

VILLAGE OF MERRILLAN, WISCONSIN

AUDITED FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the year ended December 31, 2015

Johnson Block and Company, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Merrilan, Wisconsin

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 Merrilan, Wisconsin ("Village"), as of and for the year ended December 31, 2015, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Merrilan, Wisconsin, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from the Village's 2014 financial statement and, in our report dated January 27, 2015, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities and the major fund.

Other Supplementary 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Johnson Block & Company, Inc.

January 28, 2016
Mineral Point, Wisconsin



BASIC FINANCIAL STATEMENTS

Exhibit A-1
Village of Merrilan, Wisconsin
Statement of Net Position
December 31, 2015

(With summarized financial information as of December 31, 2014)

	Governmental Activities	Business-Type Activities	Total	
			2015	2014
ASSETS				
Current assets:				
Cash and investments	\$ 122,026	\$ 610,323	\$ 732,349	\$ 743,158
Receivables				
Taxes	27,451		27,451	30,550
Customer		55,053	55,053	64,262
Special assessments		4,500	4,500	4,300
Due from other government:	144,720	34,916	179,636	455,951
Materials and supplies		15,011	15,011	15,029
Total current assets	294,197	719,803	1,014,000	1,313,250
Restricted assets:				
Restricted cash and investments:		113,152	113,152	90,254
Capital assets:				
Property, plant and equipment	1,983,140	7,107,435	9,090,575	8,584,060
Less: accumulated depreciator	892,305	2,383,944	3,276,249	3,141,920
Total capital assets	1,090,835	4,723,491	5,814,326	5,442,140
Other assets:				
Special assessments receivable		9,100	9,100	19,500
Total assets	\$ 1,385,032	\$ 5,565,546	\$ 6,950,578	\$ 6,865,144

Exhibit A-1 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Net Position
December 31, 2015

(With summarized financial information as of December 31, 2014)

	Governmental Activities	Business-Type Activities	Total	
			2015	2014
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 150,581	\$ 70,802	\$ 221,383	\$ 49,252
Accrued and other current liabilities	2,414	1,842	4,256	3,426
Accrued interest		18,640	18,640	19,282
Due to other governments				402,594
Customer deposits		10,601	10,601	10,272
Current portion of long-term obligations		75,249	75,249	73,181
Total current liabilities	152,995	177,134	330,129	558,007
Current liabilities payable from restricted assets				
Current portion of mortgage revenue bond		14,000	14,000	13,000
Accrued interest		2,009	2,009	2,106
Total current liabilities payable from restricted assets		16,009	16,009	15,106
Noncurrent liabilities:				
Notes payable		745,894	745,894	794,645
Mortgage revenue bonds		680,385	680,385	698,967
Less: current portion		(89,249)	(89,249)	(86,181)
Total noncurrent liabilities		1,337,030	1,337,030	1,407,431
Total liabilities	152,995	1,530,173	1,683,168	1,980,544
DEFERRED INFLOW OF RESOURCES				
Deferred revenues	26,504		26,504	29,406
NET POSITION				
Net investment in capital assets	1,090,835	3,297,212	4,388,047	3,948,528
Restricted	51,080	111,143	162,223	131,173
Unrestricted	63,618	627,018	690,636	775,493
Total net position	1,205,533	4,035,373	5,240,906	4,855,194
Total liabilities, deferred inflow of resources, and net position	\$ 1,385,032	\$ 5,565,546	\$ 6,950,578	\$ 6,865,144

Exhibit A-2
Village of Merrillan, Wisconsin
Statement of Activities
For the Year Ended December 31, 2015
(With summarized financial information for the year ended December 31, 2014)

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business Type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions			2015	2014
Primary government:								
Governmental activities:								
General government	\$ 97,344	\$ 6,070	\$	\$	\$ (91,274)	\$	\$ (91,274)	\$ (90,536)
Public safety	177,244	42,158	39,812		(95,274)		(95,274)	(106,984)
Public works	133,841		19,384	379,451	264,994		264,994	(99,946)
Sanitation	42,542				(42,542)		(42,542)	(39,669)
Health and human services	4,201	2,663			(1,538)		(1,538)	(4,871)
Culture and recreation	15,005	5,004			(10,001)		(10,001)	(7,312)
Conservation and development	2,123				(2,123)		(2,123)	(1,387)
Total governmental activities	472,300	55,895	59,196	379,451	22,242		22,242	(350,705)
Business-type activities:								
Water and electric	529,188	576,312	34,912			82,036	82,036	74,468
Sewer	174,019	159,492	63,454			48,927	48,927	(303)
Total business-type activities	703,207	735,804	98,366			130,963	130,963	74,165
Total primary government	1,175,507	791,699	157,562	379,451	22,242	130,963	153,205	(276,540)
General Revenues and Transfers:								
Property taxes								
General purposes					29,406		29,406	29,271
Other taxes					2,373		2,373	2,575
Federal and State aid not restricted for specific purposes								
General					187,218		187,218	187,241
Interest and investment earnings					1,593	2,242	3,835	4,611
Miscellaneous					9,675		9,675	525
Transfers					46,369	(46,369)		
Total general revenues and transfers					276,634	(44,127)	232,507	224,223
Changes in net position					298,876	86,836	385,712	(52,317)
Net position - beginning					906,657	3,948,537	4,855,194	4,907,511
Net position - ending					\$1,205,533	\$4,035,373	\$5,240,906	\$4,855,194

Exhibit A-3
Village of Merrillan, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2015

(With summarized financial information as of December 31, 2014)

	General	Total	
		Governmental Funds	
		2015	2014
ASSETS			
Cash and investments	\$ 122,026	\$ 122,026	\$ 163,846
Receivables:			
Taxes	27,451	27,451	30,550
Due from other governments	144,720	144,720	138,429
Total assets	<u>\$ 294,197</u>	<u>\$ 294,197</u>	<u>\$ 332,825</u>
LIABILITIES			
Accounts payable	\$ 150,581	\$ 150,581	\$ 7,639
Accrued payroll liabilities	2,414	2,414	1,642
Due to other governments			132,229
Total liabilities	<u>152,995</u>	<u>152,995</u>	<u>141,510</u>
DEFERRED INFLOW OF RESOURCES			
Deferred property tax revenue	26,504	26,504	29,406
FUND BALANCES			
Restricted	51,080	51,080	43,025
Assigned	8,250	8,250	
Unassigned	55,368	55,368	118,884
Total fund balances	<u>114,698</u>	<u>114,698</u>	<u>161,909</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 294,197</u>	<u>\$ 294,197</u>	<u>\$ 332,825</u>

