

VILLAGE OF MERRILLAN, WISCONSIN

AUDITED FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the year ended December 31, 2014

Johnson Block and Company, Inc.
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VILLAGE OF MERRILLAN, WISCONSIN
DECEMBER 31, 2014

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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, 2014, 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, 2014, 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

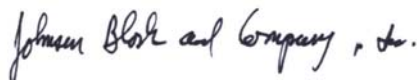
Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from the Village's 2013 financial statement and, in our report dated January 31, 2014, 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 27, 2015
Mineral Point, Wisconsin

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Village of Merrilan, Wisconsin
Statement of Net Position
December 31, 2014

(With summarized financial information as of December 31, 2013)

| | Governmental Activities | Business-Type Activities | Total | |
|---------------------------------|----------------------------|-----------------------------|--------------|--------------|
| | | | 2014 | 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 163,846 | \$ 579,312 | \$ 743,158 | \$ 767,362 |
| Receivables | | | | |
| Taxes | 30,550 | | 30,550 | 29,316 |
| Customer | | 64,262 | 64,262 | 58,845 |
| Special assessments | | 4,300 | 4,300 | 4,600 |
| Due from other governments | 138,429 | 317,522 | 455,951 | 409,084 |
| Materials and supplies | | 15,029 | 15,029 | 14,488 |
| Total current assets | 332,825 | 980,425 | 1,313,250 | 1,283,695 |
| Restricted assets: | | | | |
| Restricted cash and investments | | 90,254 | 90,254 | 73,886 |
| Capital assets: | | | | |
| Property, plant and equipment | 1,578,888 | 7,005,172 | 8,584,060 | 8,526,525 |
| Less: accumulated depreciation | 834,140 | 2,307,780 | 3,141,920 | 2,966,704 |
| Total capital assets | 744,748 | 4,697,392 | 5,442,140 | 5,559,821 |
| Other assets: | | | | |
| Special assessments receivable | | 19,500 | 19,500 | 29,500 |
| Total assets | \$ 1,077,573 | \$ 5,787,571 | \$ 6,865,144 | \$ 6,946,902 |

Exhibit A-1 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Net Position
December 31, 2014

(With summarized financial information as of December 31, 2013)

| | Governmental Activities | Business-Type Activities | Total | |
|--|----------------------------|-----------------------------|--------------|--------------|
| | | | 2014 | 2013 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 7,639 | \$ 41,613 | \$ 49,252 | \$ 59,984 |
| Accrued and other current liabilities | 1,642 | 1,784 | 3,426 | 2,075 |
| Accrued interest | | 19,282 | 19,282 | 17,108 |
| Due to other governments | 132,229 | 270,365 | 402,594 | 361,520 |
| Customer deposits | | 10,272 | 10,272 | 11,869 |
| Current portion of long-term obligations | | 73,181 | 73,181 | 69,773 |
| Total current liabilities | 141,510 | 416,497 | 558,007 | 522,329 |
| Current liabilities payable from restricted assets: | | | | |
| Current portion of mortgage revenue bonds | | 13,000 | 13,000 | 12,000 |
| Accrued interest | | 2,106 | 2,106 | 2,271 |
| Total current liabilities payable from restricted assets | | 15,106 | 15,106 | 14,271 |
| Noncurrent liabilities: | | | | |
| Notes payable | | 794,645 | 794,645 | 841,500 |
| Mortgage revenue bonds | | 698,967 | 698,967 | 710,963 |
| Less: current portion | | (86,181) | (86,181) | (81,773) |
| Total noncurrent liabilities | | 1,407,431 | 1,407,431 | 1,470,690 |
| Total liabilities | 141,510 | 1,839,034 | 1,980,544 | 2,007,290 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred revenues | 29,406 | | 29,406 | 32,101 |
| NET POSITION | | | | |
| Net investment in capital assets | 744,748 | 3,203,780 | 3,948,528 | 4,007,358 |
| Restricted | 43,025 | 88,148 | 131,173 | 123,683 |
| Unrestricted | 118,884 | 656,609 | 775,493 | 776,470 |
| Total net position | 906,657 | 3,948,537 | 4,855,194 | 4,907,511 |
| Total liabilities, deferred inflow of resources, and net position | \$ 1,077,573 | \$ 5,787,571 | \$ 6,865,144 | \$ 6,946,902 |

Exhibit A-2
Village of Merrillan, Wisconsin
Statement of Activities
For the Year Ended December 31, 2014
(With summarized financial information for the year ended December 31, 2013)

| Functions/Programs | Program Revenues | | | | | Net (Expenses) Revenue and Changes in Net Position | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--|--------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total | |
| | | | | | | 2014 | 2013 | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 99,200 | \$ 8,664 | \$ | \$ | \$ (90,536) | \$ (90,536) | \$ (92,698) | |
| Public safety | 151,748 | 25,079 | 19,685 | | (106,984) | (106,984) | (93,448) | |
| Public works | 124,036 | | 18,382 | 5,708 | (99,946) | (99,946) | 454,262 | |
| Sanitation | 39,669 | | | | (39,669) | (39,669) | (43,977) | |
| Health and human services | 4,871 | | | | (4,871) | (4,871) | (4,521) | |
| Culture and recreation | 12,658 | 5,346 | | | (7,312) | (7,312) | (6,132) | |
| Conservation and development | 1,387 | | | | (1,387) | (1,387) | (729) | |
| Total governmental activities | 433,569 | 39,089 | 38,067 | 5,708 | (350,705) | (350,705) | 212,757 | |
| Business-type activities: | | | | | | | | |
| Water and electric | 524,582 | 587,729 | 11,321 | | | 74,468 | 74,468 | 447,597 |
| Sewer | 172,473 | 159,885 | 12,285 | | | (303) | (303) | 104,669 |
| Total business-type activities | 697,055 | 747,614 | 23,606 | | | 74,165 | 74,165 | 552,266 |
| Total primary government | 1,130,624 | 786,703 | 61,673 | 5,708 | (350,705) | 74,165 | (276,540) | 765,023 |
| General Revenues and Transfers: | | | | | | | | |
| Property taxes | | | | | | | | |
| General purposes | | | | | 29,271 | 29,271 | 29,152 | |
| Other taxes | | | | | 2,575 | 2,575 | 1,530 | |
| Federal and State aid not restricted for specific purposes | | | | | | | | |
| General | | | | | 187,241 | 187,241 | 187,984 | |
| Interest and investment earnings | | | | | 1,465 | 3,146 | 4,611 | 4,846 |
| Miscellaneous | | | | | 525 | 525 | 4,251 | |
| Transfers | | | | | 47,951 | (47,951) | | |
| Total general revenues and transfers | | | | | 269,028 | (44,805) | 224,223 | 227,763 |
| Changes in net position | | | | | (81,677) | 29,360 | (52,317) | 992,786 |
| Net position - beginning | | | | | 988,334 | 3,919,177 | 4,907,511 | 3,914,725 |
| Net position - ending | | | | | \$ 906,657 | \$ 3,948,537 | \$ 4,855,194 | \$ 4,907,511 |

