

VILLAGE OF WALWORTH

Walworth, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

VILLAGE OF WALWORTH

TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

	<u>Page(s)</u>
Independent Auditors' Report	i – ii
Required Supplementary Information	
Management's Discussion and Analysis	iii – xiii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Enterprise Fund	7 – 8
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund	9
Statement of Cash Flows – Enterprise Fund	10 – 11
Statement of Assets and Liabilities – Agency Funds	12
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	13
Index to Notes to Financial Statements	14
Notes to Financial Statements	15 – 49
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	50 – 53
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System	54
Schedule of Employer Contributions – Wisconsin Retirement System	54
Notes to Required Supplementary Information	55

VILLAGE OF WALWORTH

TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

	<u>Page(s)</u>
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	57
Combining Statement of Assets and Liabilities – Agency Funds	58

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Walworth
Walworth, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Walworth, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village of Walworth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fontana-Walworth Water Pollution Control Commission (FWWPCC), a joint venture of the water and sewer utility, which represent 29 percent, 33 percent and 11 percent, respectively, of the assets, net position and expenses of the business-type activities and 29 percent, 33 percent, and 11 percent respectively, of the assets, net position, and expenses of the water and sewer utility fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for FWWPCC, a joint venture of the water and sewer utility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Walworth's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Village of Walworth'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, based on our audit and the report of other auditors, 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 Walworth, Wisconsin, as of December 31, 2017 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.

Emphasis of Matter

As discussed in Note III. I. to the financial statements, net position and fund balance as of December 31, 2016 has been restated to correct material misstatements. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the Village of Walworth as of December 31, 2016, prior to restatement, were audited by other auditors whose report dated June 30, 2017, expressed unmodified opinions on those statements.

As part of the audit of the December 31, 2017 financial statements, we also audited the adjustments described in Note III. I. that were applied to restate the December 31, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2016 financial statements of the Village of Walworth other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2016 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Walworth's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
August 20, 2018

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

The management of the Village of Walworth ("village") offers this narrative discussion and analysis (MD&A) of the financial performance of the village for the year ended December 31, 2017. The MD&A is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the village's financial activity; (3) identify changes in the village's financial position; (4) identify material deviations from the approved budget; and (5) identify individual fund issues or concerns.

Since the MD&A focuses primarily on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the village's more detailed financial statements which follow this section.

FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net position; when expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses illustrates the village's operating results. The village's net position, as measured in the Statement of Net Position, is an important indicator of the village's financial position or health. Over time, increases or decreases in the village's net position, as measured in the Statement of Activities, are important indicators of whether its financial health is improving or deteriorating. The village's mission, however, is to provide services that improve the quality of life for its residents, rather than generate profits as companies do. For this reason, it is also necessary to consider many other non-financial factors, such as the condition of roads or quality of services, in assessing the overall health of the village.

- > The assets and deferred outflows of resources of the Village of Walworth exceeded its liabilities and deferred inflows of resources as of December 31, 2017 by \$10,529,858 (net position). Of this amount, \$6,681,476 is the village's net investment in capital assets.
- > As of December 31, 2017, the Village of Walworth's governmental funds reported combined ending fund balances of \$653,642, a decrease of \$1,497,587 (70%) from the prior year. The main contributor to the decrease in fund balance is a result of the removal of accumulated interfund activity between the general fund and the utilities.

In prior years, the general fund recorded an annual transfer from the water and sewer utility. Under State Statute, utilities may transfer excess operating reserves to the general fund if cash resources exist to do so. Often in prior years the utilities did not have excess cash resources. As a result, the interfund loan balance increased.

In 2017, the water utility underwent a review of water rates before the Public Service Commission of Wisconsin (PSC). As part of that review, the PSC evaluated the overall financial position of the utility as well as compliance with State Statutes. The PSC determined that at the time the transfers were recorded, the utilities did not have excess cash resources to allow for a transfer to the general fund. As such, the PSC ordered the interfund balance of \$1,415,382 to be transferred from the general fund to the water and sewer utility.

- > As of December 31, 2017, the unassigned fund balance for the General Fund was \$120,089. The village's unrestricted fund balance (assigned/unassigned) of \$223,778 as of year end compared to the 2017 general fund operating expenditures was 10%. The total fund balance in the General Fund – also including Nonspendable, Restricted, and Assigned amounts was \$314,410, a decrease of \$1,450,511 (82%) over the previous year. The majority of this decrease is related to the PSC matter noted above.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2017

FINANCIAL HIGHLIGHTS (cont.)

- > The Village of Walworth's total general obligation debt decreased \$100,626. The change in outstanding debt included normal debt repayment of \$230,084 offset by new debt issued for \$129,458. At year-end, the village was utilizing 15% of its general obligation debt capacity.
- > During the 2017 financial statement audit, two prior period adjustments were identified. The first adjustment related to recording the recognition of revenue earned for the payment in lieu of taxes (PILOT) received from the utilities in the general fund. In accordance with GASB 33, the village should recognize the PILOT during the year which the utilities record PILOT expense. The beginning net position and fund balance for the general fund and governmental activities was increased by \$84,652.

The second adjustment was a result of an adjustment of under depreciated water capital assets. During the water rate review in 2017, the PSC evaluated the balance of accumulated depreciation of water capital assets. It was determined water assets had been under depreciated in prior years. The beginning net position for the utility and business type activities was decreased by \$422,036.

OVERVIEW OF THE FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

The *Statement of Net Position* presents information on all of the village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating. To assess the overall health of the village it is also necessary to consider additional nonfinancial factors such as changes in the village's property tax base and the condition of the village's infrastructure.

The *Statement of Activities* presents information showing how the village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the village include general government; public safety; public works; culture, education and recreation; and conservation and development. The business-type activities of the Village of Walworth include the Water and Sewer Utility.

The government-wide financial statements can be found on pages 1 to 2 of this report.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS

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

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

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

The village maintains five (5) individual governmental funds. They include the General Fund, Memorial Library, General Debt Service, Capital Projects Fund, and Tax Increment Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

Proprietary Funds – The village maintains one proprietary enterprise fund – the Water and Sewer Utility which is a major fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 7 to 11 of this report.

Agency Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources for those funds are not available to support village programs and services. The accounting used for agency funds is much like what is used for proprietary funds.

The basic agency fund financial statements can be found on page 12.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget and information relating to the village's net pension liability and related contributions. These schedules can be found on pages 50 to 55 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented as supplementary information which follows the required supplementary information and can be found on pages 56 to 58 of this report.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position should begin with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Walworth, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,301,238 as of December 31, 2017. This is a decrease of \$1,649,442 (33%) compared to 2016 when the net position decreased \$99,845 (2%) over the prior year.

The largest portion of the village's net position (approximately 63%) reflects its investments in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional portion of the village's net position (approximately 8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$3,545,732.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

NET POSITION (cont.)

A summary of the village's Statement of Net Position is presented in the table below.

VILLAGE OF WALWORTH'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016- Restated	2017	2016- Restated	2017	2016- Restated
Current and other assets	\$ 2,291,157	\$ 3,729,088	\$ 3,168,506	\$ 1,728,512	\$ 5,459,663	\$ 5,457,600
Capital assets	3,468,966	3,588,228	5,065,788	5,197,521	8,534,754	8,785,749
Total Assets	<u>5,760,123</u>	<u>7,317,316</u>	<u>8,234,294</u>	<u>6,926,033</u>	<u>13,994,417</u>	<u>14,243,349</u>
Deferred Outflows	381,080	501,548	67,322	95,534	448,402	597,082
Long-term liabilities	1,042,983	982,925	962,213	938,241	2,005,196	1,921,166
Other liabilities	135,304	251,202	81,646	236,865	216,950	488,067
Total Liabilities	<u>1,178,287</u>	<u>1,234,127</u>	<u>1,043,859</u>	<u>1,175,106</u>	<u>2,222,146</u>	<u>2,409,233</u>
Deferred Inflows	1,661,678	1,634,057	29,137	37,418	1,690,815	1,671,475
Net Position:						
Net investment						
in capital assets	2,544,854	2,658,999	4,136,622	4,140,310	6,681,476	6,799,309
Restricted	254,405	270,828	48,245	-	302,650	270,828
Unrestricted (deficit)	501,979	2,020,853	3,043,753	1,668,733	3,545,732	3,689,586
TOTAL NET POSITION	<u>\$ 3,301,238</u>	<u>\$ 4,950,680</u>	<u>\$ 7,228,620</u>	<u>\$ 5,809,043</u>	<u>\$ 10,529,858</u>	<u>\$ 10,759,723</u>

The 2016 financial statements were restated for adjustments as described in Note III.I. The information presented above includes these adjustments for comparative purposes of the Management's Discussion and Analysis. In addition, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

CHANGES IN NET POSITION

The following table provides a summary of the village's operations for the year ended December 31, 2017. Governmental activities decreased the Village of Walworth's net position by \$1,649,442 (33%). This compares to a decrease of \$15,193 (1%) in 2016.

