



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

**VILLAGE OF JOHNSON CREEK
AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

Quality service through our commitment to clients and staff.

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December 31, 2016**

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Village of Johnson Creek

Management's Discussion and Analysis

December 31, 2016

The Management's Discussion and Analysis of the Village of Johnson Creek's financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Village of Johnson Creek's financial statements.

Financial Highlights

- Total equalized value of real and personal property in the Village for 2016 is \$312,986,500, of which \$199,798,500 is non-TIF (Tax Incremental Financing) property. Total equalized value in 2015 was \$296,300,300, of which \$192,551,800 was non-TIF property and in 2014 total equalized value was \$294,236,400, of which \$192,225,500 was non-TIF property. Overall equalized value (estimate of the market value of all property) was up \$16,686,200 from 2015 to 2016. Net new construction also increased by \$17,216,800 during the same period according to figures released by the State of Wisconsin Department of Revenue.
- Village assets exceeded liabilities by \$26,842,620 at the close of FY 2016, up from \$26,516,489 FY 2015 and \$26,596,635 FY 2014 (restated). Of this amount, \$6,728,858 is considered unrestricted, \$171,298 is restricted for specific purposes and \$19,942,464 is invested in capital assets net of related debt.
- Net position for business-type activities was \$23,885,078 at the close of FY 2016, down from \$24,247,032 at close of FY 2015 and \$24,606,614 at the close of FY 2014 (restated). Net position for governmental-type activities was \$2,957,542 at the close of FY 2016 up from \$2,269,457 at the close of FY 2015 and \$1,990,021 at the close of FY 2014 (restated).
- The Village experienced a net decrease of \$1,265,831 in fixed assets during 2016 due to normal depreciation during a year in which little infrastructure and equipment was added. Governmental funds fixed assets decreased by \$774,630 and proprietary funds fixed assets decreased by \$491,201.

Village of Johnson Creek
Management's Discussion & Analysis

Overview of the Financial Statements

The Village of Johnson Creek basic financial statements are comprised of three components:

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

Other supplementary information in addition to the basic financial statements is provided as required.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Village finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Village assets and liabilities, with the difference between the two 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 of Johnson Creek is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village of Johnson Creek that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general administration; public safety; public works; health, welfare and sanitation; culture and recreation, conservation and development and debt service. Business-type activities of the Village include a Water Utility and a Sewer Utility.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Johnson Creek, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources*

Village of Johnson Creek
Management's Discussion & Analysis

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Additionally, other non-financial factors may need to be considered, such as changes in the Village's property tax base and condition of infrastructure.

The Village of Johnson Creek maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the fund balances for the general fund, fire fund, TIF #2 fund and TIF #3 fund, all of which are considered to be major funds. The library fund, room tax fund and capital outlay fund are considered non-major funds for which data is shown in a single, aggregated presentation.

The basic governmental fund financial statements are found on pages 3-6 of this report.

The Village of Johnson Creek adopts an annual appropriated budget for the general fund and various other funds as required by state statute. Budgetary comparison statements, found on pages 43-46, have been provided as required supplementary information for the general fund, the two separate TIF funds and fire fund.

Proprietary funds. The Village of Johnson Creek maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water utility and its sewer utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility and sewer utility as both are considered to be major funds of the Village of Johnson Creek.

The basic proprietary fund financial statements are found on pages 7-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government or for other funds. Fiduciary funds are *not* reflected in the government-wide financial statements. The only fiduciary fund maintained by the Village is the tax agency fund which records the tax roll and tax collections for other taxing jurisdictions within the Village of Johnson Creek. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information essential to full understanding of data provided in the government-wide and fund financial statements such as a description of the Village's accounting policies and detail of inter-fund balances, restricted cash balances, fixed asset changes and debt service. The notes to the financial statements can be found on pages 13-42 of this report.

Village of Johnson Creek
Management's Discussion & Analysis

Overview of the Financial Statements

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 Johnson Creek, assets exceeded liabilities by \$26,842,620 at the close of the most recent fiscal year and \$26,516,489 at the close of the prior fiscal year, as presented in the following tables.

Village of Johnson Creek's Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,679,994	\$ 8,791,130	\$ 5,155,140	\$ 5,033,130	\$ 14,835,134	\$ 13,824,260
Capital Assets	15,511,444	16,286,074	18,567,739	19,058,940	34,079,183	35,345,014
Total Assets	25,191,438	25,077,204	23,722,879	24,092,070	48,914,317	49,169,274
Deferred Outflows	556,289	269,433	320,740	218,372	877,029	487,805
Long-Term Liabilities	18,262,904	19,025,738	45,904	49,656	18,308,808	19,075,394
Other Liabilities	289,682	245,464	112,637	13,754	402,319	259,218
Total Liabilities	18,552,586	19,271,202	158,541	63,410	18,711,127	19,334,612
Deferred Inflows	4,237,599	3,805,978	-	-	4,237,599	3,805,978
Net Position:						
Net Investment in Capital Assets	1,374,725	1,964,641	18,567,739	19,058,940	19,942,464	21,023,581
Restricted	171,298	409,987	-	98,240	171,298	508,227
Unrestricted	1,411,519	(105,171)	5,317,339	5,089,852	6,728,858	4,984,681
Total Net Positions	\$ 2,957,542	\$ 2,269,457	\$ 23,885,078	\$ 24,247,032	\$ 26,842,620	\$ 26,516,489

The Village of Johnson Creek's net position reflects its investment in capital assets (e.g., land, building, machinery, equipment, and infrastructure), less any related debt used to acquire those assets, as a positive \$19,942,464 compared to \$21,023,581 for the year ended 2015 and \$22,020,070 for the year ended 2014. The Village uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, \$171,298 represents resources subject to external restrictions on how they may be used. These restricted assets include reserves as required by long-term debt requirements, impact fee collections, funds restricted by State law, library trust fund, and possible pension asset from the Wisconsin Retirement System. The remaining balance of *unrestricted net position* is \$6,728,858 up from \$4,984,681 the prior year.

Village of Johnson Creek
Management's Discussion & Analysis

Village of Johnson Creek's Change in Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services and fees, fines and costs	\$ 440,214	\$ 434,632	\$ 1,216,318	\$ 1,209,925	\$ 1,656,532	\$ 1,644,557
Operating grants and contributions	262,169	269,030	-	-	262,169	269,030
Capital grants and contributions	-	-	1,325	25,000	1,325	25,000
General revenues:						
Taxes	4,181,510	4,040,473	-	-	4,181,510	4,040,473
Special Assessments	39,787	50,967	-	-	39,787	50,967
Intergovernmental revenues not restricted to specific programs	328,185	325,827	-	-	328,185	325,827
Unrestricted Interest and Investment Earnings	79,773	16,098	61,713	70,087	141,486	86,185
Miscellaneous	121,853	50,409	25,612	19,459	147,465	69,868
Special Items	(6,920)	-	-	-	(6,920)	-
Total Revenues	5,446,571	5,187,436	1,304,968	1,324,471	6,751,539	6,511,907
Expenses:						
General Government	576,439	472,754	-	-	576,439	472,754
Public Safety	1,326,536	1,271,573	-	-	1,326,536	1,271,573
Public Works	1,458,235	1,429,789	-	-	1,458,235	1,429,789
Health, Welfare & Sanitation	7,240	7,240	-	-	7,240	7,240
Culture and Recreation	438,901	353,905	-	-	438,901	353,905
Conservation & Development	390,559	793,080	-	-	390,559	793,080
Interest on long-term debt	762,141	780,816	-	-	762,141	780,816
Water & Sewer	-	-	1,465,357	1,482,896	1,465,357	1,482,896
Total Expenses:	4,960,051	5,109,157	1,465,357	1,482,896	6,425,408	6,592,053
Increase (Decrease) in Net Position before transfers	486,520	78,279	(160,389)	(158,425)	326,131	(80,146)
Transfers	201,565	201,157	(201,565)	(201,157)	-	-
Increase (Decrease) in Net Position	688,085	279,436	(361,954)	(359,582)	326,131	(80,146)
Net Position – January 1	2,269,457	1,990,021	24,247,032	24,606,614	26,516,489	26,596,635
Net Position – December 31	2,957,542	2,269,457	23,885,078	24,247,032	26,842,620	26,516,489

Governmental activities increased the Village of Johnson Creek's net position by \$688,085 and business-type activities decreased the Village's net position by \$361,954 for an overall increase of net position of \$326,131.

Village of Johnson Creek
Management's Discussion & Analysis

Financial Analysis of the Government's Funds

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

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

Nonspendable fund balance includes funds either not in spendable form or required to be maintained intact. The majority of Village of Johnson Creek funds reported as nonspendable are amounts due from other funds. *Restricted fund balance* reports funds with restricted uses determined by outside sources such as creditors, grantors or by state law. Johnson Creek funds reported as restricted include those subject to long-term debt obligations as well as impact fee and room tax collections. *Committed fund balance* reports resources subject to limitations the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner. The Village currently does not report funds in this category. *Assigned fund balance* reports resources for which the local government has established an intended use. Johnson Creek's assigned fund balance includes funds designated for future capital expenditures examples of which include computer upgrades, building repairs, park improvements or squad car replacements.

The Village's general fund – the chief operating fund of the Village of Johnson Creek showed an unassigned fund balance of \$606,724 or 25.6% of the total general fund balance. This can be compared to the Village's unassigned fund balance of \$507,028 at YE 2015. Total fund balance of the general fund amounted to \$2,368,029 up from \$2,273,104 YE 2015 and \$2,183,788 YE 2014. The Village Board adopted a Fund Balance Policy in 2016 to assign an amount in excess of 25-30%

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.8% of total general fund expenditures, which total fund balance represents 132.0% of that same amount.