Exhibit A-3
Village of Merrillan, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2014
(With summarized financial information as of December 31, 2013)

| | | Total | |
|---|------------|--------------------|------------|
| | General | Governmental Funds | |
| | | 2014 | 2013 |
| ASSETS | | | |
| Cash and investments | \$ 163,846 | \$ 163,846 | \$ 188,008 |
| Receivables: | | | |
| Taxes | 30,550 | 30,550 | 29,316 |
| Due from other governments | 138,429 | 138,429 | 132,411 |
| | \$ 332,825 | \$ 332,825 | \$ 349,735 |
| LIABILITIES | | | |
| Accounts payable | \$ 7,639 | \$ 7,639 | \$ 7,590 |
| Accrued payroll liabilities | 1,642 | 1,642 | 507 |
| Due to other governments | 132,229 | 132,229 | 126,620 |
| | 141,510 | 141,510 | 134,717 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred property tax revenue | 29,406 | 29,406 | 32,101 |
| FUND BALANCES | | | |
| Restricted | 43,025 | 43,025 | 52,068 |
| Unassigned | 118,884 | 118,884 | 130,849 |
| | 161,909 | 161,909 | 182,917 |
| Total liabilities, deferred inflow of resources, and fund balances | \$ 332,825 | \$ 332,825 | \$ 349,735 |

Exhibit A-4
Village of Merrillan, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2014
(With summarized financial information as of December 31, 2013)

| | 2014 | 2013 |
|---|------------|------------|
| Total fund balances-governmental funds: | \$ 161,909 | \$ 182,917 |

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 | 1,578,888 | | |
| Governmental accumulated depreciation | (834,140) | 744,748 | 805,417 |

| | | |
|---|------------|------------|
| Total net position of governmental activities | \$ 906,657 | \$ 988,334 |
|---|------------|------------|

Exhibit A-5
Village of Merrillan, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014
(With summarized financial information for the year ended December 31, 2013)

| | General | Total | |
|---|------------|--------------------|------------|
| | | Governmental Funds | |
| | | 2014 | 2013 |
| REVENUES | | | |
| Taxes | \$ 31,846 | \$ 31,846 | \$ 30,682 |
| Intergovernmental | 212,139 | 212,139 | 333,396 |
| Licenses and permits | 7,289 | 7,289 | 6,325 |
| Public charges for services | 12,337 | 12,337 | 11,620 |
| Intergovernmental charges for services | 18,246 | 18,246 | 16,240 |
| Interest and investment earnings | 1,465 | 1,465 | 1,902 |
| Miscellaneous | 20,618 | 20,618 | 6,916 |
| Total revenues | 303,940 | 303,940 | 407,081 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 94,360 | 94,360 | 92,618 |
| Public safety | 128,301 | 128,301 | 95,189 |
| Public works | 88,386 | 88,386 | 69,332 |
| Sanitation | 39,669 | 39,669 | 43,977 |
| Health and human services | 4,871 | 4,871 | 4,521 |
| Culture and recreation | 10,928 | 10,928 | 9,895 |
| Conservation and development | 536 | 536 | 729 |
| Capital outlay: | | | |
| General government | 3,584 | 3,584 | |
| Public works | 2,264 | 2,264 | 126,522 |
| Total expenditures | 372,899 | 372,899 | 442,783 |
| Excess of revenues over (under) expenditures | (68,959) | (68,959) | (35,702) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from utility - tax equivalent | 47,951 | 47,951 | 46,048 |
| Total other financing sources (uses) | 47,951 | 47,951 | 46,048 |
| Net change in fund balances | (21,008) | (21,008) | 10,346 |
| Fund balance - beginning | 182,917 | 182,917 | 172,571 |
| Fund balance - ending | \$ 161,909 | \$ 161,909 | \$ 182,917 |

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, 2014
(With summarized financial information for the year ended December 31, 2013)

| | 2014 | 2013 |
|---|-------------|------------|
| Net change in fund balances-total governmental funds | \$ (21,008) | \$ 10,346 |
| 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 | 3,584 | 523,192 |
| Depreciation expenses reported in the statement of activities | (64,253) | (49,914) |
| Amount by which capital outlays are greater (less) than depreciation in the current period. | (60,669) | 473,278 |
| Change in net position-governmental activities | \$ (81,677) | \$ 483,624 |

Exhibit A-7
Village of Merrillan, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2014

