

VILLAGE OF MENOMONEE FALLS 2013 FINANCIAL RESULTS

Summary presentation

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Finance Director

Comprehensive Annual Financial Report (CAFR)

CAFR

- **Report on the financial position of the Village as of 12/31/13 and the results of 2013 operations**
 - The overwhelming length of the CAFR is due to compliance with generally accepted accounting principles
 - The transmittal letter as well as management's discussion and analysis (MD&A) are good sources to find summarized information and can be found at the beginning of the CAFR
- **Required to be prepared and audited annually**
 - Audited by Reilly, Penner & Benton LLP

CAFR

- **Contents summary:**
 - **Transmittal Letter**
 - **Independent Auditor's Report**
 - **Management's Discussion & Analysis (MD&A)**
 - **Financial Statements (part 1 of 2)**
 - **Notes supporting the Financial Statements**
 - **Financial Statements (part 2 of 2)**
 - **Statistical information**
- **The 2012 CAFR received an award for excellence in reporting.**
 - **I expect the 2013 CAFR to also receive this award**

What are Funds?

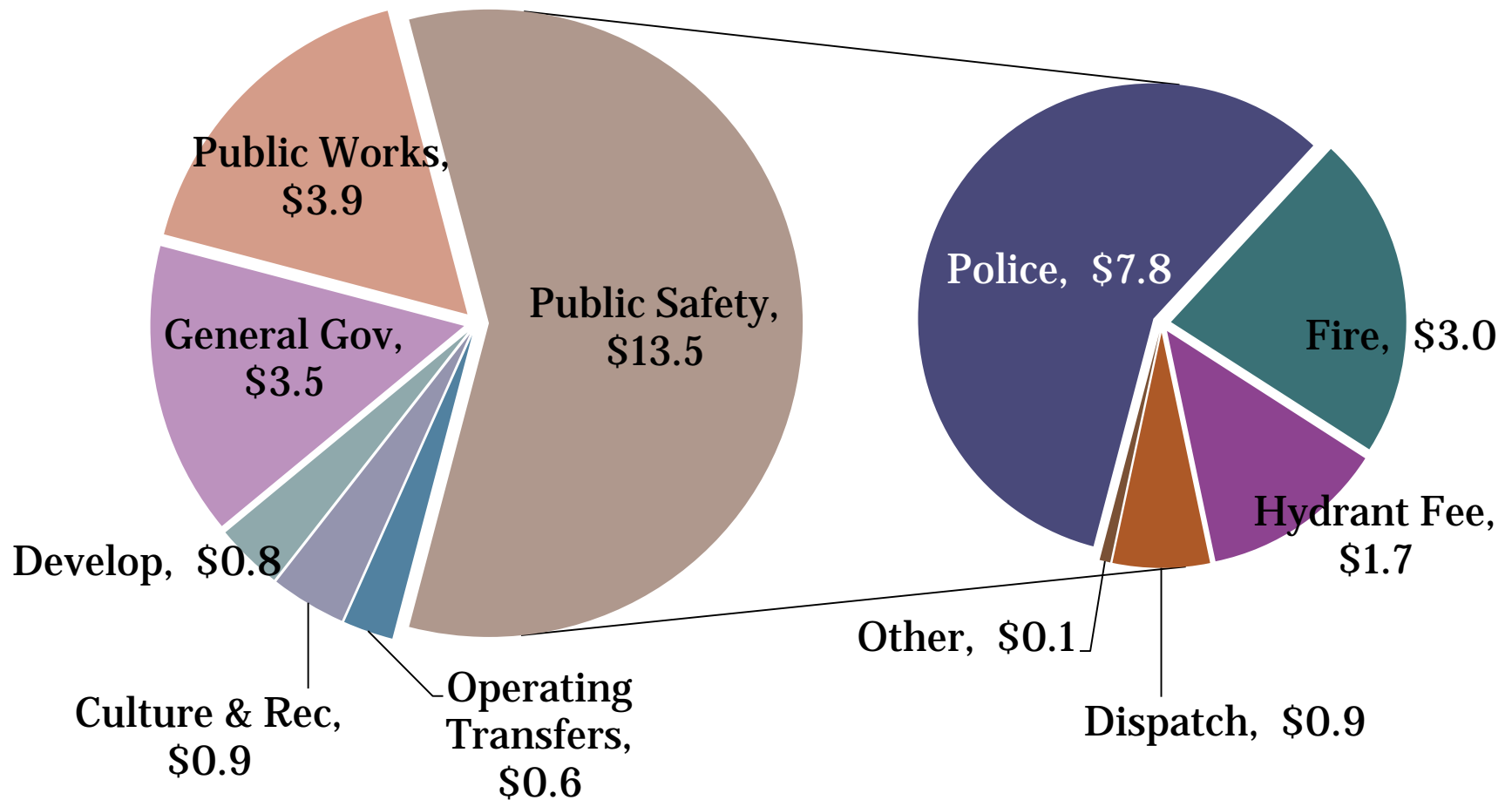
- In simple terms, funds are like separate entities, with each tracking a separate type of activity.
 - Some Funds are mandatory (such as the General Fund)
 - Others are discretionary (such as the Solid Waste Fund)
 - By tracking activities in separate funds, we can more easily see the financial benefit or burden an activity is providing.
- Most of our funds fall into two categories:
 - Proprietary funds
 - These funds operate like a business where service fees provide a majority of the revenues to keep the fund operating.
 - Examples: Water Utility, Sewer Utility
 - Governmental funds
 - These funds are focused on reporting the results of specific activities and are largely supported by taxes.
 - Examples: General Fund, Municipal Facilities & Equipment Fund