Exhibit A-4
Village of Merrilan, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2015
(With summarized financial information as of December 31, 2014)

	2015	2014
Total fund balances-governmental funds	\$ 114,698	\$ 161,909

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

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

Governmental capital asset	1,983,140		
Governmental accumulated depreciation	(892,305)	1,090,835	744,748

Total net position of governmental activities:	\$ 1,205,533	\$ 906,657
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Exhibit A-5
Village of Merrillan, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2015

(With summarized financial information for the year ended December 31, 2014)

	General	Total	
		Governmental Funds	
		2015	2014
REVENUES			
Taxes	\$ 31,779	\$ 31,779	\$ 31,846
Intergovernmental	586,767	586,767	212,139
Licenses and permits	9,618	9,618	7,289
Public charges for services	18,449	18,449	12,337
Intergovernmental charges for services	27,827	27,827	18,246
Interest and investment earnings	1,593	1,593	1,465
Miscellaneous	48,774	48,774	20,618
Total revenues	724,807	724,807	303,940
EXPENDITURES			
Current:			
General government	96,580	96,580	94,360
Public safety	156,910	156,910	128,301
Public works	103,753	103,753	88,386
Sanitation	42,542	42,542	39,669
Health and human services	4,201	4,201	4,871
Culture and recreation	13,554	13,554	10,928
Conservation and development	1,282	1,282	536
Capital outlay:			
General government			3,584
Public safety	20,035	20,035	
Public works	379,530	379,530	2,264
Total expenditures	818,387	818,387	372,899
Excess of revenues over (under) expenditures	(93,580)	(93,580)	(68,959)
OTHER FINANCING SOURCES (USES)			
Transfer from utility - tax equivalent	46,369	46,369	47,951
Total other financing sources (uses)	46,369	46,369	47,951
Net change in fund balance:	(47,211)	(47,211)	(21,008)
Fund balance - beginning	161,909	161,909	182,917
Fund balance - ending	\$ 114,698	\$ 114,698	\$ 161,909

Exhibit A-6
Village of Merrilan, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015
(With summarized financial information for the year ended December 31, 2014)

	2015	2014
Net change in fund balances-total governmental funds	\$ (47,211)	\$ (21,008)
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	399,565	3,584
Capital asset additions not included in capital outlay	4,687	
Depreciation expenses reported in the statement of activities	(58,165)	(64,253)
Amount by which capital outlays are greater (less) than depreciation in the current period.	346,087	(60,669)
Change in net position-governmental activities	\$ 298,876	\$ (81,677)

Exhibit A-7
Village of Merrillan, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2015

(With summarized financial information as of December 31, 2014)

	Electric & Water Utility	Sewer Utility	Total	
			2015	2014
ASSETS				
Current assets:				
Cash and investments	\$ 610,323	\$	\$ 610,323	\$ 579,312
Receivables:				
Customer	41,353	13,700	55,053	64,262
Special assessments	4,050	450	4,500	4,300
Due from other governments	12,393	22,523	34,916	317,522
Due from other funds	37,839		37,839	44,972
Materials and supplies	15,011		15,011	15,029
Total current assets	720,969	36,673	757,642	1,025,397
Restricted assets:				
Special redemption fund		61,853	61,853	42,467
Bond depreciation fund		51,299	51,299	47,787
Total restricted assets		113,152	113,152	90,254
Fixed assets:				
Water and electric	3,827,191		3,827,191	3,779,927
Sewerage plant		3,280,244	3,280,244	3,225,245
Less: accumulated depreciation:	(1,491,994)	(891,950)	(2,383,944)	(2,307,780)
Net property and plant	2,335,197	2,388,294	4,723,491	4,697,392
Other assets:				
Special assessments	5,950	3,150	9,100	19,500
Total other assets	5,950	3,150	9,100	19,500
Total assets	\$ 3,062,116	\$ 2,541,269	\$ 5,603,385	\$ 5,832,543

Exhibit A-7 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2015

(With summarized financial information as of December 31, 2014)

	Electric & Water Utility	Sewer Utility	Total	
			2015	2014
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 46,252	\$ 24,550	\$ 70,802	\$ 41,613
Due to other governments				270,365
Due to other funds		37,839	37,839	44,972
Accrued and other current liabilities	1,588	254	1,842	1,784
Accrued interest	18,640		18,640	19,282
Customer deposits	10,601		10,601	10,272
Current portion of long-term obligations	62,679	12,570	75,249	73,181
Total current liabilities	139,760	75,213	214,973	461,469
Current liabilities payable from restricted assets:				
Current portion of long-term obligations		14,000	14,000	13,000
Accrued interest		2,009	2,009	2,106
Total current liabilities payable from restricted assets		16,009	16,009	15,106
Long-term liabilities:				
Notes payable	745,894		745,894	794,645
Mortgage revenue bonds	254,042	426,343	680,385	698,967
Less: current portion	(62,679)	(26,570)	(89,249)	(86,181)
Total long-term liabilities	937,257	399,773	1,337,030	1,407,431
Total liabilities	1,077,017	490,995	1,568,012	1,884,006
NET POSITION				
Net investment in capital assets	1,335,261	1,961,951	3,297,212	3,203,780
Restricted		111,143	111,143	88,148
Unrestricted	649,838	(22,820)	627,018	656,609
Total net position	1,985,099	2,050,274	4,035,373	3,948,537
Total liabilities and net position	\$ 3,062,116	\$ 2,541,269	\$ 5,603,385	\$ 5,832,543

Exhibit A-8
Village of Merrillan, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015
(With summarized financial information for the year ended December 31, 2014)