(With summarized financial information as of December 31, 2013)

| | Electric & Water Utility | Sewer Utility | Total | |
|---------------------------------|-----------------------------|---------------------|---------------------|---------------------|
| | | | 2014 | 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 579,312 | \$ | \$ 579,312 | \$ 579,354 |
| Receivables: | | | | |
| Customer | 47,228 | 17,034 | 64,262 | 58,845 |
| Special assessments | 3,700 | 600 | 4,300 | 4,600 |
| Due from other governments | 188,838 | 128,684 | 317,522 | 276,673 |
| Due from other funds | 44,972 | | 44,972 | 48,153 |
| Materials and supplies | 15,029 | | 15,029 | 14,488 |
| Total current assets | 879,079 | 146,318 | 1,025,397 | 982,113 |
| Restricted assets: | | | | |
| Special redemption fund | | 42,467 | 42,467 | 29,589 |
| Bond depreciation fund | | 47,787 | 47,787 | 44,297 |
| Total restricted assets | | 90,254 | 90,254 | 73,886 |
| Fixed assets: | | | | |
| Water and electric | 3,779,927 | | 3,779,927 | 3,751,760 |
| Sewerage plant | | 3,225,245 | 3,225,245 | 3,199,461 |
| Less: accumulated depreciation: | (1,418,646) | (889,134) | (2,307,780) | (2,196,817) |
| Net property and plant | 2,361,281 | 2,336,111 | 4,697,392 | 4,754,404 |
| Other assets: | | | | |
| Special assessments | 14,700 | 4,800 | 19,500 | 29,500 |
| Total other assets | 14,700 | 4,800 | 19,500 | 29,500 |
| Total assets | \$ 3,255,060 | \$ 2,577,483 | \$ 5,832,543 | \$ 5,839,903 |

Exhibit A-7 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2014

(With summarized financial information as of December 31, 2013)

| | Electric & Water Utility | Sewer Utility | Total | |
|---|-----------------------------|---------------------|---------------------|---------------------|
| | | | 2014 | 2013 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 24,419 | \$ 17,194 | \$ 41,613 | \$ 52,394 |
| Due to other governments | 205,839 | 64,526 | 270,365 | 234,900 |
| Due to other funds | | 44,972 | 44,972 | 48,153 |
| Accrued and other current liabilities | 1,412 | 372 | 1,784 | 1,568 |
| Accrued interest | 19,282 | | 19,282 | 17,108 |
| Customer deposits | 10,272 | | 10,272 | 11,869 |
| Current portion of long-term obligations | 61,127 | 12,054 | 73,181 | 69,773 |
| Total current liabilities | 322,351 | 139,118 | 461,469 | 435,765 |
| Current liabilities payable from restricted assets: | | | | |
| Current portion of long-term obligations | | 13,000 | 13,000 | 12,000 |
| Accrued interest | | 2,106 | 2,106 | 2,271 |
| Total current liabilities payable from restricted assets | | 15,106 | 15,106 | 14,271 |
| Long-term liabilities: | | | | |
| Notes payable | 794,645 | | 794,645 | 841,500 |
| Mortgage revenue bonds | 251,324 | 447,643 | 698,967 | 710,963 |
| Less: current portion | (61,127) | (25,054) | (86,181) | (81,773) |
| Total long-term liabilities | 984,842 | 422,589 | 1,407,431 | 1,470,690 |
| Total liabilities | 1,307,193 | 576,813 | 1,884,006 | 1,920,726 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,315,312 | 1,888,468 | 3,203,780 | 3,201,941 |
| Restricted | | 88,148 | 88,148 | 71,615 |
| Unrestricted | 632,555 | 24,054 | 656,609 | 645,621 |
| Total net position | 1,947,867 | 2,000,670 | 3,948,537 | 3,919,177 |
| Total liabilities and net position | \$ 3,255,060 | \$ 2,577,483 | \$ 5,832,543 | \$ 5,839,903 |

Exhibit A-8
Village of Merrillan, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014
(With summarized financial information for the year ended December 31, 2013)

| | Water & Electric Utility | Sewer Utility | Total | |
|--|-----------------------------|------------------|--------------|--------------|
| | | | 2014 | 2013 |
| OPERATING REVENUES | | | | |
| Water & electric | \$ 569,169 | \$ | \$ 569,169 | \$ 549,888 |
| Sewer service | | 155,263 | 155,263 | 146,286 |
| Other | 18,560 | 4,622 | 23,182 | 37,040 |
| Total operating revenues | 587,729 | 159,885 | 747,614 | 733,214 |
| OPERATING EXPENSES | | | | |
| Operation and maintenance | 410,883 | 91,234 | 502,117 | 474,219 |
| Depreciation expense | 72,753 | 63,732 | 136,485 | 124,687 |
| Taxes | 5,471 | | 5,471 | 5,033 |
| Total operating expenses | 489,107 | 154,966 | 644,073 | 603,939 |
| Total operating income | 98,622 | 4,919 | 103,541 | 129,275 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest expense | (35,475) | (17,507) | (52,982) | (48,873) |
| Interest income | 2,127 | 1,019 | 3,146 | 2,944 |
| Total net nonoperating revenues (expenses) | (33,348) | (16,488) | (49,836) | (45,929) |
| Income before contributions and transfers | 65,274 | (11,569) | 53,705 | 83,346 |
| Capital contributions | 11,321 | 12,285 | 23,606 | 471,864 |
| Transfer of tax equivalent | (47,951) | | (47,951) | (46,048) |
| Changes in net position | 28,644 | 716 | 29,360 | 509,162 |
| Net position - beginning | 1,919,223 | 1,999,954 | 3,919,177 | 3,410,015 |
| Net position - ending | \$ 1,947,867 | \$ 2,000,670 | \$ 3,948,537 | \$ 3,919,177 |

Exhibit A-9
Village of Merrilan, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014
(With summarized financial information for the year ended December 31, 2013)