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

Unrestricted net position of the water utility at the end of the year amounted to \$1,457,522 up from \$1,344,211 in 2015 and \$1,398,188 for the year ended 2014. Unrestricted net position of the Sewer Utility at the end of the year amounted to \$3,859,787 up from \$3,745,641 in 2015 and \$3,657,454 for the year ended 2014.

Village of Johnson Creek
Management's Discussion & Analysis

Fiduciary funds. The Village of Johnson Creek's reporting on fiduciary funds provides information not reflected in the government-wide financial statements. The only fiduciary fund maintained by the Village is the tax collection fund and is used to account for resources held for other funds or taxing jurisdictions.

General Fund Budgetary Highlights

In the 2016 budget, total expenditures were under budget by \$81,948. The principal debt payments were under budget due to a refinancing of a debt. Revenues collected were in total \$16,552 less than budgeted. There were several revenues over the budgeted amount and several revenues under. The combination of those, net the \$16,522.

Capital Asset and Debt Administration

Capital assets. The Village of Johnson Creek's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$34.1 million (net of accumulated depreciation) down from \$35.3 million at the end of fiscal year 2015 and \$36.1 million for 2014. The reason for the steady decline is normal depreciation during years in which there were few major capital purchases or projects. Investment in capital assets includes land, buildings, vehicles and equipment, and utility infrastructure.

Village of Johnson Creek's Capital Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,011,921	\$ 2,011,921	\$ 38,982	\$ 38,982	\$ 2,050,903	\$ 2,050,903
Construction Work in Progress	11,713	-	769,768	769,768	781,481	769,768
Land and Construction Work in Progress	2,023,634	2,011,921	808,750	808,750	2,832,384	2,820,671
Buildings	4,194,871	4,194,871	1,552,967	1,552,967	5,747,838	5,747,838
Vehicles & Equipment	4,577,731	4,143,372	1,711,229	1,637,587	6,288,960	5,780,959
Infrastructure	21,898,897	21,898,897	22,982,948	22,942,958	44,881,845	44,841,855
Other Capital Assets	30,671,499	30,237,140	26,247,144	26,133,512	56,918,643	56,370,652
Accumulated Depreciation	(17,183,689)	(15,962,987)	(8,488,155)	(7,883,322)	(25,671,844)	(23,846,309)
Other Capital Assets, net of depreciation	13,487,810	14,274,153	17,758,989	18,250,190	31,246,799	32,524,343
Total Capital Assets	\$15,511,444	\$16,286,074	\$18,567,739	\$19,058,940	\$34,079,183	\$35,345,014

Village of Johnson Creek
Management's Discussion & Analysis

Capital asset events during the current fiscal year included the following:

- Disposed of 2002 Bobcat Skid-steer
- Disposed of 1990 Ford Tractor
- Improvements to Composite Site with addition of a Fence/Gate/Opener
- Purchased Bobcat Mower
- Purchased Tiger Boom Mower
- Installed Fiber Optic Cable between Police Department and Village Hall
- Improvements to Centennial Park with Installation of Parking Lot
- Purchased Server for Village Hall and Police Department
- Annual investment in the Public Library's collection
- Purchased Thermal Image Camera
- Purchased Two HeartStart MRX ALS Monitors
- Purchases Radios and Pagers
- Purchased Fire Turnout Gear

Additional information on the Village of Johnson Creek's capital assets can be found in Note 7 on pages 30-32 of this report.

Village of Johnson Creek
Management's Discussion & Analysis

Long-term debt. At the end of the current fiscal year, the Village of Johnson Creek had total debt outstanding of \$18.1 million, down from \$18.8 million FY 2015 and \$18.7 million FY 2014. Of this amount, \$7,220,000 comprises debt backed by the full faith and credit of the government. This amount is up from \$6,995,000 in 2015 and down from \$9,345,000 in 2014. The remainder of the Village of Johnson Creek's debt represents bonds secured solely by specified revenue sources.

Village of Johnson Creek's Outstanding Debt						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General Obligation Debt	\$ 7,220,000	\$ 6,995,000	\$ -	\$ -	\$ 7,220,000	\$ 6,995,000
Bond Anticipation Notes	1,395,000	1,395,000	-	-	1,395,000	1,395,000
CDA Lease Revenue Bonds	9,490,000	10,390,000	-	-	9,490,000	10,390,000
Total Debt Outstanding	\$ 18,105,000	\$ 18,780,000	\$ -	\$ -	\$ 18,105,000	\$ 18,780,000

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation. The Village's current outstanding general obligation debt of \$7,220,000 is 46.1% of its \$15.6 million debt limitation, down from 47.2% FY 2015. This is attributed to increase in equalized value, small amount of borrowing in 2016 and the ongoing debt payments each year.

Additional information on the Village of Johnson Creek's long term debt can be found in note 8 on pages 32-34 of this report.

Village of Johnson Creek
Management's Discussion & Analysis

Economic Factors and Next Year's Budgets and Rates

2016 State of Wisconsin estimates indicate the current Johnson Creek population is 2,933. The most recent US Census (2010) results showed a .70% increase in population from 2000 to 2010.

Residential construction contributed to twenty-seven new single-family residential building permits being issued with a total estimated value of \$5,884,345.

Assessed valuation of properties in the Village was \$316,397,300 including properties in the TIF districts, an increase of \$27,363,400 from the prior year. Equalized valuation (the State of Wisconsin's estimate of the market value of property) increase by \$16,686,200 to \$312,986,500. The ratio of equalized to assessed values as determined by the State of Wisconsin was 101.09%.

Village water rates have been in effect since 1997 and a simplified rate case was completed in 2016, increasing rates by three percent. The Village Board voted in 2009 to temporarily reduce the sewer rates that were in effect since 2001 and spend down approximately \$100,000 of sewer reserves. The Village Board has approved a contract for a Wastewater Treatment Facility Upgrade Design Phase. The lower rate, effective January, 2010, is anticipated to be adjusted to help fund the upgrade.

Request for Information

Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

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INDEPENDENT AUDITOR'S REPORT

June 26, 2017

To the Village Board
Village of Johnson Creek
Johnson Creek, Wisconsin

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Johnson Creek, Wisconsin, as of and for the year ended December 31, 2016, which collectively comprise the Village's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Johnson Creek, Wisconsin, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the Wisconsin Retirement System schedules as identified 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 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Johnson Creek, Wisconsin's financial statements as a whole. 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 financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Certified Public Accountants
Madison, Wisconsin

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,783,918	\$ 4,996,929	\$ 7,780,847
Receivables			
Taxes	4,275,975	346	4,276,321
Accounts, net	119,304	114,451	233,755
Special Assessments	610,715	-	610,715
Inventories	-	37,488	37,488
Prepays	4,424	5,926	10,350
Other Assets	80,262	-	80,262
Restricted Assets			
Restricted Cash and Investments	1,805,396	-	1,805,396
Capital Assets			
Land, Improvements, and Construction in Progress	2,023,634	808,750	2,832,384
Other Capital Assets, Net of Depreciation	13,487,810	17,758,989	31,246,799
Total Capital Assets	<u>15,511,444</u>	<u>18,567,739</u>	<u>34,079,183</u>
Total Assets	<u>25,191,438</u>	<u>23,722,879</u>	<u>48,914,317</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Debt Discount	114,183	-	114,183
Deferred Pension Outflows	442,106	167,286	609,392
Unamortized Loss on Advanced Refunding	-	153,454	153,454
Total Deferred Outflows of Resources	<u>556,289</u>	<u>320,740</u>	<u>877,029</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 25,747,727</u>	 <u>\$ 24,043,619</u>	 <u>\$ 49,791,346</u>
LIABILITIES			
Accounts Payable	\$ 14,086	\$ 16,366	\$ 30,452
Accrued Expenses	117,177	4,497	121,674
Accrued Interest Payable	80,292	-	80,292
Long-Term Liabilities			
Due Within One Year	1,975,000	-	1,975,000
Due in More Than One Year	16,130,000	-	16,130,000
Compensated Absences	157,904	38,888	196,792
Deferred Regulatory Liability	-	7,016	7,016
Net Pension Liability	78,127	29,562	107,689
Total Liabilities	<u>18,552,586</u>	<u>96,329</u>	<u>18,648,915</u>
DEFERRED INFLOWS OF RESOURCES			
2016 Tax Levy	4,073,182	-	4,073,182
Deferred Pension Inflows	164,417	62,212	226,629
Total Deferred Inflows of Resources	<u>4,237,599</u>	<u>62,212</u>	<u>4,299,811</u>
NET POSITION			
Net Investment in Capital Assets	1,374,725	18,567,739	19,942,464
Restricted	171,298	-	171,298
Unrestricted	1,411,519	5,317,339	6,728,858
Total Net Position	<u>2,957,542</u>	<u>23,885,078</u>	<u>26,842,620</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 25,747,727</u>	 <u>\$ 24,043,619</u>	 <u>\$ 49,791,346</u>