	Water & Electric Utility	Sewer Utility	Total	
			2015	2014
OPERATING REVENUES				
Water & electric	\$ 566,398	\$	\$ 566,398	\$ 569,169
Sewer service		155,358	155,358	155,263
Other	9,914	4,134	14,048	23,182
Total operating revenues	576,312	159,492	735,804	747,614
OPERATING EXPENSES				
Operation and maintenance	414,577	92,685	507,262	502,117
Depreciation expense	73,962	64,540	138,502	136,485
Taxes	5,540		5,540	5,471
Total operating expenses	494,079	157,225	651,304	644,073
Total operating income	82,233	2,267	84,500	103,541
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(35,109)	(16,794)	(51,903)	(52,982)
Interest income	1,565	677	2,242	3,146
Total net nonoperating revenues (expenses)	(33,544)	(16,117)	(49,661)	(49,836)
Income before contributions and transfer:	48,689	(13,850)	34,839	53,705
Capital contributions	34,912	63,454	98,366	23,606
Transfer of tax equivalent	(46,369)		(46,369)	(47,951)
Changes in net position	37,232	49,604	86,836	29,360
Net position - beginning	1,947,867	2,000,670	3,948,537	3,919,177
Net position - ending	\$ 1,985,099	\$ 2,050,274	\$ 4,035,373	\$ 3,948,537

Exhibit A-9
Village of Merrillan, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015
(With summarized financial information for the year ended December 31, 2014)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2015	2014
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES				
Received from customers	\$ 582,187	\$ 162,826	\$ 745,013	\$ 742,197
Payments to employees	(56,765)	(28,304)	(85,069)	(93,450)
Payments for employee benefits	(46,003)	(11,760)	(57,763)	(57,057)
Payments to suppliers	(316,276)	(10,881)	(327,157)	(350,799)
Net cash flows from operating activities	163,143	111,881	275,024	240,891
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(46,369)		(46,369)	(47,951)
Net cash flows (used by) noncapital financing activities	(46,369)		(46,369)	(47,951)
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(48,854)	(116,724)	(165,578)	(80,236)
Grant proceeds	34,912	63,454	98,366	
Receipt of special assessments	8,400	1,800	10,200	10,300
Proceeds from long-term debt	15,844	3,915	19,759	23,935
Debt retired	(61,878)	(25,215)	(87,093)	(82,786)
Interest paid	(35,751)	(16,891)	(52,642)	(50,973)
Net cash flows (used by) capital and related financing activities	(87,327)	(89,661)	(176,988)	(179,760)
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES				
Interest income	1,564	678	2,242	3,146
Purchase of investments	(69,280)	(51,299)	(120,579)	(116,619)
Proceeds of investments maturing	68,832	47,787	116,619	109,695
Net cash flows from (used by) investing activities	1,116	(2,834)	(1,718)	(3,778)
Net change in cash and cash equivalents	30,563	19,386	49,949	9,402
Cash and cash equivalents - beginning of the year	510,480	42,467	552,947	543,545
Cash and cash equivalents - end of the year	\$ 541,043	\$ 61,853	\$ 602,896	\$ 552,947
Reconciliation of cash and cash equivalents to statement of net position accounts				
Cash and investments	\$ 610,323		\$ 610,323	\$ 579,312
Restricted cash and investments		113,152	113,152	90,254
Cash and cash equivalents	610,323	113,152	723,475	669,566
Less: non-cash equivalents	(69,280)	(51,299)	(120,579)	(116,619)
Cash and cash equivalents	\$ 541,043	\$ 61,853	\$ 602,896	\$ 552,947

Exhibit A-9 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015
(With summarized financial information for the year ended December 31, 2014)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2015	2014
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 82,233	\$ 2,267	\$ 84,500	\$ 103,541
Noncash items in operating income:				
Depreciation expense	74,938	64,540	139,478	137,248
Changes in assets and liabilities:				
Customer accounts receivable	5,875	3,334	9,209	(5,417)
Material and supplies	18		18	(541)
Due from other governments	211,357	169,615	380,972	(17,243)
Due from other funds	7,133		7,133	3,181
Accounts payable	21,835	7,356	29,191	(10,781)
Due to other governments	(240,751)	(127,980)	(368,731)	35,465
Due to other funds		(7,133)	(7,133)	(3,181)
Accrued and other current liabilities	176	(118)	58	216
Customer deposits	329		329	(1,597)
Net cash provided by operating activities	<u>\$ 163,143</u>	<u>\$ 111,881</u>	<u>\$ 275,024</u>	<u>\$ 240,891</u>

Exhibit A-10
Village of Merrilan, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2015

(With summarized financial information as of December 31, 2014)

	Tax Collection Fund	Totals	
		2015	2014
ASSETS			
Cash and investments	\$ 96,362	\$ 96,362	\$ 94,621
Taxes receivable	258,628	258,628	251,570
Total assets	\$ 354,990	\$ 354,990	\$ 346,191
LIABILITIES			
Due to other taxing units	354,990	\$ 354,990	\$ 346,191
Total liabilities	\$ 354,990	\$ 354,990	\$ 346,191

NOTES TO THE BASIC FINANCIAL STATEMENTS

Village of Merrillan, Wisconsin
December 31, 2015
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Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Merrillan is located in Jackson County, Wisconsin. The accounting policies of the Village of Merrillan conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Significant accounting policies and principles of the Village of Merrillan are summarized below:

A. Reporting Entity

This report includes all of the funds of the Village of Merrillan, Wisconsin. 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. 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.

B. Government-Wide and Fund 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. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the reporting entity 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, net position/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, 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.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Cont.)

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

The Village reports the following major governmental funds.

Major Governmental Funds:

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

The Village reports the following major enterprise funds:

Major Enterprise Funds:

- Water and Electric Utility – Accounts for operations of the electric and water system.
- Sewer Utility – Accounts for the operations of the sewer utility.

The Village does not have any non-major governmental fund:

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflow 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.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

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 water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

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 deferred inflows of resources.

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.

The Village reports deferred inflows of resources on its governmental funds balance sheet. For governmental fund financial statements, deferred inflows or resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the Village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

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 and water utility and sewer utility are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to the standards in Governmental Accounting Standards.