General Fund

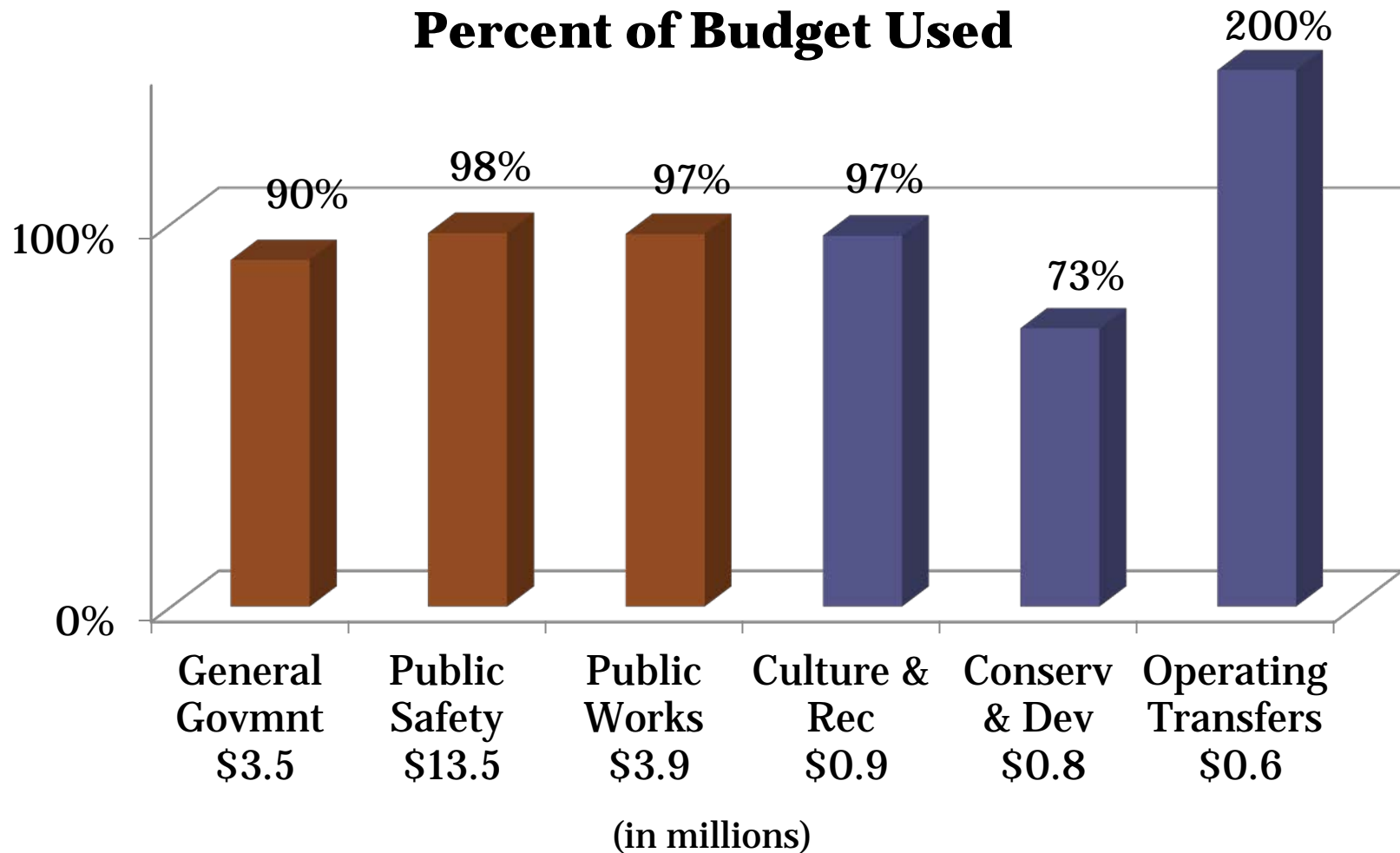
General Fund

- The main operating fund of the Village including:
 - Public Safety (Police, Fire, Dispatch)
 - Public Works (Street and Equipment Maintenance)
 - Culture & Recreation (Parks, Old Falls Village)
 - Development (Community Dev, Planning, Engineering)
 - General Government
 - Village Manager, Attorney, Court, Clerk Services, Human Resources, Building Maintenance, Financial Services, IT