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Activities
For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 576,439	\$ 110,442	\$ -	\$ -	\$ (465,997)		\$ (465,997)
Public Safety	1,326,536	220,612	37,082	-	(1,068,842)		(1,068,842)
Public Works	1,458,235	74,728	177,034	-	(1,206,473)		(1,206,473)
Health, Welfare and Sanitation	7,240	100	-	-	(7,140)		(7,140)
Culture and Recreation	438,901	16,479	48,053	-	(374,369)		(374,369)
Conservation and Development	390,559	17,853	-	-	(372,706)		(372,706)
Interest on Long-term debt	762,141	-	-	-	(762,141)		(762,141)
Total Governmental Activities	<u>4,960,051</u>	<u>440,214</u>	<u>262,169</u>	<u>-</u>	<u>(4,257,668)</u>		<u>(4,257,668)</u>
Business-type Activities							
Water	529,153	597,192	-	1,325	-	\$ 69,364	69,364
Sewer	936,204	619,126	-	-	-	(317,078)	(317,078)
Total Business-type Activities	<u>1,465,357</u>	<u>1,216,318</u>	<u>-</u>	<u>1,325</u>	<u>-</u>	<u>(247,714)</u>	<u>(247,714)</u>
Total Primary Government	<u>\$ 6,425,408</u>	<u>\$ 1,656,532</u>	<u>\$ 262,169</u>	<u>\$ 1,325</u>	<u>(4,257,668)</u>	<u>(247,714)</u>	<u>(4,505,382)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					3,805,978	-	3,805,978
Other taxes					375,532	-	375,532
Special assessments					39,787	-	39,787
Shared taxes from state					328,185	-	328,185
Impact fees					16,628	-	16,628
Interest income					79,773	61,713	141,486
Miscellaneous					105,225	25,612	130,837
<i>Special item</i> - loss on sale of land					(6,920)	-	(6,920)
Transfers					201,565	(201,565)	-
Total general revenues and transfers					<u>4,945,753</u>	<u>(114,240)</u>	<u>4,831,513</u>
Change in net position					688,085	(361,954)	326,131
Net position - Beginning					2,269,457	24,247,032	26,516,489
Net position - Ending					<u>\$ 2,957,542</u>	<u>\$ 23,885,078</u>	<u>\$ 26,842,620</u>

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Balance Sheet
Governmental Funds
December 31, 2016**

	<u>General Fund</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>Fire/EMS Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 1,290,122	\$ 135,538	\$ 945,020	\$ 329,465	\$ 83,772	\$ 2,783,917
Receivables:						
Taxes	1,329,534	1,401,715	1,542,619	-	-	4,273,868
Delinquent Personal Property Taxes	2,107	-	-	-	-	2,107
Special Assessments	-	214,828	395,887	-	-	610,715
Accounts	28,480	-	-	-	32,077	60,557
Other	-	-	-	58,747	-	58,747
Other Assets	80,262	-	-	-	-	80,262
Prepaid Expenses	-	-	-	4,424	-	4,424
Restricted Cash	154,296	815,794	668,263	23,781	143,261	1,805,395
Advances Receivable	1,206,252	-	-	-	-	1,206,252
Total Assets	<u>\$ 4,091,053</u>	<u>\$ 2,567,875</u>	<u>\$ 3,551,789</u>	<u>\$ 416,417</u>	<u>\$ 259,110</u>	<u>\$ 10,886,244</u>
LIABILITIES						
Accounts Payable	\$ 5,892	\$ -	\$ 662	\$ 1,383	\$ 6,149	\$ 14,086
Accrued Liabilities	75,902	-	1,308	37,652	2,315	117,177
Advances Payable	-	-	1,206,252	-	-	1,206,252
Total Liabilities	<u>81,794</u>	<u>-</u>	<u>1,208,222</u>	<u>39,035</u>	<u>8,464</u>	<u>1,337,515</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows	1,641,230	1,616,543	1,938,506	40,640	-	5,236,919
Total Deferred Inflows of Resources	<u>1,641,230</u>	<u>1,616,543</u>	<u>1,938,506</u>	<u>40,640</u>	<u>-</u>	<u>5,236,919</u>
FUND BALANCES						
Nonspendable	979,933	-	-	4,424	-	984,357
Restricted	154,296	951,332	668,263	23,781	250,646	2,048,318
Assigned	627,076	-	-	308,537	-	935,613
Unassigned (Deficit)	606,724	-	(263,202)	-	-	343,522
Total Fund Balances	<u>2,368,029</u>	<u>951,332</u>	<u>405,061</u>	<u>336,742</u>	<u>250,646</u>	<u>4,311,810</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,091,053</u>	<u>\$ 2,567,875</u>	<u>\$ 3,551,789</u>	<u>\$ 416,417</u>	<u>\$ 259,110</u>	<u>\$ 10,886,244</u>

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016**

Total fund balance, governmental funds		\$ 4,311,810
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		15,511,444
Special assessments set up for installment are reported as revenue in the Statement of Net Position when earned, but they are recorded as deferred inflows of resources in the fund financial statements.		855,049
Unamortized debt discounts are not recognized in the fund financial statements since they are not due and payable in the current period. However, they are included in the Statement of Net Position.		114,183
The net pension liability is not a current financial resource and is, therefore, not reported in the fund financial statements.		(78,127)
Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.		
Deferred outflows of resources		442,106
Deferred inflows of resources		(164,417)
Interest accrued on advances between funds are recorded as income on the Statement of Activities but are recorded as deferred inflows on the fund financial statements.		308,688
Some liabilities, (such as General Obligation Debt and Accrued Interest), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Accrued Interest	(80,292)	
Long term debt - Current portion	(1,980,000)	
Long term debt	(16,125,000)	
Compensated Absences	(157,904)	
Rounding	2	
Total		(18,343,194)
Net Position of Governmental Activities in the Statement of Net Position		\$ 2,957,542

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>Fire/EMS Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$ 1,259,194	\$ 1,392,972	\$ 1,153,811	\$ 181,178	\$ -	\$ 3,987,155
Other Taxes	47,494	-	-	-	146,860	194,354
Special Assessment Revenue	6,069	25,884	153,481	-	-	185,434
Intergovernmental	483,485	27,727	7,205	23,884	48,053	590,354
License and Permits	133,934	-	17,853	-	-	151,787
Fines, Forfeits and Penalties	21,043	-	-	-	4,224	25,267
Public Charges for Services	67,964	-	-	185,956	-	253,920
Interest Income	36,301	32,205	8,914	1,913	1,212	80,545
Miscellaneous Income	42,762	-	-	37,632	9,379	89,773
Total Revenues	<u>2,098,246</u>	<u>1,478,788</u>	<u>1,341,264</u>	<u>430,563</u>	<u>209,728</u>	<u>5,558,589</u>
EXPENDITURES						
Current:						
General Government	292,931	61,567	135,676	63,412	2,459	556,045
Public Safety	671,334	-	-	437,396	-	1,108,730
Public Works	506,257	-	-	-	-	506,257
Health and Human Services	7,240	-	-	-	-	7,240
Culture, Recreation and Education	95,862	-	-	-	185,184	281,046
Conservation and Development	-	390,537	19,985	-	37,393	447,915
Capital Outlay	-	-	-	81,098	414,734	495,832
Debt Service:						
Principal Repayment	146,401	920,400	599,600	127,628	-	1,794,029
Interest Expense and Fiscal Charges	73,455	255,314	293,432	36,785	10,556	669,542
Total Expenditures	<u>1,793,480</u>	<u>1,627,818</u>	<u>1,048,693</u>	<u>746,319</u>	<u>650,326</u>	<u>5,866,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>304,766</u>	<u>(149,030)</u>	<u>292,571</u>	<u>(315,756)</u>	<u>(440,598)</u>	<u>(308,047)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Refunding Bonds	1,173,167	-	-	93,588	93,245	1,360,000
Proceeds from Long-Term Debt	-	-	-	915,000	385,000	1,300,000
Principal Payments on Refunding Bonds	(1,261,440)	-	-	(338,560)	-	(1,600,000)
Bond Premium	-	-	-	18,260	8,675	26,935
Transfers In	317,419	-	-	289,235	154,568	761,222
Transfers Out	(438,987)	-	-	(2,318)	(118,352)	(559,657)
Total Other Financing Sources and Uses	<u>(209,841)</u>	<u>-</u>	<u>-</u>	<u>975,205</u>	<u>523,136</u>	<u>1,288,500</u>
Net Change in Fund Balances	94,925	(149,030)	292,571	659,449	82,538	980,453
Fund Balances (Deficits) - Beginning	2,273,104	1,100,362	112,490	(322,707)	168,108	3,331,357
Fund Balances - Ending	<u>\$ 2,368,029</u>	<u>\$ 951,332</u>	<u>\$ 405,061</u>	<u>\$ 336,742</u>	<u>\$ 250,646</u>	<u>\$ 4,311,810</u>

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**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, 2016**

Net change in fund balances - total governmental funds:	\$ 980,453
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount of capital outlays (\$486,247) net of depreciation (\$1,253,957) in the current period.	(767,710)
Loss on sale of capital assets	(6,920)
Governmental funds record special assessment revenues when available and collectible. In contrast, such revenues are reported in the Statement of Activities when earned. This represents special assessments and other revenue accrued on the government-wide statements, but not on the fund statements.	(132,033)
Interest charged on advances to other funds is recorded as an expenditure in the governmental funds but interest income is deferred until the revenue is available and collectible. In contrast, the interest income deferred is reported in the Statement of Activities when earned. This is the elimination entry between governmental funds.	(9,857)
Economic development expenses charged for special assessments recovered through tax increments.	(67,585)
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of \$2,660,000 debt proceeds during the year net of principal payments \$3,335,000.	675,000
The is the amount of previously accrued developer commitments paid during the year.	87,548
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Change in accrued interest not reflected on governmental funds	3,416
Amortization of debt discounts	(27,129)
Change in compensated absences not reflected on governmental funds	286
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.	(47,384)
Change in net position of governmental activities	\$ 688,085