Business-type activities increased the net position by \$1,419,577 (24%). This compares to a decrease of \$50,561 (1%) in the prior year.

As previously discussed, the main contributor to changes in net position is a result of the removal of accumulated interfund activity between the general fund and the water and sewer utility.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

CHANGES IN NET POSITION (cont.)

The following tables and narrative review separately the operational results of governmental and business-type activities.

VILLAGE OF WALWORTH CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016- Restated	2017	2016- Restated	2017	2016- Restated
Revenues						
Program Revenues						
Charges for services	\$ 438,443	\$ 576,549	\$ 968,964	\$ 995,075	\$ 1,407,407	\$ 1,571,624
Operating grants and contributions	248,322	296,628	-	-	248,322	296,628
Capital grants and contributions	23,473	-	1,372	154,800	24,845	154,800
General Revenues						
Property taxes	1,437,607	1,474,060	-	-	1,437,607	1,474,060
Other taxes	2	744	-	-	2	744
Intergovernmental revenues	96,050	-	-	-	96,050	-
Investment income	6,639	1,387	1,693	2,026	8,332	3,413
Loss on asset disposal	-	(73,860)	-	-	-	(73,860)
Miscellaneous	80,368	92,117	-	-	80,368	92,117
Total Revenues	2,330,904	2,367,625	972,029	1,151,901	3,302,933	3,519,526
Expenses						
General government	271,020	268,319	-	-	271,020	268,319
Public safety	1,460,885	1,488,724	-	-	1,460,885	1,488,724
Public works	511,703	470,008	-	-	511,703	470,008
Culture, recreation and education	308,702	344,515	-	-	308,702	344,515
Conservation and development	31,811	34,102	-	-	31,811	34,102
Miscellaneous	-	54,379	104,490	88,361	104,490	142,740
Interest and fiscal charges	28,209	27,423	25,490	33,414	53,699	60,837
Water and sewer operations	-	-	790,488	776,035	790,488	776,035
Total Expenses	2,612,330	2,687,470	920,468	897,810	3,532,798	3,585,280
Increases in Net Position Before Transfers	(281,426)	(319,845)	51,561	254,091	(229,865)	(65,754)
Transfers	(1,368,016)	304,652	1,368,016	(304,652)	-	-
Change in Net Position	(1,649,442)	(15,193)	1,419,577	(50,561)	(229,865)	(65,754)
NET POSITION – Beginning of Year	4,950,680	4,965,873	5,809,043	5,859,604	10,759,723	10,825,477
NET POSITION – End of Year	\$ 3,301,238	\$ 4,950,680	\$ 7,228,620	\$ 5,809,043	\$ 10,529,858	\$ 10,759,723

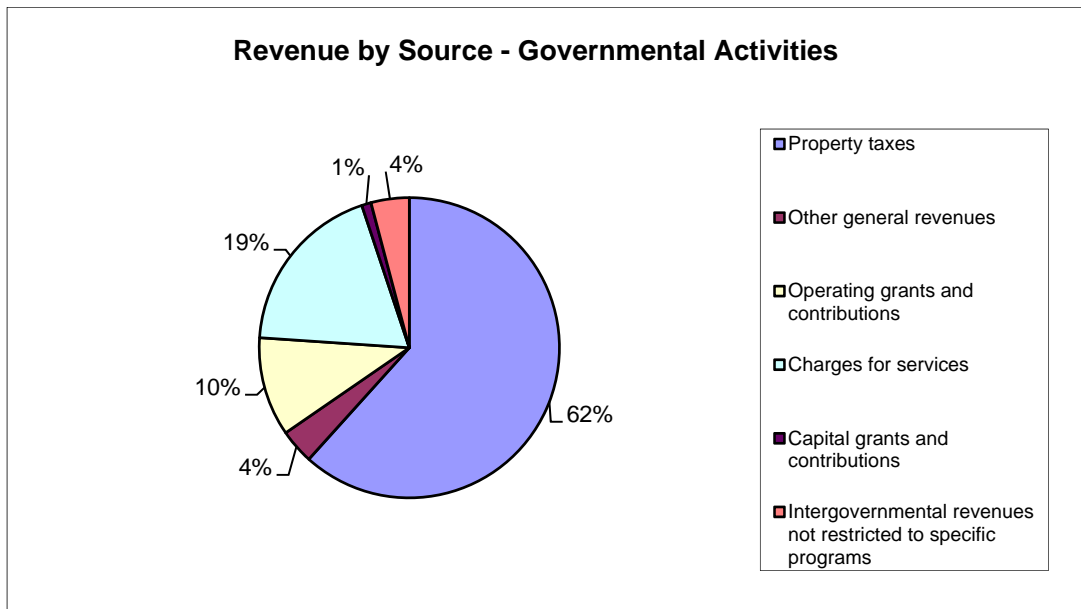
VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES

The village received a total of \$2,330,904 in governmental activity revenues in 2017. This is a decrease of \$36,721 (2%) from the prior year as a loss on asset disposal was recognized in 2016. As the following chart indicates, property taxes account for about two-thirds of all revenues.



Total governmental activities expenses were \$2,612,330 in 2017, a decrease of \$75,140 (3%) from the prior year. The decrease in 2017 is attributed to a decrease in miscellaneous expenses. Revenues were less than expenses by \$281,426 up \$38,419 from the prior year. After transfers, due to the PSC matter as discussed previously, there was a decrease in net position of \$1,649,442.

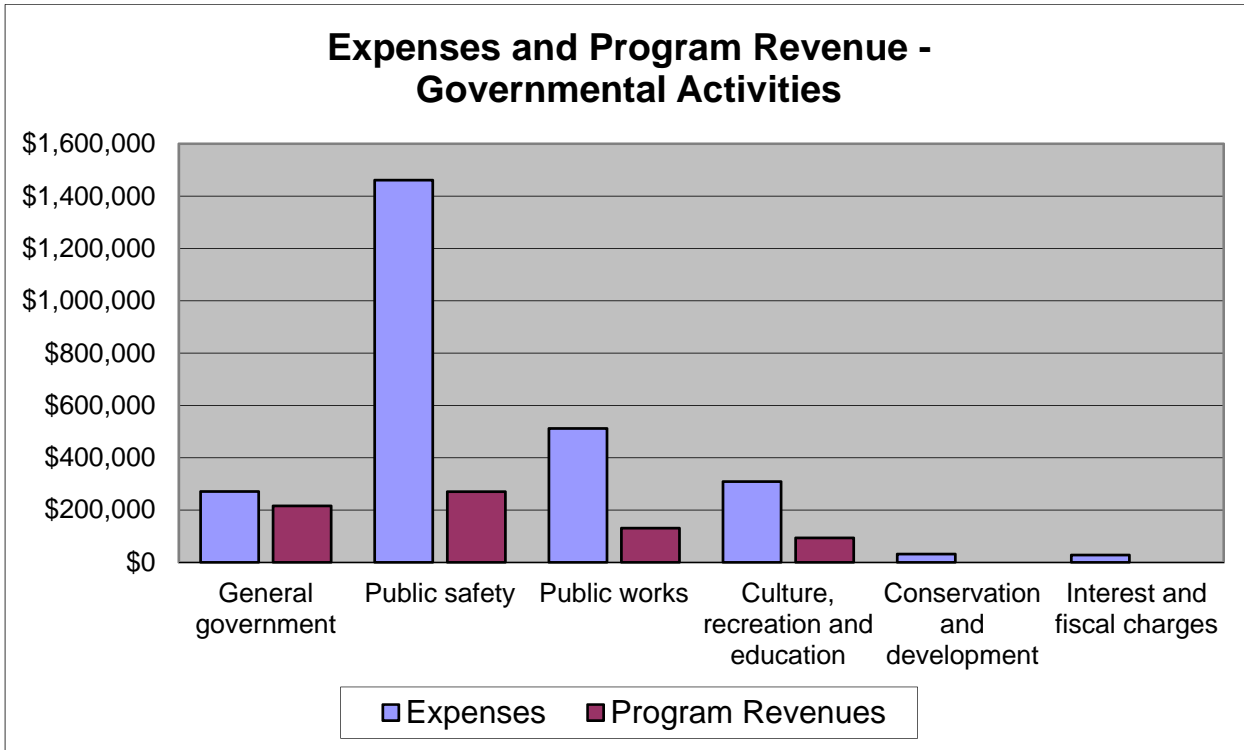
In 2017, Public Safety (police, fire, EMS, emergency management) activities accounted for the largest share of village expenditures at 55.9%, an increase from 55.4% of village expenditures in the prior year. This was followed by expenditures on Public Works activities at 19.6%, up from 17.5%. Other expenditure areas included General Government at 10.4%, Culture, recreation and education at 11.8% and Conservation and Development at 1.2%. Interest and fiscal charges accounted for the remaining 1.1% of governmental activity expenses.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES (cont.)



