to Municipalities		Net
		Current Year Billings	Due to Municipalities	
<b>GENERAL FUND</b>				
Operating and Emergency Accounts				
Village of Whitefish Bay	\$ 33,372	\$ 385,555	\$ (17,582)	\$ 367,973
Village of Fox Point	19,103	212,720	(18,039)	194,681
City of Glendale	49,641	632,743	(52,110)	580,633
	<u>\$ 102,116</u>	<u>\$ 1,231,018</u>	<u>\$ (87,731)</u>	<u>\$ 1,143,287</u>

	Fund Balance 01/01/17	Charges to Municipalities		Net
		Current Year Billings	Due to Municipalities	
<b>MAINTENANCE RESERVE FUND</b>				
Village of Whitefish Bay	\$ 215,540	\$ 51,121	\$ -	\$ 51,121
Village of Fox Point	121,355	28,783	-	28,783
City of Glendale	313,105	74,261	-	74,261
	<u>\$ 650,000</u>	<u>\$ 154,165</u>	<u>\$ -</u>	<u>\$ 154,165</u>

Public Charges for Services						Fund Balance 12/31/17
Wholesale Agreements	Other	Storm Water Analysis	Investment Income	Operating Expenditures	Transfers In (Out)	
\$ 24,771	\$ 5,634	\$ 66	\$ 119	\$ (371,820)	\$ (25,153)	\$ 34,962
13,041	2,966	35	63	(195,747)	(14,161)	19,981
<u>39,309</u>	<u>8,939</u>	<u>105</u>	<u>188</u>	<u>(590,027)</u>	<u>(36,539)</u>	<u>52,249</u>
<u>\$ 77,121</u>	<u>\$ 17,539</u>	<u>\$ 206</u>	<u>\$ 370</u>	<u>\$ (1,157,594)</u>	<u>\$ (75,853)</u>	<u>\$ 107,192</u>

Public Charges for Services	Investment Income	Other Revenues	Capital Outlay	Preliminary Fund Balance 12/31/17	Target Fund Balance 12/31/17	Transfers In (Out)	Fund Balance 12/31/17
\$ 23,088	\$ 1,605	\$ -	\$ (51,227)	\$ 240,127	\$ 265,280	\$ 25,153	\$ 265,280
12,999	904	-	(28,842)	135,199	149,360	14,161	149,360
<u>33,540</u>	<u>2,331</u>	<u>-</u>	<u>(74,416)</u>	<u>348,821</u>	<u>385,360</u>	<u>36,539</u>	<u>385,360</u>
<u>\$ 69,627</u>	<u>\$ 4,840</u>	<u>\$ -</u>	<u>\$ (154,485)</u>	<u>\$ 724,147</u>	<u>\$ 800,000</u>	<u>\$ 75,853</u>	<u>\$ 800,000</u>

