



W I S C O N S I N

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

VILLAGE OF WAUNAKEE
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Independent auditors' report

To the Village Board
Village of Waunakee, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waunakee, Wisconsin ("the Village") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village'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 of 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 auditors consider internal control relevant to the Village'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 Village'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 management's discussion and analysis on pages iii through xiii and the schedules relating to pensions on pages 62 through 63 be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, on our consideration of the Village'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 the 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 Village's internal control over financial reporting and compliance.



Certified Public Accountants

Wausau, Wisconsin

June 21, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2017

The management of the Village of Waunakee, Wisconsin (village) presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the village for the fiscal year ended December 31, 2017. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditors' report.

THE FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources of the village exceeded its liabilities and deferred inflows of resources as of December 31, 2017, by \$109,134,354 (*net position*). Of this amount, \$9,439,672 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure of the governmental funds.
- The village's total net position increased by \$8,046,846.
- As of December 31, 2017, the village's governmental funds reported combined ending fund balances of \$10,756,854, an increase of \$5,253,972 in comparison with the prior year.
 - 24% of the total or \$2,584,520 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
 - 50% of the total or \$5,428,722 is *Restricted*. This balance relates to fund balances legally restricted.
 - 18% of the total or \$1,922,996 is *Committed* and relates to funds that relate to open contracts or funds constrained due to formal action of the governing body.
 - 10% of the total or \$1,034,919 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
 - Finally, the balance, a deficit of \$214,303, is labeled *Unassigned* and includes residual positive and negative fund balance amounts. Within this amount in the general fund is an amount that the Village Board has set aside as its "Rainy Day Fund." The amount set aside is \$2,649,391 or 30% of the general fund's 2018 operating budget. The village's policy is that this fund be held between 20% and 25% of the subsequent year's general fund operating budget. The village has chosen to exceed this policy to protect the village's cash flow from the TID No. 5 advance effects.
- The village's total general obligation debt increased by \$5,128,196 (17.3%) during 2017. The village borrowed \$8,855,000 for the Century Avenue street project, for the new library and to advance refund portions of certain debt issues during 2017, but also paid down on its current debt obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This following discussion and analysis is intended to serve as an introduction to the village's basic financial statements. The village's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the village's assets, liabilities, deferred outflows of resources and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the village include the following:

- General government
- Public safety
- Public works
- Health and human services
- Leisure activities
- Conservation and development.

The business-type activities of the village include the following:

- Waunakee Water and Light Commission
- Sewerage Commission.

The government-wide financial statements can be found on pages 1 through 4 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)

Fund financial statements (cont.)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The village maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service, Capital Improvements, Library Building, Tax Incremental District No. 5 and Tax Incremental District No. 6 fund. Data from the remaining fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

The village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5 through 11 of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Commission) and the sewer utility (Sewerage Commission), which are considered to be major funds of the village.

The basic proprietary fund financial statements can be found on pages 12 through 16 of this report.

Agency funds. *Agency funds* are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's programs. The agency fund maintained by the village is the Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the village.

The basic agency fund financial statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 61 of this report.

Other information. Required supplementary information related to the pension plan and the combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 62 through 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village of Waunakee exceeded liabilities and deferred inflows by \$109,134,354 as of December 31, 2017. The Village's net position increased by \$8,046,846 for the year ended December 31, 2017. However, the largest portion (84.5%) reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village of Waunakee uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Waunakee's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Village of Waunakee's net position, \$7,469,359, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,439,672 is unrestricted.

VILLAGE OF WAUNAKEE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 23,972,617	\$ 17,291,481	\$ 13,961,747	\$ 13,757,562	\$ 37,934,364	\$ 31,049,043
Capital assets	83,632,460	76,938,304	46,272,347	45,306,601	129,904,807	122,244,905
Noncurrent assets	2,195,555	2,300,562	-	-	2,195,555	2,300,562
Total assets	<u>109,800,632</u>	<u>96,530,347</u>	<u>60,234,094</u>	<u>59,064,163</u>	<u>170,034,726</u>	<u>155,594,510</u>
Deferred outflows of resources	1,842,131	2,567,424	672,640	907,117	2,514,771	3,474,541
Long-term liabilities outstanding	(38,141,869)	(33,012,284)	(9,237,878)	(10,949,187)	(47,379,747)	(43,961,471)
Other liabilities	(1,438,020)	(1,076,034)	(1,641,018)	(762,219)	(3,079,038)	(1,838,253)
Total liabilities	<u>(39,579,889)</u>	<u>(34,088,318)</u>	<u>(10,878,896)</u>	<u>(11,711,406)</u>	<u>(50,458,785)</u>	<u>(45,799,724)</u>
Deferred inflows of resources	<u>(12,730,277)</u>	<u>(11,897,061)</u>	<u>(226,081)</u>	<u>(284,758)</u>	<u>(12,956,358)</u>	<u>(12,181,819)</u>
Net position:						
Net Investment in capital						
assets	54,521,684	51,282,286	37,703,639	36,139,247	92,225,323	84,217,533
Restricted	5,213,763	1,334,415	2,255,596	1,907,027	7,469,359	3,241,442
Unrestricted	<u>(402,850)</u>	<u>495,691</u>	<u>9,842,522</u>	<u>9,928,842</u>	<u>9,439,672</u>	<u>13,628,533</u>
Total net position	<u>\$ 59,332,597</u>	<u>\$ 53,112,392</u>	<u>\$ 49,801,757</u>	<u>\$ 47,975,116</u>	<u>\$ 109,134,354</u>	<u>\$ 101,087,508</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT.)

VILLAGE OF WAUNAKEE'S CHANGE IN NET POSITION

	Governmental		Business-type		Totals	
	Activities		Activites			
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 2,493,868	\$ 2,313,464	\$ 17,381,287	\$ 17,352,120	\$ 19,875,155	\$ 19,665,584
Operating grants and contributions	1,207,500	1,247,401	-	-	1,207,500	1,247,401
Capital grants and contributions	7,084,893	1,337,935	1,089,104	968,694	8,173,997	2,306,629
General revenues:						
Property taxes	10,756,230	10,231,831	-	-	10,756,230	10,231,831
Other taxes	54,650	29,963	-	-	54,650	29,963
Other general revenues	677,669	598,676	123,809	6,691	801,478	605,367
Total revenues	<u>22,274,810</u>	<u>15,759,270</u>	<u>18,594,200</u>	<u>18,327,505</u>	<u>40,869,010</u>	<u>34,086,775</u>
Expenses						
General government	1,406,591	1,263,174	-	-	1,406,591	1,263,174
Public safety	3,671,529	3,546,189	-	-	3,671,529	3,546,189
Public works	6,159,925	9,321,097	-	-	6,159,925	9,321,097
Health and human services	539,859	586,112	-	-	539,859	586,112
Leisure activites	3,387,418	3,028,349	-	-	3,387,418	3,028,349
Conservation and development	419,239	2,062,420	-	-	419,239	2,062,420
Interest and fiscal charges	1,340,472	1,418,954	-	-	1,340,472	1,418,954
Electric	-	-	12,265,590	12,294,102	12,265,590	12,294,102
Water	-	-	1,483,747	1,472,251	1,483,747	1,472,251
Sewer	-	-	2,147,794	2,039,456	2,147,794	2,039,456
Total expenses	<u>16,925,033</u>	<u>21,226,295</u>	<u>15,897,131</u>	<u>15,805,809</u>	<u>32,822,164</u>	<u>37,032,104</u>
Increase in net position before transfers	5,349,777	(5,467,025)	2,697,069	2,521,696	8,046,846	(2,945,329)
Transfers	<u>870,428</u>	<u>868,161</u>	<u>(870,428)</u>	<u>(868,161)</u>	-	-
Change in net position	6,220,205	(4,598,864)	1,826,641	1,653,535	8,046,846	(2,945,329)
Net position - beginning of year	<u>53,112,392</u>	<u>57,711,256</u>	<u>47,975,116</u>	<u>46,321,581</u>	<u>101,087,508</u>	<u>104,032,837</u>
Net position - end of year	<u>\$ 59,332,597</u>	<u>\$ 53,112,392</u>	<u>\$ 49,801,757</u>	<u>\$ 47,975,116</u>	<u>\$ 109,134,354</u>	<u>\$ 101,087,508</u>

Governmental activities. As identified above, property taxes are typically the largest revenue source for governmental activities accounting for approximately 48% of total revenues. Charges for services, operating grants, capital grants and other account 11%, 6%, 32% and 3% of total revenues, respectively.

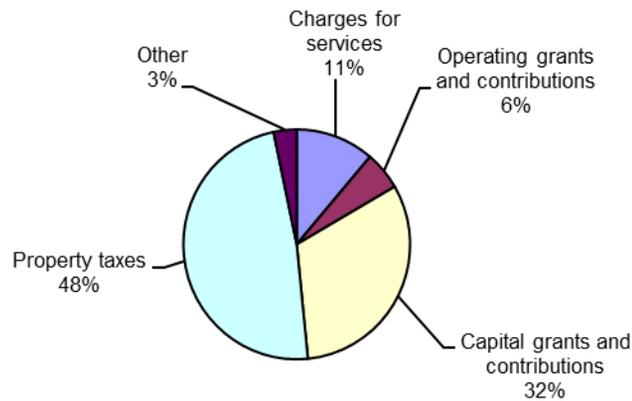
The more significant expense variances for the governmental activities compared to the prior year consist of the following:

- ✓ Public works accounts for approximately 36% of the total expenses. This is down from 44% in 2016 due to the more capital improvement projects that contained non capitalizable costs.
- ✓ All other functional variances were not significant compared to the prior year.

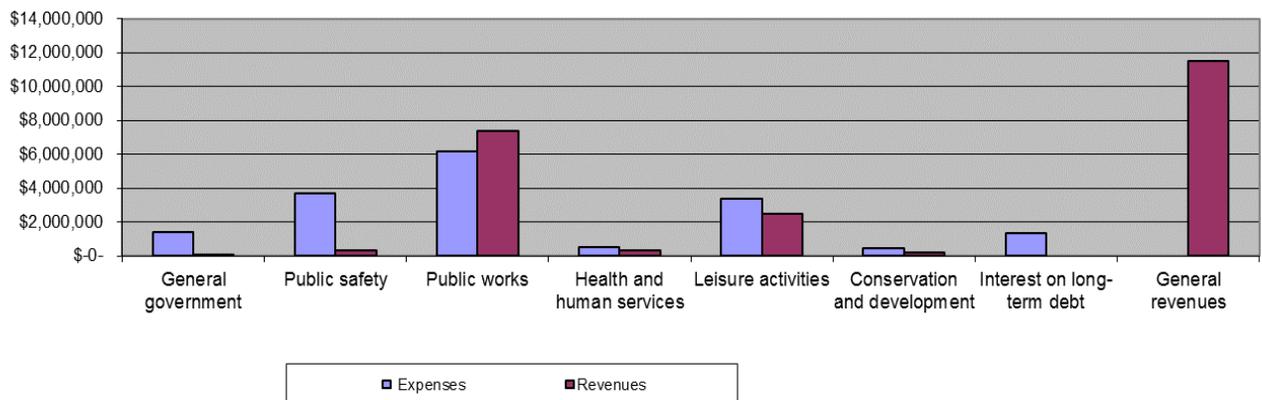
As shown by the following graph and identified by the Statement of Activities on pages 3 through 4, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT.)

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



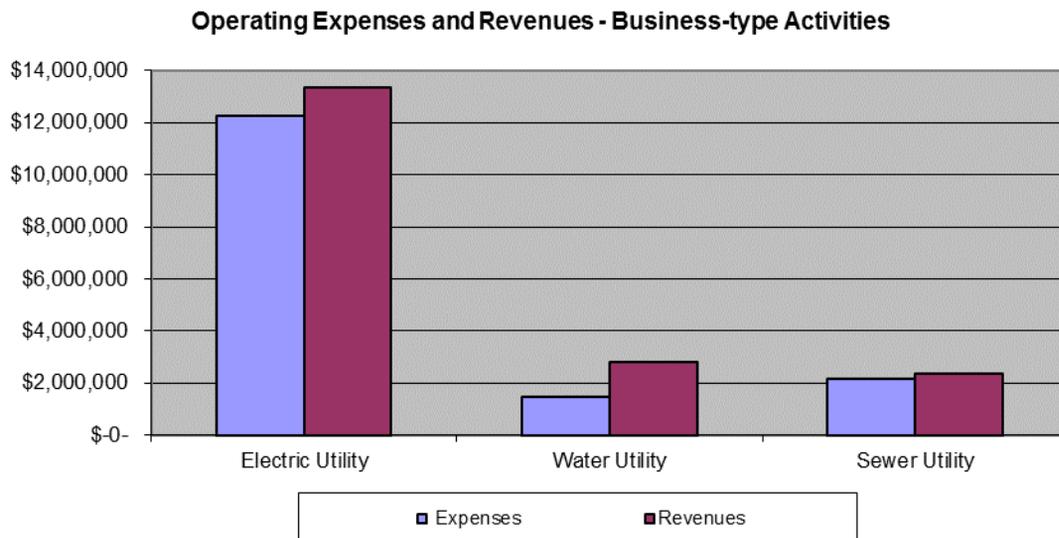
Governmental activities increased the village's net position by \$6,220,205. In typical years, the village realizes an increase to net position due to the method in which the village finances the purchases of capital assets and debt payments. The village finances some asset purchases through the levy on a pay-as-you-go basis and the village levies for debt payments. This sets the village up for having positive results on an ongoing basis. In years of growth, the village receives many developer related infrastructure assets which significantly increases the capital grant contributions revenue.