BUSINESS-TYPE ACTIVITIES

The village generated \$972,029 in business-type activity revenue in 2017 from its Water and Sewer Utility Fund. This is a 16% decrease compared to 2016 when revenues were \$1,151,901. The decrease related to \$154,800 of contributions received by developers in 2016. Charges for services are by far the largest revenue source for these operations, representing almost all utility revenues.

VILLAGE OF WALWORTH

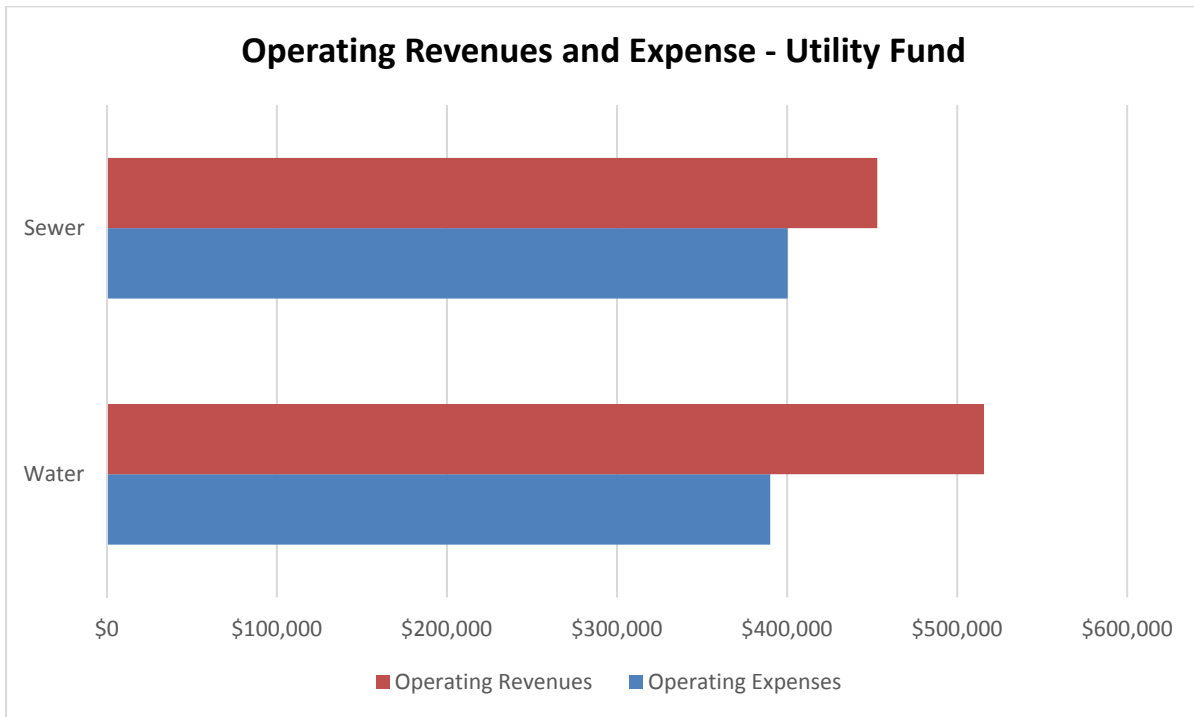
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

BUSINESS-TYPE ACTIVITIES (cont.)

Business-type activities increased the village's net position by \$1,419,577 in 2017. The main reason for the increase, as discussed previously, was the unwinding of prior year interfund balances between the utility and the general fund. This compares to a decrease of \$50,561 in 2016. The net operating income of the business-type activities was \$178,476, compared to \$134,388 from the prior year. The increase in net operating income was a result of decreased operating revenues which were offset by a decrease in water treatment maintenance costs as well. The following graph breaks down the operating revenues and operating expenses for each the water and sewer activity. The water rates in effect during 2017 were implemented on December 26, 2015 and the sewer rates became effective April, 2016.

Expenses and Program Revenues – Business-type Activities



VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

General Fund: The General Fund is the main operating fund of the village. The general fund balance decreased by \$1,450,511 from \$1,764,921 to \$314,410. The decrease was related primarily to the transfer made to the water and sewer utility in the amount of \$1,451,382.

Special Revenue Fund: The Special Revenue Fund balance increased \$11,946 from \$138,540 to \$150,486.

General Debt Service Fund: The General Debt Service Fund balance decreased \$2,453 from \$47,769 to \$45,316.

Tax Increment Fund: The Tax Increment Fund exists to recover project costs from tax increments over the life of the Tax Incremental Districts. Fund balance decreased by \$24,170 during the year. At year-end, TIF owed the general fund \$47,230 in the form of an advance.

Capital Projects Fund: This fund is used to account for financial resources to be used for the acquisition or construction of equipment and major facilities. Fund balance decreased by \$32,339 from \$223,059 to \$190,660. The main reason for the decrease was the transfer of previously collected impact and connection fees to the utility fund.

PROPRIETARY FUNDS

The Village of Walworth's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Walworth Water and Sewer Utility is an enterprise fund of the Village of Walworth. The utility's operating expenses in 2017, excluding depreciation, decreased by \$55,265 from \$678,873 in 2016 to \$623,608 in 2017. Operating revenues of the Utility decreased from \$995,075 in 2016 to \$968,964 in 2017 as the utilities experienced a decline in gallons sold. The Utility has an unrestricted cash balance of \$583,918.

CAPITAL ASSETS

At the end of 2017, the village has invested a total of \$8,534,754 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, library improvements/collection, infrastructure including utility infrastructure and construction work in progress.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2017

CAPITAL ASSETS (cont.)

Significant capital asset additions during 2017 included a new police interceptor, police software, and a jointly owned department of public works, water and sewer utility truck

LONG-TERM DEBT

During 2017, the village and utilities issued \$129,458 of new notes payable and \$230,084 was retired. In addition, the utility paid \$32,536 of principal on its outstanding revenue bonds. A total of \$1,687,411 in general obligation debt for governmental activities was outstanding at the end of 2017.

Under Wisconsin State Statutes, Chapter 67, the Village of Walworth's aggregate general obligation indebtedness may not exceed 5% of the equalized value of taxable property located in the village. The net amount of debt at year-end that was applicable to the statutory limit was \$1,687,411 which was 15% of the maximum allowed of \$10,956,155.

VILLAGE OF WALWORTH'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds and notes payable	\$ 924,112	\$ 929,229	\$ 763,299	\$ 858,808	\$ 1,687,411	\$ 1,788,037
Revenue bonds	-	-	165,867	198,403	165,867	198,403
Total Outstanding Debt	<u>\$ 924,112</u>	<u>\$ 929,229</u>	<u>\$ 929,166</u>	<u>\$ 1,057,211</u>	<u>\$ 1,853,278</u>	<u>\$ 1,986,440</u>

CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS

The Village of Walworth is located in Walworth County, Wisconsin near Lake Geneva, Wisconsin.

The property tax base remained relatively stable, despite the challenging real estate market. Sales data showed that properties generally maintained their previous value in the market for sales of existing homes.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have any questions about this report or need any additional information, contact the Village of Walworth, 227 North Main Street, PO Box 400, Walworth, WI 53184 or at (262) 275-2127.

General information relating to the Village of Walworth, Wisconsin, can be found at the village's website, www.villageofwalworth.govoffice2.com.

VILLAGE OF WALWORTH

STATEMENT OF NET POSITION As of December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 602,400	\$ 583,918	\$ 1,186,318
Taxes receivable	1,512,010	-	1,512,010
Other receivables (net)	88,823	208,828	297,651
Prepaid items and inventories	22,199	4,486	26,685
Other assets	-	2,388,754	2,388,754
Internal balances	65,725	(65,725)	-
Restricted assets			
Cash and investments	-	48,245	48,245
Capital Assets			
Land	403,796	160,623	564,419
Other capital assets, net of depreciation	3,065,170	4,905,165	7,970,335
Total Assets	5,760,123	8,234,294	13,994,417
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	381,080	67,322	448,402
Total Deferred Outflows of Resources	381,080	67,322	448,402
LIABILITIES			
Accounts payable and accrued expenses	123,404	81,646	205,050
Deposits	11,900	-	11,900
Noncurrent Liabilities			
Due within one year	111,846	106,130	217,976
Due in more than one year	931,137	856,083	1,787,220
Total Liabilities	1,178,287	1,043,859	2,222,146
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	152,977	29,137	182,114
Unearned revenues	1,508,701	-	1,508,701
Total Deferred Inflows of Resources	1,661,678	29,137	1,690,815
NET POSITION			
Net investment in capital assets	2,544,854	4,136,622	6,681,476
Restricted for			
Debt service	38,826	-	38,826
Library	150,486	-	150,486
Impact fees	65,093	-	65,093
Capital asset replacement	-	48,245	48,245
Unrestricted	501,979	3,043,753	3,545,732
TOTAL NET POSITION	\$ 3,301,238	\$ 7,228,620	\$ 10,529,858