| | Business Type Activities- | | Totals | |
|---|-----------------------------|------------------|------------|------------|
| | Enterprise Funds | | | |
| | Electric & Water Utility | Sewer Utility | 2014 | 2013 |
| CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES | | | | |
| Received from customers | \$ 583,819 | \$ 158,378 | \$ 742,197 | \$ 730,515 |
| Payments to employees | (59,198) | (34,252) | (93,450) | (86,485) |
| Payments for employee benefits | (45,641) | (11,416) | (57,057) | (53,842) |
| Payments to suppliers | (308,908) | (41,891) | (350,799) | (307,599) |
| Net cash flows from operating activities | 170,072 | 70,819 | 240,891 | 282,589 |
| CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES | | | | |
| Paid to municipality for tax equivalent | (47,951) | | (47,951) | (46,048) |
| Paid to other funds for working capital | | | | (48,153) |
| Received from other funds for working capital | | | | 48,153 |
| Net cash flows (used by) noncapital financing activities | (47,951) | | (47,951) | (46,048) |
| CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (54,452) | (25,784) | (80,236) | (215,819) |
| Grant proceeds | | | | 13,502 |
| Cost of removals | | | | (5,140) |
| Receipt of special assessments | 8,200 | 2,100 | 10,300 | 23,600 |
| Proceeds from long-term debt | 14,335 | 9,600 | 23,935 | 543,861 |
| Debt retired | (59,072) | (23,714) | (82,786) | (490,115) |
| Interest paid | (33,301) | (17,672) | (50,973) | (41,725) |
| Net cash flows (used by) capital and related financing activities | (124,290) | (55,470) | (179,760) | (171,836) |
| CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES | | | | |
| Interest income | 2,127 | 1,019 | 3,146 | 2,945 |
| Purchase of investments | (68,832) | (47,787) | (116,619) | (109,695) |
| Proceeds of investments maturing | 65,398 | 44,297 | 109,695 | 138,730 |
| Net cash flows from (used by) investing activities | (1,307) | (2,471) | (3,778) | 31,980 |
| Net change in cash and cash equivalents | (3,476) | 12,878 | 9,402 | 96,685 |
| Cash and cash equivalents - beginning of the year | 513,956 | 29,589 | 543,545 | 446,860 |
| Cash and cash equivalents - end of the year | \$ 510,480 | \$ 42,467 | \$ 552,947 | \$ 543,545 |

Exhibit A-9 (Cont'd)
Village of Merrillan, Wisconsin
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

| | Business Type Activities- | | Totals | |
|--|-----------------------------|------------------|-------------------|-------------------|
| | Enterprise Funds | | | |
| | Electric & Water Utility | Sewer Utility | 2014 | 2013 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 98,622 | \$ 4,919 | \$ 103,541 | \$ 129,275 |
| Noncash items in operating income: | | | | |
| Depreciation expense | 73,516 | 63,732 | 137,248 | 125,454 |
| Amortization of major repair | | | | |
| Changes in assets and liabilities: | | | | |
| Customer accounts receivable | (3,910) | (1,507) | (5,417) | (3,199) |
| Other accounts receivable | | | | 500 |
| Material and supplies | (541) | | (541) | (507) |
| Due from other governments | (12,619) | (4,624) | (17,243) | |
| Due from other funds | 3,181 | | 3,181 | |
| Accounts payable | (10,635) | (146) | (10,781) | 29,368 |
| Due to other governments | 23,941 | 11,524 | 35,465 | |
| Due to other funds | | (3,181) | (3,181) | |
| Accrued and other current liabilities | 114 | 102 | 216 | 735 |
| Customer deposits | (1,597) | | (1,597) | 963 |
| Net cash provided by operating activities | <u>\$ 170,072</u> | <u>\$ 70,819</u> | <u>\$ 240,891</u> | <u>\$ 282,589</u> |
| Reconciliation of cash and cash equivalents to statement of net position accounts | | | | |
| Cash and investments | \$ 579,312 | | \$ 579,312 | \$ 579,354 |
| Restricted cash and investments | | 90,254 | 90,254 | 73,886 |
| Cash and cash equivalents | 579,312 | 90,254 | 669,566 | 653,240 |
| Less: non-cash equivalents | (68,832) | (47,787) | (116,619) | (109,695) |
| Cash and cash equivalents | <u>\$ 510,480</u> | <u>\$ 42,467</u> | <u>\$ 552,947</u> | <u>\$ 543,545</u> |

Exhibit A-10
Village of Merrilan, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2014

(With summarized financial information as of December 31, 2013)

| | Tax Collection Fund | Totals | |
|---------------------------|---------------------------|------------|------------|
| | | 2014 | 2013 |
| ASSETS | | | |
| Cash and investments | \$ 94,621 | \$ 94,621 | \$ 105,360 |
| Taxes receivable | 251,570 | 251,570 | 268,796 |
| | | | |
| Total assets | \$ 346,191 | \$ 346,191 | \$ 374,156 |
| | | | |
| LIABILITIES | | | |
| Due to other taxing units | 346,191 | \$ 346,191 | \$ 374,156 |
| | | | |
| Total liabilities | \$ 346,191 | \$ 346,191 | \$ 374,156 |
| | | | |

NOTES TO THE BASIC FINANCIAL STATEMENTS

Village of Merrillan, Wisconsin
December 31, 2014
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Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

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, 2014

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, 2014

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, 2014

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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Cont.)

Property tax calendar – 2014 tax roll:

| | |
|---|------------------|
| Lien date and levy date | December 2014 |
| Tax bills mailed | December 2014 |
| Payment in full, or | January 31, 2015 |
| First installment due | January 31, 2015 |
| Second installment due | July 31, 2015 |
| Personal property taxes in full | January 31, 2015 |
| Tax sale- 2014 delinquent real estate taxes | October 2017 |

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 Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

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, 2014

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, 2014

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.

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, 2014

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, 2013, from which the summarized information was derived.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

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, 2014, cash and investments included the following:

| | |
|--------------------------------------|------------|
| Petty Cash | \$ 250 |
| Deposits with financial institutions | 927,783 |
| Total cash and investments | \$ 928,033 |

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|------------|
| Exhibit A-1: | |
| Cash and investments | \$ 743,158 |
| Cash and investments-restricted | 90,254 |
| Exhibit A-10: | |
| Cash and investments | 94,621 |
| Total cash and investments | \$ 928,033 |

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

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, 2014

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, 2014

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, 2014, \$433,689 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>\$ 433,689</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.