General Fund Expenditures (in Millions)



General Fund Expenditures (Budget vs Actual)

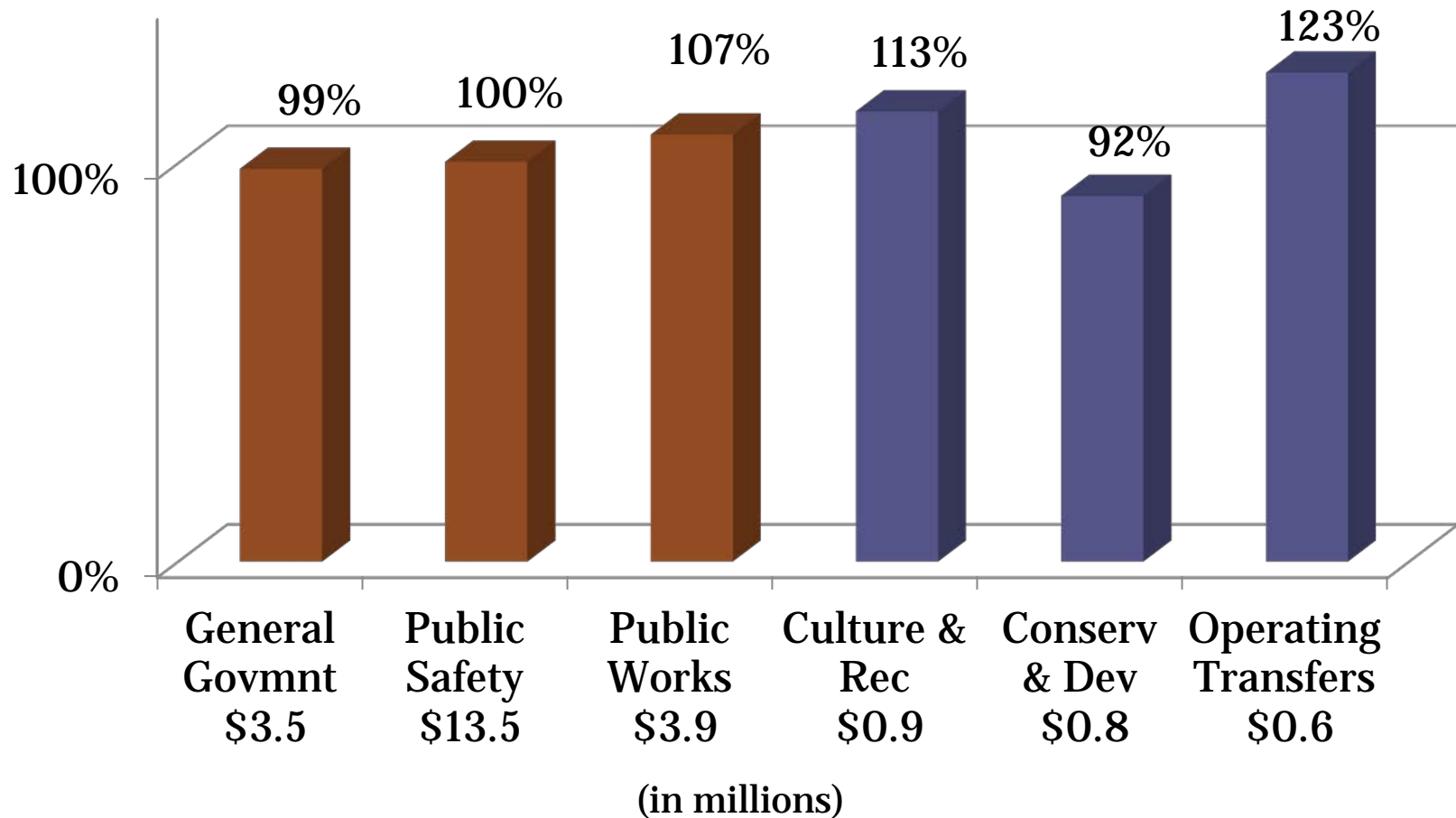


General Fund Expenditures (Budget vs Actual)

- Overall, expenditures were under budget by 3.6% or \$0.8 million. The most significant savings were realized from:
 - A police officer position that went unfilled
 - Health insurance cost savings in public safety due to change in plans
 - In-house Assistant Village Attorney in 2013 vs. contracted prosecutor in 2012.
- Transfer to the Solid Waste Collection Fund was \$0.3 million greater than budgeted
 - Lower commodity prices on recyclable materials as well as an unbudgeted deficit makeup transfer.