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental Activities							
General government	\$ 271,020	\$ 185,719	\$ 30,034	\$ -	\$ (55,267)	\$ -	\$ (55,267)
Public safety	1,460,885	247,888	21,288	1,010	(1,190,699)	-	(1,190,699)
Public works	511,703	50	130,578	-	(381,075)	-	(381,075)
Culture, education, and recreation	308,702	4,786	66,422	22,463	(215,031)	-	(215,031)
Conservation and development	31,811	-	-	-	(31,811)	-	(31,811)
Interest and fiscal charges	28,209	-	-	-	(28,209)	-	(28,209)
Total Governmental Activities	<u>2,612,330</u>	<u>438,443</u>	<u>248,322</u>	<u>23,473</u>	<u>(1,902,092)</u>	<u>-</u>	<u>(1,902,092)</u>
Business-type Activities							
Water and Sewer	920,468	968,964	-	1,372	-	49,868	49,868
Total Business-type Activities	<u>920,468</u>	<u>968,964</u>	<u>-</u>	<u>1,372</u>	<u>-</u>	<u>49,868</u>	<u>49,868</u>
Total Primary Government	<u>\$ 3,532,798</u>	<u>\$ 1,407,407</u>	<u>\$ 248,322</u>	<u>\$ 24,845</u>	<u>(1,902,092)</u>	<u>49,868</u>	<u>(1,852,224)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,304,776	-	1,304,776
Property taxes, levied for debt service					132,831	-	132,831
Other taxes					2	-	2
Intergovernmental revenues not restricted to specific programs					96,050	-	96,050
Investment income					6,639	1,693	8,332
Miscellaneous					80,368	-	80,368
Transfers					(1,368,016)	1,368,016	-
Total General Revenues and Transfers					<u>252,650</u>	<u>1,369,709</u>	<u>1,622,359</u>
Change in Net Position					(1,649,442)	1,419,577	(229,865)
NET POSITION - Beginning of Year (restated)					4,950,680	5,809,043	10,759,723
NET POSITION - END OF YEAR					<u>\$ 3,301,238</u>	<u>\$ 7,228,620</u>	<u>\$ 10,529,858</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General	Nonmajor Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 378,669	\$ 223,731	\$ 602,400
Receivables (net)			
Taxes	1,341,659	170,351	1,512,010
Delinquent personal property taxes	19,136	-	19,136
Accounts	67,620	-	67,620
Special assessments	2,067	-	2,067
Due from other funds	65,725	170,883	236,608
Advances to other funds	47,230	-	47,230
Prepaid items	22,199	-	22,199
TOTAL ASSETS	\$ 1,944,305	\$ 564,965	\$ 2,509,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 69,325	\$ 8,152	\$ 77,477
Accrued liabilities	39,437	-	39,437
Due to other funds	170,883	-	170,883
Advances from other funds	-	47,230	47,230
Deposits	11,900	-	11,900
Total Liabilities	<u>291,545</u>	<u>55,382</u>	<u>346,927</u>
Deferred Inflows of Resources			
Unearned tax revenue	1,338,350	170,351	1,508,701
Total Deferred Inflows of Resources	<u>1,338,350</u>	<u>170,351</u>	<u>1,508,701</u>
Fund Balances			
Nonspendable	90,632	-	90,632
Restricted	-	260,895	260,895
Assigned	103,689	125,567	229,256
Unassigned (deficit)	120,089	(47,230)	72,859
Total Fund Balances	<u>314,410</u>	<u>339,232</u>	<u>653,642</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,944,305	\$ 564,965	\$ 2,509,270

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2017

Total Fund Balances - Governmental Funds	\$ 653,642
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 funds. See Note III.D.	3,468,966
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(48,075)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	381,080
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(152,977)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note III.F.	
Compensated absences	(70,796)
General obligation debt	(924,112)
Accrued interest	<u>(6,490)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,301,238</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	General	Nonmajor Governmental Funds	Totals
REVENUES			
Taxes	\$ 1,304,778	\$ 132,831	\$ 1,437,609
Intergovernmental	420,540	57,642	478,182
Licenses and permits	182,366	-	182,366
Public charges for services	135,582	3,561	139,143
Investment income	5,081	1,790	6,871
Miscellaneous	52,449	11,628	64,077
Total Revenues	2,100,796	207,452	2,308,248
EXPENDITURES			
Current			
General government	240,015	-	240,015
Public safety	1,441,376	-	1,441,376
Public works	456,145	-	456,145
Culture, education, and recreation	40,241	207,828	248,069
Conservation and development	9,963	-	9,963
Miscellaneous	7,408	-	7,408
Capital Outlay	-	24,170	24,170
Debt Service			
Principal	-	107,075	107,075
Interest	-	28,209	28,209
Total Expenditures	2,195,148	367,282	2,562,430
Excess (deficiency) of revenues over expenditures	(94,352)	(159,830)	(254,182)
OTHER FINANCING SOURCES (USES)			
Debt issued	101,958	-	101,958
Proceeds from sale of capital assets	2,028	-	2,028
Transfers in	113,689	158,452	272,141
Transfers out	(1,573,834)	(45,698)	(1,619,532)
Total Other Financing Sources (Uses)	(1,356,159)	112,754	(1,243,405)
Net Change in Fund Balances	(1,450,511)	(47,076)	(1,497,587)
FUND BALANCES - Beginning of Year (Restated)	1,764,921	386,308	2,151,229
FUND BALANCES - END OF YEAR	\$ 314,410	\$ 339,232	\$ 653,642

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

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

Net change in fund balances - total governmental funds	\$ (1,497,587)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	24,170
Items reported as operating expenditures that are capitalized in the government-wide financial statements	89,159
Depreciation is reported in the government-wide statements	(232,593)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(101,958)
Principal repaid	107,075
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net pension liability	45,274
Deferred outflows of resources related to pensions	(120,468)
Deferred inflows of resources related to pensions	43,475
Compensated absences	(5,989)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (1,649,442)

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF NET POSITION ENTERPRISE FUND As of December 31, 2017

	Water and Sewer Utility
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 583,918
Receivables	
Accounts	203,922
Special assessments	4,906
Inventories	4,486
Total Current Assets	<u>797,232</u>
NONCURRENT ASSETS	
Restricted Assets	
Cash and investments	48,245
Other Assets	
Equity interest in joint venture	2,388,754
Capital Assets	
Land	160,623
Property and equipment	8,021,145
Less: Accumulated depreciation	<u>(3,115,980)</u>
Total Noncurrent Assets	<u>7,502,787</u>
Total Assets	<u>8,300,019</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	<u>67,322</u>

	Water and Sewer Utility
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 71,046
Accrued wages	5,969
Accrued interest	4,631
Due to other funds	65,725
Current portion of general obligation and revenue debt	106,130
Total Current Liabilities	<u>253,501</u>
NONCURRENT LIABILITIES	
Long-Term Debt	
General obligation and revenue debt	823,036
Other Liabilities	
Net pension liability	9,156
Compensated absences	23,891
Total Noncurrent Liabilities	<u>856,083</u>
Total Liabilities	<u>1,109,584</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	<u>29,137</u>
NET POSITION	
Net investment in capital assets	4,136,622
Restricted for capital asset replacement	48,245
Unrestricted	<u>3,043,753</u>
TOTAL NET POSITION	<u>\$ 7,228,620</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ENTERPRISE FUND

For the Year Ended December 31, 2017

	Water and Sewer Utility
OPERATING REVENUES	
Charges for services	\$ 968,964
Total Operating Revenues	<u>968,964</u>
OPERATING EXPENSES	
Operation and maintenance	623,608
Depreciation	<u>166,880</u>
Total Operating Expenses	<u>790,488</u>
Operating Income	<u>178,476</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	1,693
Loss on joint venture	(104,490)
Interest expense	<u>(25,490)</u>
Total Nonoperating Revenues (Expenses)	<u>(128,287)</u>
Income Before Contributions and Transfers	50,189
CAPITAL CONTRIBUTIONS	1,372
TRANSFERS - CAPITAL CONTRIBUTIONS	35,698
TRANSFER IN (OUT)	1,415,382
TRANSFERS - TAX EQUIVALENT	<u>(83,064)</u>
Change in Net Position	1,419,577
NET POSITION - Beginning of Year (restated)	<u>5,809,043</u>
NET POSITION - END OF YEAR	<u>\$ 7,228,620</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF CASH FLOWS ENTERPRISE FUND