Property taxes increased by \$524,399 (5.13%) during the year. The increase is due to an increase in operating costs in the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT.)

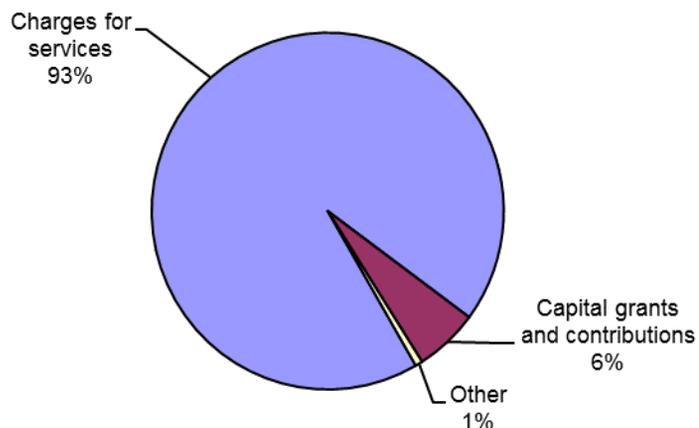
Business-type activities. Business-type activities increased the village's net position by \$1,826,641. The net investment in capital assets increased by approximately 4.33% or \$1,564,392, while unrestricted net position decreased \$86,320. The following graph compares the charges for services to the operating expenses of each utility. Rate increases for the Electric, Water and Sewer Utilities became effective February 5, 2011, December 1, 2015 and January 1, 2016, respectively.

The current sewer rate was designed to be consistent with Madison Metropolitan Sewerage District's (MMSD) rate structure. The sewer rate is designed to meet cash requirements, be consistent with existing rate design structure to maintain equitability between different sizes and classes of customers, be consistent with MMSD requirements and meet debt coverage requirements.



As shown on the following chart, the revenues of the electric, water, and sewer utility includes capital grants and contributions and investment income in addition to charges for services (operating revenues). Capital grants and contributions and investment income revenues are not identified specifically to an individual program but to the fund as a whole.

Revenues by Source - Business-type Activities



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The village's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$129,904,807 (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, equipment, infrastructure, construction in progress and intangible assets. The total increase in the village's investment in capital assets for the current fiscal year was a total of approximately \$7,659,902 net of depreciation or a 6.27% increase.

Major capital asset events that occurred during the year included the following:

- The village had \$6.9 million in additions to the infrastructure inventory. This increase was related to the reconstruction of Century Avenue, a jurisdictional transfer from Dane County for a portion of Hwy Q, and developer added streets during 2017.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
	Land	\$ 18,352,307	\$ 17,944,001	\$ 532,269	\$ 532,269	\$ 18,884,576
Construction in progress	2,123,100	770,889	459,327	163,996	2,582,427	934,885
Buildings and improvements	18,052,421	17,584,385	5,553,816	5,553,816	23,606,237	23,138,201
Improvements other than buildings	4,799,422	4,176,220	-	-	4,799,422	4,176,220
Equipment	5,992,012	5,981,307	7,256,870	7,154,508	13,248,882	13,135,815
Intangibles	81,120	81,120	-	-	81,120	81,120
Infrastructure	<u>80,872,711</u>	<u>73,900,125</u>	<u>55,852,681</u>	<u>53,789,841</u>	<u>136,725,392</u>	<u>127,689,966</u>
Total capital assets	130,273,093	120,438,047	69,654,963	67,194,430	199,928,056	187,632,477
Less accumulated depreciation	<u>(46,640,633)</u>	<u>(43,499,743)</u>	<u>(23,382,616)</u>	<u>(21,887,829)</u>	<u>(70,023,249)</u>	<u>(65,387,572)</u>
Capital assets net of depreciation	<u>\$ 83,632,460</u>	<u>\$ 76,938,304</u>	<u>\$ 46,272,347</u>	<u>\$ 45,306,601</u>	<u>\$ 129,904,807</u>	<u>\$ 122,244,905</u>

Additional information of the village's capital assets can be found in Note III D. on pages 39 through 40.

Long-term debt. At the end of the current fiscal year, the village had total general obligation debt outstanding of \$34,720,707 entirely backed by the full faith and credit of the government with a debt premium of \$1,704,285 for a total of \$36,424,992 of general obligation bonds and notes included in these statements. In addition, the village had \$8,840,000 of revenue debt backed by the earnings of the Water and Light Commission and Sewerage Commission.

During 2002, the village was upgraded from an "A2" rating to an "A1" rating from Moody's for general obligation debt. During this process, the village also had the Water and Light Commission rated for the first time. Moody's Investor Service rated the Water and Light Utility an "A2." Moody's upgraded the Utility rating during the 2011 borrowing process to an "A1". During 2010, Moody's changed to a Global Rating Scale and has placed the village at a new rating of Aa2. This rating was reaffirmed during the 2016 borrowing process.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The current debt limitation for the village is \$85,866,755, which significantly exceeds the village's current outstanding general obligation debt. The Village Board has established a policy whereby the village will not issue debt in excess of 50% of the state authorized debt limit. As of December 31, 2017, the village's outstanding debt was at 40.44% of the state authorized debt. The village is in compliance with the policy for the year ended December 31, 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONT.)

Village of Waunakee's Outstanding Debt

	Governmental Activities		Business-type Activites		Totals	
	2017	2016	2017	2016	2017	2016
	General obligation bonds and notes	\$ 36,424,992	\$ 31,053,696	\$ -	\$ -	\$ 36,424,992
Leases	36,966	49,697	-	-	36,966	49,697
Revenue bonds	-	-	8,840,000	9,630,000	8,840,000	9,630,000
Total	\$ 36,461,958	\$ 31,103,393	\$ 8,840,000	\$ 9,630,000	\$ 45,301,958	\$ 40,733,393

Additional information of the village's long-term debt can be found in note III G. on pages 43 through 47.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As previously discussed, the village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the village's governmental funds is to provide information on *near-term inflows, outflows, and balances of spendable resources*. Such information is useful in assessing the village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2017, the village's governmental funds reported combined ending fund balances of \$10,756,854, an increase of \$5,253,972 in comparison with the prior year.

- o 24% of the total or \$2,584,520 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
- o 50% of the total or \$5,428,722 is *Restricted*. This balance relates to fund balances legally restricted.
- o 18% of the total or \$1,922,996 is *Committed* and relates to funds that relate to open contracts or funds constrained due to formal action of the governing body.
- o 10% of the total or \$1,034,919 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
- o Finally, the balance, a deficit of \$214,303, is labeled *Unassigned* and includes residual positive and negative fund balance amounts. Within this amount in the general fund is an amount that the Village Board has set aside as its "Rainy Day Fund." The amount set aside is \$2,649,391 or 30% of the general fund's 2018 operating budget. The village's policy is that this fund be held between 20% and 25% of the subsequent year's general fund operating budget. The village has chosen to exceed this policy to protect the village's cash flow from the TID No. 5 advance effects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund. The General Fund is the chief operating fund of the village. As of December 31, 2017, the total fund balance of the general fund was \$6,619,699.

- 39% of the total or \$2,584,520 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
- 16% of the total or \$1,034,919 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
- The fund balance of the general fund increased \$459,892 compared to the prior year. Typically when the village has excess funds, the village transfers funds to fund pay-as-you-go capital improvement activities. In 2017, a transfer was made to the capital improvements fund in the amount of \$265,265. The village's unassigned fund balance is currently at 34% of the subsequent year's general fund expenditures. The village has a policy in place to maintain or exceed an undesignated fund balance between 20% and 25% of the subsequent year's general fund expenditures.

Debt Service Fund. The Debt Service Fund pays debt service requirements of all governmental fund debt except for TIF District debt service requirements which are paid by the individual TIF district. The revenues of the fund consist mostly of property tax revenue, however the fund also receives funding through impact fees, contributions from other municipalities and investment income. The fund was able to cover all obligations. The fund balance in the debt service increased by \$170,661.

Capital Improvements Fund. The Capital Improvements Fund pays for major capital improvements. A summary of these projects can be found in the Capital Asset and Debt Administration section above. This fund pays for most of the capital projects identified in the village's five-year plan. The increase to the fund balance is due to a carryover of pay-as-you-go funds into 2018 to finance Holiday Drive improvements.

Library Building Fund. The Library Building Fund pays for construction of a new village library. The fund balance in this fund increased by \$2,968,520 due to borrowing funds in excess of preliminary building costs.

Tax Incremental Financing District (TID) No. 5. The TID No. 5 Fund pays for major capital improvements planned for redevelopment of the village's downtown. The district has paid for purchase of street right of way, remediation and construction of a street. The newly constructed assets were instrumental in the remediation process. The village is developing its vision for the use of this TIF to bring in adequate value to cover up front construction costs. At the present time, TID No. 5 has a \$2,477,614 deficit that future tax increments generated are supposed to replenish. The fund balance of TID No. 5 increased \$255,631. The increase was related to payment of debt obligations and other administrative costs where the tax increment and transfers in are now in excess of the payment.

Tax Incremental Financing District (TID) No. 6. The TID No. 6 Fund pays for project costs related to the Kilkenny Farms mixed use district. At the present time, TID No. 6 has a fund balance of \$711,726, which is an increase of \$908,969 over the prior year. The increase was related to payment of project costs, developer incentive payments, debt obligations and other administrative costs where the tax increment and borrowed funds were in excess of the payment.

Proprietary funds. The village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric, water and sewer utilities at the end of the year amounted to \$6,000,838, \$2,387,011 and \$1,454,673, respectively. The total growth in net position for the electric, water and sewer utilities was \$706,220, \$898,620 and \$221,801, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the village's business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2017 annual program budget for the village's general fund identified a balanced budget. Actual expenditures were under the budgeted expenditures by 4.96% or \$431,120. Actual revenues sources exceeded budgeted revenues in the general fund by \$558,917 or approximately 7.46%.

The positive variance for the general fund revenues was primarily associated with unanticipated grant revenues, developer rebillings, engineering associated with capital improvements and investment income.

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Carryover funds adjusted the budget from original for the Clerk's department, the Finance department, and Village Hall.
- The building inspections budget was increased due to increased inspection activity related to a high number of building permits issued.
- Due to a late start to winter, the Streets department required a shift in the budget as more time was spent on street work and less time was spent for snow plowing.
- Development has been increasing in the village. The village provides services through the village's professional engineers, planners and attorneys to assist in the proper development. Because of this activity, the development budget was increased by \$179,896. This cost is offset by billing that the village prepares to the developer.

The net change in fund balance was \$459,892. The village does not anticipate this type of result on an annual basis, but certain revenues and departments had large favorable variances which led to the positive results.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate as of December 31, 2017, for the Madison metropolitan area, which includes the village is 2.0%. This compares with an unemployment rate of 3.2% for the State of Wisconsin and a national unemployment rate of 4.1%.
- The rate of inflation for Midwest urban consumers was .9% for 2017, while the 2018 assessed value tax rate increased by 3.99%.
- \$315,750 of the unassigned fund balance in the general fund was appropriated for spending in the 2018 budget. The assigned fund balance of \$719,169 was carried forward from the previous budget to pay 2018 expenditures. It is intended that the village will maintain a minimum unassigned fund balance of between 20% and 25% of general fund subsequent years' budgeted expenditures.
- Single family residence (SFR) housing starts for the village in 2017 were 97 compared to 104 in 2016. The current projection is that the village will grow by an average of 125 SFR's per year, however due to past economic housing slowdowns, this average number over the past 10 years has decreased.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 500 West Main Street, PO Box 100, Waunakee, WI 53597.

General information relating to the Village of Waunakee, Wisconsin, can be found at the village's website, <http://www.vil.waunakee.wi.us>.