General Fund Expenditures (2013 vs 2012)

Percent of Prior Year



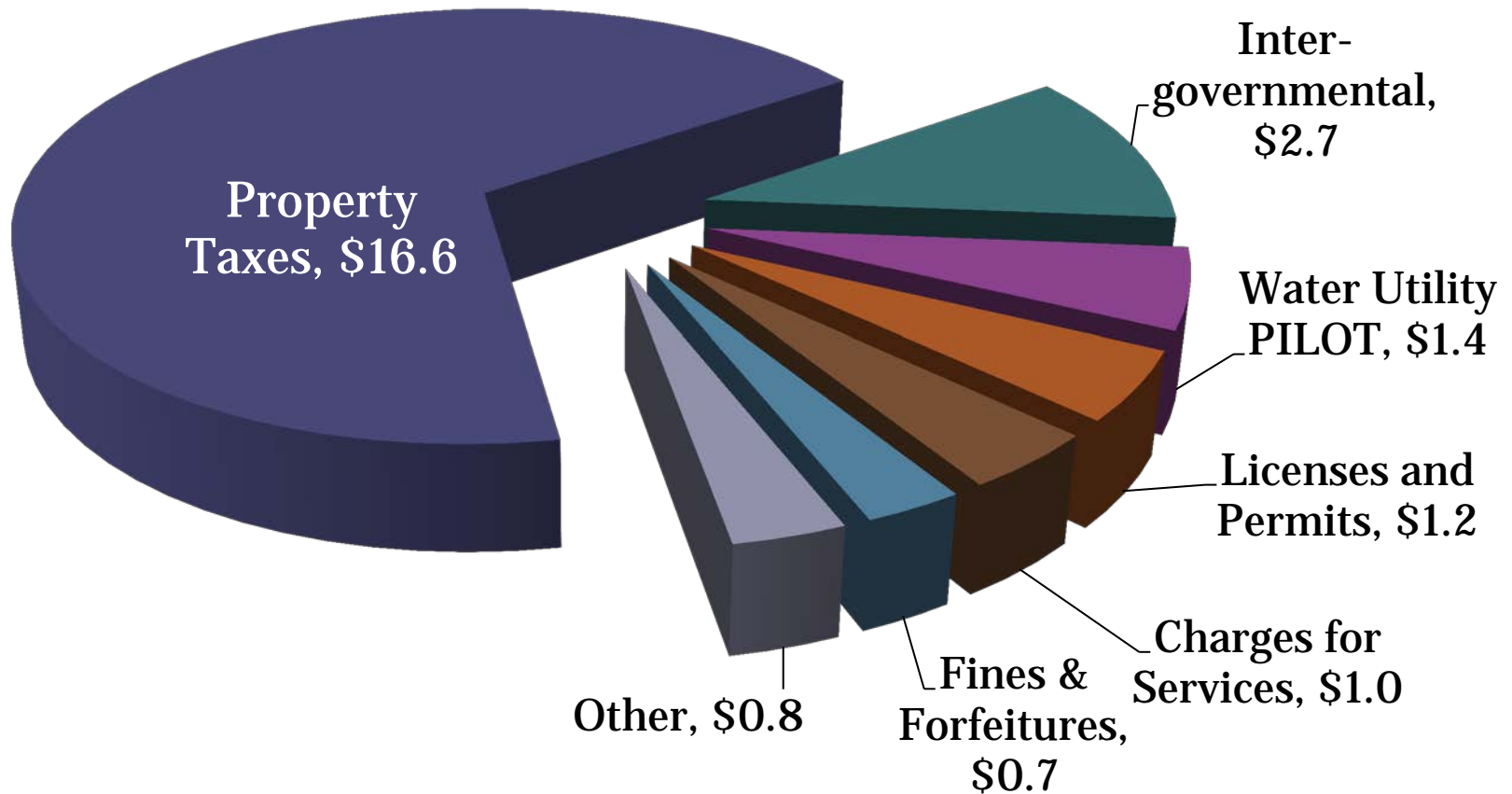
General Fund Expenditures (2013 vs 2012)

- Overall, expenditures increased 1.7% or \$0.4 million.
- The most significant savings were realized from:
 - Five layoffs in Public Works
 - A police officer position that went unfilled
 - Health insurance cost savings in public safety due to change in plans
 - In-house Assistant Village Attorney in 2013 vs. contracted prosecutor in 2012.