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,220,042	\$ 3,776,887	\$ 4,996,929
Receivables			
Taxes	77	269	346
Accounts	42,826	71,625	114,451
Inventories	37,488	-	37,488
Prepaid Expenses	2,125	3,801	5,926
Total Current Assets	1,302,558	3,852,582	5,155,140
Capital Assets:			
Land and Improvements	21,004	17,978	38,982
Construction Work in Progress	769,768	-	769,768
Other Capital Assets	9,518,028	16,729,116	26,247,144
Less Accumulated Depreciation	(2,255,153)	(6,233,002)	(8,488,155)
Net Capital Assets	8,053,647	10,514,092	18,567,739
Total Assets	9,356,205	14,366,674	23,722,879
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Debt Defeasance	153,454	-	153,454
Deferred Pension Outflows	83,643	83,643	167,286
Total Deferred Outflows of Resources	237,097	83,643	320,740
Total Assets and Deferred Outflows of Resources	\$ 9,593,302	\$ 14,450,317	\$ 24,043,619

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Enterprise Funds		
	Water	Sewer	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 7,704	\$ 8,662	\$ 16,366
Accrued Liabilities	1,913	2,584	4,497
Total Current Liabilities	9,617	11,246	20,863
Other Liabilities:			
Compensated Absences	19,583	19,305	38,888
Deferred Regulatory Credit	7,016	-	7,016
Net Pension Liability	14,781	14,781	29,562
Total Other Liabilities	41,380	34,086	75,466
Total Liabilities	50,997	45,332	96,329
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	31,106	31,106	62,212
Total Deferred Inflows of Resources	31,106	31,106	62,212
NET POSITION			
Net Investment in Capital Assets	8,053,647	10,514,092	18,567,739
Unrestricted	1,457,552	3,859,787	5,317,339
Total Net Position	9,511,199	14,373,879	23,885,078
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 9,593,302	\$ 14,450,317	\$ 24,043,619

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016**

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for Services	\$ 588,958	\$ 617,442	\$ 1,206,400
Other Operating Revenues	8,234	1,684	9,918
Total Operating Revenues	597,192	619,126	1,216,318
OPERATING EXPENSES			
Operation and Maintenance	326,412	476,104	802,516
Depreciation	188,791	423,042	611,833
Total Operating Expenses	515,203	899,146	1,414,349
Operating Income (Loss)	81,989	(280,020)	(198,031)
NON-OPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	6,899	54,814	61,713
Miscellaneous Non-Operating Revenue	20,197	5,415	25,612
Miscellaneous Expense	-	(37,058)	(37,058)
Amortization Expense	(13,950)	-	(13,950)
Total Non-Operating Revenues (Expenses)	13,146	23,171	36,317
Income (Loss) Before Transfers and Capital Contributions	95,135	(256,849)	(161,714)
Capital Contributions	1,325	-	1,325
Transfers Out	(197,767)	(3,798)	(201,565)
Change in Net Position	(101,307)	(260,647)	(361,954)
Total Net Position - Beginning	9,612,506	14,634,526	24,247,032
Total Net Position - Ending	\$ 9,511,199	\$ 14,373,879	\$ 23,885,078

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Cash Flows from Operating Activities:</u>			
Receipts from customers	\$ 592,438	\$ 617,938	\$ 1,210,376
Payments to suppliers	(94,488)	(281,930)	(376,418)
Payments to employees	(196,121)	(187,852)	(383,973)
Taxes paid	(197,767)	-	(197,767)
	<u>104,062</u>	<u>148,156</u>	<u>252,218</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of plant assets	(27,895)	(91,411)	(119,306)
Payment of advances transferred in from TIF	92,522	1,938,774	2,031,296
Net cash provided (used) by capital and related financing activities	<u>64,627</u>	<u>1,847,363</u>	<u>1,911,990</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income	<u>6,899</u>	<u>54,814</u>	<u>61,713</u>
Net cash provided (used) by investing activities	<u>6,899</u>	<u>54,814</u>	<u>61,713</u>
Net increase (decrease) in cash and equivalents	175,588	2,050,333	2,225,921
<u>Cash and Equivalents, Beginning of year</u>	<u>1,044,454</u>	<u>1,726,554</u>	<u>2,771,008</u>
<u>Cash and Equivalents, End of year</u>	<u>\$ 1,220,042</u>	<u>\$ 3,776,887</u>	<u>\$ 4,996,929</u>

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016**

	Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating Income (Loss)	\$ 81,989	\$ (280,020)	\$ (198,031)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Miscellaneous	20,197	1,420	21,617
Tax equivalent transfer	(197,767)	-	(197,767)
Joint meter allocation	5,957	(5,957)	-
Depreciation	188,791	423,041	611,832
Pension expense	11,364	11,364	22,728
Changes in Assets and Liabilities:			
Customer accounts receivable	(4,754)	(1,188)	(5,942)
Inventories	(4,889)	-	(4,889)
Prepayments	(219)	(468)	(687)
Accounts payable	5,631	734	6,365
Accrued liabilities	(2,238)	(770)	(3,008)
Net cash provided (used) by operating activities	\$ 104,062	\$ 148,156	\$ 252,218

See accompanying notes to the basic financial statements.

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,009,927
Receivables:	
Taxes Receivable	571,688
Total Assets	<u>\$ 3,581,615</u>
 LIABILITIES	
Due to Other Governments	\$ 3,581,615
Total Liabilities	<u>\$ 3,581,615</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

1. Nature of Operations

The Village of Johnson Creek (Village) is a local government municipality incorporated under the Wisconsin State Statutes as a village. The Village provides the following services to its residents: water service, sewer service, police, fire and EMS, public works, parks, library, administration and others.

2. Summary of Significant Accounting Policies

The accounting policies of the Village conform to accounting principles generally accepted in the United States as established by the Governmental Accounting Standards Board (GASB). The Village grants credit to its customers, substantially all of whom are its utility customers, its residents or other municipalities.

The following is a summary of the more significant policies:

A. Reporting Entity

This report includes all of the funds of the Village. The reporting entity for the Village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report contains the following blended component unit.

Community Development Authority

This report includes the Community Development Authority (CDA) as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the board of the Village of Johnson Creek. The CDA meets the criteria of a component unit of the Village. The CDA was included as a blended component unit because it provides services exclusively, or almost exclusively, to the Village. The CDA itself did not have any financial transactions other than the issuance of CDA debt. The CDA activity was blended with the TIF districts.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the Village's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. These statements distinguish between the governmental and business-type activities of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in part by the fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for good or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual 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 equity, revenues, and expenditure/expenses.

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

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition, any other governmental or proprietary fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

The Village reports the following major funds:

- | | | |
|-----------------|---------------|---------------|
| - General Fund | - TIF #2 Fund | - TIF #3 Fund |
| - Fire/EMS Fund | - Sewer Fund | - Water Fund |

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements (Continued)

The following fund types are used by the Village:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains five such funds:

TIF Funds - These funds are specifically funded for community improvements within a specific Tax Incremental Financing District. The Village maintains two Tax Incremental Financing (TIF) Districts and each District is accounted for as a separate TIF Fund. These are reported as TIF #2 & TIF #3 Funds.

Fire/EMS Fund - This fund is specifically funded for operating and maintaining the Fire and EMS department.

Room Tax Fund - This fund is specifically funded by hotel tax revenues and the related expenditures.

Library Fund - This fund is specifically funded for operating and maintaining the Village library.

Capital Projects Fund

The Capital Projects Fund is specifically funded to account for the capital expenditures made by the Village.

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Village maintains two enterprises funds as listed below:

Water Fund - This fund represents the self-sustaining activity of water service provided to the Village residences and businesses. The Water Fund is a regulated municipal utility and operates under service rules which are established by the Public Service Commission of Wisconsin (PSC). The accounting records are maintained in accordance with the uniform system of accounts prescribed by the PSC.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
B. Government-Wide and Fund Financial Statements (Continued)

Sewer Fund - This fund represents the self-sustaining activity of sewer service provided to the Village residences and businesses. The Sewer Fund is a non-regulated municipal utility which operates under service rules established by the Village Board.

Fiduciary Fund Type

Agency Fund

Trust and agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and for other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following agency fund is presented in this report: Tax Agency Fund.

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

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Fund Financial Statements

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

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

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

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

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board. 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 funds' principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. 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 non-operating revenues and expenses.

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

Deposits and Investments

The Village is required to invest its funds in accordance with Section 66.04(2) of the Wisconsin Statutes. Such statute authorizes the Village to invest any of its funds not immediately needed in:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Village plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments (Continued)

The Village has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the Village's individual major funds, and in the aggregate for non-major and agency funds.

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

See Footnote 3 for additional information.

Temporary Cash Investments

Temporary cash investments consist of certificates of deposit with local banks. These are stated at cost, which approximates market value.

Enterprise Funds Statement of Cash Flows

For purposes of the statement of cash flows, for the enterprise funds, all money market deposits and time deposits with original maturities of three months or less are considered cash equivalents. Any cash investment with an original maturity of over three months and less than one year is reported as temporary cash investments. Restricted assets have been considered cash equivalents.

Property Taxes

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. 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 districts and the technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as deferred inflows of resources and due to other taxing units on the accompanying balance sheet. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2016 tax roll:

Lien date and levy date	January 1, 2017
Tax bills mailed	December, 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes due in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October, 2019

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

Accounts Receivable

The Village's management charges off all general accounts considered to be uncollectable prior to year end. The Village, in 2016, established an allowance for uncollectible accounts as follows:

Fire/EMS Fund	\$58,790
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Inventory

Inventory is valued at the lower of cost or market.