VILLAGE OF WAUNAKEE

STATEMENT OF NET POSITION December 31, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 9,606,040	\$ 9,014,565	\$ 18,620,605
Receivables (net)			
Taxes	12,004,582	-	12,004,582
Delinquent personal property taxes	824	-	824
Accounts	268,827	1,724,737	1,993,564
Special assessments held by county	2,127	-	2,127
Interest	41,855	43,649	85,504
Loans	500,000	-	500,000
Internal balances	106,439	(106,439)	-
Due from other governments	999,733	-	999,733
Inventories	-	402,075	402,075
Prepaid items	37,762	-	37,762
Total current assets	23,568,189	11,078,587	34,646,776
Restricted and Other Assets	404,428	2,883,160	3,287,588
Capital Assets			
Capital assets not being depreciated	20,475,407	991,596	21,467,003
Capital assets net of depreciation	63,157,053	45,280,751	108,437,804
Total capital assets	83,632,460	46,272,347	129,904,807
Noncurrent Assets			
Investment in joint ventures	2,195,555	-	2,195,555
Total capital assets	2,195,555	-	2,195,555
Total Assets	109,800,632	60,234,094	170,034,726
DEFERRED OUTFLOWS OF RESOURCES			
Loss on advance refunding of debt	-	138,314	138,314
Deferred outflows related to pension	1,842,131	534,326	2,376,457
Total Deferred Outflows of Resources	1,842,131	672,640	2,514,771

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

STATEMENT OF NET POSITION December 31, 2017

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	1,363,796	1,410,846	2,774,642
Deposits	-	84,364	84,364
Due to other governments	72,297	-	72,297
Unearned revenues	1,927	95,665	97,592
Commitment to community	-	50,143	50,143
Total current liabilities	1,438,020	1,641,018	3,079,038
Long-term Obligations			
Due within one year			
Long-term debt	2,882,391	825,000	3,707,391
Compensated absences	146,237	20,037	166,274
Due in more than one year			
Long-term debt	33,579,567	8,015,000	41,594,567
Compensated absences	1,299,145	287,300	1,586,445
Net pension liability	234,529	69,306	303,835
Other liabilities payable	-	21,235	21,235
Total long-term obligations	38,141,869	9,237,878	47,379,747
Total Liabilities	39,579,889	10,878,896	50,458,785
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	11,992,702	-	11,992,702
Deferred inflows related to pension	737,575	226,081	963,656
Total Deferred Inflows of Resources	12,730,277	226,081	12,956,358
NET POSITION			
Net investment in capital assets	54,521,684	37,703,639	92,225,323
Restricted	5,213,763	2,255,596	7,469,359
Unrestricted (deficit)	(402,850)	9,842,522	9,439,672
Total Net Position	\$ 59,332,597	\$ 49,801,757	\$ 109,134,354

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
General government	\$ 1,406,591	\$ 79,780	\$ -	\$ -
Public safety	3,671,529	209,897	135,319	-
Public works	6,159,925	720,367	697,981	5,965,786
Health and human services	539,859	122,795	179,798	-
Leisure activities	3,387,418	1,140,432	194,402	1,119,107
Conservation and development	419,239	220,597	-	-
Interest and fiscal charges	1,340,472	-	-	-
Total Governmental Activities	16,925,033	2,493,868	1,207,500	7,084,893
Business-type Activities:				
Electric	12,265,590	13,023,736	-	303,898
Water	1,483,747	2,221,390	-	567,139
Sewer	2,147,794	2,136,161	-	218,067
Total Business-Type Activities	15,897,131	17,381,287	-	1,089,104

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (1,326,811)	\$ -	\$ (1,326,811)
(3,326,313)	-	(3,326,313)
1,224,209	-	1,224,209
(237,266)	-	(237,266)
(933,477)	-	(933,477)
(198,642)	-	(198,642)
<u>(1,340,472)</u>	<u>-</u>	<u>(1,340,472)</u>
<u>(6,138,772)</u>	<u>-</u>	<u>(6,138,772)</u>
-	1,062,044	1,062,044
-	1,304,782	1,304,782
-	206,434	206,434
<u>-</u>	<u>2,573,260</u>	<u>2,573,260</u>
7,228,577	-	7,228,577
2,077,029	-	2,077,029
1,450,624	-	1,450,624
54,650	-	54,650
331,473	-	331,473
221,992	123,809	345,801
124,204	-	124,204
<u>870,428</u>	<u>(870,428)</u>	<u>-</u>
<u>12,358,977</u>	<u>(746,619)</u>	<u>11,612,358</u>
6,220,205	1,826,641	8,046,846
<u>53,112,392</u>	<u>47,975,116</u>	<u>101,087,508</u>
<u>\$ 59,332,597</u>	<u>\$ 49,801,757</u>	<u>\$ 109,134,354</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2017

	General Fund	Debt Service	Capital Improvements	Library Building
ASSETS				
Cash and investments	\$ 3,817,210	\$ 372,033	\$ 825,102	\$ 3,443,837
Receivables (net)				
Taxes	5,187,016	2,269,319	1,280,000	-
Delinquent personal property taxes	824	-	-	-
Accounts	173,379	-	-	-
Special assessments held by county	2,127	-	-	-
Interest	41,855	-	-	-
Loans	-	500,000	-	-
Due from other funds	653,080	-	-	-
Due from other governments	8,034	-	-	-
Prepaid items	37,762	-	-	-
Advances to other funds	2,546,758	-	-	-
Restricted assets - cash and investments	-	-	-	-
TOTAL ASSETS	\$ 12,468,045	\$ 3,141,352	\$ 2,105,102	\$ 3,443,837
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 593,682	\$ -	\$ 29,257	\$ 475,317
Due to other governments	72,297	-	-	-
Due to other funds	6,640	-	-	-
Advances from other funds	-	-	-	-
Unearned revenues	591	-	-	-
Total Liabilities	673,210	-	29,257	475,317
Deferred Inflows of Resources				
Property taxes levied for subsequent year	5,175,136	2,269,319	1,280,000	-
Fund Balances				
Nonspendable	2,584,520	-	-	-
Restricted	-	872,033	-	2,968,520
Committed	5,381	-	795,845	-
Assigned	1,034,919	-	-	-
Unassigned (deficit)	2,994,879	-	-	-
Total Fund Balances	6,619,699	872,033	795,845	2,968,520
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,468,045	\$ 3,141,352	\$ 2,105,102	\$ 3,443,837

See accompanying notes to financial statements.

TID No. 5	TID No. 6	Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ 1,147,858	\$ 9,606,040
459,848	556,624	2,251,775	12,004,582
-	-	-	824
-	-	95,448	268,827
-	-	-	2,127
-	-	-	41,855
-	-	-	500,000
-	-	-	653,080
80,000	911,699	-	999,733
-	-	-	37,762
-	-	437,000	2,983,758
-	-	404,428	404,428
<u>\$ 539,848</u>	<u>\$ 1,468,323</u>	<u>\$ 4,336,509</u>	<u>\$ 27,503,016</u>
\$ 10,856	\$ 11,444	\$ 28,281	\$ 1,148,837
-	-	-	72,297
-	188,529	351,472	546,641
2,546,758	-	437,000	2,983,758
-	-	1,336	1,927
<u>2,557,614</u>	<u>199,973</u>	<u>818,089</u>	<u>4,753,460</u>
<u>459,848</u>	<u>556,624</u>	<u>2,251,775</u>	<u>11,992,702</u>
-	-	-	2,584,520
-	711,726	876,443	5,428,722
-	-	1,121,770	1,922,996
-	-	-	1,034,919
(2,477,614)	-	(731,568)	(214,303)
<u>(2,477,614)</u>	<u>711,726</u>	<u>1,266,645</u>	<u>10,756,854</u>
<u>\$ 539,848</u>	<u>\$ 1,468,323</u>	<u>\$ 4,336,509</u>	<u>\$ 27,503,016</u>

See accompanying notes to financial statements.

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VILLAGE OF WAUNAKEE
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
December 31, 2017

Reconciliation to the Statement of Net Position

Total Fund Balance as shown from previous page \$ 10,756,854

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	18,352,307	
Construction in progress	2,123,100	
Buildings and improvements	18,052,421	
Improvements other than buildings	4,799,422	
Equipment	5,992,012	
Intangibles	81,120	
Infrastructure	80,872,711	
Less: Accumulated depreciation	(46,640,633)	83,632,460

The proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements.

Net pension liability	(234,529)	
Deferred outflows of resources	1,842,131	
Deferred inflows of resources	(737,575)	870,027

Investments in joint ventures are not financial resources and therefore are not reported in the funds 2,195,555

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(34,720,707)	
Compensated absences	(1,445,382)	
Capital leases	(36,966)	
Accrued interest	(214,959)	
Unamortized debt premium	(1,704,285)	<u>(38,122,299)</u>

Net position of governmental activities \$ 59,332,597

VILLAGE OF WAUNAKEE

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

	General Fund	Debt Service	Capital Improvements	Library Building
REVENUES				
Taxes	\$ 4,915,698	\$ 2,077,029	\$ 1,225,000	\$ -
Intergovernmental	1,248,832	-	-	-
Licenses and permits	462,418	132,405	-	-
Fines, forfeitures and penalties	83,517	-	-	-
Public charges for services	859,831	-	-	-
Intergovernmental charges for services	90,013	-	-	-
Investment income	202,347	1,584	1,627	8,359
Miscellaneous revenues	187,319	-	826	50
Total Revenues	<u>8,049,975</u>	<u>2,211,018</u>	<u>1,227,453</u>	<u>8,409</u>
EXPENDITURES				
Current				
General government	1,293,481	-	-	-
Public safety	3,294,571	-	-	-
Public works	1,961,417	-	-	-
Health and human services	-	-	-	-
Leisure activities	1,351,049	-	-	-
Conservation and development	355,632	-	-	-
Capital Outlay	-	-	784,501	2,030,282
Debt Service				
Principal retirement	-	1,501,804	-	-
Interest and fiscal charges	-	692,281	-	-
Debt issuance costs	-	-	-	74,106
Total Expenditures	<u>8,256,150</u>	<u>2,194,085</u>	<u>784,501</u>	<u>2,104,388</u>
Excess (deficiency) of revenues over expenditures	<u>(206,175)</u>	<u>16,933</u>	<u>442,952</u>	<u>(2,095,979)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	931,332	-	299,872	-
Transfers out	(265,265)	-	(25,095)	(34,607)
Long-term debt issued	-	1,535,000	-	5,060,000
Premium / (Discount) on debt issued	-	232,592	-	39,106
Payment to refunded debt escrow agent	-	(1,613,864)	-	-
Total Other Financing Sources (Uses)	<u>666,067</u>	<u>153,728</u>	<u>274,777</u>	<u>5,064,499</u>
Net Change in Fund Balances	459,892	170,661	717,729	2,968,520
FUND BALANCES (DEFICIT) - Beginning of Year	<u>6,159,807</u>	<u>701,372</u>	<u>78,116</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 6,619,699</u>	<u>\$ 872,033</u>	<u>\$ 795,845</u>	<u>\$ 2,968,520</u>

See accompanying notes to financial statements.

TID No. 5	TID No. 6	Nonmajor Governmental Funds	Totals
\$ 282,766	\$ 244,783	\$ 2,065,604	\$ 10,810,880
81,269	915,384	90,239	2,335,724
-	-	53,378	648,201
-	-	-	83,517
-	-	814,932	1,674,763
-	-	67,778	157,791
-	3,148	4,927	221,992
-	-	216,010	404,205
<u>364,035</u>	<u>1,163,315</u>	<u>3,312,868</u>	<u>16,337,073</u>
-	-	-	1,293,481
-	-	-	3,294,571
-	-	-	1,961,417
-	-	524,468	524,468
-	-	1,213,698	2,564,747
-	-	20,666	376,298
56,475	2,328,164	767,275	5,966,697
95,000	-	580,000	2,176,804
166,311	236,265	189,000	1,283,857
-	33,099	-	107,205
<u>317,786</u>	<u>2,597,528</u>	<u>3,295,107</u>	<u>19,549,545</u>
<u>46,249</u>	<u>(1,434,213)</u>	<u>17,761</u>	<u>(3,212,472)</u>
209,382	-	5,882	1,446,468
-	-	(251,073)	(576,040)
-	2,260,000	-	8,855,000
-	83,182	-	354,880
-	-	-	(1,613,864)
<u>209,382</u>	<u>2,343,182</u>	<u>(245,191)</u>	<u>8,466,444</u>
255,631	908,969	(227,430)	5,253,972
<u>(2,733,245)</u>	<u>(197,243)</u>	<u>1,494,075</u>	<u>5,502,882</u>
<u>\$ (2,477,614)</u>	<u>\$ 711,726</u>	<u>\$ 1,266,645</u>	<u>\$ 10,756,854</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED) THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Reconciliation to the Statement of Activities

Net change in fund balances - total governmental funds \$ 5,253,972

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of net position.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	5,966,697
Less: Some items reported as capital outlay but not capitalized	(1,215,873)
Depreciation is reported in the government-wide statements	(3,621,950)
Loss on disposal of capital assets	(891)
Loss on disposal of construction work in progress	(527,021)
Capital contributions reported in the government-wide statements	6,093,194