NOTE 4

RESTRICTED ASSETS

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

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

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, 2014 the various components of deferred inflow of resources reported in the governmental funds was as follows:

Tax roll \$ 29,406

NOTE 6

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|-------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 18,483 | \$ 2,170 | \$ | \$ 20,653 |
| | <u>18,483</u> | <u>2,170</u> | <u></u> | <u>20,653</u> |
| Other capital assets: | | | | |
| Buildings and improvements | 431,282 | | | 431,282 |
| Infrastructure | 558,306 | | | 558,306 |
| Machinery and equipment | 80,699 | 1,414 | | 82,113 |
| Vehicles | 486,534 | | | 486,534 |
| Total other capital assets at historical costs | <u>1,556,821</u> | <u>1,414</u> | <u></u> | <u>1,558,235</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 343,569 | 5,953 | | 349,522 |
| Infrastructure | 9,059 | 22,332 | | 31,391 |
| Machinery and equipment | 72,448 | 6,332 | | 78,780 |
| Vehicles | 344,811 | 29,636 | | 374,447 |
| Total accumulated depreciation | <u>769,887</u> | <u>64,253</u> | <u></u> | <u>834,140</u> |
| Net other capital assets | <u>786,934</u> | <u>(62,839)</u> | <u></u> | <u>724,095</u> |
| Total net capital assets | <u>\$ 805,417</u> | <u>\$ (60,669)</u> | <u>\$</u> | <u>\$ 744,748</u> |

Village of Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 6

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

| | |
|--|-------------------------|
| Governmental Activities: | |
| General government | \$ 3,426 |
| Public safety | 23,447 |
| Public works | 35,650 |
| Culture and recreation | <u>1,730</u> |
| Total depreciation for governmental activities | <u><u>\$ 64,253</u></u> |

Village of Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 6

CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Cost of</u> <u>Removals</u> | <u>Deductions</u> | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|--------------------|-----------------------------------|-------------------|---------------------------------|
| <u>Business-Type Activities:</u> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Intangible plant | | | | | |
| Land and land rights | \$ 33,975 | \$ _____ | \$ _____ | \$ _____ | \$ 33,975 |
| Total capital assets not being depreciated | <u>33,975</u> | <u>_____</u> | <u>_____</u> | <u>_____</u> | <u>33,975</u> |
| Capital assets being depreciated: | | | | | |
| Water: | | | | | |
| Structures and improvements | 106,171 | | | | 106,171 |
| Pumping equipment | 51,691 | 33,442 | | (26,285) | 58,848 |
| Water treatment | 5,187 | | | | 5,187 |
| Transmission and distribution | 2,623,300 | 4,768 | | | 2,628,068 |
| General plant | 42,586 | 11,467 | | | 54,053 |
| Sewer: | | | | | |
| Structures and improvements | 789,153 | | | | 789,153 |
| Transmission and distribution | 2,230,722 | 19,078 | | | 2,249,800 |
| Pumping equipment | 86,064 | 5,292 | | | 91,356 |
| Miscellaneous equipment | 67,774 | 1,414 | | | 69,188 |
| Electric: | | | | | |
| Structures and improvements | 138,115 | | | | 138,115 |
| Transmission and distribution | 679,681 | 3,362 | | | 683,043 |
| General plant | <u>96,802</u> | <u>1,413</u> | <u>_____</u> | <u>_____</u> | <u>98,215</u> |
| Total capital assets being depreciated | <u>6,917,246</u> | <u>80,236</u> | <u>_____</u> | <u>(26,285)</u> | <u>6,971,197</u> |
| Total accumulated depreciation | <u>2,196,817</u> | <u>137,248</u> | <u>_____</u> | <u>(26,285)</u> | <u>2,307,780</u> |
| Net capital assets being depreciated | <u>4,720,429</u> | <u>(57,012)</u> | <u>_____</u> | <u>_____</u> | <u>4,663,417</u> |
| Total net capital assets | <u>\$ 4,754,404</u> | <u>\$ (57,012)</u> | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ 4,697,392</u> |

Depreciation expense was charged to functions as follows:

| | |
|---|-------------------|
| <u>Business-Type Activities:</u> | |
| Electric and Water | \$ 73,516 |
| Sewer | <u>63,732</u> |
| Total depreciation expense | 137,248 |
| Less: Electric and Water depreciation expense allocated to sewer | <u>(763)</u> |
| Total depreciation expense per Exhibit A-8 | <u>\$ 136,485</u> |

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 7

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------------|------------------------------|------------------|--------------------|---------------------------|--|
| <u>Business –Type Activities</u> | | | | | |
| Notes Payable | \$ 841,500 | \$ | \$ (46,855) | \$ 794,645 | \$ 48,752 |
| Mortgage Revenue Bonds | <u>710,963</u> | <u>23,934</u> | <u>(35,930)</u> | <u>698,967</u> | <u>37,429</u> |
| Total Business-Type Activities | | | | | |
| Long-Term Liabilities | \$ <u>1,552,463</u> | \$ <u>23,934</u> | \$ <u>(82,785)</u> | \$ <u>1,493,612</u> | \$ <u>86,181</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, 2014 was \$899,400. There was \$794,645 of general obligation debt outstanding at year-end as follows:

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Amount</u> | <u>Balance 12/31/2014</u> |
|---|----------------------|---------------------------|-----------------------|----------------------------|-------------------------------|
| G.O. Refunding Bonds | 7/6/2011 | 3/1/2024 | 1.7-4.0% | \$ 465,000 | \$ 375,000 |
| State Trust Fund | 5/20/2013 | 3/15/2033 | 5.00% | \$ 436,500 | 419,645 |
| Total Business-Type General Obligation Debt | | | | | <u>\$ 794,645</u> |

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>General Obligation Debt</u> | | |
|--------------|--------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2015 | \$ 48,752 | \$ 32,320 | \$ 81,072 |
| 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 |
| 2020-2024 | 296,868 | 96,981 | 393,849 |
| 2025-2029 | 123,699 | 49,970 | 173,669 |
| 2030-2033 | 123,157 | 15,778 | 138,935 |
| Totals | <u>\$ 794,645</u> | <u>\$ 309,114</u> | <u>\$ 1,103,759</u> |

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

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

Revenue debt payable at December 31, 2014 consists of the following:

| | Date of Issue | Final Maturity | Interest Rates | Original Amount | Balance 12/31/2014 |
|---|---------------|-------------------|----------------|--------------------|-----------------------|
| Revenue Bonds | 12/1/2004 | 12/1/2024 | 4.75-5.85% | \$ 217,000 | \$ 163,000 |
| Revenue Bonds | 5/23/2012 | 5/1/2032 | 3.00% | 230,435 | 213,124 |
| Revenue Bonds | 5/23/2012 | 5/1/2032 | 1.32% | 232,797 | 212,745 |
| Revenue Bonds | 6/12/2013 | 5/1/2033 | 2.625% | 74,395 | 71,519 |
| Revenue Bonds | 6/12/2013 | 5/1/2033 | 1.155% | 40,386 | 38,579 |
| Total Business-Type Activities Revenue Debt | | | | | <u>\$ 698,967</u> |