General Fund Expenditures (2013 vs 2012)

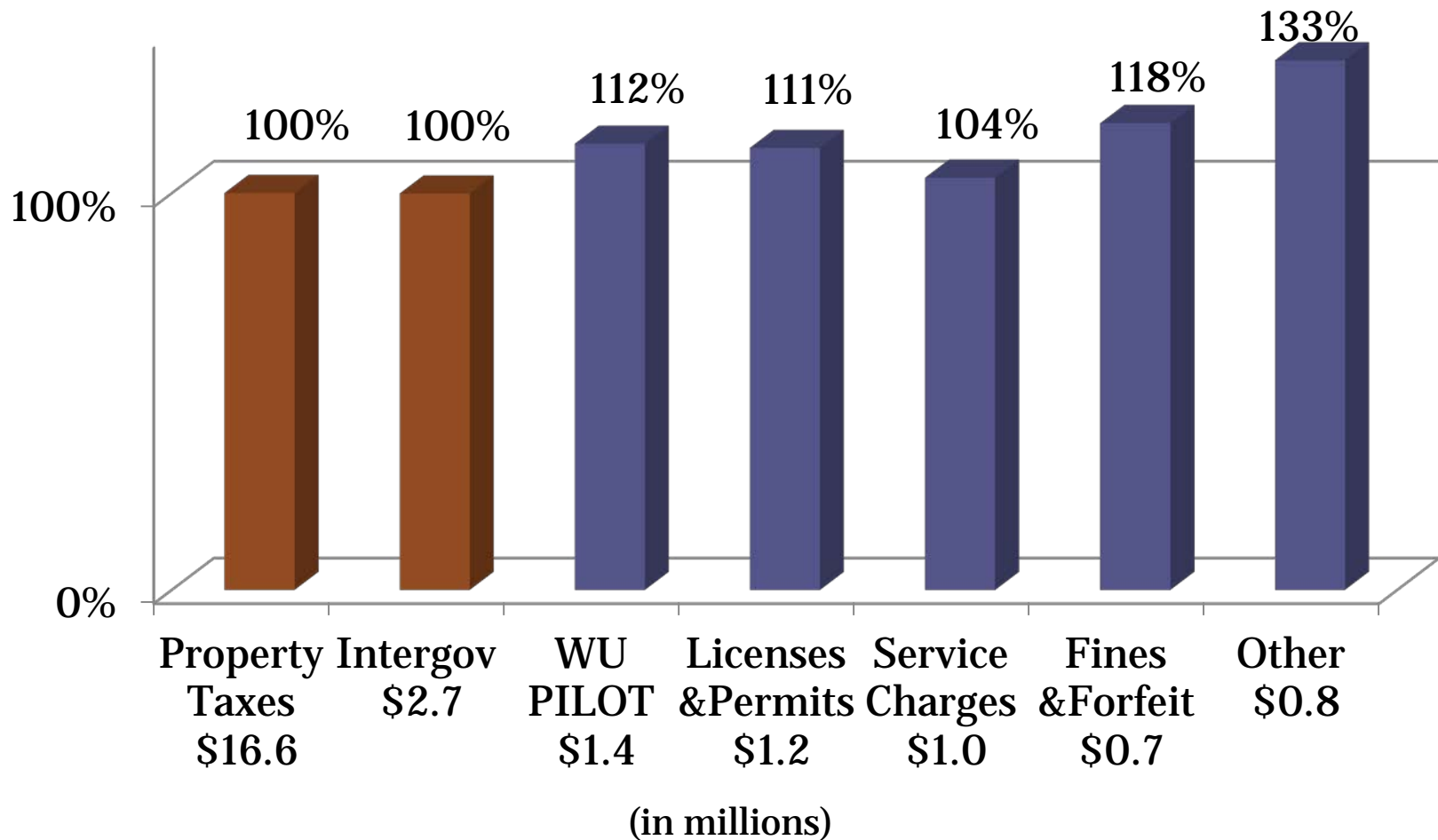
- The most significant increases included:
 - Salt usage
 - Due to numerous freezing rains
 - Support for the Solid Waste Collection Fund
 - Lower commodity prices on recyclable materials

General Fund Revenues (in Millions)



General Fund Revenues (Budget vs Actual)