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:	
Long-term debt issued	(8,855,000)
Premium on debt issued	(354,880)
Principal repayments:	
General obligation debt	3,726,804
Capital lease	12,731
Amortization of debt premium	111,780
	(5,358,565)

The proportionate share of the change in net position related to joint ventures reported in the statement of net position neither provides or uses current financial resources and are not reported in the fund statements. (105,007)

Change in the net pension liability (asset) and related deferred outflows (inflows) of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan (274,626)

Some expenses reported in the statement of net position do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest payable	5,062
Compensated absences	5,213
	10,275

Change in net position of governmental activities \$ 6,220,205

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,889,944	\$ 4,889,944	\$ 4,915,698	\$ 25,754
Intergovernmental	1,041,361	1,041,361	1,248,832	207,471
Licenses and permits	289,065	340,560	462,418	121,858
Fines, forfeitures and penalties	61,150	61,150	83,517	22,367
Public charges for services	712,988	866,498	859,831	(6,667)
Intergovernmental charges for services	99,000	99,000	90,013	(8,987)
Investment income	90,000	90,000	202,347	112,347
Miscellaneous revenues	50,450	102,545	187,319	84,774
Total Revenues	<u>7,233,958</u>	<u>7,491,058</u>	<u>8,049,975</u>	<u>558,917</u>
EXPENDITURES				
Current				
General government				
Village Board	81,490	81,490	67,311	14,179
Municipal court	97,013	97,413	88,713	8,700
Legal	35,000	35,863	35,863	-
Administrator	191,256	191,256	181,673	9,583
Clerk	274,891	376,793	287,113	89,680
Finance	566,355	688,940	538,408	150,532
Village hall	74,433	94,400	94,400	-
Total general government	<u>1,320,438</u>	<u>1,566,155</u>	<u>1,293,481</u>	<u>272,674</u>
Public safety				
Police	2,381,221	2,381,221	2,378,128	3,093
Fire protection/ambulance	749,927	749,927	748,627	1,300
Inspections	115,103	166,598	166,598	-
Emergency management	288	1,233	1,218	15
Total public safety	<u>3,246,539</u>	<u>3,298,979</u>	<u>3,294,571</u>	<u>4,408</u>
Public works				
Engineering	415,895	415,895	345,191	70,704
Streets	614,991	668,033	667,735	298
Snow and ice	229,728	174,044	150,427	23,617
Stormwater	87,930	87,930	82,689	5,241
Garbage and refuse	463,880	463,880	462,592	1,288
Recycling	242,966	252,783	252,783	-
Total public works	<u>2,055,390</u>	<u>2,062,565</u>	<u>1,961,417</u>	<u>101,148</u>
Leisure activities				
Library	902,039	902,039	860,954	41,085
Parks	386,646	475,193	475,193	-
Forestry	10,000	11,099	11,099	-
Cable tv	15,108	15,108	3,621	11,487
Other	500	500	182	318
Total leisure activities	<u>1,314,293</u>	<u>1,403,939</u>	<u>1,351,049</u>	<u>52,890</u>
Conservation and development				
Development	175,736	355,632	355,632	-
Total conservation and development	<u>175,736</u>	<u>355,632</u>	<u>355,632</u>	<u>-</u>
Total Expenditures	<u>8,112,396</u>	<u>8,687,270</u>	<u>8,256,150</u>	<u>431,120</u>
Excess (deficiency) of revenues over expenditures	<u>(878,438)</u>	<u>(1,196,212)</u>	<u>(206,175)</u>	<u>990,037</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	883,500	899,058	931,332	32,274
Transfers out	(5,062)	(270,327)	(265,265)	5,062
Total Other Financing Sources (Uses)	<u>878,438</u>	<u>628,731</u>	<u>666,067</u>	<u>37,336</u>
Net Change in Fund Balance	-	(567,481)	459,892	1,027,373
FUND BALANCE - Beginning of Year	6,159,807	6,159,807	6,159,807	-
FUND BALANCE - END OF YEAR	<u>\$ 6,159,807</u>	<u>\$ 5,592,326</u>	<u>\$ 6,619,699</u>	<u>\$ 1,027,373</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Sewer Utility	
ASSETS				
Current assets				
Cash and investments	\$ 5,655,877	\$ 2,158,261	\$ 1,200,427	\$ 9,014,565
Accounts receivable	1,313,442	168,072	243,223	1,724,737
Due from other funds	5,198	822	620	6,640
Interest receivable	25,006	9,511	9,132	43,649
Inventories	362,132	39,943	-	402,075
Total Current Assets	<u>7,361,655</u>	<u>2,376,609</u>	<u>1,453,402</u>	<u>11,191,666</u>
Restricted and Other Assets				
Cash and investments	549,489	921,718	1,411,953	2,883,160
Total restricted and other assets	<u>549,489</u>	<u>921,718</u>	<u>1,411,953</u>	<u>2,883,160</u>
Capital Assets				
Land	285,993	171,691	74,585	532,269
Construction in progress	452,528	4,800	1,999	459,327
Property and equipment	27,287,241	26,576,736	14,799,390	68,663,367
Less accumulated depreciation	<u>(12,683,201)</u>	<u>(7,582,116)</u>	<u>(3,117,299)</u>	<u>(23,382,616)</u>
Total capital assets	<u>15,342,561</u>	<u>19,171,111</u>	<u>11,758,675</u>	<u>46,272,347</u>
Total Assets	<u>23,253,705</u>	<u>22,469,438</u>	<u>14,624,030</u>	<u>60,347,173</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on advance refunding of debt	39,838	70,608	27,868	138,314
Deferred outflows related to pension	336,768	147,784	49,774	534,326
Total Deferred Outflow of Resources	<u>376,606</u>	<u>218,392</u>	<u>77,642</u>	<u>672,640</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Sewer Utility	
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,356,100	-	-	1,356,100
Compensated absences	8,215	6,011	5,811	20,037
Accrued interest	16,254	30,437	8,055	54,746
Due to other funds	113,079	-	-	113,079
Deposits	49,901	34,463	-	84,364
Unearned revenue	-	95,665	-	95,665
Commitment to community	50,143	-	-	50,143
Total current liabilities	<u>1,593,692</u>	<u>166,576</u>	<u>13,866</u>	<u>1,774,134</u>
Long-term Obligations				
Due within one year				
Revenue bonds	249,000	437,000	139,000	825,000
Due in more than one year				
Revenue bonds	2,207,000	3,948,000	1,860,000	8,015,000
Compensated absences	117,800	86,200	83,300	287,300
Net pension liability	43,630	19,196	6,480	69,306
Other liabilities payable	21,235	-	-	21,235
Total long-term obligations	<u>2,638,665</u>	<u>4,490,396</u>	<u>2,088,780</u>	<u>9,217,841</u>
Total Liabilities	<u>4,232,357</u>	<u>4,656,972</u>	<u>2,102,646</u>	<u>10,991,975</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	142,325	62,619	21,137	226,081
NET POSITION				
Net investment in capital assets	12,926,399	14,856,719	9,920,521	37,703,639
Restricted for				
Debt redemption and capital improvements	328,392	724,509	1,202,695	2,255,596
Unrestricted	6,000,838	2,387,011	1,454,673	9,842,522
Total Net Position	<u>\$ 19,255,629</u>	<u>\$ 17,968,239</u>	<u>\$ 12,577,889</u>	<u>\$ 49,801,757</u>

See accompanying notes to financial statements.

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VILLAGE OF WAUNAKEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS For the Year Ended December 31, 2017

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Sewer Utility	
OPERATING REVENUES				
Charges for services	\$ 13,023,736	\$ 2,221,390	\$ 2,136,161	\$ 17,381,287
OPERATING EXPENSES				
Operation and maintenance	11,373,269	814,900	1,841,841	14,030,010
Depreciation	831,060	526,221	253,616	1,610,897
Total Operating Expenses	<u>12,204,329</u>	<u>1,341,121</u>	<u>2,095,457</u>	<u>15,640,907</u>
Operating Income	<u>819,407</u>	<u>880,269</u>	<u>40,704</u>	<u>1,740,380</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	79,031	29,411	15,367	123,809
Interest expense	(70,393)	(127,530)	(48,089)	(246,012)
Other nonoperating revenues (expenses)	17,820	-	-	17,820
Amortization of loss on refinancing	<u>(8,688)</u>	<u>(15,096)</u>	<u>(4,248)</u>	<u>(28,032)</u>
Total Nonoperating Revenues (Expenses)	<u>17,770</u>	<u>(113,215)</u>	<u>(36,970)</u>	<u>(132,415)</u>
Income Before Contributions and Transfers	837,177	767,054	3,734	1,607,965
CAPITAL CONTRIBUTIONS	303,898	567,139	218,067	1,089,104
TRANSFERS OUT	<u>(434,855)</u>	<u>(435,573)</u>	<u>-</u>	<u>(870,428)</u>
CHANGE IN NET POSITION	706,220	898,620	221,801	1,826,641
NET POSITION - Beginning of Year	<u>18,549,409</u>	<u>17,069,619</u>	<u>12,356,088</u>	<u>47,975,116</u>
NET POSITION - END OF YEAR	<u>\$ 19,255,629</u>	<u>\$ 17,968,239</u>	<u>\$ 12,577,889</u>	<u>\$ 49,801,757</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Sewer Utility	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 12,844,143	\$ 2,053,546	\$ 2,149,931	\$ 17,047,620
Cash received from other funds for fire protection and street lighting	146,086	200,000	-	346,086
Cash payments to suppliers for goods and services	(10,708,633)	(420,559)	(1,687,833)	(12,817,025)
Cash payments to employees for services	<u>(647,255)</u>	<u>(346,394)</u>	<u>(136,494)</u>	<u>(1,130,143)</u>
Net Cash Flows From Operating Activities	<u>1,634,341</u>	<u>1,486,593</u>	<u>325,604</u>	<u>3,446,538</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to village for tax equivalent	(433,398)	(435,364)	-	(868,762)
Transfers to other funds	<u>(1,457)</u>	<u>(209)</u>	-	<u>(1,666)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(434,855)</u>	<u>(435,573)</u>	-	<u>(870,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments purchased	(567,527)	(254,282)	(566,182)	(1,387,991)
Investment income (loss)	<u>79,031</u>	<u>29,411</u>	<u>15,367</u>	<u>123,809</u>
Net Cash Flows From Investing Activities	<u>(488,496)</u>	<u>(224,871)</u>	<u>(550,815)</u>	<u>(1,264,182)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of utility plant	(1,210,509)	(309,647)	(253,087)	(1,773,243)
Salvage on retirement of plant	60,981	63	5,206	66,250
Capital contributions received	505,616	-	-	505,616
Debt retired	(239,000)	(417,000)	(134,000)	(790,000)
Interest paid	<u>(72,082)</u>	<u>(130,331)</u>	<u>(48,554)</u>	<u>(250,967)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(954,994)</u>	<u>(856,915)</u>	<u>(430,435)</u>	<u>(2,242,344)</u>
Net Change in Cash and Cash Equivalents	(244,004)	(30,766)	(655,646)	(930,416)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,548,675</u>	<u>1,627,133</u>	<u>1,843,649</u>	<u>6,019,457</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,304,671</u>	<u>\$ 1,596,367</u>	<u>\$ 1,188,003</u>	<u>\$ 5,089,041</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Adjustments of investments to fair value	<u>\$ (50,136)</u>	<u>\$ (18,543)</u>	<u>\$ (16,527)</u>	<u>\$ (85,206)</u>
Contribution of capital assets	<u>\$ -</u>	<u>\$ 567,139</u>	<u>\$ 218,067</u>	<u>\$ 785,206</u>

	Enterprise Funds			Totals
	Electric Utility	Water Utility	Sewer Utility	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 819,407	\$ 880,269	\$ 40,704	\$ 1,740,380
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Non operating expenses	17,820	-	-	17,820
Noncash items included in income				
Depreciation	831,060	526,221	253,616	1,610,897
Depreciation charged to clearing and other utilities	60,000	32,310	-	92,310
Change in pension related liability and deferred outflows and inflows of resources	100,477	69,442	13,831	183,750
Change in assets and liabilities				
Accounts receivable	(23,677)	(11,883)	18,737	(16,823)
Due from other funds	1,553	1,476	297	3,326
Inventories	21,766	2,364	-	24,130
Accounts payable	(144,863)	-	-	(144,863)
Compensated absences	5,982	4,358	4,219	14,559
Due to other funds	3,286	-	-	3,286
Deposits	(1,525)	6	-	(1,519)
Other current liabilities	(56,945)	(17,970)	(5,800)	(80,715)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,634,341	\$ 1,486,593	\$ 325,604	\$ 3,446,538
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and investments	\$ 5,655,877	\$ 2,158,261	\$ 1,200,427	\$ 9,014,565
Restricted assets - noncurrent	549,489	921,718	1,411,953	2,883,160
Total Cash and Investments	6,205,366	3,079,979	2,612,380	11,897,725
Less: Noncash equivalents	(3,900,695)	(1,483,612)	(1,424,377)	(6,808,684)
CASH AND CASH EQUIVALENTS	\$ 2,304,671	\$ 1,596,367	\$ 1,188,003	\$ 5,089,041

VILLAGE OF WAUNAKEE

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND December 31, 2017

	<u>Tax Collection</u>
ASSETS	
Cash and investments	\$ 18,075,571
Taxes receivable	<u>6,976,397</u>
TOTAL ASSETS	<u>\$ 25,051,968</u>
LIABILITIES	
Due to other governments	\$ <u>25,051,968</u>
TOTAL LIABILITIES	<u>\$ 25,051,968</u>

See accompanying notes to financial statements.