Debt service requirements to maturity are as follows:

| Year | Principal | Interest | Total |
|-----------|-------------------|-------------------|-------------------|
| 2015 | \$ 37,429 | \$ 19,992 | \$ 57,421 |
| 2016 | 38,940 | 18,825 | 57,765 |
| 2017 | 39,463 | 17,582 | 57,045 |
| 2018 | 40,999 | 16,319 | 57,318 |
| 2019 | 42,548 | 14,983 | 57,531 |
| 2020-2024 | 232,450 | 52,597 | 285,047 |
| 2025-2029 | 157,325 | 20,739 | 178,064 |
| 2030-2033 | 109,813 | 3,948 | 113,761 |
| Totals | <u>\$ 698,967</u> | <u>\$ 164,985</u> | <u>\$ 863,952</u> |

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 \$42,467.

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.

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

The balance in this account at December 31, 2014 was as follows:

| | <u>Depreciation</u> |
|---------------------|---------------------|
| Sewer Utility | \$ 47,787 |
| <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 2014.

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:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|---------------|
| Electric & Water Utility | Sewer Utility | \$ 44,972 |

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:

| <u>Fund Transfer To</u> | <u>Fund Transferred From</u> | <u>Amount</u> |
|-------------------------|------------------------------|---------------|
| Government Funds: | | |
| General | Water utility-tax equivalent | \$ 47,951 |
| Proprietary Funds: | | |
| General | Water utility-tax equivalent | \$ 47,951 |

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, 2014 includes the following items:

| | |
|-----------------|-----------|
| Major Funds: | |
| General Fund: | |
| Restricted | |
| EMS activities | \$ 4,676 |
| Fire department | 1,566 |
| Cemetery | 36,783 |
| Total | \$ 43,025 |

Village of Merrillan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 10 GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2014 includes the following:

| | |
|---|------------|
| Net investment in capital assets: | |
| Land | \$ 20,653 |
| Other capital assets, net of accumulated depreciation | 724,095 |
| Total net investment in capital assets | 744,748 |
| Restricted for: | |
| EMS activities | 4,676 |
| Fire department | 1,566 |
| Cemetery | 36,783 |
| Total restricted | 43,025 |
| Unrestricted | 118,884 |
| Total governmental activities net position | \$ 906,657 |

NOTE 11 NET POSITION – PROPRIETARY FUNDS

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

| | |
|--|--------------|
| Plant in service | \$ 7,005,172 |
| Accumulated depreciation | (2,307,780) |
| Sub-total | 4,697,392 |
| Less: capital related debt | (1,493,612) |
| Total net investment in capital assets | \$ 3,203,780 |

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

| | |
|-------------------------------------|-----------|
| Enterprise Funds: | |
| Sewer Utility | |
| Reserved for Mortgage Revenue Bonds | \$ 88,148 |

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.

Village of Merrilan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2014

NOTE 13

SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Village approved engineering contracts of \$105,000 related to a 2015 construction project.

Required Supplementary Information

Exhibit B-1
Required Supplementary Information
December 31, 2014
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variances- Positive (Negative) | |
|--|------------------|----------------|----------------|-----------------------------------|--------------------|
| | Original | Final | | Original to Actual | Final to Actual |
| REVENUES | | | | | |
| Taxes | \$ 32,071 | \$ 32,071 | \$ 31,846 | \$ (225) | \$ (225) |
| Intergovernmental | 206,253 | 206,253 | 212,139 | 5,886 | 5,886 |
| Licenses and permits | 9,075 | 9,075 | 7,289 | (1,786) | (1,786) |
| Intergovernmental charges for services | 16,881 | 16,881 | 18,246 | 1,365 | 1,365 |
| Public charges for services | 9,045 | 9,045 | 12,337 | 3,292 | 3,292 |
| Interest and investment earnings | 1,400 | 1,400 | 1,465 | 65 | 65 |
| Miscellaneous | 3,200 | 3,200 | 20,618 | 17,418 | 17,418 |
| Total revenues | 277,925 | 277,925 | 303,940 | 26,015 | 26,015 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 92,954 | 92,954 | 94,360 | (1,406) | (1,406) |
| Public safety | 96,499 | 94,999 | 128,301 | (31,802) | (33,302) |
| Public works | 118,547 | 120,047 | 128,055 | (9,508) | (8,008) |
| Health and human services | | | 4,871 | (4,871) | (4,871) |
| Leisure activities | 9,450 | 9,450 | 10,928 | (1,478) | (1,478) |
| Conservation and development | 700 | 700 | 536 | 164 | 164 |
| Capital outlay: | 2,000 | 2,000 | 5,848 | (3,848) | (3,848) |
| Total expenditures | 320,150 | 320,150 | 372,899 | (52,749) | (52,749) |
| Excess (deficiency) of revenues over expenditures | (42,225) | (42,225) | (68,959) | (26,734) | (26,734) |
| OTHER FINANCING SOURCES | | | | | |
| Transfer from utility - tax equivalent | 42,225 | 42,225 | 47,951 | 5,726 | 5,726 |
| Net change in fund balance | | | (21,008) | (21,008) | (21,008) |
| Fund balance - beginning | 182,917 | 182,917 | 182,917 | | |
| Fund balance - ending | \$ 182,917 | \$ 182,917 | \$ 161,909 | \$ (21,008) | \$ (21,008) |

Village of Merrillan, Wisconsin
Notes to Required Supplementary Information
December 31, 2014

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, 2014:

| <u>Expenditure</u> | <u>Excess Expenditures</u> |
|---------------------------|--------------------------------|
| General government | \$ 1,406 |
| Public safety | 33,302 |
| Public works | 8,008 |
| Health and human services | 4,871 |
| Leisure | 1,478 |
| Capital Outlay | 3,848 |