Capital Outlay Items

Capital outlay items (capital assets) are recorded as expenditures in the governmental fund types. Accounting principles generally accepted in the United States of America require that these fixed assets be capitalized at cost in the government-wide financial statements.

Capital outlay items in the enterprise funds are recorded as fixed assets on the appropriate balance sheet.

Capital Assets

Fund Financial Statements

General fixed assets acquired for governmental purposes are recorded as current year expenditures in the governmental funds. Purchased fixed assets are capitalized at cost or estimated cost in the government-wide financial statements. Contributed fixed assets are recorded at fair market value at the time received.

Account principles generally accepted in the United States of America do not require depreciation to be recorded on capital assets for fund financial reporting.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and for infrastructure assets, and an estimated useful life in excess of 2 years for general capital assets and for infrastructure assets. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Under current accounting standards governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. The Village has retroactively reported all infrastructure acquired by its governmental fund types prior to January 1, 1980.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets (Continued)

Additions to and replacements of capital assets are recorded at original cost, which includes material, labor, and overhead.

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

Buildings	40 Years
Improvements	10-35 Years
Machinery & Equipment	3-10 Years
Infrastructure	25-50 Years

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. The amount of accumulated sick leave that will not be repaid with expendable available resources is not material to these financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated sick leave liabilities at December 31, 2016 are determined on a basis of current salary rates and include salary related payments.

In accordance with Village policies, employees may not carry over vacation or personal time if unused at year end. Employees may accumulate sick leave, to specified maximum amounts, and then convert the accumulated sick leave to paid health care benefits upon retirement.

Long-Term Obligations/Conduit Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as "Other Financing Sources" and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

The Village may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the Village. Accordingly, the bonds would not be reported as liabilities in the accompanying financial statements. There are no IRB's outstanding at year end.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

Equity Classifications

Government-Wide Statements

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

- a. Net investment of capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – 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 – All other net position that does not meet the definition of “restricted” or “net investment of 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.

Fund Financial Statements

Government fund equity is classified as fund balance.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the Village Board or a body or official to which the Village Board has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

Equity Classifications (Continued)

When restricted and other fund balance resources are available for use, it is the Village's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Any excess of revenues and other financing sources over expenditures and other financing uses at the end of the fiscal year will be added to the fund balance. The Village will work to achieve and then maintain an unreserved balance in the General Fund to provide for unanticipated expense of a non-recurring nature. It is the goal of the Village to achieve and maintain a General Fund unassigned fund balance at a minimum of 25% of the ensuing year's budgeted General Fund expenditures. It shall be used for either working capital, to help cover revenue shortfalls, unanticipated emergency expenditures, stabilize the tax rate, and provide liquidity. An amount in excess of 30% is to be considered for assignment.

The Village's long-term goal for fund balance is to achieve and then maintain a General Fund balance that would alleviate the need to borrow short-term for operational cash flow needs. The General Fund balance shall not be used for recurring costs in the operating budget.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, a liability is recorded in the government-wide financial statements. The related expenditure is recognized with the liability and is liquidated.

There were no significant claims or judgments at year end that were not covered by insurance.

E. Limitations on the Village's Tax Levy

The State has passed current legislation that 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 0% for the 2015-2016 tax year. Changes in debt service from one year to the next are generally exempt from this limit.

F. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS), and additions to/deductions from WRS's fiduciary net position have been determined on the same basis as they are reported for 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.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (Continued)
G. Change in Accounting Principle

The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

3. Cash and Temporary Cash Investments

Cash for all Village funds are pooled for investment purposes. At December 31, 2016, the cash and investments consist of the following:

Petty Cash	\$ 400
Deposits with Financial Institutions	11,111,713
U.S. Government Securities Fund	<u>1,484,057</u>
Total Cash and Investments	<u>\$ 12,596,170</u>

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 7,780,848
Restricted Cash	1,805,395
Statement of Fiduciary Net Position	
Tax Agency Cash	<u>3,009,927</u>
Total Cash and Investments	<u>\$ 12,596,170</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investments choices.

- The US Treasury Investment funds have an Aaa rating from Moody's Investor Services.

Custodial Credit Risk

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

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

3. Cash and Temporary Cash Investments (Continued)

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

As of December 31, 2016, the Village had \$11,057,670 on deposit with financial institutions. Of this amount the Village had deposits in excess of federal depository insurance limits that were exposed to custodial credit risk as follows:

Insured by Federal and State Deposit Insurance	\$	2,210,650
Collateralized in the Financial Institutions Name		8,847,020
Uninsured/Uncollateralized		-
Total Deposits with Financial Institutions	\$	11,057,670

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates.

As of December 31, 2016, the Village has the following investments and maturities:

	Fair Value	Weighted Average Maturity (Days)
US Treasury Investments	\$ 1,484,057	27
Total	\$ 1,484,057	

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

4. Receivables and Deferred Inflows of Resources

All of the Village's receivables are expected to be collected within one year except for \$214,828 in TIF #2 and \$395,887 in TIF #3.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 4,073,182	\$ 4,073,182
Special assessments and charges not yet due	814,409	-	814,409
Interest on advances	308,688	-	308,688
EMS charges	40,640	-	40,640
Total Deferred Inflows of Resources for Governmental Funds	\$ 1,163,737	\$ 4,073,182	\$ 5,236,919

5. Interfund Receivables/Payables, Advances, and Transfers

Advances

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Interest Rate	Principal Amount	Accrued Interest	Balance 12/31/16	Amount Due Within One Year
General Fund	TIF #3	3%	\$ 897,054	\$309,198	\$1,206,252	\$ 193,611
Total All Funds					\$1,206,252	\$ 193,611

All interest rates charged on advances were approved through Board resolution. The Board has also approved the following repayment schedule:

Repayment Year	
2017	\$ 193,611
2018	193,611
2019	193,611
2020	193,611
2021	193,611
2022	193,611
2023	193,612
Total	1,355,278
Less: anticipated future interest accrued	(149,026)
Current Advance Payable	\$ 1,206,252

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

5. Interfund Receivables/Payables, Advances, and Transfers (Continued)

Transfers

The following is a schedule of interfund transfers:

Transferred To	Transferred From	Per Government- Wide Statements	Per Fund Statements	Purpose
General Fund	Room Tax Fund	Eliminated	\$ 42,111	Operations
General Fund	Fire Fund	Eliminated	2,318	Operations
General Fund	Library Fund	Eliminated	22,097	Operations
General Fund	Capital Projects Fund	Eliminated	49,328	Operations
Library Fund	General Fund	Eliminated	154,568	Operations
Fire Fund	General Fund	Eliminated	284,419	Levy
Fire Fund	Capital Projects Fund	Eliminated	4,816	Operations
General Fund	Sewer Fund		3,798	Operations
General Fund	Water Fund		3,798	Operations
General Fund	Water Fund		193,969	Tax Equivalent
Total Transfers - Fund Financials			<u>\$ 761,222</u>	
General Fund	Water Fund	\$ 193,969	\$ -	Tax Equivalent
General Fund	Water Fund	3,798	-	Operations
General Fund	Sewer Fund	3,798	-	Operations
Total Transfers - Government-Wide Statement of Activities			<u>\$ 201,565</u>	<u>\$ -</u>

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

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

6. Restricted Cash

The Village reports various restricted cash accounts on the Statement of Net Position and the Governmental and Business-Type Fund Financial Statements. Restricted cash as of December 31, 2016 is as follows:

General Fund

			The Village collected impact fees from new developments. These fees are restricted in use by State Statutes. The impact fees can be used for public infrastructure improvements, public safety improvements and for parks.
Impact Fees	\$	83,011	
Developer Fees		47,933	The Village collected Westside Development fees that are restricted by Village ordinance for public infrastructure improvements to certain areas within the Village. These fees were set by Village ordinances.
Tree Planting Fees		20,013	The Village is also collecting fees to plant trees from homeowners. These fees were set by Village ordinances.
Unspent Bond Proceeds		3,339	The 2016 General Obligation Refunding Bonds restrict the proceeds to specific capital projects.
Total General Fund		<u>\$ 154,296</u>	
TIF #2 - Debt Reserves		<u>\$ 815,794</u>	The Community Development Authority (CDA) bonds require money to be accumulated for the purpose of paying principal and interest payments. These amounts have been restricted for the purpose of making principal and interest payments.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

6. Restricted Cash (Continued)

TIF #3 - Debt Reserves

The Community Development Authority (CDA) bonds require money to be accumulated for the purpose of paying principal and interest payments. These amounts have been restricted for the purpose of making principal and interest payments.

Debt Reserves	\$ 668,263
Total TIF #3	<u>\$ 668,263</u>

Library Fund

The Village library has received contributions which, according to the contributors, are restricted in use. These funds can only be used for library books and equipment.

Restricted Contributions	<u>\$ 15,372</u>
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Fire Fund

The EMS Department has received grant and state aid which, according to the State of Wisconsin, are restricted in use. These funds can only be used for specific EMS equipment and services. The 2016 General Obligation Refunding Bonds restrict the proceeds to specific capital projects.

EMS FAP Account	\$ 4,968
Unspent Bond Proceeds	<u>18,813</u>
Total Fire Fund	<u>\$ 23,781</u>

Capital Projects Fund

The 2016 General Obligation Refunding Bonds restrict the proceeds to specific capital projects.