The preparation of financial statements in conformity with U.S. 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.

D. Deposits and Investments

All deposits of the Village are made in board designated official depositories and are secured as required by State Statute. The Village may designate, as an official depository, any bank or savings association. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

E. 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 in the accompanying agency fund balance sheet.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Cont.)

Property tax calendar – 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	July 31, 2016
Personal property taxes in full	January 31, 2016
Tax sale- 2015 delinquent real estate taxes	October 2018

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 Village and the utilities because they have the right by law to place delinquent bills on the tax roll.

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

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

F. Inventories

Inventories of governmental fund types consist of expendable supplies held for consumption. Such amounts, which are not material, are considered expenditures when purchased and, accordingly, are not reflected on the Combined Balance Sheet – All Fund Types and Account Group.

Inventories of proprietary fund types are valued at the lower-of-cost or market using the first-in, first-out method and are charged as expenses or are capitalized when used.

G. 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.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

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

	<u>Years</u>
Buildings	50
Machinery and Equipment	5
Infrastructure	25
Vehicles	10-20

Fund Financial Statements

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

I. Compensated Absences

Employees are granted vacation in varying amounts based on length of service. Vacation pay at year-end is not material to these financial statements. Sick leave hours are accumulated by employees for subsequent use. Employees earn ten days of sick leave per year of service with accumulation of up to 60 days. Sick leave does not vest to employees. Actual expenditures are recorded at the time the benefits are used by the employee, and will be paid at the rate of pay then in effect.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. 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.

K. Long-Term Obligations

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.

L. Equity Classifications

Government-Wide Statements

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

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

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 Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Cont.)

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – includes amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The Board has adopted a financial standard to maintain a general fund balance equal to 45% of annual general fund expenditures. In the event that the balance drops below the established minimum level, the Village Board will develop a plan to replenish the fund balance to the established level in two years. As of December 31, 2015 the general fund balance was 14% of the 2015 general fund expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Village that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Transfers

Transfers include the payment in lieu of taxes from the water and sewer utility to the general fund.

N. Income Tax

Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded by the Merrillan Utilities.

O. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

P. Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year-end are fulfilled. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrances accounting applies only to governmental fund types. The Village does not use encumbrance accounting.

Q. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been reflected in the government financial statements. Delinquent real estate taxes of the Village are paid in full by the County, which assumes the responsibility for collection. In addition, delinquent user charges are placed on the tax roll if not collected.

R. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND GOVERNMENT-WIDE STATEMENTS

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3 CASH AND INVESTMENTS

At December 31, 2015, cash and investments included the following:

Petty Cash	\$ 250
Deposits with financial institutions	941,613
Total cash and investments	\$ 941,863

Cash and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 732,349
Cash and investments-restricted	113,152
Exhibit A-10:	
Cash and investments	96,362
Total cash and investments	\$ 941,863

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Village's policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has chosen to limit its allowable investments to these instruments:

1. Certificates of Deposit – Village funds may be invested in certificates of deposit maturing within one (1) year or less from the date of investment issued by any banks, savings and loan associations or credit unions which are authorized to transact business in the State of Wisconsin. The financial institutions must have been designated as a public depository of the Village by resolution or ordinance of the Village Board.
2. Government Bonds and Securities – Village funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, bonds or securities which are obligations of any agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the State of Wisconsin and placed in safekeeping in a segregated account in the Village's name at any designated public depository or approved financial institution.
3. Government Investment Pool – Village funds may be invested in the Wisconsin Local Government Pool Investment Fund without restriction as to the amount of deposit or collateralization.
4. Repurchase Agreements – Village funds may be invested in repurchase agreements, in financial institutions authorized to conduct business in the State of Wisconsin. Repurchase agreements can only be made in securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the Village's name at any designated public depository or approved financial institution.
5. Savings Deposit – Village funds may be temporarily invested in savings deposits.
6. Securities – The Village Clerk-Treasurer may invest in private securities which are senior to, or on a parity with, a security of the same issuer which is rated highest or second highest by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Village would not be able to recover the value of its investment of collateral securities that are in possession of another party. The Village's policy for custodial credit risk is as follows:

1. Depositories – The Village Board shall, by ordinance or resolution, designate one (1) or more public depositories, organized and doing business under the laws of this state or federal law, and located in Wisconsin, in which the Village Clerk-Treasurer shall deposit all public monies received by her/him.
2. Limitations – The resolution or ordinance designating one (1) or more public depositories shall specify whether the monies shall be maintained in time deposits subject to limitations of Sec. 66.04(2), Wis. Stats., demand deposits or savings deposits, and whether the surety bond or other security shall be required to be furnished under Sec. 34.07, Wis. Stats., by the public depository to secure the repayment of such deposits. Not more than Five Hundred Thousand Dollars (\$500,000) shall be deposited in any one (1) public depository, unless specifically authorized by the Village Board.

Deposits in each local and area bank are insured by the FDIC. Time and savings deposits are insured up to \$250,000. Separately, demand deposits are insured up to \$250,000. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

As of December 31, 2015, \$514,900 of Village deposits were uninsured by FDIC and \$444,363 of the Village's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial risk as follows:

<u>Uninsured and Uncollateralized</u>	
Time and Savings Deposits	<u>\$ 444,363</u>

\$ 400,000 of this amount would be insured by the State of Wisconsin Guarantee Fund providing funds are available at the time of any potential loss.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding uninsured amounts at the balance sheet date.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 4

RESTRICTED ASSETS

Bond Reserve and Depreciation Accounts: Represent cash and investments restricted in accordance with the revenue bond ordinance.