Percent of Budget Attained

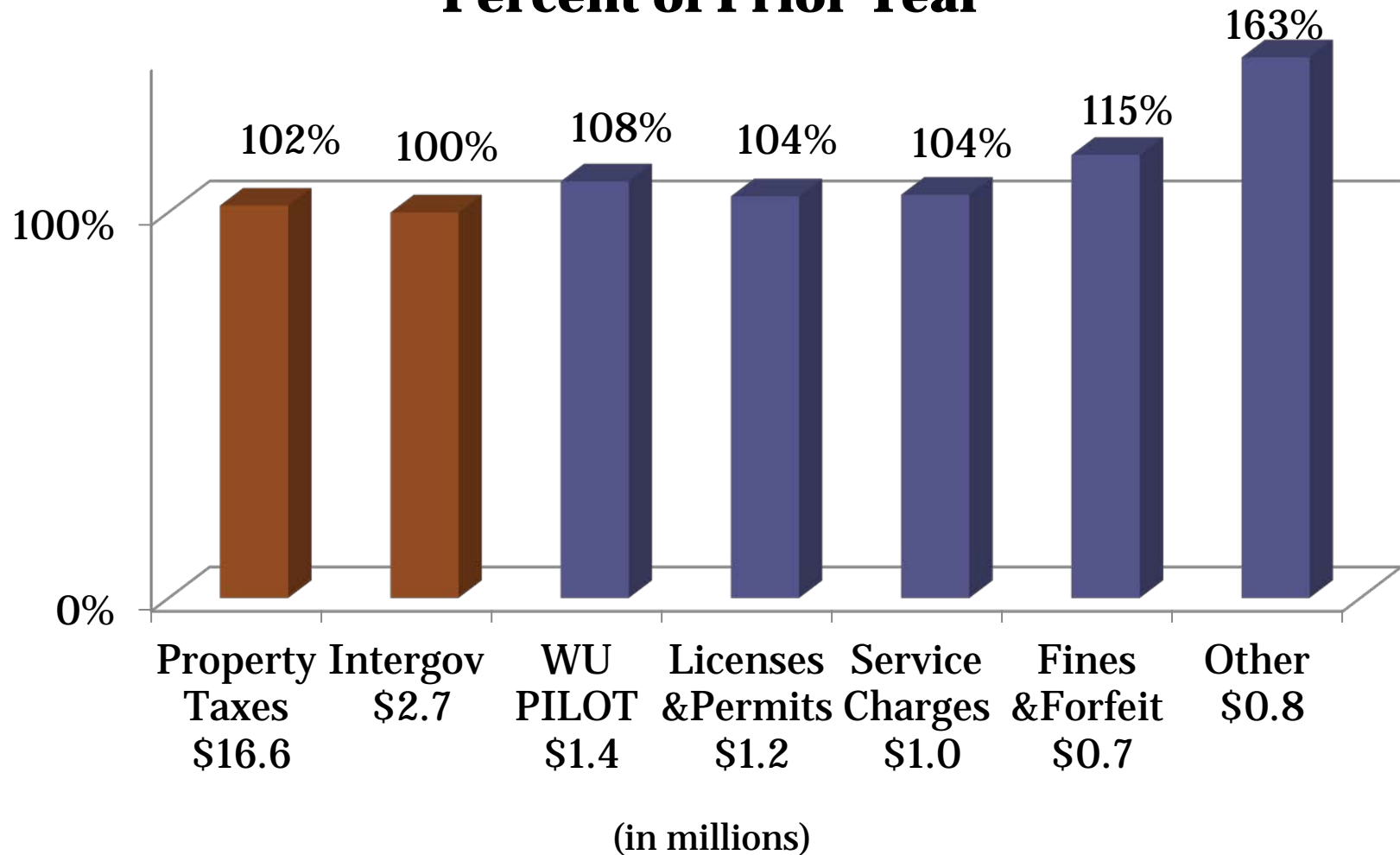


General Fund Revenues (Budget vs Actual)

- Overall, revenues were greater than budget by 2.6% or \$0.6 million. The most significant differences were:
 - The payment in-lieu of taxes from the Water Utility was greater than estimated.
 - Building permit volume was greater than expected
 - Court fines collected were greater than expected
 - Additional interest was received on advances to TID funds than originally calculated

General Fund Revenues (2013 vs 2012)

Percent of Prior Year



General Fund Revenues (2013 vs 2012)

- Overall, revenues increased 3.7% or \$0.9 million.
- The most significant decreases were from:
 - There were no significant decreases
- The most significant increases were from:
 - Increased taxes (due to net new construction)
 - Water Utility payment in-lieu of taxes

General Fund (Fund Balance)

Revenues	\$24,151,158
Less (expenditures)	- 22,111,587
Less (net operating transfers)	- 562,566
Operating surplus	1,477,005

Transfer to Special Assessments Fund *	- 1,212,005
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 Change in fund balance	265,000
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* The Special Assessments Fund tracks capital projects that get billed to Village residents as a special assessment. Cash outflows for debt payments have outpaced payments received on special assessments. In order to keep this fund operating properly, additional cash was needed.