Unspent Bond Proceeds	<u>\$ 127,889</u>
Total Governmental Funds	<u><u>\$ 1,805,395</u></u>

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

7. Capital Assets

A summary of changes in fixed assets is as follows:

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,011,921	\$ -	\$ -	\$ 2,011,921
Construction in Progress	-	11,713	-	11,713
Total Non-depreciable Capital Assets	2,011,921	11,713	-	2,023,634
Capital Assets Being Depreciated:				
Buildings and Improvements	4,194,871	-	-	4,194,871
Equipment	4,143,372	474,534	40,175	4,577,731
Infrastructure	21,898,897	-	-	21,898,897
Total Capital Assets Being Depreciated	30,237,140	474,534	40,175	30,671,499
Total Capital Assets	32,249,061	486,247	40,175	32,695,133
Less: Accumulated Depreciation	15,962,987	1,253,957	33,255	17,183,689
Capital Assets Net of Depreciation	\$ 16,286,074	\$ (767,710)	\$ 6,920	\$ 15,511,444

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
General Government	\$ 11,281
Public Safety	195,275
Public Works	934,503
Culture and Recreation	112,898
Total Governmental Activities Depreciation Expense	\$ 1,253,957

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

7. Capital Assets (Continued)

Business-Type Capital Assets

<u>Water</u>	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
Non-Depreciable Capital Assets:				
Land	\$ 21,004	\$ -	\$ -	\$ 21,004
Construction in Process	769,768	-	-	769,768
Total Non-Depreciable Capital Assets	<u>790,772</u>	<u>-</u>	<u>-</u>	<u>790,772</u>
Capital Assets Being Depreciated:				
Buildings	757,987	-	-	757,987
Equipment	1,455,173	16,847	-	1,472,020
Infrastructure	7,282,648	12,373	7,000	7,288,021
Total Capital Assets Being Depreciated	<u>9,495,808</u>	<u>29,220</u>	<u>7,000</u>	<u>9,518,028</u>
Total Capital Assets	<u>10,286,580</u>	<u>29,220</u>	<u>7,000</u>	<u>10,308,800</u>
Less: Accumulated Depreciation	<u>(2,067,405)</u>	<u>(194,748)</u>	<u>(7,000)</u>	<u>(2,255,153)</u>
Capital Assets Net of Depreciation	<u>\$ 8,219,175</u>	<u>\$ (165,528)</u>	<u>\$ -</u>	<u>\$ 8,053,647</u>
<u>Sewer</u>	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
Non-Depreciable Capital Assets:				
Land	\$ 17,978	\$ -	\$ -	\$ 17,978
Total Non-Depreciable Capital Assets	<u>17,978</u>	<u>-</u>	<u>-</u>	<u>17,978</u>
Capital Assets Being Depreciated:				
Buildings	794,980	-	-	794,980
Equipment	182,414	56,795	-	239,209
Infrastructure	15,660,310	34,617	-	15,694,927
Total Capital Assets Being Depreciated:	<u>16,637,704</u>	<u>91,412</u>	<u>-</u>	<u>16,729,116</u>
Total Capital Assets	<u>16,655,682</u>	<u>91,412</u>	<u>-</u>	<u>16,747,094</u>
Less: Accumulated Depreciation	<u>(5,815,917)</u>	<u>(417,085)</u>	<u>-</u>	<u>(6,233,002)</u>
Capital Assets Net of Depreciation	<u>\$ 10,839,765</u>	<u>\$ (325,673)</u>	<u>\$ -</u>	<u>\$ 10,514,092</u>
Total Business-Type Capital Assets	<u>\$ 19,058,940</u>	<u>\$ (491,201)</u>	<u>\$ -</u>	<u>\$ 18,567,739</u>

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

7. Capital Assets (Continued)

Depreciation expense was charged to business-type activities as follows:

Business-Type Activities	
Water-Depreciation	\$ 188,791
Sewer-Depreciation	<u>423,042</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 611,833</u></u>

8. Long-Term Obligations

All general obligation notes and bonds payable are backed by the full faith and credit of the municipality. Notes and bonds will be retired by future property tax levies. Proprietary fund debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies. The following is a summary of long-term debt transactions of the Village for the year ended December 31, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt	\$ 6,995,000	\$ 2,660,000	\$2,435,000	\$ 7,220,000	\$ 1,055,000
Bond Anticipation Notes	1,395,000	-	-	1,395,000	-
CDA Lease Revenue Bonds	10,390,000	-	900,000	9,490,000	920,000
Sub-Total	<u>18,780,000</u>	<u>2,660,000</u>	<u>3,335,000</u>	<u>18,105,000</u>	<u>1,975,000</u>
Other Liabilities					
Vested Compensated Absences	158,190	-	286	157,904	-
Developer Commitments (Note 12)	87,548	-	87,548	-	-
Total Other Liabilities	<u>245,738</u>	<u>-</u>	<u>286</u>	<u>157,904</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u><u>\$19,025,738</u></u>	<u><u>\$ 2,660,000</u></u>	<u><u>\$3,335,286</u></u>	<u><u>\$18,262,904</u></u>	<u><u>\$ 1,975,000</u></u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Compensated Absences	\$ 41,638	\$ -	\$ 2,750	\$ 38,888	\$ -
Total Business-type Activities Long-Term Liabilities	<u><u>\$ 41,638</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,750</u></u>	<u><u>\$ 38,888</u></u>	<u><u>\$ -</u></u>

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

8. Long-Term Obligations (Continued)

Long-term debt issues outstanding at December 31, 2016 and total debt outstanding were as follows:

Governmental Debt

	<u>Date Of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/16</u>	<u>Current Portion</u>
Governmental Activities						
<u>General Obligation</u>						
2008 Fire and EMS						
GO Promissory Notes	1/28/2008	2/1/2018	2.85-3.4	\$ 1,140,000	265,000	130,000
2010 General Fund						
GO Refunding Bonds	12/17/2010	3/1/2020	1.7-3.5	\$ 1,165,000	410,000	95,000
2011 General Fund						
GO Refunding Bonds	3/1/2011	3/1/2022	1.1-4.0	\$ 2,820,000	1,665,000	255,000
2011 General Fund						
GO Refunding Bonds	11/15/2011	12/1/2021	.6-3.0%	\$ 2,070,000	1,185,000	230,000
2012 TIF 2 and 3						
GO Refunding Bonds	7/17/2012	8/1/2022	.6-2.5%	\$ 1,655,000	1,035,000	160,000
2016 A Fire and Capital						
GO Notes	8/15/2016	8/1/2026	1.75-2%	\$ 1,300,000	1,300,000	-
2016 B						
GO Refunding Notes	12/12/2016	12/1/2024	2.0-2.15%	\$ 1,360,000	1,360,000	185,000
Total Governmental Activities -- General Obligation Debt					<u>\$ 7,220,000</u>	<u>\$ 1,055,000</u>
<u>Bond Anticipation Notes</u>						
2015 TIF 3 Taxable						
Note Anticipation Notes	11/13/2015	12/1/2018	1.60%	\$ 1,395,000	\$ 1,395,000	\$ -
Total Governmental Activities -- Bond Anticipation Notes					<u>\$ 1,395,000</u>	<u>\$ -</u>
<u>CDA Lease Revenue Bonds</u>						
2008 TIF 2 CDA Lease						
Revenue Bonds	11/8/2007	12/1/2022	3.6-4.4	\$ 3,985,000	\$ 1,510,000	\$ 470,000
2007 TIF 3 CDA Lease						
Revenue Bonds	11/8/2007	12/1/2022	3.4-4.4	\$ 4,150,000	2,125,000	-
2012 TIF 3 CDA Refunding						
Lease Revenue Bonds	12/17/2012	12/1/2026	1.25-2.9	\$ 2,785,000	2,505,000	280,000
2013 TIF 2 CDA Refunding						
Lease Revenue Bonds	10/3/2013	12/1/2022	2.5-3.25%	\$ 1,780,000	1,780,000	-
2015 TIF 2 CDA Refunding						
Lease Revenue Bonds	9/2/2015	12/1/2023	.85-2.85%	\$ 1,740,000	1,570,000	170,000
Total Governmental Activities -- CDA Lease Revenue Bonds					<u>\$ 9,490,000</u>	<u>\$ 920,000</u>
Total Governmental Activities					<u>\$ 18,105,000</u>	<u>\$ 1,975,000</u>

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

8. Long-Term Obligations (Continued)

Governmental Debt (Continued)

Debt service requirements to maturity are as follows:

	Total GO Principal	Total GO Interest	Total NAN Principal	Total NAN Interest	Total CDA Lease Revenue Bonds Principal	Total CDA Lease Revenue Bonds Interest	Total Governmental Activities Debt Service
2017	\$ 1,055,000	\$ 237,209	\$ -	\$ 22,320	\$ 920,000	\$ 304,572	\$ 2,539,101
2018	1,055,000	206,454	1,395,000	22,320	945,000	279,362	3,903,136
2019	1,050,000	174,814	-	-	1,465,000	251,480	2,941,294
2020	1,070,000	139,909	-	-	625,000	201,285	2,036,194
2021	1,070,000	104,736	-	-	635,000	161,767	1,971,503
2022-2026	1,920,000	139,837	-	-	4,900,000	268,953	7,228,790
	<u>\$ 7,220,000</u>	<u>\$ 1,002,959</u>	<u>\$ 1,395,000</u>	<u>\$ 44,640</u>	<u>\$ 9,490,000</u>	<u>\$ 1,467,419</u>	<u>\$ 20,620,018</u>

The Village's general obligation debt limit is equal to 5% of the Village's total equalized value. The Village's debt limit as of December 31, 2016 is \$15,649,325. Debt subject to the limit is \$7,220,000.