VILLAGE OF WAUNAKEE

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VILLAGE OF WAUNAKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Waunakee, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all the funds of the Village of Waunakee. The reporting entity for the village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government 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 burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. (This report does not contain any component units.) See Note IV. D. regarding joint ventures.

Component Unit Not Presented

Community Development Authority

The government-wide financial statements include the Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the village president. Wisconsin Statutes provide for circumstances whereby the village can impose its will on the CDA, and also create a potential financial benefit to or burden on the village. The CDA is part of the reporting entity of the Village of Waunakee. However, the CDA had no financial transactions during 2017 which are material to these financial statements. Also, the CDA does not own any assets nor is it liable for any debt. Therefore, no financial statements are presented in this report. The CDA does not issue separate financial statements.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village does not allocate indirect expenses to functions in the statement of activities. Program revenues included 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the village 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, liabilities, deferred outflows/inflows of resources, net position/fund balance, revenues, and expenditure/expenses.

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

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the village or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the village believes is particularly important to financial statement users may be reported as a major fund.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Financial Statements (cont.)

The village reports the following major governmental funds:

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

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

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

Library Building Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition of land and construction of a new library building.

Tax Incremental Financing District No. 5 (TID No. 5) – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

Tax Incremental Financing District No. 6 (TID No. 6) – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The village reports the following major enterprise funds:

Electric Utility – used to account for and report the operations of the electric system.

Water Utility – used to account for and report the operations of the water system.

Sewer Utility – used to account for and report the operations of the sewer system.

The village reports the following non-major governmental funds:

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

- Park Reservation

- Park Impact

- Library

- Senior Center

- Senior Center Fundraising

- Village Center

- Community Development/Betterment

Capital Projects Funds – 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.

- Equipment Replacement

- Tax Incremental Financing District No. 2 (TID No. 2)

- Tax Incremental Financing District No. 3 (TID No. 3)

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

Fund Financial Statements (cont.)

Tax Incremental Financing District No. 4 (TID No. 4)

Tax Incremental Financing District No. 2 (TID No. 7)

Tax Incremental Financing District No. 3 (TID No. 8)

Tax Incremental Financing District No. 4 (TID No. 9)

In addition, the village reports the following fiduciary fund:

Agency fund – used to account for and report assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the village's electric, water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 village considers revenues to be available if they are collected within sixty-five days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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

Fund Financial Statements

Intergovernmental aids and grants are recognized as revenues in the period the village is entitled to the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund, if those amounts are material to the financial statements.

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

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

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

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 and liabilities 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.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE

1. Deposits and Investments

For purposes of the statement of cash flows, the village considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of village funds is restricted by state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Per the provisions of the village's investment policy, the village attempts to manage its investment risks as follows:

Credit Risk - the Village of Waunakee will minimize credit risk, which is the risk of loss due to failure of the security issuer or backer, by:

- Limiting investments to the types of securities purchased to allowable legal investments.
- Prequalifying the financial institutions, broker/dealers, intermediaries and advisers with which the Village of Waunakee will do business.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized

Interest Rate Risk - the Village of Waunakee will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio to less than 3 years.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE (CONT.)

1. Deposits and Investments (cont.)

Custodial Credit Risk - the Village of Waunakee will minimize custodial credit risk, which is the risk that the village's investments are not insured against loss, by:

- Fully collateralizing all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

Concentration of Credit Risk - the Village of Waunakee will minimize concentration of credit risk, which is the risk that the village invests too heavily in one type of security, by:

- Diversifying investments so that the village does not over concentrate in securities from a specific issuer or business sector.

Investments are stated at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

The 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 village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III.A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net position.

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale – 2017 delinquent real estate taxes	October 2020

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE (CONT.)

2. Receivables (cont.)

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the electric, water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

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

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average and charged to construction and/or operation and maintenance expense when used.

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government – Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year for general capital assets and 25 years for infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

5. Capital Assets (cont.)

Government – Wide Statements (cont.)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	20-50 Years
Improvements	10-50 Years
Machinery and Equipment	4-50 Years
Utility System	3-100 Years
Infrastructure	25-50 Years
Intangibles	10 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. The village has two items that qualify for reporting in this category. The first is the deferred loss on advance refunding reported in the government-wide and proprietary fund statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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

6. Deferred Outflows/Inflows of Resources (cont.)

Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The village has two items that qualify for reporting in this category. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

7. 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 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.

8. 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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

The village provides postemployment health insurance benefits for all eligible employees. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit polices. Under the personnel handbook, employees hired prior to May 16, 2013, may convert unused sick leave up to 1,168 hours upon retirement to pay health insurance premiums. The conversion rate shall be the employee's hourly rate of pay at the time of retirement. Certain employees hired prior to May 16, 2013 have separate agreements which allows for a conversion of up to 1,188 hours at a rate of one and one-half times the employees rate of pay upon retirement. Employees hired after May 16, 2013 are not eligible for this benefit. Employees under the police union contract may convert 1,188 accumulated sick leave hours at a rate of one and one half the employees pay rate at the time of retirement for employees hired prior to January 1, 1996 and at straight time for employees hired after this date to pay for health care premiums.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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

8. Compensated Absences (cont.)

Premiums paid for employees who have converted sick leave upon retirement are recognized as an expenditure as the premiums are paid. The entire cost is paid by the village. Funding for those costs are provided by an annual levy of \$53,075 plus a reserve account set up which currently has a balance of \$400,000. Total costs for such benefits during 2017 were \$43,443. The number of participants currently eligible to receive benefits is four. The total amount outstanding at year end to be paid in the future is \$169,482 and is included in the government-wide statement of net position.

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. The amount of accumulated sick leave is \$1,168,637.

Vested vacation, holiday, and other compensatory pay is required to be used in the year earned, unless approved by the village administrator to be carried over. Carryovers of unused vacation leave are limited to a maximum of one week. Accumulated vacation, holiday and other compensatory pay carryover as of December 31, 2017, is estimated to be \$107,263.

Proprietary Funds

Employees earn one day of sick leave per month and varying amounts of vacation annually. Employees may convert an unlimited amount of accumulated sick leave to pay for health insurance premiums upon retirement. Payments made in 2017 for postretirement benefits were not material. The estimated liability at December 31, 2017 is \$287,300.

Vested vacation, holiday, and other compensatory pay is required to be used in the year earned, unless approved by the utility general manager to be carried over. Carryovers of unused vacation leave are limited to a maximum of one week. Accumulated vacation, holiday and other compensatory pay carryover as of December 31, 2017, is estimated to be \$20,037.

All Funds

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.

9. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the deferred outflow or deferred inflow section of the statement of net position.

The village has approved the issuance of multifamily housing revenue bonds (MHRB) for the benefit of a private business enterprise. MHRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of MHRB's outstanding at the end of the year is approximately \$2,304,435, made up of the Series 2003 Multifamily Housing Revenue Bonds.

The village has approved the issuance of Community Development Authority Revenue Bonds (CDARB) for the benefit of a non-profit organization. CDARB's are secured loan agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of CDARB's outstanding at the end of the year is approximately \$648,188, made up of the 2011 Community Development Authority Revenue Bonds.

10. Equity Classifications

Government–Wide Statements

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

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

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

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE (CONT.)

10. Equity Classifications (cont.)

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 (resolution) of the village board. 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 village board that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The village board may take official action to assign amounts. 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 exceeds amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

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

The village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of between 20% and 25% of the subsequent year's general fund expenditure budget. The balance at year end was \$2,994,879 or 34% and is included in unassigned general fund balance.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE (CONT.)

11. Basis for Existing Rates

Electric Utility

Current electric rates were approved by the Public Service Commission of Wisconsin on February 5, 2011.

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on December 1, 2015.

Sewer Utility

Current sewer rates were approved by the Waunakee Utility Commission on January 1, 2016.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for all governmental funds of the village. The budgeted amounts presented include any amendments made. The village board may authorize transfers of budgeted amounts within departments. Transfers between 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. Carryovers to the following year were \$1,034,919 for the general fund. The general fund budget is adopted at the departmental level of expenditure. All other governmental funds of the village are adopted at the functional level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

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

C. DEFICIT BALANCES

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

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

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TID No. 3	\$ 690,599	Deficit is expected to be covered by future increments.
TID No. 5	2,477,614	Deficit is expected to be covered by future increments.
TID No. 7	37,758	Deficit is expected to be covered by future increments.
TID No. 8	3,187	Deficit is expected to be covered by future increments.
TID No. 9	24	Deficit is expected to be covered by future increments.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

C. DEFICIT BALANCES (CONT.)

TID deficits are anticipated to be funded with future incremental taxes over the life of the districts, which is 27 years for districts created before October 1, 1995, and 23 years for districts created through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

D. LIMITATIONS ON THE VILLAGE TAX LEVY

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

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

	Carrying Value	Statement Balance	Associated Risk
Deposits	\$ 26,219,311	\$27,068,556	Custodial credit
U.S. treasuries	674,067	674,067	Custodial credit, interest rate
U.S. agencies-explicity guaranteed	1,628,794	1,628,794	Custodial credit, interest rate
U.S. agencies-implicity guaranteed	1,322,439	1,322,439	Credit, custodial credit, interest rate, concentration of credit
Corporate bonds	5,903,451	5,903,451	Credit, custodial credit, interest rate, concentration of credit
State and municipal bonds	3,188,346	3,188,346	Credit, custodial credit, interest rate, concentration of credit
Local government investment pool	983,834	983,834	Credit, interest rate
Petty cash and cash on hand	63,522	-	N/A
Total Cash and Investments	\$ 39,983,764	\$40,769,487	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 18,620,605		
Restricted cash and investments	3,287,588		
Per statement of net position - fiduciary funds	18,075,571		
Total Cash and Investments	\$ 39,983,764		

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (CONT.)

Deposits in Wisconsin banks are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for interest-bearing and noninterest-bearing demand accounts.

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

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$6,083,414 of the village's investments are covered by SIPC.

In addition to the FDIC insurance and the State Deposit Guarantee Fund, the village has obtained additional collateral from its primary depository for its deposits through the pledge of other securities owned by the depository. The collateral with State Bank of Cross Plains for the village consists of local government securities with a fair value of \$7,146,062; the collateral with State Bank of Cross Plains for the Waunakee Utilities consists of local government securities with a fair value of \$6,101,729; the collateral with Old National Bank consists of federal agency securities with a fair value of \$21,029,814 to provide coverage for balances which exceed the FDIC insurance and the State Deposit Guarantee Fund coverage. All collateral is being held by a third-party bank custodian.

FAIR VALUE MEASUREMENTS

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

The village has the following fair value measurements as of December 31, 2017:

Investment Type	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
U.S. treasuries	\$ -	\$ 674,067	\$ -
Corporate bonds	-	5,903,451	-
State and municipal bonds	-	3,188,346	-
Federal National Mortgage Association	-	735,576	-
Federal Home Loan Mortgage Corporation	-	893,218	-
Federal Home Loan Bank	-	1,098,014	-
Federal Farm Credit Bureau	-	224,425	-
Negotiable certificate of deposit	-	245,508	-
Totals	\$ -	\$ 12,962,605	\$ -

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (CONT.)

Deposits and investments of the village are subject to various risks. Presented below is a discussion of the specific risks and the village’s policy related to the risk.

CUSTODIAL CREDIT RISK

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the village’s deposits may not be returned to the village.