General Fund (Fund Balance)

Fund balance (beginning of year)	\$9,265,584
Change in fund balance	265,000
Fund balance (December 31, 2013)	\$9,530,584

Fund Balance Breakdown

Nonspendable

\$2,189,844

Unassigned

\$7,340,740

Monthly expenditures (based on 2014 budget)

\$2,202,698

Months of working capital

3.3



Tax Rate Comparison

Municipality	Size in Acres	Population	Eq Val (billion)	Assd Val (billion)	Asmnt Ratio	2013 Oper Tax Levy (million)	2013 TID Tax Levy (million)	2013 Total Muni Levy (million)	2013 Total Tax Levy (million)	↓ Muni Tax Rate	Overall Tax Rate
Village of Merton	16,448	3,346	0.4	0.4	1.0591	1.2	0.0	1.2	6.2	3.00	14.36
Village of Wales	2,099	2,549	0.3	0.3	1.0123	1.2	0.2	1.3	6.2	3.49	16.53
Village of Nashotah	1,069	1,395	0.2	0.2	1.0355	0.7	0.0	0.7	2.8	3.84	14.36
Village of North Prairie	1,798	2,141	0.2	0.2	0.9957	0.9	0.0	0.9	3.7	4.07	15.62
Village of Oconomowoc Lake	1,267	595	0.3	0.3	0.9818	1.3	0.0	1.3	6.0	4.21	16.92
Village of Chenequa	2,266	590	0.4	0.4	0.9794	1.8	0.0	1.8	7.7	4.29	15.15
Village of Lac La Belle	627	290	0.1	0.1	1.0178	0.5	0.0	0.5	2.1	4.32	16.81
Village of Hartland	3,277	9,110	1.1	1.2	1.0417	5.2	0.0	5.2	21.4	4.41	16.97
City of Delafield	6,022	7,085	1.3	1.3	1.0589	5.8	0.0	5.9	23.2	4.41	16.30
Village of Lannon	1,562	1,107	0.1	0.1	1.1088	0.5	0.0	0.5	2.0	4.56	17.59
Village of Dousman	1,651	2,302	0.2	0.2	1.0593	0.8	0.0	0.8	3.3	4.62	17.11
Village of Eagle	851	1,950	0.1	0.2	1.0447	0.7	0.0	0.7	2.9	4.70	17.33
City of Muskego	20,224	24,135	2.5	2.5	1.0002	12.1	1.4	13.5	49.9	4.91	17.93
Village of Sussex	4,877	10,518	1.1	1.1	0.9960	5.7	0.0	5.7	21.2	5.08	17.28
City of Oconomowoc	18,752	15,759	1.8	2.0	1.1027	9.2	3.6	12.8	35.7	5.13	16.65
Village of Menomonee Falls	21,120	35,626	4.2	4.5	1.0640	22.2	5.1	27.3	89.4	5.20	18.53
City of New Berlin	23,616	39,584	4.5	4.4	0.9799	24.4	0.0	24.4	92.3	5.51	19.07
City of Brookfield	17,658	37,920	6.0	6.6	1.0930	35.8	1.4	37.2	119.9	5.53	16.79
Village of Pewaukee	2,643	8,166	0.9	0.8	0.9428	4.7	0.0	4.7	18.7	5.56	20.02
City of Pewaukee	12,480	13,195	2.6	2.7	1.0281	8.0	0.0	8.0	44.6	5.61	20.02
Village of Big Bend	2,016	1,290	0.1	0.2	1.0755	1.0	0.0	1.0	2.8	6.39	17.23
Village of Butler	499	1,841	0.2	0.2	1.0377	1.5	0.4	1.9	5.0	6.80	20.71
Village of Elm Grove	2,093	5,934	1.0	1.0	1.0033	6.6	0.4	7.0	20.4	6.86	19.05
Village of Mukwonago	5,056	7,355	0.7	0.7	1.0044	4.9	0.8	5.7	14.1	7.55	19.07
City of Waukesha	14,528	70,718	5.4	5.4	0.9998	53.1	4.0	57.1	123.6	10.19	21.39

Municipal Facilities & Equipment Fund

Municipal Facilities & Equipment Fund (MFEF)

- The MFEF continues to be a strong asset to the Village.
- During 2013 the MFEF transferred \$4 million to the Capital Projects Fund to be used on projects approved in the 2013 Capital Budget.
 - Allowed for continued capital improvements without increasing the levy for debt service
 - Provided a necessary one-year gap in debt that was needed to meet our long-term financing goals
- Landfill tipping fees are the major revenue source for the MFEF. These fees were lower than estimated at \$2.3 million for 2013, \$0.3 million lower than budget.