For the Year Ended December 31, 2017

	Water and Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 971,063
Paid to suppliers for goods and services	(683,095)
Paid to employees for services	(109,022)
Net Cash Flows From Operating Activities	<u>178,946</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(155,545)
Interest paid	(30,688)
Proceeds from debt issue	27,500
Acquisition and construction of capital assets	(43,609)
Capital contributions received	37,070
Net Cash Flows From Capital and Related Financing Activities	<u>(165,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	1,693
Net Cash Flows From Investing Activities	<u>1,693</u>
Net Increase in Cash and Cash Equivalents	15,367
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>616,796</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 632,163</u>
NONCASH INVESTING AND RELATED FINANCING ACTIVITIES	
Write off of interfund	<u>\$ 1,415,382</u>
Loss on joint venture	<u>\$ (104,489)</u>

	<u>Water and Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 178,476
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation expense	166,880
Depreciation charged to other funds	8,461
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(8,315)
Due to other funds	(188,483)
Accounts payable	1,460
Other current liabilities	9,160
Pension related deferrals and liabilities	<u>11,307</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 178,946</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION	
Unrestricted cash and investments	\$ 583,918
Restricted cash and investments	<u>48,245</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 632,163</u>

VILLAGE OF WALWORTH

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,694,146
Taxes receivable	<u>1,555,926</u>
TOTAL ASSETS	<u>\$ 3,250,072</u>
LIABILITIES	
Due to others	<u>\$ 3,250,072</u>
TOTAL LIABILITIES	<u>\$ 3,250,072</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
For the Year Ended December 31, 2017

	Eleanor Wickstrom Park Fund
DEDUCTIONS	
Transfer to general fund	\$ <u>(20,625)</u>
CHANGE IN NET POSITION	(20,625)
NET POSITION - Beginning of Year	<u>20,625</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

VILLAGE OF WALWORTH

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE	Page
I Summary of Significant Accounting Policies	15
A. Reporting Entity	15
B. Government-Wide and Fund Financial Statements	15
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	17
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	19
1. Deposits and Investments	19
2. Receivables	19
3. Inventories and Prepaid Items	20
4. Restricted Assets	21
5. Capital Assets	21
6. Other Assets	22
7. Deferred Outflows of Resources	22
8. Compensated Absences	22
9. Long-Term Obligations	23
10. Deferred Inflows of Resources	23
11. Equity Classifications	23
12. Pension	25
13. Basis for Existing Rates	25
II Stewardship, Compliance, and Accountability	25
A. Excess Expenditures and Other Financing Uses Over Appropriations	25
B. Deficit Balance	26
C. Limitations on the Village's Tax Levy	26
D. Violation of Finance-Related Legal or Contractual Provisions	26
III Detailed Notes on All Funds	27
A. Deposits and Investments	27
B. Receivables	28
C. Restricted Assets	28
D. Capital Assets	29
E. Interfund Receivables/Payables, Advances and Transfers	32
F. Long-Term Obligations	34
G. Private Purpose Trust Fund	37
H. Net Position/Fund Balances	38
I. Restatement of Fund Balance/Net Position	40
IV Other Information	41
A. Employees' Retirement System	41
B. Risk Management	47
C. Commitments and Contingencies	47
D. Joint Ventures	48
E. Intergovernmental Agreement	48
F. Subsequent Events	48
G. Effect of New Accounting Standards on Current-Period Financial Statements	49

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Walworth, Wisconsin ("the village") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity 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 certain legally separate component units 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 village are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

Fund Financial Statements (cont.)

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

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.

The village reports the following major governmental fund:

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

The village reports the following major enterprise fund:

Water and Sewer Fund - accounts for operations of the water and sewer systems

The village reports the following nonmajor governmental funds:

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

Memorial Library Fund

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

Fund Financial Statements (cont.)

The village reports the following nonmajor governmental funds: (cont.)

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Projects
Tax Incremental District (TID) No. 1

In addition, the village reports the following fund types:

Private-Purpose Trust Fund - used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Eleanor Wickstrom Park Fund

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

Tax Roll Fund
Municipal Court Fund

Community Chest 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 inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the village's water and sewer 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.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

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

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

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 unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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

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

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

1. Deposits and Investments

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

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

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

The village has not adopted an investment policy.

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

See Note III. A. for further information.

2. Receivables

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

2. Receivables (cont.)

Property tax calendar - 2017 tax roll:

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

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 water and sewer utility because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

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

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

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

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 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 capital 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. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Land Improvements	10-50 Years
Machinery and Equipment	3-50 Years
Furniture and Fixtures	5-15 Years
Infrastructure	25-75 Years
Utility infrastructure	7-77 Years

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

5. Capital Assets (cont.)

Fund Financial Statements

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

6. Other Assets

The village adopted an ordinance on December 3, 1984 establishing a commission to control the construction and operation of a wastewater plant and interceptors jointly owned with the Village of Fontana. The plant is operated by the Fontana-Walworth Water Pollution Control Commission (the Commission). The village's investment in the commission is accounted for using the equity method of accounting and adjusts its investment annually for the operating results of the commission. Complete financial statements of the Fontana-Walworth Water Pollution Control Commission may be obtained from its office at N840 Chilson Rd., Sharon, Wisconsin 53585.

7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

8. Compensated Absences

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

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

Upon retirement, employees with 15 years of service receive up to one half of accumulated sick time; 495 hours of paid sick time for police and 480 hours of paid sick time for general employees.

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

9. 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.

10. Deferred Inflows of Resources

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

11. Equity Classifications

Government-Wide Statements

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

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

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

11. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

See Note III. H. for further information.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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

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

12. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Basis for Existing Rates

Water and Sewer Utility

Current water rates were approved by the Public Service Commission of Wisconsin and went into effect on December 26, 2015.

Current sewer rates were approved by the Village board and were effective April, 2016.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures and Other Financing Uses</u>	<u>Actual Expenditures and Other Financing Uses</u>	<u>Excess Expenditures Over Budget</u>
General Fund	\$ 2,278,905	\$ 3,768,982	\$ 1,490,077
Memorial Library	160,562	207,828	47,266
Debt Service	132,831	135,284	2,453
Capital Projects	-	35,698	35,698
TIF No. 1	-	24,170	24,170

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. DEFICIT BALANCES

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

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

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TID No. 1	\$ 47,230	Excess of expenditures over revenues

TIF district deficits are anticipated to be funded with debt or future incremental taxes levied over the life of the district.

C. LIMITATIONS ON THE VILLAGE'S TAX LEVY

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

D. VIOLATION OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

In prior years, the general fund recorded an annual transfer (revenue) and corresponding receivable (asset) from the water and sewer utility fund. Under State Statute, a utility may transfer excess operating reserves to the general fund if cash resources exist to do so. Often in prior years the water and sewer utility did not have excess cash resources. As a result, the interfund loan balance increased.

In 2017, the water utility underwent a review of water rates before the Public Service Commission of Wisconsin (PSC). As part of that review, the PSC evaluated the overall financial position of the water utility as well as its compliance with State Statutes. The PSC determined that at the time the transfers were recorded, the water and sewer utility did not have excess cash resources to allow for a transfer to the general fund. As such, the PSC ordered the Village to undo the interfund balance in the amount of \$1,415,382. See note III.E.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

	Carrying Value	Statement Balances	Associated Risk
Deposits	\$ 2,927,829	\$ 2,891,459	Custodial credit
Petty cash	880	-	N/A
Total Deposits and Investments	<u>\$ 2,928,709</u>	<u>\$ 2,891,459</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,186,318		
Restricted cash and investments	48,245		
Per statement of net position - agency funds			
Cash and investments	1,694,146		
Total Deposits and Investments	<u>\$ 2,928,709</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

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

The village maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of up to \$4,000,000 to secure the village's deposits.

Custodial Credit Risk

Deposits

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

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of the following:

General fund	<u>\$ 21,203</u>
--------------	------------------

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various component of *unearned revenue* reported in the governmental funds was as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	<u>\$ 1,508,701</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 1,508,701</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

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

Replacement account	<u>\$ 48,245</u>
---------------------	------------------

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 403,796	\$ -	\$ -	\$ 403,796
Total Capital Assets Not Being Depreciated	403,796	-	-	403,796
Capital assets being depreciated				
Buildings and structures	1,948,406	-	-	1,948,406
Machinery and equipment	1,879,485	113,329	22,326	1,970,488
Infrastructure	1,280,518	-	-	1,280,518
Total Capital Assets Being Depreciated	5,108,409	113,329	22,326	5,199,412
Total Capital Assets	5,512,205	113,329	22,326	5,603,208
Less: Accumulated depreciation for				
Buildings and structures	(486,710)	(48,920)	-	(535,630)
Machinery and equipment	(1,178,190)	(151,603)	22,326	(1,307,467)
Infrastructure	(259,075)	(32,070)	-	(291,145)
Total Accumulated Depreciation	(1,923,975)	(232,593)	22,326	(2,134,242)
Net Capital Assets Being Depreciated	3,184,434	(119,264)	-	3,065,170
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,588,230	\$ (119,264)	\$ -	\$ 3,468,966