Schedules

Schedule 1
Village of Merrillan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variances- Positive (Negative) | |
|---|------------------|-----------------|------------------|-----------------------------------|--------------------|
| | Original | Final | | Original to Actual | Final to Actual |
| TAXES | | | | | |
| General property | \$ 29,271 | \$ 29,271 | \$ 29,271 | \$ | \$ |
| Payment in lieu of taxes | 1,600 | 1,600 | 1,600 | | |
| Mobile home taxes | 1,200 | 1,200 | 975 | (225) | (225) |
| Total taxes | <u>32,071</u> | <u>32,071</u> | <u>31,846</u> | <u>(225)</u> | <u>(225)</u> |
| INTERGOVERNMENTAL | | | | | |
| State shared taxes | 187,177 | 187,177 | 187,177 | | |
| Federal grant | | | 5,707 | 5,707 | 5,707 |
| State aid - fire insurance dues | 690 | 690 | 809 | 119 | 119 |
| State aid - exempt computer aid | | | 64 | 64 | 64 |
| State aid - highways | 18,386 | 18,386 | 18,382 | (4) | (4) |
| Total intergovernmental | <u>206,253</u> | <u>206,253</u> | <u>212,139</u> | <u>5,886</u> | <u>5,886</u> |
| LICENSES, PERMITS AND FINES | | | | | |
| Cigarette licenses | 140 | 140 | 175 | 35 | 35 |
| Liquor licenses | 1,810 | 1,810 | 1,770 | (40) | (40) |
| Beer garden permit | 25 | 25 | 25 | | |
| Operator licenses | 800 | 800 | 750 | (50) | (50) |
| Mobile home park licenses | 200 | 200 | 300 | 100 | 100 |
| Dog and cat licenses | 1,500 | 1,500 | 672 | (828) | (828) |
| Building permits | 1,900 | 1,900 | 746 | (1,154) | (1,154) |
| Zoning permits | 700 | 700 | 576 | (124) | (124) |
| Ordinance violations | 2,000 | 2,000 | 2,275 | 275 | 275 |
| Total licenses, permits and fines | <u>9,075</u> | <u>9,075</u> | <u>7,289</u> | <u>(1,786)</u> | <u>(1,786)</u> |
| INTERGOVERNMENTAL CHARGES FOR SERVICES | | | | | |
| Police service contract - Alma | | | 2,186 | 2,186 | 2,186 |
| Fire protection - Dewhurts, Alma | 15,053 | 15,053 | 15,052 | (1) | (1) |
| State charge fire | 1,000 | 1,000 | | (1,000) | (1,000) |
| Intergovernmental charge for fire contracts | 828 | 828 | 1,008 | 180 | 180 |
| Total intergovernmental charges for services | <u>16,881</u> | <u>16,881</u> | <u>18,246</u> | <u>1,365</u> | <u>1,365</u> |
| PUBLIC CHARGES FOR SERVICES | | | | | |
| Sale of copies | 150 | 150 | 120 | (30) | (30) |
| Police department | 200 | 200 | 160 | (40) | (40) |
| Public charges | 400 | 400 | 2,975 | 2,575 | 2,575 |
| Cemetery | | | 2,666 | 2,666 | 2,666 |
| License publication fees | 45 | 45 | 36 | (9) | (9) |
| Parks | 3,500 | 3,500 | 2,680 | (820) | (820) |
| Fire department public charges | 2,000 | 2,000 | 2,400 | 400 | 400 |
| Other fire revenue | 1,500 | 1,500 | | (1,500) | (1,500) |
| Hall rent | 1,250 | 1,250 | 1,300 | 50 | 50 |
| Total public charges for services | <u>\$ 9,045</u> | <u>\$ 9,045</u> | <u>\$ 12,337</u> | <u>\$ 3,292</u> | <u>\$ 3,292</u> |

Schedule 1 (Continued)
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variances- Positive (Negative) | |
|--------------------------|-------------------|-------------------|-------------------|-----------------------------------|--------------------|
| | Original | Final | | Original to Actual | Final to Actual |
| INVESTMENT INCOME | | | | | |
| Interest | \$ 1,400 | \$ 1,400 | \$ 1,465 | \$ 65 | \$ 65 |
| Total investment income | <u>1,400</u> | <u>1,400</u> | <u>1,465</u> | <u>65</u> | <u>65</u> |
| MISCELLANEOUS | | | | | |
| Donations | | | 20,399 | 20,399 | 20,399 |
| Insurance refunds | 3,000 | 3,000 | 199 | (2,801) | (2,801) |
| Other income | 200 | 200 | 20 | (180) | (180) |
| Total miscellaneous | <u>3,200</u> | <u>3,200</u> | <u>20,618</u> | <u>17,418</u> | <u>17,418</u> |
| Total revenues | <u>\$ 277,925</u> | <u>\$ 277,925</u> | <u>\$ 303,940</u> | <u>\$ 26,015</u> | <u>\$ 26,015</u> |