NOTE 5

DEFERRED INFLOW OF RESOURCES

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer inflow recognition in connection with resources that have been received, but not yet earned. At December 31, 2015 the various components of deferred inflow of resources reported in the governmental funds was as follows:

Property Tax Levy	\$	26,504
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NOTE 6

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 20,653	\$ -	\$ -	\$ 20,653
	20,653	-		20,653
Other capital assets:				
Buildings and improvements	431,282			431,282
Infrastructure	558,306	378,689		936,995
Machinery and equipment	83,302	5,528		88,830
Vehicles	485,345	20,035		505,380
Total other capital assets at historical costs	1,558,235	404,252		1,962,487
Less accumulated depreciation:				
Buildings and improvements	349,522	3,291		352,813
Infrastructure	31,391	22,332		53,723
Machinery and equipment	78,780	4,046		82,826
Vehicles	374,447	28,496		402,943
Total accumulated depreciation	834,140	58,165		892,305
Net other capital assets	724,095	346,087		1,070,182
Total net capital assets	\$ 744,748	\$ 346,087	\$ -	\$ 1,090,835

Village of Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 6

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental Activities:		
General government	\$	764
Public safety		35,616
Public works		20,334
Culture and recreation		<u>1,451</u>
Total depreciation for governmental activities	\$	<u><u>58,165</u></u>

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 6

CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Salvage Removals</u>	<u>Removals</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>					
Capital assets not being depreciated:					
Intangible plant					
Land and land rights	\$ 33,975	\$	\$	\$	\$ 33,975
Construction in progress	<u> </u>	<u>10,187</u>	<u> </u>	<u> </u>	<u>10,187</u>
Total capital assets not being depreciated	<u>33,975</u>	<u>10,187</u>	<u> </u>	<u> </u>	<u>44,162</u>
Capital assets being depreciated:					
Water:					
Structures and improvements	106,171				106,171
Pumping equipment	58,848				58,848
Water treatment	5,187				5,187
Transmission and distribution	2,628,068	38,667		(1,590)	2,665,145
General plant	54,053				54,053
Sewer:					
Structures and improvements	789,153				789,153
Transmission and distribution	2,249,800	116,724		(61,725)	2,304,799
Pumping equipment	91,356				91,356
Miscellaneous equipment	69,188				69,188
Electric:					
Structures and improvements	138,115				138,115
Transmission and distribution	683,043				683,043
General plant	<u>98,215</u>				<u>98,215</u>
Total capital assets being depreciated	<u>6,971,197</u>	<u>155,391</u>	<u> </u>	<u>(63,315)</u>	<u>7,063,273</u>
Total accumulated depreciation	<u>2,307,970</u>	<u>139,289</u>	<u> </u>	<u>(63,315)</u>	<u>2,383,944</u>
Net capital assets being depreciated	<u>4,663,227</u>	<u>16,102</u>	<u> </u>	<u> </u>	<u>4,679,329</u>
Total net capital assets	<u>\$ 4,697,202</u>	<u>\$ 26,289</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,723,491</u>

Depreciation expense was charged to functions as follows:

Village of Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 6

CAPITAL ASSETS (CONTINUED)

Business-Type Activities:	
Electric and Water	\$ 74,749
Sewer	<u>64,540</u>
Total depreciation expense	139,289
Less: Electric and Water depreciation expense	
allocated to sewer	<u>(787)</u>
Total depreciation expense per Exhibit A-8	<u><u>\$ 138,502</u></u>

NOTE 7

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business -Type Activities</u>					
Notes Payable	\$ 794,645	\$	\$ (48,751)	\$ 745,894	\$ 49,384
Mortgage Revenue Bonds	<u>698,967</u>	<u>19,759</u>	<u>(38,341)</u>	<u>680,385</u>	<u>39,865</u>
Total Business-Type Activities					
Long-Term Liabilities	<u><u>\$ 1,493,612</u></u>	<u><u>\$ 19,759</u></u>	<u><u>\$ (87,092)</u></u>	<u><u>\$ 1,426,279</u></u>	<u><u>\$ 89,249</u></u>

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. 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, 2015 was \$940,385. There was \$745,893 of general obligation debt outstanding at year-end as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2014
G.O. Refunding Bonds	7/6/2011	3/1/2024	2.4-4.0%	\$ 465,000	\$ 340,000
State Trust Fund	5/20/2013	3/15/2033	5.00%	\$ 436,500	405,893
Total Business-Type General Obligation Debt					<u><u>\$ 745,893</u></u>

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Years	General Obligation Debt		
	Principal	Interest	Total
2016	\$ 49,383	\$ 30,970	\$ 80,353
2017	50,158	29,355	79,513
2018	50,916	27,758	78,674
2019	51,712	25,982	77,694
2020	52,501	24,073	76,574
2021-2025	266,758	85,251	352,009
2026-2030	129,884	43,785	173,669
2031-2033	94,581	9,621	104,202
Totals	\$ 745,893	\$ 276,795	\$ 1,022,688

Revenue Bonds

Revenue bonds are payable only from revenues derived from the operation of the utility.

Revenue debt payable at December 31, 2015 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2015
Revenue Bonds	12/1/2004	12/1/2024	5.1-5.85%	\$ 217,000	\$ 150,000
Revenue Bonds	5/23/2012	5/1/2032	3.00%	230,435	204,022
Revenue Bonds	5/23/2012	5/1/2032	1.32%	232,797	202,197
Revenue Bonds	6/12/2013	5/1/2033	2.625%	74,395	72,321
Revenue Bonds	6/12/2013	5/1/2033	1.155%	40,386	51,845
Total Business-Type Activities Revenue Debt					\$ 680,385

Debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2016	\$ 39,865	\$ 19,092	\$ 58,957
2017	40,401	17,835	58,236
2018	41,950	16,558	58,508
2019	43,513	15,209	58,722
2020	45,089	13,794	58,883
2021-2025	223,582	45,354	268,936
2026-2030	166,228	17,743	183,971
2031-2033	79,757	1,985	81,742
Totals	\$ 680,385	\$ 147,570	\$ 827,955

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

The 2004 bond resolutions require for the further protection of bond holders a statutory mortgage lien, created by Section 66.066 of the Wisconsin Statutes, upon the system which is recognized as valid and binding upon the Village.

Under the provisions of the resolutions, a portion of operating revenues must be set-aside to the Special Redemption Fund. An amount equal to one-sixth (1/6) of the next installment of interest coming due on the bonds, and an amount equal to one-twelfth (1/12) of the next installment of principal of the bonds. The balance for the sewer account is \$61,853.