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 6,272
Public works	82,962
Public safety	101,013
Culture, education and recreation	42,346
Total Governmental Activities Depreciation Expense	\$ 232,593

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>					
Capital assets not being depreciated					
Land	\$ 92,533	\$ -	\$ -	\$ -	\$ 92,533
Total Capital Assets Not Being Depreciated	<u>92,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,533</u>
Capital assets being depreciated					
Source of supply	565,483	-	-	-	565,483
Pumping	1,174,663	-	-	-	1,174,663
Water treatment	33,051	-	-	-	33,051
Transmission and distribution	3,115,258	-	15,029	4,500	3,125,787
General	<u>140,545</u>	<u>144,640</u>	<u>14,290</u>	<u>-</u>	<u>299,475</u>
Total Capital Assets Being Depreciated	<u>5,029,000</u>	<u>144,640</u>	<u>29,319</u>	<u>4,500</u>	<u>5,198,459</u>
Total Capital Assets	<u>5,121,533</u>	<u>144,640</u>	<u>29,319</u>	<u>4,500</u>	<u>5,290,992</u>
Less: Accumulated depreciation	<u>(1,829,322)</u>	<u>(106,491)</u>	<u>(133,072)</u>	<u>4,500</u>	<u>(2,064,385)</u>
Net Capital Assets Being Depreciated	<u>3,199,678</u>	<u>38,149</u>	<u>(103,753)</u>	<u>-</u>	<u>3,134,074</u>
Net Water Capital Assets	<u>\$ 3,292,211</u>	<u>\$ 38,149</u>	<u>\$ (103,753)</u>	<u>\$ -</u>	<u>\$ 3,226,607</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Sewer</u>					
Capital assets not being depreciated					
Land	\$ 68,090	\$ -	\$ -	\$ -	\$ 68,090
Total Capital Assets Not Being Depreciated	<u>68,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,090</u>
Capital assets being depreciated					
Collecting system	2,233,828	-	-	-	2,233,828
Collecting system pumping	180,821	-	-	-	180,821
General	<u>538,388</u>	<u>(144,640)</u>	<u>14,289</u>	<u>-</u>	<u>408,037</u>
Total Capital Assets Being Depreciated	<u>2,953,037</u>	<u>(144,640)</u>	<u>14,289</u>	<u>-</u>	<u>2,822,686</u>
Total Capital Assets	<u>3,021,127</u>	<u>(144,640)</u>	<u>14,289</u>	<u>-</u>	<u>2,890,776</u>
Less: Accumulated depreciation	<u>(1,115,817)</u>	<u>106,491</u>	<u>(42,269)</u>	<u>-</u>	<u>(1,051,595)</u>
Net Capital Assets Being Depreciated	<u>1,837,220</u>	<u>(38,149)</u>	<u>(27,980)</u>	<u>-</u>	<u>1,771,091</u>
Net Sewer Capital Assets	<u>\$ 1,905,310</u>	<u>\$ (38,149)</u>	<u>\$ (27,980)</u>	<u>\$ -</u>	<u>\$ 1,839,181</u>
Business-type Capital Assets, Net of Accumulated Depreciation/Amortization	<u>\$ 5,197,521</u>	<u>\$ -</u>	<u>\$ (131,733)</u>	<u>\$ -</u>	<u>\$ 5,065,788</u>

An adjustment was made between the water and sewer utilities to allocate jointly owned capital assets based on their ownership share.

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 124,611
Sewer	<u>42,269</u>

Total Business-type Activities Depreciation Expense \$ 166,880

Depreciation expense is different from business-type activity accumulated depreciation additions because of joint metering, salvage cost of removal, and cost associated with the disposal of assets.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General fund	Water and Sewer Utility fund	\$ 65,725
Capital Project fund	General fund	125,567
Debt Service fund	General fund	45,316
Total - Fund Financial Statements		236,608
Less: Government-wide eliminations		(170,883)
Total Internal Balances - Government-Wide Statement of Net Position		\$ 65,725
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 65,725
Total Government-Wide Financial Statements		\$ 65,725

All interfund amounts are due within one year.

Advances

The general fund is advancing funds to the TID No. 1 capital projects fund. The amount advanced is determined by the capital contribution for construction costs for the TIF district.

A repayment schedule of the advance of \$47,230 from the general fund to the TIF district has not been established and it is not expected to be repaid in the next year.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Library fund Eleanor Wickstrom Park Fund	\$ 10,000	Operating
General Fund	Fund	20,625	Dissolution of trust fund
Library fund	General fund	158,452	Tax revenue
Water and Sewer Utility fund	General fund	1,415,382	PSC adjustments
Water and Sewer Utility fund	Capital projects fund Water and Sewer Utility fund	35,698	Impact and connection fees
General fund	fund	<u>83,064</u>	Payment in lieu of taxes
Sub-Total		1,723,221	
Less: Fund eliminations		(168,452)	
Less: Government-wide eliminations		<u>(186,753)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 1,368,016</u>	

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 83,064
Business-type Activities	Governmental Activities	<u>(1,451,080)</u>
Total Government-wide Financial Statements		<u>\$ (1,368,016)</u>

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 929,229	\$ 101,958	\$ 107,075	\$ 924,112	\$ 111,846
Sub-totals	929,229	101,958	107,075	924,112	111,846
Other Liabilities					
Vested compensated absences	64,807	36,397	30,408	70,796	-
Net pension liability	93,349	-	45,274	48,075	-
Total Other Liabilities	158,156	36,397	75,682	118,871	-
Total Governmental Activities Long-Term Liabilities	\$ 1,087,385	\$ 138,355	\$ 182,757	\$ 1,042,983	\$ 111,846
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 858,808	\$ 27,500	\$ 123,009	\$ 763,299	\$ 94,221
Revenue bonds	198,403	-	32,536	165,867	11,909
Sub-totals	1,057,211	27,500	155,545	929,166	106,130
Other Liabilities					
Vested compensated absences	16,250	12,283	4,642	23,891	-
Net pension liability	17,780	-	8,624	9,156	-
Total Other Liabilities	34,030	12,283	13,266	33,047	-
Total Business-type Activities Long-Term Liabilities	\$ 1,091,241	\$ 39,783	\$ 168,811	\$ 962,213	\$ 106,130

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2017, was \$10,956,155. Total general obligation debt outstanding at year end was \$1,687,411.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
Promissory note	02/16/10	03/01/25	3.80%	\$ 355,000	\$ 162,018
Promissory note	11/18/10	11/18/24	3.80%	378,439	255,349
Promissory note	12/30/11	12/29/21	3.80%	72,000	32,086
Promissory note	01/21/15	09/01/24	3.00%	300,000	271,451
Promissory note	01/26/15	09/01/18	2.50%	91,968	19,600
Promissory note	02/10/15	03/01/18	2.50%	20,000	6,819
Promissory note	05/20/16	05/20/20	3.50%	30,000	19,245
Promissory note	05/20/16	05/20/21	3.50%	62,000	44,538
Promissory note	12/27/16	12/27/19	3.75%	20,000	13,583
Promissory note	05/12/17	05/12/22	3.50%	27,500	24,966
Promissory note	10/17/17	10/17/24	3.30%	74,458	<u>74,457</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 924,112</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
Promissory note	11/10/14	11/01/24	3.00%	\$ 906,491	\$ 716,333
Promissory note	01/26/15	09/01/18	2.50%	99,632	22,000
Promissory note	05/12/17	05/12/22	3.50%	27,500	<u>24,966</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 763,299</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 111,846	\$ 27,891	\$ 94,221	\$ 22,208
2019	88,375	21,633	74,438	19,614
2020	80,030	21,805	76,668	17,384
2021	71,780	19,180	79,066	14,986
2022	55,342	17,052	78,468	12,563
2023-2025	<u>516,739</u>	<u>55,477</u>	<u>360,438</u>	<u>27,073</u>
Totals	<u>\$ 924,112</u>	<u>\$ 163,038</u>	<u>\$ 763,299</u>	<u>\$ 113,828</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Water and Sewer Utility .