## NORTH SHORE WATER COMMISSION

### SCHEDULE OF ALLOCATIONS - GENERAL FUND For the Year Ended December 31, 2017

	Budget	Actual			
		Total	Village of Whitefish Bay	Village of Fox Point	City of Glendale
<b>REVENUES</b>					
Public charges for services					
Wholesale agreements	\$ 70,000	\$ 77,121	\$ 24,771	\$ 13,041	\$ 39,309
Other	14,000	17,539	5,634	2,966	8,939
Storm water analysis	-	206	66	35	105
Investment income	600	370	119	63	188
<b>TOTAL - ALLOCATION BASIS (a)</b>	<b>\$ 84,600</b>	<b>\$ 95,236</b>	<b>\$ 30,590</b>	<b>\$ 16,105</b>	<b>\$ 48,541</b>
<b>OPERATING EXPENDITURES</b>					
Source of Supply					
Operation supervision and engineering	\$ 788	\$ 747	\$ 240	\$ 126	\$ 381
Operation labor and expenses	1,372	1,384	445	234	705
Purchased water	10,000	9,194	2,953	1,555	4,686
Miscellaneous	1,011	343	110	58	175
Maintenance supervision and engineering	1,510	1,880	604	318	958
Maintenance of structures	1,372	1,384	445	234	705
Maintenance of lake, river, and other intakes	4,031	3,575	1,148	605	1,822
Maintenance of misc water source	-	412	132	70	210
Total source of supply	<u>20,084</u>	<u>18,919</u>	<u>6,077</u>	<u>3,200</u>	<u>9,642</u>
Pumping					
Operation supervision and engineering	15,435	14,862	4,774	2,513	7,575
Fuel - Power production	3,775	3,164	1,016	535	1,613
Fuel - Power purchased for pumping	241,482	224,862	72,226	38,024	114,612
Pumping labor	134,423	127,409	40,924	21,545	64,940
Miscellaneous	27,140	26,796	8,607	4,531	13,658
Maintenance supervision and engineering	8,867	7,394	2,375	1,250	3,769
Maintenance of structures and improvements	14,425	15,246	4,897	2,578	7,771
Maintenance of power production equipment	4,389	2,461	790	416	1,255
Maintenance of pumping equipment	42,834	30,588	9,825	5,172	15,591
Total pumping	<u>492,770</u>	<u>452,782</u>	<u>145,434</u>	<u>76,564</u>	<u>230,784</u>
Transmission					
Operation supervision and engineering	1,510	1,479	475	250	754
Storage facility	1,372	1,384	445	234	705
Maintenance supervision and engineering	1,788	747	240	126	381
Total transmission	<u>4,670</u>	<u>3,610</u>	<u>1,160</u>	<u>610</u>	<u>1,840</u>

## NORTH SHORE WATER COMMISSION

### SCHEDULE OF ALLOCATIONS - GENERAL FUND

(concluded)

For the Year Ended December 31, 2017

	Budget	Actual			
		Total	Village of Whitefish Bay	Village of Fox Point	City of Glendale
<b>OPERATING EXPENDITURES (cont.)</b>					
Water Treatment					
Operation supervision and engineering	\$ 15,435	\$ 14,862	\$ 4,774	\$ 2,513	\$ 7,575
Chemicals	85,560	67,685	21,740	11,446	34,499
Operation labor and expenses	189,108	169,303	54,380	28,629	86,294
Miscellaneous	27,007	26,828	8,617	4,537	13,674
Maintenance supervision and engineering	3,942	3,734	1,199	631	1,904
Maintenance of structures and improvements	11,674	14,473	4,649	2,447	7,377
Maintenance of water treatment equipment	88,662	68,282	21,932	11,546	34,804
Total water treatment	<u>421,388</u>	<u>365,167</u>	<u>117,291</u>	<u>61,749</u>	<u>186,127</u>
Customer Service					
Customer service and information	<u>788</u>	<u>747</u>	<u>240</u>	<u>126</u>	<u>381</u>
Administrative and General					
Management and office salaries	35,942	29,829	9,581	5,044	15,204
Office supplies	15,134	17,153	5,510	2,901	8,742
Outside services	90,557	61,694	19,816	10,432	31,446
Property insurance	21,332	21,878	7,027	3,700	11,151
Injuries and damages	40,340	36,206	11,629	6,122	18,455
Employee pension and benefits	126,138	107,066	34,390	18,105	54,571
Miscellaneous general	7,159	7,516	2,414	1,271	3,831
Maintenance of general plant	1,072	-	-	-	-
Total administrative and general	<u>337,674</u>	<u>281,342</u>	<u>90,367</u>	<u>47,575</u>	<u>143,400</u>
Storm water analysis	<u>-</u>	<u>268</u>	<u>86</u>	<u>45</u>	<u>137</u>
Taxes	<u>38,244</u>	<u>34,759</u>	<u>11,165</u>	<u>5,878</u>	<u>17,716</u>
<b>TOTAL - ALLOCATION BASIS (a)</b>	<u>\$ 1,315,618</u>	<u>\$ 1,157,594</u>	<u>\$ 371,820</u>	<u>\$ 195,747</u>	<u>\$ 590,027</u>

**NORTH SHORE WATER COMMISSION**

SCHEDULE OF ALLOCATIONS - MAINTENANCE RESERVE CAPITAL PROJECTS FUND  
For the Year Ended December 31, 2017