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

Investments – Custodial credit risk is the risk that in the event of the failure of the counterparty, the village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2017, the village’s investments were rated as follows:

Investment Type	Amount	Credit Rating			
		AAA	AA	A	Not Rated
Corporate bonds	\$ 5,903,451	\$ 799,642	\$3,611,196	\$1,492,613	\$ -
State and municipal bonds	3,188,346	728,105	1,679,130	-	781,111
Local government investment pool	983,834	-	-	-	983,834
Federal Home Loan Bank	1,098,014	-	1,098,014	-	-
Federal Farm Credit Bureau	224,425	-	224,425	-	-
Totals	\$11,398,070	\$1,527,747	\$6,612,765	\$1,492,613	\$1,764,945

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investment in a single issuer. At December 31, 2017, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Westpac	Corporate bond	5%
Federal Home Loan Bank	U.S. agency	8%

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (CONT.)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. As of December 31, 2017, the village investments were as follows:

Investment Type	Amount	Maturities		
		12 Months or Less	13 - 24 Months	25 - 60 Months
U.S. treasuries	\$ 674,067	\$ 674,067	\$ -	\$ -
Corporate bonds	5,903,451	2,765,877	813,702	2,323,872
State and municipal bonds	3,188,346	918,539	1,410,507	859,300
Local government investment pool	983,834	983,834	-	-
Federal National Mortgage Association	735,576	-	635,670	99,906
Federal Home Loan Mortgage Corporation	893,218	189,344	546,468	157,406
Federal Home Loan Bank	1,098,014	998,800	99,214	-
Federal Farm Credit Bureau	224,425	224,425	-	-
Negotiable certificate of deposit	245,508	-	-	245,508
Totals	\$ 13,946,439	\$ 6,754,886	\$ 3,505,561	\$ 3,685,992

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for \$824 of delinquent personal property taxes, \$2,127 of delinquent special assessments, and \$500,000 of loans.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

LONG TERM DEBT ACCOUNTS

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Replacement – Used to report resources set aside as a condition of receiving state and federal funds from wastewater plant construction for replacement of certain mechanical equipment.
- Construction – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

IMPACT FEE ACCOUNT

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

The village has received fees in lieu of parkland that must be spent in accordance with the local ordinance and state statutes. Funds may only be used for the purchase of parkland.

Following is a list of restricted assets at December 31, 2017:

	<u>Restricted Assets</u>
Bond redemption account	\$ 312,682
Bond reserve account	1,400,896
Bond depreciation account	50,000
Replacement account	986,604
Construction account	132,978
Impact fee account	360,273
Fees in lieu of parkland account	<u>44,155</u>
Totals	<u>\$ 3,287,588</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. CAPITAL ASSETS

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

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 17,944,001	\$ 408,306	\$ -	\$ 18,352,307
Construction in process	<u>770,889</u>	<u>2,040,750</u>	<u>688,539</u>	<u>2,123,100</u>
Total Capital Assets Not Being Depreciated/Amortized	<u>18,714,890</u>	<u>2,449,056</u>	<u>688,539</u>	<u>20,475,407</u>
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	17,584,385	468,036	-	18,052,421
Improvements other than buildings	4,176,220	623,202	-	4,799,422
Equipment	5,981,307	492,656	481,951	5,992,012
Intangibles	81,120	-	-	81,120
Infrastructure	<u>73,900,125</u>	<u>6,972,586</u>	<u>-</u>	<u>80,872,711</u>
Total Capital Assets Being Depreciated/Amortized	<u>101,723,157</u>	<u>8,556,480</u>	<u>481,951</u>	<u>109,797,686</u>
Total Capital Assets	<u>120,438,047</u>	<u>11,005,536</u>	<u>1,170,490</u>	<u>130,273,093</u>
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	(7,730,821)	(638,926)	-	(8,369,747)
Improvements other than buildings	(2,024,217)	(167,220)	-	(2,191,437)
Equipment	(4,020,738)	(432,126)	(481,060)	(3,971,804)
Intangibles	(53,687)	(8,112)	-	(61,799)
Infrastructure	<u>(29,670,280)</u>	<u>(2,375,566)</u>	<u>-</u>	<u>(32,045,846)</u>
Total Accumulated Depreciation/Amortization	<u>(43,499,743)</u>	<u>(3,621,950)</u>	<u>(481,060)</u>	<u>(46,640,633)</u>
Capital Assets Net of Depreciation/Amortization	<u>\$ 76,938,304</u>	<u>\$ 7,383,586</u>	<u>\$ 689,430</u>	<u>\$ 83,632,460</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 66,523
Public safety	265,534
Public works	2,564,504
Health and human services	968
Leisure activities	<u>724,421</u>
Total governmental activities depreciation/amortization expense	<u>\$ 3,621,950</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

D. CAPITAL ASSETS (CONT.)

Capital asset activity in the business-type activities for the year ended December 31, 2017 was as follows:

	<u>Balance</u> <u>01/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 532,269	\$ -	\$ -	\$ 532,269
Construction in process	<u>163,996</u>	<u>295,331</u>	<u>-</u>	<u>459,327</u>
Total Capital Assets Not Being Depreciated	<u>696,265</u>	<u>295,331</u>	<u>-</u>	<u>991,596</u>
Capital Assets Being Depreciated				
Buildings and improvements	5,553,816	-	-	5,553,816
Equipment	7,154,508	215,884	113,522	7,256,870
Infrastructure	<u>53,789,841</u>	<u>2,223,989</u>	<u>161,149</u>	<u>55,852,681</u>
Total Capital Assets Being Depreciated	<u>66,498,165</u>	<u>2,439,873</u>	<u>274,671</u>	<u>68,663,367</u>
Total Capital Assets	<u>67,194,430</u>	<u>2,735,204</u>	<u>274,671</u>	<u>69,654,963</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,845,688)	(152,522)	-	(1,998,210)
Equipment	(5,243,750)	(334,042)	(113,522)	(5,464,270)
Infrastructure	<u>(14,798,391)</u>	<u>(1,282,894)</u>	<u>(161,149)</u>	<u>(15,920,136)</u>
Total Accumulated Depreciation	<u>(21,887,829)</u>	<u>(1,769,458)</u>	<u>(274,671)</u>	<u>(23,382,616)</u>
Capital Assets Net of Depreciation	<u>\$ 45,306,601</u>	<u>\$ 965,746</u>	<u>\$ -</u>	<u>\$ 46,272,347</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Electric utility	\$ 831,060
Water utility	526,221
Sewer utility	<u>253,616</u>
Total business-type activities depreciation expense	\$ 1,610,897
Depreciation charged to operating accounts and salvage	<u>158,561</u>
Total business-type activities depreciation expense per basic financial statements	<u>\$ 1,769,458</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	TID No. 6	\$ 188,529
General	Nonmajor governmental funds - TID No. 3	310,503
General	Nonmajor governmental funds - TID No. 7	37,758
General	Nonmajor governmental funds - TID No. 8	3,187
General	Nonmajor governmental funds - TID No. 9	24
General	Electric utility	113,079
Electric utility	General	5,198
Water utility	General	822
Sewer utility	General	620
Total per fund statements		659,720
Less: Fund eliminations		(540,001)
Less: Government-wide eliminations		(226,158)
Total Internal Balances - Government- wide Statement of Net Position		<u>\$ (106,439)</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities	Business-type activities	\$ (113,079)
Business-type activities	Governmental activities	6,640
Total		<u>\$ (106,439)</u>

The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current tax roll. All of the above amounts will be repaid within one year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The general fund is advancing funds to TID No. 5. The amount of the advance is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is charging the TIF district interest on the advance based on the average outstanding balance during the year at the rate of 5.61%. No repayment schedule has been established.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

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

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	TID No. 5	\$ 2,546,758
Nonmajor governmental funds - equipment replacement	Nonmajor governmental funds - TID No. 3	<u>437,000</u>
Subtotal - Fund Financial Statements		2,983,758
Less: Fund eliminations		<u>(2,983,758)</u>
Total - Interfund Advances		<u><u>\$ -</u></u>

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Electric utility	\$ 434,855
General	Water utility	435,573
General	Capital improvements	25,095
General	Nonmajor governmental funds - park impact	35,809
Nonmajor governmental funds - senior center	Nonmajor governmental funds - equipment replacement	5,255
Nonmajor governmental funds - village center	Nonmajor governmental funds - community development/betterment	627
TID No. 5	Nonmajor governmental funds - TID No. 2	209,382
Capital improvements	General	265,265
Capital improvements	Library building	<u>34,607</u>
Subtotal - Fund Financial Statements		1,446,468
Less: Fund eliminations		<u>(576,040)</u>
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 870,428</u></u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

F. PAYABLES

Payables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Capital Improvements	Library Building	TID No. 5	TID No. 6	Electric Utility	Water Utility	Sewer Utility	Nonmajor Governmental Funds	Total
Payables										
Accounts payable	\$ 175,751	\$ 29,257	\$ 475,317	\$ 10,856	\$ 11,444	\$ 1,298,217	\$ -	\$ -	\$ 27,449	\$ 2,028,291
Accrued liabilities	<u>417,931</u>	-	-	-	-	<u>57,883</u>	-	-	<u>832</u>	<u>476,646</u>
Total payables per fund statements	593,682	29,257	475,317	10,856	11,444	1,356,100	-	-	28,281	2,504,937
Adjustment										
Accrued interest payable	<u>214,959</u>	-	-	-	-	<u>16,254</u>	<u>30,437</u>	<u>8,055</u>	-	<u>269,705</u>
Total per statement of net position	<u>\$ 808,641</u>	<u>\$ 29,257</u>	<u>\$ 475,317</u>	<u>\$ 10,856</u>	<u>\$ 11,444</u>	<u>\$ 1,372,354</u>	<u>\$ 30,437</u>	<u>\$ 8,055</u>	<u>\$ 28,281</u>	<u>\$ 2,774,642</u>

G. LONG-TERM OBLIGATIONS

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

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 29,592,511	\$ 8,855,000	\$ 3,726,804	\$ 34,720,707	\$ 2,757,894
Debt (discount)/premium	<u>1,461,185</u>	<u>354,880</u>	<u>111,780</u>	<u>1,704,285</u>	<u>111,780</u>
Net Bonds and Notes Payable	31,053,696	9,209,880	3,838,584	36,424,992	2,869,674
Other Liabilities					
Vested compensated absences	1,450,595	46,429	51,642	1,445,382	146,237
Capital leases	<u>49,697</u>	-	<u>12,731</u>	<u>36,966</u>	<u>12,717</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 32,553,988</u>	<u>\$ 9,256,309</u>	<u>\$ 3,902,957</u>	<u>\$ 37,907,340</u>	<u>\$ 3,028,628</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

G. LONG-TERM OBLIGATIONS (CONT.)

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
Revenue bonds	\$ 9,630,000	\$ -	\$ 790,000	\$ 8,840,000	\$ 825,000
Other Liabilities					
Vested compensated absences	292,778	30,737	16,178	307,337	20,037
Other Liabilities	<u>21,235</u>	<u>-</u>	<u>-</u>	<u>21,235</u>	<u>-</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 9,944,013</u>	<u>\$ 30,737</u>	<u>\$ 806,178</u>	<u>\$ 9,168,572</u>	<u>\$ 845,037</u>

GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed five percent of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2017, was \$85,866,755. Total general obligation debt outstanding at year end was \$34,720,707. The following is a list of long-term obligations at December 31, 2017:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/17	Amounts Due Within One Year
Governmental Activities						
General Obligation Debt						
2003 State Trust Fund Loan	05/28/03	03/15/23	5.00%	\$ 385,931	\$ 155,707	\$ 22,894
2008 G.O. Bonds	05/22/08	06/01/23	3.50% - 3.90%	1,330,000	635,000	95,000
2009 G.O. Bonds	05/21/09	05/01/29	1.35% - 4.70%	7,340,000	335,000	170,000
2010 G.O. Bonds	06/01/10	06/01/30	2.00% - 4.00%	5,665,000	745,000	305,000
2011 G.O. Bonds	11/08/11	11/01/31	2.00% - 3.60%	3,945,000	2,835,000	215,000
2011 G.O. Bonds	11/08/11	11/01/31	1.50% - 4.80%	1,345,000	1,125,000	60,000
2012 G.O. Bonds	04/18/12	04/01/32	4.00%	13,245,000	9,925,000	1,215,000
2015 G.O. Bonds	04/18/12	04/01/32	3.00% - 3.50%	1,355,000	1,355,000	-
2016 G.O. Bonds	01/06/16	04/01/35	2.00% - 3.00%	6,055,000	5,835,000	270,000
2016 G.O. Bonds	12/15/16	05/01/29	1.20% - 2.50%	2,920,000	2,920,000	80,000
2017 G.O. Bonds	01/12/17	06/01/36	3.00% - 4.00%	8,855,000	<u>8,855,000</u>	<u>325,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 34,720,707</u>	<u>\$ 2,757,894</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

G. LONG-TERM OBLIGATIONS (CONT.)

GENERAL OBLIGATION DEBT (CONT.)

The purpose of governmental activities long-term debt is to finance various capital improvements and tax incremental district planned projects.