The water and sewer utilities have pledged future utility revenues, net of specified operating expenses, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from water and wastewater revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 5% of net revenues. The total principal and interest remaining to be paid on the bonds is \$193,805. Principal and interest paid for the current year and total customer net revenues were \$16,180 and \$356,191, respectively.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2017, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
<u>Wastewater Utility</u>					
Clean water revenue bonds	11/25/09	05/01/29	2.67%	\$ 252,220	<u>\$ 165,867</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,909	\$ 4,266
2019	12,227	3,944
2020	12,553	3,614
2021	12,888	3,275
2022	13,232	2,926
2023-2027	71,649	9,069
2028-2029	<u>31,409</u>	<u>844</u>
Totals	<u>\$ 165,867</u>	<u>\$ 27,938</u>

G. PRIVATE PURPOSE TRUST FUND

During 2017, the Eleanor Wickstrom Park Fund, a private purpose trust fund, was dissolved by action taken by the Village Board. The remaining assets were transferred to the general fund for the purpose of park spending and is reported as assigned general fund balance.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 403,796
Other capital assets, net of accumulated depreciation	3,065,170
Less: Long-term capital debt outstanding	<u>(924,112)</u>
Total Net Investment in Capital Assets	<u>2,544,854</u>
Restricted	
Debt service	38,826
Library	150,486
Impact fees	<u>65,093</u>
Total Restricted	<u>254,405</u>
Unrestricted	<u>501,979</u>
Total Governmental Activities Net Position	<u>\$ 3,301,238</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

	General Fund	Nonmajor Funds	Totals
Fund Balances			
Nonspendable:			
Delinquent personal property taxes	\$ 19,136	\$ -	\$ 19,136
Prepaid items	22,199	-	22,199
Special assessments	2,067	-	2,067
Advances to other funds	47,230	-	47,230
Restricted for:			
Debt service	-	45,316	45,316
Capital projects - impact fees	-	65,093	65,093
Library	-	150,486	150,486
Assigned to:			
Capital projects	-	125,567	125,567
Park projects - transfer from private purpose trust	20,625	-	20,625
Property tax equivalent	83,064	-	83,064
Unassigned (deficit):	<u>120,089</u>	<u>(47,230)</u>	<u>72,859</u>
Total Fund Balances (Deficit)	<u>\$ 314,410</u>	<u>\$ 339,232</u>	<u>\$ 653,642</u>

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 160,623
Other capital assets, net of accumulated depreciation	4,905,165
Less: Long-term capital debt outstanding	(929,166)
Total Net Investment in Capital Assets	<u>\$ 4,136,622</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF FUND BALANCE/NET POSITION

Fund balance and net position have been restated to correct errors as described below.

General Fund

General Fund balance - December 31, 2016 (as reported)	\$ 1,680,269
Add: Correct the implementation of GASB 33 in relation to the property tax equivalent	<u>84,652</u>
Fund Balance - December 31, 2016 (as restated)	<u>\$ 1,764,921</u>
Net income of the prior year would have been increased by	<u>\$ 84,652</u>

Governmental Activities

Governmental activities Net Position - December 31, 2016 (as reported)	\$ 4,866,028
Add: Correct the implementation of GASB 33 in relation to the property tax equivalent	<u>84,652</u>
Net Position - December 31, 2016 (as restated)	<u>\$ 4,950,680</u>
Net income of the prior year would have been increased by	<u>\$ 84,652</u>

Business-type Activities

Business-type activities Net Position - December 31, 2016 (as reported)	\$ (6,231,079)
Less: Under reported depreciation expense	<u>422,036</u>
Net Position - December 31, 2016 (as restated)	<u>\$ (5,809,043)</u>

The adjustment to the net income of the prior year is unknown.

Water and Sewer Utility

Water and sewer utility Net Position - December 31, 2016 (as reported)	\$ (6,231,079)
Less: Under-reported depreciation expense	<u>422,036</u>
Net Position - December 31, 2016 (as restated)	<u>\$ (5,809,043)</u>

The adjustment to the net income of the prior year is unknown.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$66,759 in contributions from the village.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (executives & elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the village reported a liability of \$57,231 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension liability was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the village's proportion was 0.00694347%, which was an increase of 0.00010470% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the village recognized pension expense of \$147,052.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,822	\$ 179,985
Changes in assumptions	59,836	-
Net differences between projected and actual earnings on pension plan investments	284,876	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,707	2,129
Employer contributions subsequent to the measurement date	79,161	-
Totals	\$ 448,402	\$ 182,114

\$79,161 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 134,292	\$ 57,989
2019	134,291	57,989
2020	109,990	57,989
2021	(9,431)	8,122
2022	99	25

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$752,907	\$57,231	\$(478,472)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2017, the village reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

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

D. JOINT VENTURES

Fontana-Walworth Water Pollution Control Commission

In 1986, the village entered into an intergovernmental agreement to Fontana Walworth Water Pollution Control Commission (FWWPCC). The FWWPCC, organized as an Intergovernmental Cooperation established under Section 66.30 of the Wisconsin Statutes, is governed by a nine-member commission consisting of four members each from the Villages of Walworth and Fontana, and a nonvoting member from Kikkoman Foods, Inc. The FWWPCC was established to provide a single contractual relationship for the joint participation in the collection, treatment, and disposal of sewage for the participating entities. The municipalities own all property, real and personal, as tenants-in-common. Upon dissolution, the assets are distributed based on the percentages as set forth in the Intergovernmental Agreement, Amended Exhibit "G". This agreement is recorded as a joint venture investment of the proprietary fund with a balance of \$2,388,754 at December 31, 2017. The proprietary share of the joint venture's loss for 2017 was \$104,490.

The equity interest is reported in the business-type activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

E. INTERGOVERNMENTAL AGREEMENT

Walworth Fire Department

The village has entered into an intergovernmental agreement with the Town of Walworth to share the cost of operating a fire department and rescue squad to provide fire protection and rescue services to the village and township.

F. SUBSEQUENT EVENTS

The water utility approved and will implement a two-step rate increase of 3% and 15% during 2018. The second step is effective June 20, 2018.

The sewer utility increased rates 3% effective June 20, 2018.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. SUBSEQUENT EVENTS (cont.)

The village has entered into an agreement with a vendor for phase I of the new EMS building not to exceed \$3,939,500

On April 3, 2018 the village issued general obligation promissory notes in the amount of \$105,000 with an interest rate of 2.50%. This amount will be used for park planning and roadwork.

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 85, Omnibus 2017*
- > *Statement No. 86, Certain Debt Extinguishment Issues*
- > *Statement No. 87, Leases*
- > *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- > *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WALWORTH

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property taxes for village purposes	\$ 1,304,776	\$ 1,304,776	\$ 1,304,776	\$ -
Interest on taxes	-	-	2	2
Totals	<u>1,304,776</u>	<u>1,304,776</u>	<u>1,304,778</u>	<u>2</u>
INTERGOVERNMENTAL				
Transportation aid	106,000	106,000	98,497	(7,503)
State shared revenues	76,302	76,302	76,350	48
Fire insurance from state	7,750	7,750	8,635	885
Exempt computer aid	7,070	7,070	19,700	12,630
State aid - police training	1,620	1,620	960	(660)
State aid - police grants	-	-	3,894	3,894
State aid - rescue squad	4,000	4,000	-	(4,000)
State aid - recycling	8,000	8,000	8,511	511
Police service/crossing guards	10,039	10,039	8,658	(1,381)
County drug enforcement unit	100	100	174	74
County traffic task force	4,680	4,680	7,625	2,945
Fire service	113,845	113,845	113,853	8
Rescue service	50,121	50,121	50,113	(8)
Local road improvement	23,673	23,673	23,570	(103)
Totals	<u>413,200</u>	<u>413,200</u>	<u>420,540</u>	<u>7,340</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	6,000	6,000	6,250	250
Operator licenses	1,650	1,650	1,635	(15)
Cigarette licenses	600	600	700	100
Other licenses	400	400	340	(60)
Building permits	40,000	40,000	34,158	(5,842)
Dog licenses	200	200	443	243
Court penalties and fees	133,767	133,767	134,970	1,203
Parking violations	2,500	2,500	3,870	1,370
Totals	<u>185,117</u>	<u>185,117</u>	<u>182,366</u>	<u>(2,751)</u>

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

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (cont.)
 For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Publication fees	\$ 75	\$ 75	\$ 124	\$ 49
Awards and judgements	-	-	35	35
Clerk fees	1,000	1,000	2,309	1,309
Police fees	150	150	181	31
Rescue squad fees	45,000	45,000	75,083	30,083
Public works fees	800	800	50	(750)
Park reservation fees	1,000	1,000	1,225	225
Rezoning and planning fees	1,000	1,000	885	(115)
Cost recovery reimbursements	-	-	30,034	30,034
Miscellaneous	6,500	6,500	25,656	19,156
Totals	<u>55,525</u>	<u>55,525</u>	<u>135,582</u>	<u>80,057</u>
INVESTMENT INCOME				
Interest on investments	2,500	2,500	4,851	2,351
Interest on specials	-	-	230	-
Totals	<u>2,500</u>	<u>2,500</u>	<u>5,081</u>	<u>2,351</u>
MISCELLANEOUS REVENUES				
Utility rent revenue	18,000	18,000	18,000	-
Cablevision fees	30,000	30,000	34,449	4,449
Totals	<u>48,000</u>	<u>48,000</u>	<u>52,449</u>	<u>4,449</u>
OTHER FINANCING SOURCES				
Debt proceeds	101,958	101,958	101,958	-
Transfer in - Utility tax equivalent	70,000	70,000	83,064	13,064
Transfer in - Library	10,000	10,000	10,000	-
Transfer in - Private purpose trust fund	-	-	20,625	20,625
Proceeds from sale of capital assets	-	-	2,028	2,028
Totals	<u>181,958</u>	<u>181,958</u>	<u>217,675</u>	<u>35,717</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>2,191,076</u>	<u>2,191,076</u>	<u>2,318,471</u>	<u>127,165</u>