In addition, the bond resolutions require segregation of the proceeds of the mortgage revenue bonds and the creation and continual funding of several accounts from operating revenues as described below:

Depreciation Accounts

The bond resolutions require that sufficient income and revenues shall be set-aside in depreciation accounts to be used to restore any deficiencies in the special redemption and reserve accounts. When sufficient for this purpose, money may then be used for additions to and betterments of the system.

The balance in this account at December 31, 2015 was as follows:

	<u>Depreciation</u>
Sewer Utility	<u>\$ 51,299</u>
<u>Surplus Fund</u>	

Deposit to the Surplus Fund, any remaining funds after the monthly transfers required for the Debt Service and Depreciation funds have been completed.

The resolutions require that rates and charges for services rendered by the system be such that annual "net earnings" be not less than 110% of the annual debt service on the bonds so that the amount set aside in the bond and interest special redemption fund will be adequate for payment of the bonds and interest thereon as they become payable. This requirement was met for 2015.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 8

INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
Electric & Water Utility	Sewer Utility	\$ 37,839

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated

The following is a schedule of interfund transfers:

Fund Transfer To	Fund Transferred From	Amount
Government Funds:		
General	Water utility-tax equivalent	\$ 46,369
Proprietary Funds:		
General	Water utility-tax equivalent	\$ 46,369

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) used unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

NOTE 9

GOVERNMENTAL FUND BALANCES

Fund balance as of December 31, 2015 includes the following items:

Major Funds:	
General Fund:	
Assigned-Conservation and Development	<u>8,250</u>
Restricted	
EMS activities	\$ 11,105
Fire department	3,288
Cemetery	36,687
Total	\$ 51,080

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2015

NOTE 10 GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2015 includes the following:

Net investment in capital assets:	
Land	\$ 20,653
Other capital assets, net of accumulated depreciation	1,070,182
Total net investment in capital assets	1,090,835
Restricted for:	
EMS activities	11,105
Fire department	3,288
Cemetery	36,687
Total restricted	51,080
Unrestricted	63,618
Total governmental activities net position	\$ 1,205,533

NOTE 11 NET POSITION – PROPRIETARY FUNDS

The following calculation supports the utility net position net investment in capital assets:

Plant in service	\$ 7,107,435
Accumulated depreciation	(2,383,944)
Sub-total	4,723,491
Less: capital related debt	(1,426,279)
Total net investment in capital assets	\$ 3,297,212

Portions of net position are reserved and are not available for current expenses as follows:

Enterprise Funds:	
Sewer Utility	
Reserved for Mortgage Revenue Bonds	\$ 111,143

NOTE 12 TAX LEVY LIMIT

Wisconsin Act 32 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under 2011 Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. All of the exceptions and modifications to levy limits that existed under previous law continue to apply.

In addition, as part of Wisconsin’s Act 20 (2013), legislation was passed that further limits future tax levies. If the City adopts a new fee or a fee increase for covered services (which were partly or wholly funded by property tax levy), the City must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions.

Required Supplementary Information

Exhibit B-1
Required Supplementary Information
December 31, 2015
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 32,106	\$ 32,106	\$ 31,779	\$ (327)	\$ (327)
Intergovernmental	206,447	206,447	586,767	380,320	380,320
Licenses and permits	10,220	10,220	9,618	(602)	(602)
Intergovernmental charges for services:	28,600	28,600	27,827	(773)	(773)
Public charges for services	9,645	9,645	18,449	8,804	8,804
Interest and investment earnings	1,200	1,200	1,593	393	393
Miscellaneous	4,450	4,450	48,774	44,324	44,324
Total revenues	292,668	292,668	724,807	432,139	432,139
EXPENDITURES					
Current:					
General government	93,052	93,052	96,580	(3,528)	(3,528)
Public safety	107,321	107,321	156,910	(49,589)	(49,589)
Public works	127,504	127,504	146,295	(18,791)	(18,791)
Health and human services			4,201	(4,201)	(4,201)
Leisure activities	9,475	9,475	13,554	(4,079)	(4,079)
Conservation and developmen	600	600	1,282	(682)	(682)
Capital outlay:	2,000	2,000	399,565	(397,565)	(397,565)
Total expenditures	339,952	339,952	818,387	(478,435)	(478,435)
Excess (deficiency) of revenue: over expenditures	(47,284)	(47,284)	(93,580)	(46,296)	(46,296)
OTHER FINANCING SOURCES					
Transfer from utility - tax equivalent	47,284	47,284	46,369	(915)	(915)
Net change in fund balance			(47,211)	(47,211)	(47,211)
Fund balance - beginning	161,909	161,909	161,909		
Fund balance - ending	\$ 161,909	\$ 161,909	\$ 114,698	\$ (47,211)	\$ (47,211)

Village of Merrillan, Wisconsin
Notes to Required Supplementary Information
December 31, 2015

NOTE 1

BUDGET SCHEDULE

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 1.C to the financial statements.

The Village budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the Village board. Such revisions are required by a statutory provision which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Revisions require a two-thirds vote of the Village Board. Appropriations for the general fund lapse at year end unless specifically carried forward by Board action. Carryovers are shown in Note 9 of the financial statements. Budget comparisons are not required for proprietary funds.

The Village does not utilize encumbrances in its budget process but does take into consideration certain appropriations, which do not lapse on an annual basis.