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt	
	Principal	Interest
2018	\$ 2,757,894	\$ 1,170,213
2019	2,844,039	1,011,086
2020	2,845,226	913,842
2021	3,021,502	811,556
2022	3,127,827	703,092
2023-2027	10,309,219	2,233,480
2028-2032	6,760,000	966,590
2033-2036	3,055,000	186,692
Totals	\$ 34,720,707	\$ 7,996,551

REVENUE DEBT

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12/31/17</u>	<u>Amounts Due Within One Year</u>
Business-type Activities						
Revenue Debt						
2010 Water & Light	06/01/10	10/01/30	3.00% - 4.38%	\$ 2,300,000	\$ 1,465,000	\$ 140,000
2011 Water & Light	12/21/11	10/01/26	1.00% - 3.20%	3,845,000	2,880,000	270,000
2013 Water & Light	03/14/13	10/01/25	2.00% - 2.35%	3,385,000	1,705,000	195,000
2013 Sewerage	03/14/13	05/01/30	2.00% - 2.85%	2,325,000	1,880,000	125,000
2016 Water & Light	09/01/16	10/01/25	1.50% - 2.00%	1,000,000	910,000	95,000
Total Business-type Activities Revenue Debt					\$ 8,840,000	\$ 825,000

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

G. LONG-TERM OBLIGATIONS (CONT.)

REVENUE DEBT (CONT.)

The purpose of business-type activities long-term debt is to finance capital improvements.

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 825,000	\$ 230,183
2019	840,000	211,373
2020	900,000	191,673
2021	890,000	169,993
2022	925,000	148,833
2023-2027	3,645,000	389,611
2028-2030	<u>815,000</u>	<u>49,806</u>
Totals	<u>\$ 8,840,000</u>	<u>\$ 1,391,472</u>

The village has pledged future customer revenues, net of specified operating expenses, to repay the water and electric and sewer revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the village. The water and electric bonds are payable solely from customer net revenues and are payable through 2030. The total principal and interest to be paid on the bonds is \$8,022,857. Principal and interest paid for the current year and total customer net revenues were \$872,792 and \$3,166,405, respectively. The sewer bonds are payable solely from customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$2,208,615. Principal and interest paid for the current year and total customer net revenues were \$165,805 and \$309,687, respectively.

CAPITAL LEASES

Refer to Note III. H.

OTHER DEBT INFORMATION

Estimated payments of accumulated employee benefits, leases and other commitments are not included in the above debt service requirements schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the village's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The village's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The village believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

G. LONG-TERM OBLIGATIONS (CONT.)

Advance Refunding

On January 12, 2017, the village issued \$1,535,000 in general obligation bonds with an average coupon rate of 2.96% to refund \$1,550,000 of outstanding bonds with an average coupon rate of 3.675%. The net proceeds along with existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the current refunding were \$3,170,477 from 2017 through 2030. The cash flow requirements on the refunding bonds are \$3,077,627 from 2017 through 2030. The current refunding resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of \$86,839.

H. LEASE DISCLOSURES

LESSEE – CAPITAL LEASES

In 2015, the village acquired capital assets through a lease/purchase agreement. The gross amount of these assets to be included under the capital leases is \$62,339, which are included in capital assets in the governmental activities.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

H. LEASE DISCLOSURES (CONT.)

LESSEE – CAPITAL LEASES (CONT.)

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2017, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Total
2018	\$ 12,717	\$ 1,697	\$ 14,414
2019	14,097	977	15,074
2020	10,152	211	10,363
Totals	\$ 36,966	\$ 2,885	\$ 39,851

LESSOR – OPERATING LEASE

The village has entered into a lease with the Waunakee Area Fire District for the portion of the Waunakee Public Safety Building that is occupied by the district. The lease period covers the period commencing January 1, 2018 and ending on December 31, 2018. The annual rental payment is \$35,000 for 2017 to cover rent for the leased property.

I. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental activities net position reported on the government wide statement of net position at December 31, 2017 includes the following:

Net investment in capital assets	
Land	\$ 18,352,307
Construction in process	2,123,100
Other capital assets, net of accumulated depreciation	63,157,053
Less: capital related long-term debt outstanding, excluding unspent capital related debt proceeds	(27,406,491)
Less: unamortized debt premium	(1,704,285)
Total Net Investment in Capital Assets	54,521,684
Restricted	
Debt service	657,074
Library	3,094,375
Parks	404,428
Community Development/Betterment	23,436
Senior Center	185,217
Tax incremental district purposes	849,233
Unrestricted (deficit)	(402,850)
Total Governmental Activities Net Position	\$ 59,332,597

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

I. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONT.)

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

NONSPENDABLE

Major Funds

General Fund

Advance to TID No. 5	\$ 2,546,758
Prepaid items	<u>37,762</u>
Total General Fund	<u>2,584,520</u>
Total Nonspendable	<u><u>\$ 2,584,520</u></u>

RESTRICTED

Major Funds

Debt Service Fund

Debt service	<u>\$ 872,033</u>
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Library Building Fund

Capital projects	<u>2,968,520</u>
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TID No. 6

Tax incremental district purposes	<u>711,726</u>
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Non-Major Funds

Park reservation	44,155
Park impact	360,273
Library	125,855
Senior center	185,217
Community Development/Betterment	23,436
TID No. 4	<u>137,507</u>
Total Restricted	<u><u>\$ 5,428,722</u></u>

COMMITTED

Major Funds

General Fund

Encumbrances	<u>\$ 5,381</u>
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Capital Projects

Capital improvements	<u>795,845</u>
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Non-Major Funds

Special Revenue Funds

Senior center	20,483
Senior center fundraising	8,211
Village center	<u>390,049</u>
Total Special Revenue Funds	<u>418,743</u>

Capital Projects

Equipment replacement	<u>703,027</u>
Total Capital Projects Funds	<u>703,027</u>

Total Committed	<u><u>\$ 1,922,996</u></u>
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VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

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

I. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONT.)

ASSIGNED

Major Funds

General Fund

Reassessment carryover	\$	142,120
Schumacher Farm park donation		15,886
Elections carryover		127,163
Electronic records management		1,272
Creative Economy initiatives		3,918
Parks non-lapsing fund		14,916
Waunaboom		13,894
Accumulated leave		400,000
Fund balance applied to 2018 budget		<u>315,750</u>
Total General Fund		<u>1,034,919</u>
Total Assigned	\$	<u>1,034,919</u>

J. BUSINESS-TYPE ACTIVITIES NET POSITION

Net investment in capital assets

Land	\$	532,269
Construction in process		459,327
Other capital assets, net of accumulated depreciation		45,280,751
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds		<u>(8,568,708)</u>
Total Net Investment in Capital Assets		<u>37,703,639</u>

NOTE IV – OTHER INFORMATION

A. PENSION PLAN

1. 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/carf.htm>.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

1. Plan Description (cont.)

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.

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.

2. 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)%

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

3. Contributions

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

During the reporting period ending December 31, 2016, the WRS recognized \$280,004 in contributions from the village.

During the reporting period ending December 31, 2016, the WRS recognized \$83,402 in contributions from Waunakee Utilities.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2017, the village reported a liability of \$234,529 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 village's proportion of the net pension liability was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the village's proportion was 0.02845406%, which was an increase of 0.00025092% from its proportion measured as of December 31, 2015.

At December 31, 2017, Waunakee Utilities reported a liability of \$69,306 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 Waunakee Utilities' proportion of the net pension liability was based on the Waunakee Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Waunakee Utilities' proportion was 0.00840833%, which was an increase of 0.00025739% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the village recognized pension expense of \$606,877.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

For the year ended December 31, 2017, Waunakee Utilities recognized pension expense of \$175,838.

At December 31, 2017, the village 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
<u>Village of Waunakee</u>		
Differences between expected and actual experience	\$ 89,426	\$ 737,575
Net differences between projected and actual earnings on pension plan investments	1,167,413	-
Changes in assumptions	245,210	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,117	-
Employer contributions subsequent to the measurement date	331,965	-
Total	\$ 1,842,131	\$ 737,575
<u>Waunakee Utilities</u>		
Differences between expected and actual experience	\$ 26,425	\$ 217,957
Net differences between projected and actual earnings on pension plan investments	344,977	-
Changes in assumptions	72,461	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,124
Employer contributions subsequent to the measurement date	90,463	-
Total	\$ 534,326	\$ 226,081

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

\$331,965 reported as deferred outflows related to pension resulting from the village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

<u>Year ended</u> <u>December 31</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
<u>Village of Waunakee</u>		
2017	\$ 549,067	\$ 235,481
2018	549,067	235,481
2019	450,125	235,481
2020	(38,510)	31,132
2021	417	-
Total	<u>\$ 1,510,166</u>	<u>\$ 737,575</u>

\$90,463 reported as deferred outflows related to pension resulting from Waunakee Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension 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:

<u>Year ended</u> <u>December 31</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
<u>Waunakee Utilities</u>		
2017	\$ 161,490	\$ 72,079
2018	161,490	72,079
2019	132,285	71,652
2020	(11,520)	10,228
2021	118	43
Total	<u>\$ 443,863</u>	<u>\$ 226,081</u>

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

5. Actuarial Assumption

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability:	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair 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.*

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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5%	37.0%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20.0%	4.3%	1.5%
Real Estate	8.0%	7.0%	6.5%	3.6%
Private Equity/Debt	8.0%	7.0%	9.4%	6.5%
Multi-Asset	4.0%	4.0%	6.6%	3.7%
Total Core Fund	110.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	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.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

A. PENSION PLAN (CONT.)

5. Actuarial Assumption (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 proportionate share of the net pension liability(asset) to changes in the discount rate. The following presents the proportionate share of the net pension liability(asset) calculated using the discount rate of 7.20 percent, as well as what the 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 <u>(6.2%)</u>	Current Discount Rate <u>(7.2%)</u>	1% Increase to Discount Rate <u>(8.2%)</u>
<u>Village of Waunakee</u>			
Proportionate share of the net pension (asset) liability	\$ 3,085,384	\$ 234,529	\$ (1,960,758)
<u>Waunakee Utilities</u>			
Proportionate share of the net pension (asset) liability	\$ 911,748	\$ 69,306	\$ (579,415)

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>.

6. Payable to the WRS

At December 31, 2017, the village reported a payable of \$72,309 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

At December 31, 2017, the Waunakee Utilities reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

B. RISK MANAGEMENT

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; worker's 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.

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 expenditures for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

From time to time, the village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

As stated in Note IV. D., the village jointly operates a municipal landfill district (district). For the year ending September 30, 1994, the landfill was required to adopt Governmental Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The implementation of this standard required the district to restate (reduce) its September 30, 1993 fund balance by \$2,230,627. The district's most recent information is as of December 31, 2016. At that date, the fund balance was in a deficit position (\$1,209,125). Reporting standards require the village to report its share of any net deficit. The village's proportionate share in the operations of the landfill is approximately 38%, which as of December 31, 2017 amounts to \$454,510 of the district's net deficit which is based upon the most recent available financial information. The village's proportionate share of the budget for 2018 is \$62,650.

The village has active construction contracts as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The village has the following encumbrances outstanding at year end, relating to funds on hand:

Fund	Amount
General Fund	\$ 5,381
TID No. 5	51,203
Capital Improvements Fund	86,897
Library Project Fund	240,031

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

C. COMMITMENTS AND CONTINGENCIES (CONT.)

Purchased Power Contract

Waunakee Utilities is one of 51 WPPI member municipalities located throughout the State of Wisconsin, Michigan and Iowa. On December 31, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility for an initial thirty-five-year term. The contract was amended during 2002 and subsequently during 2015 to extend the term of the contract through 2055.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

The long-term contract may be terminated by either party upon five years' prior written notice effective at the end of the initial thirty-five-year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

The electric operation purchases power through WPPI Energy for distribution to its customers. Total purchases under this arrangement amounted to approximately \$10.1 million in 2017.

Municipal Revenue Obligations

In 2007, the village issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$475,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of TIF No. 5.

Payments are scheduled through the year 2024 and carry an interest rate of 5%. The obligation does not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$253,575.

In 2014, the village issued a municipal revenue obligation as part of a development agreement.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

C. COMMITMENTS AND CONTINGENCIES (CONT.)

Municipal Revenue Obligations (cont.)

The amount of the obligation was \$60,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of TIF No. 3.

Payments are scheduled through the year 2017 and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$0-

In 2014, the village issued a municipal revenue obligation as part of a development agreement.

The amount of the obligation was \$310,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of TIF No. 3.

Payments are scheduled through the year 2024 and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$193,955.

In 2016, the village issued a municipal revenue obligation as part of a development agreement.

The amount of the obligation was \$850,000 and is payable to the developer solely from tax increments collected from a specific portion of the development of TIF No. 5.

Payments are scheduled through the year 2024 and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$778,131.

In 2017, the village issued a municipal revenue obligation as part of a development agreement.

The amount of the obligation was \$59,775 and is payable to the developer solely from tax increments collected from a specific portion of the development of TIF No. 3.