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

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (cont.)
 For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Village board	\$ 28,444	\$ 28,444	\$ 29,116	\$ (672)
Village president	8,203	8,403	8,598	(195)
Municipal court	31,552	31,552	29,786	1,766
Clerk/treasurer	96,265	97,265	108,492	(11,227)
Elections	6,000	6,000	3,337	2,663
Assessment of property	11,500	11,200	8,764	2,436
Accounting and auditing	10,000	10,300	10,286	14
Legal	9,000	9,000	11,883	(2,883)
Prosecution expense	10,000	10,000	6,572	3,428
Flexible spending	1,500	1,500	781	719
Municipal building	23,300	24,800	20,056	4,744
Rental expense	-	-	2,344	(2,344)
Insurance expense	4,913	4,913	-	4,913
Totals	<u>240,677</u>	<u>243,377</u>	<u>240,015</u>	<u>3,362</u>
PUBLIC SAFETY				
Police	818,187	818,187	828,855	(10,668)
Crossing guards	21,247	21,247	21,061	186
Fire suppression	222,637	222,547	196,307	26,240
Hydrant rental	187,900	187,900	182,418	5,482
Building inspection	32,000	32,000	33,040	(1,040)
Emergency government	21,648	19,963	20,000	(37)
Rescue squad	162,374	167,374	157,850	9,524
Jail detention	1,500	1,500	1,845	(345)
Totals	<u>1,467,493</u>	<u>1,470,718</u>	<u>1,441,376</u>	<u>29,342</u>
PUBLIC WORKS				
Engineering	10,000	20,000	17,348	2,652
Streets and alleys	283,311	255,811	224,671	31,140
Snow and ice control	40,855	37,355	29,639	7,716
Traffic control	4,000	4,000	3,884	116
Street lighting	29,000	29,000	28,368	632
Sidewalks and crosswalks - other	4,000	4,000	3,990	10
Storm sewer - other	4,500	4,500	1,845	2,655
Garbage and refuse collection	87,210	87,210	80,308	6,902
Maintenance	7,250	7,250	6,046	1,204
Recycling	57,405	57,405	60,046	(2,641)
Totals	<u>527,531</u>	<u>506,531</u>	<u>456,145</u>	<u>50,386</u>

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

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE, EDUCATION, AND RECREATION				
Recreation	\$ 1,500	\$ 1,500	\$ 1,000	\$ 500
Celebrations	1,500	1,500	889	611
Parks and playgrounds	<u>33,928</u>	<u>33,928</u>	<u>38,352</u>	<u>(4,424)</u>
Totals	<u>36,928</u>	<u>36,928</u>	<u>40,241</u>	<u>(3,313)</u>
CONSERVATION AND DEVELOPMENT				
Weed control	2,000	2,000	1,066	934
Plan commission	7,996	7,996	7,407	589
Zoning	200	200	234	(34)
TIF expense	2,000	2,000	-	2,000
Development	<u>1,747</u>	<u>1,747</u>	<u>1,256</u>	<u>491</u>
Totals	<u>13,943</u>	<u>13,943</u>	<u>9,963</u>	<u>3,980</u>
MISCELLANEOUS				
Unemployment compensation	<u>1,230</u>	<u>7,408</u>	<u>7,408</u>	<u>-</u>
OTHER FINANCING USES				
Transfer out - water and sewer utility	-	-	1,415,382	(1,415,382)
Transfer out - library	<u>-</u>	<u>-</u>	<u>158,452</u>	<u>(158,452)</u>
Totals	<u>-</u>	<u>-</u>	<u>1,573,834</u>	<u>(1,573,834)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES				
	<u>2,287,802</u>	<u>2,278,905</u>	<u>3,768,982</u>	<u>(1,490,077)</u>
Net change in fund balance	(96,726)	(87,829)	(1,450,511)	(1,362,682)
FUND BALANCE - Beginning of Year (as restated)	<u>1,764,921</u>	<u>1,764,921</u>	<u>1,764,921</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,668,195</u>	<u>\$ 1,677,092</u>	<u>\$ 314,410</u>	<u>\$ (1,362,682)</u>

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

VILLAGE OF WALWORTH

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

Fiscal Year Ending	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)
12/31/17	0.00694347%	\$ 57,231	\$ 793,471	7.21%	99.12%
12/31/16	0.00683877%	111,129	788,578	14.09%	98.20%
12/31/15	0.00695964%	(170,948)	792,252	21.58%	102.74%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/17	\$ 79,161	\$ 79,161	\$ -	802,046	9.87%
12/31/16	66,759	66,759	-	793,471	8.06%
12/31/15	64,598	64,598	-	788,578	8.19%

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

VILLAGE OF WALWORTH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

BUDGETARY INFORMATION

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

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

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

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

The village is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

Changes in Assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

VILLAGE OF WALWORTH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Memorial Library	Debt Service	Capital Projects	TID No. 1	
ASSETS					
Cash and investments	\$ 158,638	\$ -	\$ 65,093	\$ -	\$ 223,731
Receivables (net)					
Taxes	-	147,343	-	23,008	170,351
Due from other funds	-	45,316	125,567	-	170,883
TOTAL ASSETS	\$ 158,638	\$ 192,659	\$ 190,660	\$ 23,008	\$ 564,965
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 8,152	\$ -	\$ -	\$ -	\$ 8,152
Advances from other funds	-	-	-	47,230	47,230
Total Liabilities	8,152	-	-	47,230	55,382
Deferred Inflows of Resources					
Unearned tax revenue	-	147,343	-	23,008	170,351
Total Deferred Inflows of Resources	-	147,343	-	23,008	170,351
Fund Balances					
Restricted	150,486	45,316	65,093	-	260,895
Assigned	-	-	125,567	-	125,567
Unassigned (deficit)	-	-	-	(47,230)	(47,230)
Total Fund Balances	150,486	45,316	190,660	(47,230)	339,232
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 158,638	\$ 192,659	\$ 190,660	\$ 23,008	\$ 564,965

VILLAGE OF WALWORTH

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

	Special Revenue		Capital Projects		Total
	Memorial Library	Debt Service	Capital Projects	TID No. 1	Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ 132,831	\$ -	\$ -	\$ 132,831
Intergovernmental	57,642	-	-	-	57,642
Public charges for services	3,561	-	-	-	3,561
Investment income	1,339	-	451	-	1,790
Miscellaneous	8,780	-	2,848	-	11,628
Total Revenues	<u>71,322</u>	<u>132,831</u>	<u>3,299</u>	<u>-</u>	<u>207,452</u>
EXPENDITURES					
Current					
Culture, education, and recreation	207,828	-	-	-	207,828
Capital Outlay	-	-	-	24,170	24,170
Debt Service					
Principal	-	107,075	-	-	107,075
Interest	-	28,209	-	-	28,209
Total Expenditures	<u>207,828</u>	<u>135,284</u>	<u>-</u>	<u>24,170</u>	<u>367,282</u>
Excess (deficiency) of revenues over expenditures	<u>(136,506)</u>	<u>(2,453)</u>	<u>3,299</u>	<u>(24,170)</u>	<u>(159,830)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	158,452	-	-	-	158,452
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>(35,698)</u>	<u>-</u>	<u>(45,698)</u>
Total Other Financing Sources (Uses)	<u>148,452</u>	<u>-</u>	<u>(35,698)</u>	<u>-</u>	<u>112,754</u>
Net Change in Fund Balances	11,946	(2,453)	(32,399)	(24,170)	(47,076)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>138,540</u>	<u>47,769</u>	<u>223,059</u>	<u>(23,060)</u>	<u>386,308</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 150,486</u>	<u>\$ 45,316</u>	<u>\$ 190,660</u>	<u>\$ (47,230)</u>	<u>\$ 339,232</u>

VILLAGE OF WALWORTH

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2017

	<u>Municipal Court</u>	<u>Community Chest</u>	<u>Tax Roll</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 20,319	\$ 6,728	\$ 1,667,099	\$ 1,694,146
Taxes receivable	<u>-</u>	<u>-</u>	<u>1,555,926</u>	<u>1,555,926</u>
TOTAL ASSETS	<u>\$ 20,319</u>	<u>\$ 6,728</u>	<u>\$ 3,223,025</u>	<u>\$ 3,250,072</u>
LIABILITIES				
Due to others	<u>\$ 20,319</u>	<u>\$ 6,728</u>	<u>\$ 3,223,025</u>	<u>\$ 3,250,072</u>
TOTAL LIABILITIES	<u>\$ 20,319</u>	<u>\$ 6,728</u>	<u>\$ 3,223,025</u>	<u>\$ 3,250,072</u>