Sewer Utility

Sewer Utility (Balance Sheet Highlights) (in Millions)

	2013	2012	2011
Unrestricted cash	\$4.8	\$5.0	\$4.9
Taxes and tax roll charges	0.7	0.7	0.7
Cash readily available	5.5	5.7	5.6
Accounts payable and accrued liabilities	0.9	0.6	1.3
Advance payable	0.4	0.5	0.6
Outstanding debt (plus accrued interest)	2.2	2.3	2.8
Liabilities available for payment	3.5	3.4	4.7
Net cash readily available	\$2.0	\$2.3	\$0.9

Sewer Utility (Income Statement Highlights) (in Millions)

	2013	2012	2011
User service charges	\$8.2	\$8.5	\$8.3
Operating expenses (less depreciation)	8.7	8.7	8.0
Operating Income (Loss)	-0.5	-0.2	0.3
Net nonoperating revenues	0.4	0.4	0.3
Net Income (Loss) (w/o depreciation or contributions)	-\$0.1	0.2	0.6

Financial Statement Reconciling Info:

Depreciation expense	\$1.3	\$1.2	\$1.2
Capital contributions revenue	0.1	0.2	0.4

Sewer Utility (Comments)

- The Sewer Utility continues to operate at a financial statement loss; however, from a cash perspective still remains financially viable.
- There are no significant infrastructure projects scheduled for the near future, so that should help keep cash demands manageable.
- A little over \$7.0 million was paid to MMSD for contracted services in 2013. That's an increase of 1.5% or \$0.1 million over 2012. Increases in MMSD costs will likely be the driving factor behind potential future rate increases.
 - MMSD fixed capital charges increased 2.9% or \$150,104
 - MMSD volume charges decreased 2.4% or \$42,900

Water Utility

Water Utility (Balance Sheet Highlights) (in Millions)

	2013	2012	2011
Unrestricted cash	\$3.3	\$2.2	\$2.2
Tax roll charges	0.2	0.2	0.2
Cash readily available	3.5	2.4	2.4
Accounts payable and accrued liabilities	0.8	1.1	1.1
Outstanding debt (plus accrued interest)	5.6	4.8	5.9
Liabilities available for payment	6.4	5.9	7.0
Liab. covered by future cash flow	-\$2.9	-\$3.5	-\$4.6

Water Utility (Income Stmt Highlights) (in Millions)

	2013	2012	2011
User service charges	\$6.6	\$7.1	6.6
Operating expenses (less depreciation)	4.9	4.9	4.8
Operating income	1.7	2.2	1.8
Net nonoperating expenses (w/o non-cash items)	- 0.1	-0.1	-0.1
Net income (w/o depreciation or contributions)	\$1.6	\$2.1	\$1.7

Financial Statement Reconciling Info:

Depreciation expense	\$1.6	\$1.5	\$1.5
Capital contributions revenue	0.2	0.6	0.4

Water Utility (Comments)

- The Water Utility is governed by the Wisconsin Public Service Commission (PSC)
 - The last rate increase occurred in 2013 as a result of increased Milwaukee water rates.
- Despite the drop in consumption (2013 vs 2012), the Water Utility completed the year with positive results.
 - User charges decreased 6.4% or \$0.5 million
 - 2012 consumption was much higher than normal due to the drought conditions.
- There are significant infrastructure projects in the near future, so it's important for the Utility to remain financially healthy.

Water Utility (Comments)

- Around 90% of the Village's water supply comes from Milwaukee.
 - The Water Utility paid \$1.4 million to Milwaukee for water in 2013; a decrease of 10.5% from 2012.
 - The decrease is due to the extra drought demand that occurred in 2012 but not in 2013.
- The Utility also paid \$1.4 million in tax equivalent charges to the Village in 2013.
 - This amount is determined based on a PSC formula.

Storm Water Utility

Storm Utility (Balance Sheet Highlights) (in Millions)

	2013	2012	2011
Unrestricted cash	\$2.2	\$2.0	\$2.1
Taxes	0.9	0.9	0.9
Cash readily available	3.1	2.9	3.0
Accounts payable and accrued liabilities	0.3	0.4	0.4
Outstanding debt (plus accrued interest)	4.4	3.5	3.1
Liabilities available for payment	4.7	3.9	3.5
Liab. covered by future cash flow	-\$1.6	-\$1.0	-\$0.5

Storm Water Utility (Income Stmtnt Highlights) (in Millions)

	2013	2012	2011
Property taxes and permit fees	\$1.0	\$1.0	\$1.0
Operating expenses (less depreciation)	0.6	0.7	0.8
Operating income	0.4	0.3	0.2
Net nonoperating expenses (w/o non-cash items)	-0.1	-0.1	-0.1
Net income (w/o depreciation or contributions)	\$0.3	0.2	0.1

Financial Statement Reconciling Info:

Depreciation expense	\$0.6	\$0.5	\$0.5
Capital contributions revenue	1.1	-0-	0.2

Storm Water Utility (Comments)

- The Storm Water Utility continues to operate at a financial statement loss; however, from a cash perspective is currently performing sufficiently.
- The Storm Water Utility is handicapped in that it is still supported almost entirely by the tax levy.
 - A provision in the 2013-2015 State Budget may prevent a switch to a more sustainable fee structure.
- Infrastructure demands for the near future are significant.
 - With levy limits in place, it may get difficult to fund necessary storm water projects in the Village.