Current Refunding

In 2016, the Village issued \$1,360,000 in General Obligation Refunding Promissory Notes. Proceeds from the notes were used to refund the 2006A General Obligation Bonds. The notes bear interest rates of 2.0 to 2.15 percent. The refunding will save the Village \$114,368 of debt service expense over the life of the notes.

Prior Debt Defeasance

In 2012, the Village authorized the defeasance of Water System Revenue Refunding Bonds, Series 2007. The Village deposited \$1,845,619 with a bank acting as an escrow agent to purchase United States Treasury Securities – State and Local Government Series. In 2017, \$1,100,000 of this defeasance is due to be paid by the escrow agent.

9. Defined Benefit Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

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.

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>
2006	0.8	3
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

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

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

During the reporting period, the WRS recognized \$62,940 in contributions from the municipality.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the Village reported a liability (asset) of \$107,689 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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 asset was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Village's proportion was 0.00662708%, which was a decrease of 0.00013505% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Village recognized pension expense of \$133,253.

Pension amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the proprietary funds and business-type activities relative to the total contributions made by the Village.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

At December 31, 2016, 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	\$ 18,218	\$ (226,629)
Changes of assumptions	75,344	-
Net difference between projected and actual earnings on pension plan investments	440,909	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	12,187	-
Employer contributions subsequent to the measurement date	62,734	-
Total	\$ 609,392	\$ (226,629)

\$62,734 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, 2016. 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
2017	\$ 142,188	\$ (54,845)
2018	142,188	(54,845)
2019	142,188	(54,845)
2020	117,576	(54,845)
2021	2,519	(7,249)

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
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. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Retirement Funds								
Asset Allocation Targets and Expected Returns								
As of December 31, 2015								
<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>	
U.S. Equities	27	%	23	%	7.6	%	4.7	%
International Equities	24.5		22		8.5		5.6	
Fixed Income	27.5		37		4.4		1.6	
Inflation Sensitive Assets	10		20		4.2		1.4	
Real Estate	7		7		6.5		3.6	
Private Equity/Debt	7		7		9.4		6.5	
Multi-Asset	4		4		6.7		3.8	
Total Core Fund	107	%	120	%	7.4	%	4.5	%
<u>Variable 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>	
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 US CPI (Inflation) Forecast: 2.75%								
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations								

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 3.57%. 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.

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

9. Defined Benefit Pension Plan (Continued)

Sensitivity of the Village of Johnson Creek'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)	\$ 755,331	\$ 107,689	\$ (398,131)

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>

10. Net Position/Fund Balances

Governmental Activities Net Position

Net position reported on the government-wide statement of net position at December 31, 2016 include the following:

Capital Assets Net of Depreciation	\$ 15,511,444
Less: Related Long-Term Debt Outstanding	(18,105,000)
Plus: Unamortized Debt Expenses	114,183
Plus: Debt Used for Business-Type Capital Assets	2,220,000
Plus: Debt Reserves - TIF 2 & 3	1,484,057
Plus: Debt Proceeds in Restricted Cash	150,041
Total Net Investment in Capital Assets	1,374,725
Restricted	
General Fund	150,958
Fire	4,968
Library	15,372
Total Restricted	171,298
Unrestricted	1,411,519
Total Governmental Activities Net Position (Deficit)	\$ 2,957,542

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

10. Net Position/Fund Balances (Continued)

Fund Balances

Fund balances on the fund financial statements as of December 31, 2016 include the following:

Nonspendable Fund Balance	
<u>General Fund</u>	
Delinquent Personal Property Taxes	\$ 2,107
Advances to Other Funds (net of unavailable interest)	897,564
Other Assets	<u>80,262</u>
Total General Fund	<u>979,933</u>
<u>Fire/EMS Fund</u>	
Prepaid Expenses	<u>4,424</u>
Total Nonspendable Fund Balance	<u><u>\$ 984,357</u></u>
Restricted Fund Balance	
<u>General Fund</u>	
Impact / Developer Fees	\$ 130,944
Unspent Bond Proceeds	3,339
Other	<u>20,013</u>
Total General Fund	<u>154,296</u>
<u>TIF District #2</u>	
Debt Service	<u>951,332</u>
<u>TIF District #3</u>	
Debt Service	<u>668,263</u>
<u>Library Fund</u>	
Library Expenditures	<u>44,038</u>
<u>Room Tax Fund</u>	
Operations	<u>84,854</u>
<u>Fire/EMS Fund</u>	
EMS FAP Account	4,968
Unspent Bond Proceeds	<u>18,813</u>
	<u>23,781</u>
<u>Capital Projects Fund</u>	
Capital Projects Expenditures	<u>121,754</u>
Total Restricted Fund Balance	<u><u>\$ 2,048,318</u></u>
Assigned Fund Balance	
<u>General Fund</u>	
Capital Purchases	\$ 39,821
2017 Budgeted Capital Applied Surplus	<u>587,255</u>
Total General Fund	<u>627,076</u>
<u>Fire/EMS Fund</u>	
Capital Purchases	<u>308,537</u>
Total Assigned Fund Balance	<u><u>\$ 935,613</u></u>

VILLAGE OF JOHNSON CREEK
Notes to Financial Statements
December 31, 2016

10. Net Position/Fund Balances (Continued)

Unassigned Fund Balance (Deficit)	
<u>General Fund</u>	\$ 606,724
<u>TIF District #3</u>	<u>(263,202)</u>
Total Unassigned Fund Balance (Deficit)	<u>\$ 343,522</u>

The TIF #3 deficit is anticipated to be replenished with future tax increment revenue.

11. Fire/EMS Fund

Prior to 2016, the Village recorded EMS expenditures in the General Fund. These expenditures were transferred to the Fire Fund in 2016. Beginning fund balances were not affected.

12. Commitments and Contingencies

The Village has a number of agreements in which the tax increment on developments will be used to reduce special assessments. In 2016, the Village had \$67,585 in special assessments paid by tax increments. This amount was recorded as an economic development expense on the government-wide financial statements. Future payments are contingent upon adequate increments.

Developer Commitments and Contingencies

In 2016, the Village approved a developer incentive (economic development grant) to assist in the cost of site preparation and improvements totaling \$720,000. This grant is contingent on completion of site improvements, therefore, the conditions of the agreement have not yet been met and no liability has been accrued.

Professional Services and Construction Commitments

In January 2017, the Board approved professional services to provide engineering and plan development services for the sewer treatment plant interceptor replacement in an amount not to exceed \$92,400. In June, 2017 the Village Board approved the construction project for approximately \$600,000.

The Village has also approved professional services for the preliminary design of a Waste Water Treatment Facility Plant upgrade. The cost of the design phase approved is \$170,430. The final design and construction plan has not yet been approved but anticipated costs of phase 1 improvements are approximately \$6.5M.

From time to time, the Village may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, no provision has been made in the financial statements. The Village has tax refund claims of approximately \$55,874 relating to property assessments. The Village is defending the claims. If unsuccessful, the overlying taxing jurisdictions will be responsible for their portion of taxes. The Village's portion of tax assessments is approximately 25%.

13. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Village of Johnson Creek

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,262,251	\$ 1,262,251	\$ 1,259,194	\$ (3,057)
Other Taxes	51,585	51,585	47,494	(4,091)
Special Assessment Revenue	-	-	6,069	6,069
Intergovernmental	461,676	461,676	483,485	21,809
License and Permits	120,171	120,171	133,934	13,763
Fines, Forfeits and Penalties	48,000	48,000	21,043	(26,957)
Public Charges for Services	113,650	113,650	67,964	(45,686)
Interest Income	3,000	3,000	36,301	33,301
Miscellaneous Income	54,465	54,465	42,762	(11,703)
Total Revenues	<u>2,114,798</u>	<u>2,114,798</u>	<u>2,098,246</u>	<u>(16,552)</u>
EXPENDITURES				
Current:				
General Government	276,218	276,218	292,931	(16,713)
Public Safety	672,118	672,118	671,334	784
Public Works	504,483	504,483	506,257	(1,774)
Health and Human Services	7,500	7,500	7,240	260
Culture, Recreation and Education	102,157	102,157	95,862	6,295
Debt Service:				
Principal Repayment	242,248	242,248	146,401	95,847
Interest Expense	70,704	70,704	73,455	(2,751)
Total Expenditures	<u>1,875,428</u>	<u>1,875,428</u>	<u>1,793,480</u>	<u>81,948</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>239,370</u>	<u>239,370</u>	<u>304,766</u>	<u>65,396</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	-	-	1,173,167	(1,173,167)
Principal Payments on Refunding Bonds	-	-	(1,261,440)	1,261,440
Transfers In	244,185	244,185	317,419	73,234
Transfers Out	(483,555)	(483,555)	(438,987)	44,568
Total Other Financing Sources and Uses	<u>(239,370)</u>	<u>(239,370)</u>	<u>(209,841)</u>	<u>206,075</u>
Net Change in Fund Balances	-	-	94,925	271,471
Fund Balances - Beginning	2,273,104	2,273,104	2,273,104	-
Fund Balances - Ending	<u>\$ 2,273,104</u>	<u>\$ 2,273,104</u>	<u>\$ 2,368,029</u>	<u>\$ 271,471</u>