Payments are scheduled through the year 2019 and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$43,364.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

D. JOINT VENTURES

EMS

The Village of Waunakee and the Towns of Westport, Dane, Vienna and Springfield, jointly operate the local EMS District, which is called the WWDVS, and provides ambulance and rescue service. The communities share in the operation of the district based on population.

The governing body is made up of board members from each community. Local representatives are appointed by the local board. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village made payments totaling \$163,594 to the district for 2017. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2017 is \$1,790,371.

Financial information of the district as of December 31, 2017 is available directly from the district's office.

Fire

The Village of Waunakee and Towns of Westport, Vienna and Springfield jointly operate the local fire district, which is called the Waunakee Fire District, and provides fire protection service. The communities share in the operation of the district based on equalized values.

The governing body is made up of the village president and town chairpersons and the presiding officer of the fire department. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village made payments totaling \$381,333 to the district for 2017. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2017 is \$859,694.

Financial information of the district as of December 31, 2017 is available directly from the district's office.

Refuse

The Village of Waunakee, City of Middleton and Village of Shorewood Hills jointly operate the local Refuse District, which is called the Metropolitan Refuse District, and provides landfill services. The communities share in the operation of the district based on equalized values.

The governing body is made up of citizens from each community. Local representatives are appointed by the board or council. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2017 is (\$454,510), which is based upon the most recent available financial information.

Financial information of the district as of December 31, 2017 is available directly from the district's office.

E. ECONOMIC DEPENDENCY

The sewer utility has one significant customer who was responsible for 15% of its operating revenues in 2017.

VILLAGE OF WAUNAKEE

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE IV – OTHER INFORMATION (CONT.)

F. BENEFICIAL INTEREST IN ASSETS HELD BY THE MADISON COMMUNITY FOUNDATION – FOREVER FUND

The Madison Community Foundation has received contributions from donors directly of which distributions are generally designated to the village. Because the Madison Community Foundation retains variance powers over these investments, such amounts are not reflected in the village's financial statements. The market value of such assets was \$269,664 at December 31, 2017.

G. BENEFICIAL INTEREST IN ASSETS HELD BY THE WAUNAKEE COMMUNITY FOUNDATION – LIBRARY BUILDING FUND

The Waunakee Community Foundation has received contributions from donors directly of which distributions are generally designated to the village for the library building project. Because the Waunakee Community Foundation retains variance powers over these investments, such amounts are not reflected in the village's financial statements. The market value of such assets was \$782,707 at December 31, 2017.

H. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The village is currently evaluating the impact these standards will have on the financial statements when adopted.

I. TAX ABATEMENTS

The village has created tax incremental financing districts (the “districts”) in accordance with Wisconsin State Statute 66.11105, *Tax Increment Law*. As part of the project plan for the districts, the village entered into agreements with developers for the creation of tax base within the districts. The agreements require the village to make annual repayments of property taxes collected with the districts to the developers based upon the terms of the agreements. Since these are considered tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

For the year ended December 31, 2017, the village abated property taxes totaling \$176,105:

- \$16,411 to a developer for acquiring property and constructing a building.
- \$20,000 to a developer for acquiring property and constructing a building.
- \$26,928 to a developer for acquiring property and renovating a building.
- \$66,248 to a developer for acquiring property and constructing a building.
- \$46,518 to a developer for constructing a building.

J. SUBSEQUENT EVENT

On June 7, 2018, the village issued \$7,450,000 in General Obligation Bonds for project costs in TID No. 8 and for construction of a new library.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WAUNAKEE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
December 31, 2017

Village of Waunakee

<u>Fiscal Year Ending</u>	<u>Proportion of Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (Plan Year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/2015	0.02851252%	\$ (700,345)	\$ 3,382,014	20.71%	102.74%
12/31/2016	0.02820314%	458,296	3,505,954	13.07%	98.20%
12/31/2017	0.02845406%	234,529	3,659,081	6.41%	99.12%

Waunakee Utilities

<u>Fiscal Year Ending</u>	<u>Proportion of Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (Plan Year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/2015	0.00793881%	\$ (194,998)	\$ 1,108,688	17.59%	102.74%
12/31/2016	0.00815094%	132,451	1,217,988	10.87%	98.20%
12/31/2017	0.00840833%	69,306	1,263,667	5.48%	99.12%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The village is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

VILLAGE OF WAUNAKEE

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS* December 31, 2017

Village of Waunakee

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal Year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2015	\$ 271,905	\$ 271,905	\$ -	\$ 3,505,954	7.76%
12/31/2016	280,004	280,004	-	3,659,081	7.65%
12/31/2017	331,965	331,965	-	3,961,612	8.38%

Waunakee Utilities

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal Year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2015	\$ 82,823	\$ 82,823	\$ -	\$ 1,217,988	6.80%
12/31/2016	83,402	83,402	-	1,263,667	6.60%
12/31/2017	90,463	90,463	-	1,330,337	6.80%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The village is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

VILLAGE OF WAUNAKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE A – WISCONSIN RETIREMENT SYSTEM

There were no changes of benefit terms or assumptions for any participating employer in WRS.

S U P P L E M E N T A R Y I N F O R M A T I O N

VILLAGE OF WAUNAKEE

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS December 31, 2017

	Special Revenue Funds						
	Park Reservation	Park Impact	Library	Senior Center	Senior Center Fund- raising	Village Center	Community Develop- ment / Betterment
ASSETS							
Cash and investments	\$ -	\$ -	\$ 125,855	\$ 212,213	\$ 8,478	\$ 374,984	\$ 18,978
Taxes receivable	-	-	-	349,261	-	536,721	-
Accounts receivable	-	-	-	-	-	34,086	4,458
Advances to other funds	-	-	-	-	-	-	-
Restricted cash and investments	<u>44,155</u>	<u>360,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 44,155</u>	<u>\$ 360,273</u>	<u>\$ 125,855</u>	<u>\$ 561,474</u>	<u>\$ 8,478</u>	<u>\$ 945,791</u>	<u>\$ 23,436</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 5,177	\$ 267	\$ 19,021	\$ -
Due to other funds	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Unearned revenues	-	-	-	1,336	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,513</u>	<u>267</u>	<u>19,021</u>	<u>-</u>
Deferred Inflows of Resources							
Property taxes levied for subsequent year	-	-	-	349,261	-	536,721	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,261</u>	<u>-</u>	<u>536,721</u>	<u>-</u>
Fund Balances							
Restricted	44,155	360,273	125,855	185,217	-	-	23,436
Committed	-	-	-	20,483	8,211	390,049	-
Unassigned (deficit)	-	-	-	-	-	-	-
Total Fund Balances	<u>44,155</u>	<u>360,273</u>	<u>125,855</u>	<u>205,700</u>	<u>8,211</u>	<u>390,049</u>	<u>23,436</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 44,155</u>	<u>\$ 360,273</u>	<u>\$ 125,855</u>	<u>\$ 561,474</u>	<u>\$ 8,478</u>	<u>\$ 945,791</u>	<u>\$ 23,436</u>

Capital Projects Funds

Equipment Replace- ment	TID No. 2	TID No. 3	TID No. 4	TID No. 7	TID No. 8	TID No. 9	Totals
\$ 269,843	-	\$ -	\$ 137,507	\$ -	\$ -	\$ -	\$ 1,147,858
310,000	275,588	670,256	101,595	8,354	-	-	2,251,775
-	-	56,904	-	-	-	-	95,448
437,000	-	-	-	-	-	-	437,000
-	-	-	-	-	-	-	404,428
<u>\$ 1,016,843</u>	<u>\$ 275,588</u>	<u>\$ 727,160</u>	<u>\$ 239,102</u>	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,336,509</u>
\$ 3,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,281
-	-	310,503	-	37,758	3,187	24	351,472
-	-	437,000	-	-	-	-	437,000
-	-	-	-	-	-	-	1,336
<u>3,816</u>	<u>-</u>	<u>747,503</u>	<u>-</u>	<u>37,758</u>	<u>3,187</u>	<u>24</u>	<u>818,089</u>
<u>310,000</u>	<u>275,588</u>	<u>670,256</u>	<u>101,595</u>	<u>8,354</u>	<u>-</u>	<u>-</u>	<u>2,251,775</u>
<u>310,000</u>	<u>275,588</u>	<u>670,256</u>	<u>101,595</u>	<u>8,354</u>	<u>-</u>	<u>-</u>	<u>2,251,775</u>
-	-	-	137,507	-	-	-	876,443
703,027	-	-	-	-	-	-	1,121,770
-	-	(690,599)	-	(37,758)	(3,187)	(24)	(731,568)
<u>703,027</u>	<u>-</u>	<u>(690,599)</u>	<u>137,507</u>	<u>(37,758)</u>	<u>(3,187)</u>	<u>(24)</u>	<u>1,266,645</u>
<u>\$ 1,016,843</u>	<u>\$ 275,588</u>	<u>\$ 727,160</u>	<u>\$ 239,102</u>	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,336,509</u>

VILLAGE OF WAUNAKEE

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

	Special Revenue Funds						
	Park Reservation	Park Impact	Library	Senior Center	Senior Center Fund- raising	Village Center	Community Develop- ment / Betterment
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 314,666	\$ -	\$ 499,090	\$ 18,332
Intergovernmental	-	-	-	74,420	-	-	-
Licenses and permits	-	53,378	-	-	-	-	-
Public charges for services	-	-	14,455	55,017	-	745,460	-
Intergovernmental charges for services	-	-	-	67,778	-	-	-
Investment income	84	706	238	505	12	1,145	36
Miscellaneous revenues	-	-	885	97,326	9,500	24,074	-
Total Revenues	84	54,084	15,578	609,712	9,512	1,269,769	18,368
EXPENDITURES							
Current							
Health and human services	-	-	-	518,843	5,625	-	-
Leisure activities	-	-	2,139	-	-	1,211,559	-
Conservation and development	-	-	-	-	-	-	20,666
Capital Outlay	-	-	-	-	-	-	-
Debt Service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total Expenditures	-	-	2,139	518,843	5,625	1,211,559	20,666
Excess (deficiency) of revenues over expenditures	84	54,084	13,439	90,869	3,887	58,210	(2,298)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	5,255	-	627	-
Transfers out	-	(35,809)	-	-	-	-	(627)
Total Other Financing Sources (Uses)	-	(35,809)	-	5,255	-	627	(627)
Net change in fund balances	84	18,275	13,439	96,124	3,887	58,837	(2,925)
FUND BALANCES -							
Beginning of Year (DEFICIT)	44,071	341,998	112,416	109,576	4,324	331,212	26,361
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 44,155	#####	#####	\$ 205,700	\$ 8,211	\$ 390,049	\$ 23,436

Capital Projects Funds

Equipment Replace- ment	TID No. 2	TID No. 3	TID No. 4	TID No. 7	TID No. 8	TID No. 9	Totals
\$ 300,000	\$ 253,870	\$ 581,457	\$ 98,189	\$ -	\$ -	\$ -	\$ 2,065,604
-	3,742	12,077	-	-	-	-	90,239
-	-	-	-	-	-	-	53,378
-	-	-	-	-	-	-	814,932
-	-	-	-	-	-	-	67,778
1,396	505	8	292	-	-	-	4,927
<u>27,321</u>	<u>-</u>	<u>56,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,010</u>
<u>328,717</u>	<u>258,117</u>	<u>650,446</u>	<u>98,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,312,868</u>
-	-	-	-	-	-	-	524,468
-	-	-	-	-	-	-	1,213,698
-	-	-	-	-	-	-	20,666
267,036	158,735	333,660	2,316	2,317	3,187	24	767,275
-	-	535,000	45,000	-	-	-	580,000
-	-	166,700	22,300	-	-	-	189,000
<u>267,036</u>	<u>158,735</u>	<u>1,035,360</u>	<u>69,616</u>	<u>2,317</u>	<u>3,187</u>	<u>24</u>	<u>3,295,107</u>
<u>61,681</u>	<u>99,382</u>	<u>(384,914)</u>	<u>28,865</u>	<u>(2,317)</u>	<u>(3,187)</u>	<u>(24)</u>	<u>17,761</u>
-	-	-	-	-	-	-	5,882
<u>(5,255)</u>	<u>(209,382)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,073)</u>
<u>(5,255)</u>	<u>(209,382)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,191)</u>
56,426	(110,000)	(384,914)	28,865	(2,317)	(3,187)	(24)	(227,430)
<u>646,601</u>	<u>110,000</u>	<u>(305,685)</u>	<u>108,642</u>	<u>(35,441)</u>	<u>-</u>	<u>-</u>	<u>1,494,075</u>
<u>\$ 703,027</u>	<u>\$ -</u>	<u>\$ (690,599)</u>	<u>\$ 137,507</u>	<u>\$ (37,758)</u>	<u>\$ (3,187)</u>	<u>\$ (24)</u>	<u>\$ 1,266,645</u>