Schedule 2
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variances- Positive (Negative) | |
|------------------------------------|-------------------|-------------------|-------------------|-----------------------------------|-------------------|
| | Original | Final | | Original | Final |
| | to Actual | to Actual | | | |
| GENERAL GOVERNMENT | | | | | |
| Village board | \$ 3,600 | \$ 3,600 | \$ 3,050 | \$ 550 | \$ 550 |
| Board of review | 250 | 250 | 175 | 75 | 75 |
| Board committees | 1,008 | 1,008 | 1,066 | (58) | (58) |
| Clerk/treasurer | 10,000 | 10,000 | 9,727 | 273 | 273 |
| Elections | 2,000 | 2,000 | 3,172 | (1,172) | (1,172) |
| Office expense | 6,000 | 6,000 | 8,820 | (2,820) | (2,820) |
| President expense | 25 | 25 | 277 | (252) | (252) |
| President salary | 2,040 | 2,040 | 2,040 | | |
| Auditing | 6,000 | 6,000 | 5,674 | 326 | 326 |
| Legal fees | 2,400 | 2,400 | 1,800 | 600 | 600 |
| Attorney | 100 | 100 | 60 | 40 | 40 |
| Assessment of property | 3,550 | 3,550 | 3,550 | | |
| Hall | 8,921 | 8,921 | 7,816 | 1,105 | 1,105 |
| Illegal taxes | | | 4,146 | (4,146) | (4,146) |
| Social security taxes | 6,200 | 6,200 | 6,452 | (252) | (252) |
| Liability and property insurance | 11,000 | 11,000 | 11,025 | (25) | (25) |
| Employee bonds | 128 | 128 | 126 | 2 | 2 |
| Health insurance and retirement | 24,732 | 24,732 | 25,371 | (639) | (639) |
| Miscellaneous expense | | | 13 | (13) | (13) |
| Contingency | 5,000 | 5,000 | | 5,000 | 5,000 |
| Total general government | <u>92,954</u> | <u>92,954</u> | <u>94,360</u> | <u>(1,406)</u> | <u>(1,406)</u> |
| PUBLIC SAFETY | | | | | |
| Police department | 27,237 | 27,237 | 31,263 | (4,026) | (4,026) |
| Fire department | 19,478 | 19,478 | 48,623 | (29,145) | (29,145) |
| Hydrant rental | 48,784 | 47,284 | 47,284 | 1,500 | |
| Building inspection | 1,000 | 1,000 | 1,131 | (131) | (131) |
| Total public safety | <u>96,499</u> | <u>94,999</u> | <u>128,301</u> | <u>(31,802)</u> | <u>(33,302)</u> |
| PUBLIC WORKS AND SANITATION | | | | | |
| Garage | 7,373 | 7,373 | 12,038 | (4,665) | (4,665) |
| Streets | 23,194 | 23,194 | 9,855 | 13,339 | 13,339 |
| Sick leave | 6,700 | 6,700 | 5,406 | 1,294 | 1,294 |
| Vacation and holiday pay | 8,000 | 8,000 | 8,067 | (67) | (67) |
| Sidewalks | 1,300 | 1,300 | 1,936 | (636) | (636) |
| Snow removal | 7,000 | 8,500 | 7,100 | (100) | 1,400 |
| Street lighting/signals | 14,000 | 14,000 | 27,527 | (13,527) | (13,527) |
| Tree labor | 1,300 | 1,300 | 469 | 831 | 831 |
| Machinery & equipment | 6,850 | 6,850 | 15,988 | (9,138) | (9,138) |
| Refuse collection | 35,480 | 35,480 | 32,842 | 2,638 | 2,638 |
| Recycling | 7,350 | 7,350 | 6,827 | 523 | 523 |
| Total public works and sanitation | <u>\$ 118,547</u> | <u>\$ 120,047</u> | <u>\$ 128,055</u> | <u>\$ (9,508)</u> | <u>\$ (8,008)</u> |

Schedule 2 (Continued)
Village of Merrilan, Wisconsin
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variances- Positive (Negative) | |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------------------------|--------------------|
| | Original | Final | | Original to Actual | Final to Actual |
| CULTURE AND RECREATION | | | | | |
| Parks | \$ 8,500 | \$ 8,500 | \$ 8,460 | \$ 40 | \$ 40 |
| Celebration | 950 | 950 | 2,468 | (1,518) | (1,518) |
| Total culture and recreation | <u>9,450</u> | <u>9,450</u> | <u>10,928</u> | <u>(1,478)</u> | <u>(1,478)</u> |
| HEALTH AND HUMAN SERVICES | | | | | |
| Cemetery | | | 4,871 | (4,871) | (4,871) |
| CONSERVATION AND DEVELOPMENT | | | | | |
| Dam expense | 300 | 300 | 286 | 14 | 14 |
| Planning and zoning | 400 | 400 | 250 | 150 | 150 |
| Total conservation and development | <u>700</u> | <u>700</u> | <u>536</u> | <u>164</u> | <u>164</u> |
| CAPITAL OUTLAY | <u>2,000</u> | <u>2,000</u> | <u>5,848</u> | <u>(3,848)</u> | <u>(3,848)</u> |
| Total expenditures | <u>\$ 320,150</u> | <u>\$ 320,150</u> | <u>\$ 372,899</u> | <u>\$ (52,749)</u> | <u>\$ (52,749)</u> |

Schedule 3
Village of Merrilan, Wisconsin
Schedule of Operating Revenues and Expenses
Proprietary Funds
Year Ended December 31, 2014

| | Water Utility | Electric Utility | Subtotal | Sewer Utility | Total |
|------------------------------------|------------------|---------------------|------------------|------------------|-------------------|
| OPERATING REVENUES | | | | | |
| Metered sales to general customers | 153,514 | \$ 309,604 | \$ 463,118 | \$ 153,813 | \$ 616,931 |
| Sewer revenue flat rate | | | | 807 | 807 |
| Public fire protection service | 47,284 | | 47,284 | | 47,284 |
| Other sales public authority | 5,753 | 20,685 | 26,438 | | 26,438 |
| Street lights | | 26,107 | 26,107 | | 26,107 |
| Interdepartmental | | 4,661 | 4,661 | | 4,661 |
| Forfeited discounts | 576 | 985 | 1,561 | 643 | 2,204 |
| PB collections | | 0 | | | |
| Other | 14,777 | 3,783 | 18,560 | 4,622 | 23,182 |
| Total operating revenues | <u>221,904</u> | <u>365,825</u> | <u>587,729</u> | <u>159,885</u> | <u>747,614</u> |
| OPERATING EXPENSES | | | | | |
| Plant operation | 54,580 | | 54,580 | 58,462 | 113,042 |
| Plant maintenance | | | | 13,613 | 13,613 |
| Power production | | 251,669 | 251,669 | | 251,669 |
| Transmission and distribution | | 11,033 | 11,033 | | 11,033 |
| Administrative and general | 37,579 | 56,022 | 93,601 | 19,159 | 112,760 |
| Total operating expenses | <u>92,159</u> | <u>318,724</u> | <u>410,883</u> | <u>91,234</u> | <u>502,117</u> |
| Depreciation | 57,575 | 15,178 | 72,753 | 63,732 | 136,485 |
| Taxes | 3,172 | 2,299 | 5,471 | | 5,471 |
| Operating income | <u>\$ 68,998</u> | <u>\$ 29,624</u> | <u>\$ 98,622</u> | <u>\$ 4,919</u> | <u>\$ 103,541</u> |