NOTE 2

EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2015:

<u>Expenditure</u>	<u>Excess Expenditures</u>
General government	\$ 3,528
Public safety	49,589
Public works	18,791
Health and human services	4,201
Leisure	4,079
Conservation and development	682
Capital Outlay	397,565

Schedules

Schedule 1
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
TAXES					
General property	\$ 29,406	\$ 29,406	\$ 29,406	\$	\$
Payment in lieu of taxes	1,600	1,600	1,600		
Mobile home taxes	1,100	1,100	773	(327)	(327)
Total taxes	<u>32,106</u>	<u>32,106</u>	<u>31,779</u>	<u>(327)</u>	<u>(327)</u>
INTERGOVERNMENTAL					
State shared taxes	187,177	187,177	187,177		
Federal grant			379,451	379,451	379,451
State aid - fire insurance dues	809	809	714	(95)	(95)
State aid - exempt computer aid	75	75	41	(34)	(34)
State aid - highways	18,386	18,386	19,384	998	998
Total intergovernmental	<u>206,447</u>	<u>206,447</u>	<u>586,767</u>	<u>380,320</u>	<u>380,320</u>
LICENSES, PERMITS AND FINES					
Cigarette licenses	175	175	175		
Liquor licenses	1,770	1,770	1,916	146	146
Beer garden permit	25	25	75	50	50
Operator licenses	800	800	810	10	10
Mobile home park licenses	200	200	100	(100)	(100)
Dog and cat licenses	1,600	1,600	687	(913)	(913)
Building permits	1,900	1,900	2,557	657	657
Zoning permits	750	750	820	70	70
Ordinance violations	3,000	3,000	2,478	(522)	(522)
Total licenses, permits and fines	<u>10,220</u>	<u>10,220</u>	<u>9,618</u>	<u>(602)</u>	<u>(602)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES					
Police service contract - Alma	11,539	11,539	10,734	(805)	(805)
Fire protection - Dewhurts, Alma	15,053	15,053	15,053		
State charge fire	1,000	1,000	850	(150)	(150)
Intergovernmental charge for fire contracts	1,008	1,008	1,190	182	182
Total intergovernmental charges for services	<u>28,600</u>	<u>28,600</u>	<u>27,827</u>	<u>(773)</u>	<u>(773)</u>
PUBLIC CHARGES FOR SERVICES					
Sale of copies	150	150	87	(63)	(63)
Police department	200	200	4,695	4,495	4,495
Public charges	400	400	100	(300)	(300)
Cemetery			2,663	2,663	2,663
License publication fees	45	45		(45)	(45)
Parks	4,000	4,000	5,004	1,004	1,004
Fire department public charges	2,000	2,000	4,600	2,600	2,600
Other fire revenue	1,500	1,500		(1,500)	(1,500)
Hall rent	1,350	1,350	1,300	(50)	(50)
Total public charges for services	<u>\$ 9,645</u>	<u>\$ 9,645</u>	<u>\$ 18,449</u>	<u>\$ 8,804</u>	<u>\$ 8,804</u>

Schedule 1 (Continued)
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
INVESTMENT INCOME					
Interest	\$ 1,200	\$ 1,200	\$ 1,593	\$ 393	\$ 393
Total investment income	<u>1,200</u>	<u>1,200</u>	<u>1,593</u>	<u>393</u>	<u>393</u>
MISCELLANEOUS					
Donations	400	400	39,103	38,703	38,703
Insurance refunds	3,435	3,435	9,450	6,015	6,015
Sale of fixed assets			193	193	193
Other income	615	615	28	(587)	(587)
Total miscellaneous	<u>4,450</u>	<u>4,450</u>	<u>48,774</u>	<u>44,324</u>	<u>44,324</u>
Total revenues	<u>\$ 292,668</u>	<u>\$ 292,668</u>	<u>\$ 724,807</u>	<u>\$ 432,139</u>	<u>\$ 432,139</u>

Schedule 2
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances-	
	Original	Final		Positive (Negative)	
				Original to Actual	Final to Actual
GENERAL GOVERNMENT					
Village board	\$ 3,600	\$ 3,600	\$ 1,600	\$ 2,000	\$ 2,000
Board of review	200	200	140	60	60
Board committees	1,008	1,008	1,112	(104)	(104)
Clerk/treasurer	10,000	10,000	9,716	284	284
Elections	2,000	2,000	2,245	(245)	(245)
Office expense	7,500	7,500	8,492	(992)	(992)
President expense	25	25	28	(3)	(3)
President salary	2,040	2,040	980	1060	1060
Auditing	6,525	6,525	6,180	345	345
Legal fees	2,400	2,400	1,800	600	600
Attorney	60	60	30	30	30
Assessment of property	3,650	3,650	3,600	50	50
Hall	8,800	8,800	7,705	1,095	1,095
Illegal taxes			4,165	(4,165)	(4,165)
Social security taxes	6,400	6,400	7,309	(909)	(909)
Liability and property insurance	10,600	10,600	14,199	(3,599)	(3,599)
Employee bonds	132	132	128	4	4
Health insurance and retirement	26,112	26,112	27,142	(1,030)	(1,030)
Miscellaneous expense			9	(9)	(9)
Contingency	2,000	2,000		2,000	2,000
Total general government	<u>93,052</u>	<u>93,052</u>	<u>96,580</u>	<u>(3,528)</u>	<u>(3,528)</u>
PUBLIC SAFETY					
Police department	38,910	38,910	43,771	(4,861)	(4,861)
Fire department	20,127	20,127	63,354	(43,227)	(43,227)
Hydrant rental	47,284	47,284	47,284		
Building inspection	1,000	1,000	2,501	(1,501)	(1,501)
Total public safety	<u>107,321</u>	<u>107,321</u>	<u>156,910</u>	<u>(49,589)</u>	<u>(49,589)</u>
PUBLIC WORKS AND SANITATION					
Garage	6,800	6,800	13,518	(6,718)	(6,718)
Streets	24,129	24,129	29,600	(5,471)	(5,471)
Sick leave	6,700	6,700	3,923	2,777	2,777
Vacation and holiday pay	8,000	8,000	8,316	(316)	(316)
Sidewalks	1,300	1,300	1,198	102	102
Snow removal	8,500	8,500	2,658	5,842	5,842
Street lighting/signals	22,000	22,000	29,710	(7,710)	(7,710)
Tree labor	1,000	1,000	2,380	(1,380)	(1,380)
Machinery & equipment	6,000	6,000	12,449	(6,449)	(6,449)
Refuse collection	36,200	36,200	35,131	1,069	1,069
Recycling	6,875	6,875	7,412	(537)	(537)
Total public works and sanitation	<u>\$ 127,504</u>	<u>\$ 127,504</u>	<u>\$ 146,295</u>	<u>\$ (18,791)</u>	<u>\$ (18,791)</u>