	<u>Total</u>	<u>Village of Whitefish Bay</u>	<u>Village of Fox Point</u>	<u>City of Glendale</u>
<b>PUBLIC CHARGES FOR SERVICES</b>				
Wholesale Agreements - Allocation basis (b)	\$ 69,627	\$ 23,088	\$ 12,999	\$ 33,540
<b>OTHER REVENUES</b>				
Investment Income	\$ 4,840	\$ 1,605	\$ 904	\$ 2,331
<b>CAPITAL OUTLAY</b>				
SCADA HMI/Database Upgrade Phase 1 (397.1)	\$ 74,401	\$ 24,671	\$ 13,891	\$ 35,839
Filter Improvements (332)	43,890	14,554	8,194	21,142
Reservoir Groundwater Monitoring (332)	6,286	2,084	1,174	3,028
Demolition and Restoration of Old Chemical Feed Area (334)	7,287	2,416	1,360	3,511
Truck Replacement (392)	21,796	7,228	4,069	10,499
Portable Paint Sprayer for Solvent Based Paints (394)	825	274	154	397
<b>TOTAL - ALLOCATION BASIS (b)</b>	<b>\$ 154,485</b>	<b>\$ 51,227</b>	<b>\$ 28,842</b>	<b>\$ 74,416</b>

	<u>Acquisition Year</u>	<u>Estimated Original Cost</u>	<u>Total</u>	<u>Village of Whitefish Bay</u>	<u>Village of Fox Point</u>	<u>City of Glendale</u>
<b>RETIREMENTS</b>						
Equipment associated with instrumentation project (397.1)	1993	\$ 235	\$ 235	\$ 78	\$ 44	\$ 113
Equipment associated with instrumentation project (397.1)	1994	13,087	13,087	4,332	2,447	6,308
Equipment associated with instrumentation project (397.1)	1995	22,581	22,581	7,474	4,223	10,884
Equipment associated with instrumentation project (397.1)	1996	10,246	10,246	3,391	1,916	4,939
Equipment associated with instrumentation project (397.1)	1997	131	131	43	24	64
10" Butterfly valve with actuator (332)	1963	554	554	183	104	267
4" Drain valve actuators (332)	1963	4,173	4,173	1,381	780	2,012
Wiring associated with chemical feed system (331)	1963	4,142	4,142	1,371	775	1,996
Alum day tanks (332)	1963	1,456	1,456	482	272	702
Wiring associated with chemical feed system (332)	1963	3,923	3,923	1,299	734	1,890
Removal of wiring associated with chemical feed system (332)	1963	10,011	10,011	3,314	1,872	4,825
<b>TOTAL - ALLOCATION BASIS</b>			<b>\$ 70,539</b>	<b>\$ 23,348</b>	<b>\$ 13,191</b>	<b>\$ 34,000</b>

## **OTHER INFORMATION**

## NORTH SHORE WATER COMMISSION

### SCHEDULE OF ALLOCATION BASIS - GOVERNMENTAL FUNDS For the Years Ended December 31, 2017 and 2016

Certain revenues and operating expenditures are allocated based upon the current years volume of water delivered to each municipality.

Other revenues and capital expenditures are allocated based upon the capital allocation rates.

The following summarizes the current and prior years allocation:

	2017		2016	
	Millions of Gallons	Percent	Millions of Gallons	Percent
<b>(a) - WATER DELIVERED</b>				
Village of Whitefish Bay	373.9	32.12%	379.1	31.32%
Village of Fox Point	196.9	16.91%	209.1	17.28%
City of Glendale	593.3	50.97%	622.1	51.40%
	1,164.1	100.00%	1,210.3	100.00%
<b>(b) - CAPITAL ALLOCATION</b>				
Village of Whitefish Bay	33.51	33.16%	33.51	33.16%
Village of Fox Point	18.88	18.67%	18.88	18.67%
City of Glendale	48.68	48.17%	48.68	48.17%
	101.07	100.00%	101.07	100.00%