Village of Johnson Creek

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
TIF #2
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,396,896	\$ 1,396,896	\$ 1,392,972	\$ (3,924)
Special Assessment Revenue	16,400	16,400	25,884	9,484
Intergovernmental	10,970	10,970	27,727	16,757
License and Permits	15,000	15,000	-	(15,000)
Interest Income	3,000	3,000	32,205	29,205
Total Revenues	<u>1,442,266</u>	<u>1,442,266</u>	<u>1,478,788</u>	<u>36,522</u>
EXPENDITURES				
Current:				
General Government	103,476	103,476	61,567	41,909
Conservation and Development	407,933	407,933	390,537	17,396
Debt Service:				
Principal Repayment	720,400	720,400	920,400	(200,000)
Interest Expense	210,457	210,457	255,314	(44,857)
Total Expenditures	<u>1,442,266</u>	<u>1,442,266</u>	<u>1,627,818</u>	<u>(185,552)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(149,030)	(149,030)
Net Change in Fund Balances	-	-	(149,030)	(149,030)
Fund Balances - Beginning	1,100,362	1,100,362	1,100,362	-
Fund Balances - Ending	<u>\$ 1,100,362</u>	<u>\$ 1,100,362</u>	<u>\$ 951,332</u>	<u>\$ (149,030)</u>

Village of Johnson Creek

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
TIF #3
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,128,428	\$ 1,128,428	\$ 1,153,811	\$ 25,383
Special Assessment Revenue	139,000	139,000	153,481	14,481
Intergovernmental	6,000	6,000	7,205	1,205
License and Permits	20,000	20,000	17,853	(2,147)
Interest Income	2,500	2,500	8,914	6,414
Total Revenues	<u>1,295,928</u>	<u>1,295,928</u>	<u>1,341,264</u>	<u>45,336</u>
EXPENDITURES				
Current:				
General Government	111,926	111,926	135,676	(23,750)
Conservation and Development	284,307	284,307	19,985	264,322
Capital Outlay	95,000	95,000	-	95,000
Debt Service:				
Principal Repayment	599,600	599,600	599,600	-
Interest Expense	205,095	205,095	293,432	(88,337)
Total Expenditures	<u>1,295,928</u>	<u>1,295,928</u>	<u>1,048,693</u>	<u>247,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>292,571</u>	<u>292,571</u>
Net Change in Fund Balances	-	-	292,571	292,571
Fund Balances - Beginning	112,490	112,490	112,490	-
Fund Balances - Ending	<u>\$ 112,490</u>	<u>\$ 112,490</u>	<u>\$ 405,061</u>	<u>\$ 292,571</u>

Village of Johnson Creek

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
Fire Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 181,178	\$ 181,178	\$ 181,178	\$ -
Intergovernmental	15,750	15,750	23,884	8,134
Public Charges for Services	126,000	126,000	185,956	59,956
Interest Income	1,500	1,500	1,913	413
Miscellaneous Income	14,302	14,302	37,632	23,330
Total Revenues	<u>338,730</u>	<u>338,730</u>	<u>430,563</u>	<u>91,833</u>
EXPENDITURES				
Current:				
General Government	69,164	69,164	63,412	5,752
Public Safety	441,145	441,145	437,396	3,749
Capital Outlay	96,000	96,000	81,098	14,902
Debt Service				
Principal Repayment	131,740	131,740	127,628	4,112
Interest Expense	23,350	23,350	36,785	(13,435)
Total Expenditures	<u>761,399</u>	<u>761,399</u>	<u>746,319</u>	<u>15,080</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(422,669)</u>	<u>(422,669)</u>	<u>(315,756)</u>	<u>106,913</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	70,000	70,000	93,588	(23,588)
Proceeds from Long-Term Debt	-	-	915,000	(915,000)
Principal Payments on Refunding Bonds	-	-	(338,560)	338,560
Bond Premium	-	-	18,260	(18,260)
Transfers In	328,987	328,987	289,235	(39,752)
Transfers Out	(2,318)	(2,318)	(2,318)	-
Total Other Financing Sources and Uses	<u>396,669</u>	<u>396,669</u>	<u>975,205</u>	<u>(658,040)</u>
Net Change in Fund Balances	(26,000)	(26,000)	659,449	(551,127)
Fund Balances - Beginning	(322,707)	(322,707)	(322,707)	-
Fund Balances - Ending	<u>\$ (348,707)</u>	<u>\$ (348,707)</u>	<u>\$ 336,742</u>	<u>\$ (551,127)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF JOHNSON CREEK
WISCONSIN RETIREMENT SYSTEM
December 31, 2016**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Fiscal Years**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00662708%	\$ 107,689	\$ 850,888	12.66%	98.20%
2014	0.00676213%	(166,051)	795,592	(20.87%)	102.74%

**SCHEDULE OF VILLAGE'S CONTRIBUTIONS
FOR THE YEAR ENDED
Last 10 Fiscal Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 62,734	\$ (62,734)	\$ -	\$ 862,316	7.28%
2015	63,185	(63,185)	-	850,888	7.43%

VILLAGE OF JOHNSON CREEK
Notes to the Required Supplementary Information
December 31, 2016

1. Annual Operation Budget

The operation budget for all funds is prepared annually by the Village Board. The budget is prepared and presented on the same basis of accounting as the financial statements.

The budget was passed in November 2015 and was amended by the Village board as needed during the year. For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Tentative budget is prepared and made available for public inspection before November 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Village Board may make transfers between the various items in any fund not exceeding the 10% of the total of such fund as set forth in the budget.
6. The Village Board may amend the budget (in other ways) by the same procedures required of its original adoption.

Excess Expenditures over Appropriations

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

The Village incurred expenditures in excess of budget as follows:

Fund	Department	Final Budget	Actual Expenditures	Variance
General	General Government	\$ 276,218	\$ 292,931	\$ (16,713)
General	Public Works	504,483	506,257	(1,774)
General	Interest Expense	70,704	73,455	(2,751)
TIF #2	Principal Repayment	720,400	920,400	(200,000)
TIF #2	Interest Expense	210,457	255,314	(44,857)
TIF #3	General Government	111,926	135,676	(23,750)
TIF #3	Interest Expense	205,095	293,432	(88,337)
Fire	Interest Expense	23,350	36,785	(13,435)

In total, general fund expenditures were under budget by \$81,948.

VILLAGE OF JOHNSON CREEK
Notes to the Required Supplementary Information
December 31, 2016

2. Wisconsin Retirement System

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

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

Changes of assumptions. Rates used in mortality tables were updated on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvements scales (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

SUPPLEMENTARY INFORMATION

**Village of Johnson Creek
Johnson Creek, Wisconsin**

**Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2016**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>
	<u>Library Fund</u>	<u>Room Tax Fund</u>	<u>General Capital Projects</u>	
ASSETS				
Cash and Cash Equivalents	\$ 30,995	\$ 52,777	\$ -	\$ 83,772
Receivables:				
Accounts	-	32,077	-	32,077
Restricted Cash	15,372	-	127,889	143,261
Total Assets	<u>\$ 46,367</u>	<u>\$ 84,854</u>	<u>\$ 127,889</u>	<u>\$ 259,110</u>
 LIABILITIES				
Accounts Payable	\$ 14	\$ -	\$ 6,135	\$ 6,149
Accrued Liabilities	2,315	-	-	2,315
Total Liabilities	<u>2,329</u>	<u>-</u>	<u>6,135</u>	<u>8,464</u>
 FUND BALANCES				
Restricted	44,038	84,854	121,754	250,646
Total Fund Balances	<u>44,038</u>	<u>84,854</u>	<u>121,754</u>	<u>250,646</u>
Total Liabilities and Fund Balances	<u>\$ 46,367</u>	<u>\$ 84,854</u>	<u>\$ 127,889</u>	<u>\$ 259,110</u>

**Village of Johnson Creek
Johnson Creek, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2016**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>
	<u>Library Fund</u>	<u>Room Tax Fund</u>	<u>General Capital Projects</u>	
REVENUES				
Other Taxes	\$ -	\$ 146,860	\$ -	\$ 146,860
Intergovernmental	48,053	-	-	48,053
Fines, Forfeits and Penalties	4,224	-	-	4,224
Interest Income	304	134	774	1,212
Miscellaneous Income	9,379	-	-	9,379
Total Revenues	<u>61,960</u>	<u>146,994</u>	<u>774</u>	<u>209,728</u>
EXPENDITURES				
Current:				
General Government	2,159	300	-	2,459
Culture, Recreation and Education	185,184	-	-	185,184
Conservation and Development	-	37,393	-	37,393
Capital Outlay	-	-	414,734	414,734
Total Expenditures	<u>187,343</u>	<u>37,693</u>	<u>425,290</u>	<u>650,326</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(125,383)</u>	<u>109,301</u>	<u>(424,516)</u>	<u>(440,598)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Refunding Bonds	-	-	93,245	93,245
Proceeds from Long-Term Debt	-	-	385,000	385,000
Refunding Bonds Issued	-	-	-	-
Bond Premium	-	-	8,675	8,675
Transfers In	154,568	-	-	154,568
Transfers Out	(22,097)	(42,111)	(54,144)	(118,352)
Total Other Financing Sources and Uses	<u>132,471</u>	<u>(42,111)</u>	<u>432,776</u>	<u>523,136</u>
Net Change in Fund Balances	7,088	67,190	8,260	82,538
Fund Balances - Beginning	36,950	17,664	113,494	168,108
Fund Balances - Ending	<u>\$ 44,038</u>	<u>\$ 84,854</u>	<u>\$ 121,754</u>	<u>\$ 250,646</u>