Schedule 2 (Continued)
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
CULTURE AND RECREATION					
Parks	\$ 8,300	\$ 8,300	\$ 11,170	\$ (2,870)	\$ (2,870)
Celebration	1,175	1,175	2,384	(1,209)	(1,209)
Total culture and recreation	<u>9,475</u>	<u>9,475</u>	<u>13,554</u>	<u>(4,079)</u>	<u>(4,079)</u>
HEALTH AND HUMAN SERVICES					
Cemetery			4,201	(4,201)	(4,201)
CONSERVATION AND DEVELOPMENT					
Dam expense	300	300	292	8	8
Planning and zoning	300	300	225	75	75
Surveying			765	(765)	(765)
Total conservation and development	<u>600</u>	<u>600</u>	<u>1,282</u>	<u>(682)</u>	<u>(682)</u>
CAPITAL OUTLAY	<u>2,000</u>	<u>2,000</u>	<u>399,565</u>	<u>(397,565)</u>	<u>(397,565)</u>
Total expenditures	<u>\$ 339,952</u>	<u>\$ 339,952</u>	<u>\$ 818,387</u>	<u>\$ (478,435)</u>	<u>\$ (478,435)</u>

Schedule 3
Village of Merrilan, Wisconsin
Schedule of Operating Revenues and Expenses
Proprietary Funds
Year Ended December 31, 2015

	Water Utility	Electric Utility	Subtotal	Sewer Utility	Total
OPERATING REVENUES					
Metered sales to general customers	\$ 152,459	\$ 307,632	\$ 460,091	\$ 153,973	\$ 614,064
Sewer revenue flat rate				807	807
Public fire protection service	47,284		47,284		47,284
Other sales public authority	6,197	20,616	26,813		26,813
Street lights		26,768	26,768		26,768
Interdepartmental		3,932	3,932		3,932
Forfeited discounts	574	937	1,511	578	2,089
PB collections		0			
Other	7,666	2,247	9,913	4,134	14,047
Total operating revenues	<u>214,180</u>	<u>362,132</u>	<u>576,312</u>	<u>159,492</u>	<u>735,804</u>
OPERATING EXPENSES					
Plant operation	34,992		34,992	50,797	85,789
Plant maintenance				12,645	12,645
Power production		251,015	251,015		251,015
Transmission and distribution		19,623	19,623		19,623
Administrative and general	55,434	53,513	108,947	29,243	138,190
Total operating expenses	<u>90,426</u>	<u>324,151</u>	<u>414,577</u>	<u>92,685</u>	<u>507,262</u>
Depreciation	58,784	15,178	73,962	64,540	138,502
Taxes	2,850	2,690	5,540		5,540
Operating income	<u>\$ 62,120</u>	<u>\$ 20,113</u>	<u>\$ 82,233</u>	<u>\$ 2,267</u>	<u>\$ 84,500</u>



Certified Public Accountants

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Village Board
Village of Merrillan
Merrillan, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Merrillan, Wisconsin (“Village”) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Village’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Village of Merrillan’s internal control to be a material weakness:

The size of the office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in organizations of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management’s knowledge and monitoring of matters relating to the Village’s operations.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Village of Merrillan’s internal control to be significant deficiencies:

Preparation of Financial Statements

Village staff does not prepare the financial statements and accompanying notes. The Village has designated an individual responsible for reviewing and accepting the financial statements and related notes.

Customer Accounts Receivable

The accounts receivable subsidiary records were not reconciled to the customer accounts receivable general ledger account. An important element of internal control in this area is that the customer accounts receivable general ledger account be reconciled to the customer accounts receivable subsidiary records on a monthly basis. Since there is a lack of segregation of duties, this procedure is even more important to have in place.

This communication is intended solely for the information and use of management, the Village Board, and others within the administration, and is not intended to be, and should not be, used by anyone other than these specified parties.

Johnson Block and Company, Inc.

Johnson Block & Company, Inc.

January 28, 2016
Mineral Point, Wisconsin



Certified Public Accountants

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The Village Board
Village of Merrilan
Merrilan, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Merrilan, Wisconsin (“Village”) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following misstatements detected as a result of audit procedures were corrected by management:

- To reclassify principal payments.
- Record 2015 hydrant rent and tax equivalent.
- Record additional accounts payable and reverse prior year account payable.
- Record 2015 depreciation expense
- Record additional accounts receivable
- Record 2015 tax roll.
- Reclassify grant transactions
- Record delinquent utilities put on tax roll.
- Reflect fixed asset additions and deletions.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Detailed Comparison of Budgeted and Actual Revenues Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of management, the Village Board and others within the administration and is not intended to be, and should not be, used by anyone other than those specified parties.

Johnson Block and Company, Inc.

Johnson Block & Company, Inc.

January 28, 2016
Mineral Point, Wisconsin

Client: **MERRILLANVI - Village of Merrilan, Wisconsin**
 Engagement: **2015 Village of Merrilan Audit**
 Period Ending: **12/31/2015**
 Trial Balance: **TB**
 Workpaper: **PJE - Proposed JE Report**

Account	Description	W/P Ref	Debit	Credit
Proposed JE # 6001				
		CC-01		
To record difference in subsidiary ledger and general ledger for customer deposits.				
600-10235-000	CUSTOMER DEPOSITS		1,120.57	
600-30440-000	RESIDENTIAL SALES - ELECTRIC			1,120.57
Total			<u><u>1,120.57</u></u>	<u><u>1,120.57</u></u>
Proposed JE # 6002				
		E-01		
To record unbilled revenue.				
600-10142-000	A/R ELECT/SALES TAX COLLECTED		9,037.00	
600-10143-000	A/R WATER		3,449.00	
600-20461-000	RESIDENTIAL METERED/WATER		310.00	
600-30440-000	RESIDENTIAL SALES - ELECTRIC		3,052.00	
610-00142-000	ACCTS RECEIVABLE - SEWER		4,485.00	
610-00622-000	SEWER METERED		392.00	
600-10216-000	RETAINED EARNINGS - SURPLUS			3,759.00
600-10216-000	RETAINED EARNINGS - SURPLUS			12,089.00
610-00216-000	RETAINED EARNINGS			4,877.00
Total			<u><u>20,725.00</u></u>	<u><u>20,725.00</u></u>