



Johnson ▲ Block
AND COMPANY, INC.

Certified Public Accountants

VILLAGE OF WATERFORD, WISCONSIN

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

Year Ended December 31, 2015

**Johnson Block & Company, Inc.
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Quality service through our commitment to clients and staff.

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VILLAGE OF WATERFORD, WISCONSIN

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of
the Village Board
Village of Waterford, 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 Waterford, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 previously 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 Waterford, Wisconsin, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 44 - 46 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.

Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin
May 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2015

As management of the Village of Waterford, we offer readers of the Village of Waterford financial statements this narrative overview and analysis of the financial activities of the Village of Waterford for the fiscal year ended December 31, 2015. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor's Report at the front of this report and the Village's financial statements, which immediately follow this section.

THE FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of the Village of Waterford exceeded its liabilities and deferred inflows as of December 31, 2015, by \$38,771,809. Total net position includes all infrastructure of the governmental funds.
- The Village of Waterford's total net position increased by \$571,819. Governmental activities net position increased by \$465,319 and business-type activities increased by \$106,500.
- As of December 31, 2015, the Village of Waterford's governmental funds reported combined ending fund balances of \$4,147,896 with a net decrease of \$158,723 from 2014. Approximately 21.6 percent of this total, or \$897,364, is nonspendable or restricted.
- As of December 31, 2015, the assigned fund balance for the general fund was \$1,339,881 and the unassigned fund balance for the general fund was \$846,502. The unassigned fund balance for the general fund of \$846,502 is approximately 31.0 percent of total general fund expenditures for the fiscal year.
- The Village of Waterford's governmental general obligation debt decreased by \$785,000 during 2015. The Village's business-type debt decreased by \$240,913.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village of Waterford's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are the *Statement of Net Position* and *Statement of Activities*. These statements present an aggregate view of the Village's finances in a manner similar to private-sector business. The government-wide financial statements can be found on pages 1 through 2 of this report.

- The *statement of net position* presents information on all of the Village of Waterford's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Waterford is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

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

Fund financial statements. The Village also produces 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. The Village, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the Village-wide statements and provide information that may be useful in evaluating a Village's short-term financing requirements. There are two fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, fund statements focus on short-term inflows and outflows of spendable resources and their impact on fund balance.

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

The Village of Waterford maintains 20 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service, Library Operations, Special Funds, and TIF #2 Debt Service. Data from the remaining 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

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

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

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility and the sewer utility, which are considered to be major funds of the Village of Waterford. The basic proprietary fund financial statements can be found on pages 7 through 10 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village of Waterford's programs. The fiduciary funds maintained by the Village of Waterford are the Municipal Court Fund and Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the Village of Waterford. The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 43 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 47 through 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Village of Waterford exceeded liabilities and deferred inflows by \$38,771,809 as of December 31, 2015. The next table provides a summary of the Village's statement of net position for the year ended December 31, 2015.

Village of Waterford Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,357,522	\$ 8,138,803	\$ 2,928,081	\$ 2,782,542	\$ 11,285,603	\$ 10,921,345
Capital assets	24,185,627	24,401,149	15,790,687	16,060,264	39,976,314	40,461,413
Total Assets	<u>32,543,149</u>	<u>32,539,952</u>	<u>18,718,768</u>	<u>18,842,806</u>	<u>51,261,917</u>	<u>51,382,758</u>
Deferred outflows of resources	-	-	8,665	13,123	8,665	13,123
Total assets and deferred outflows of resources	<u>\$ 32,543,149</u>	<u>\$ 32,539,952</u>	<u>\$ 18,727,433</u>	<u>\$ 18,855,929</u>	<u>\$ 51,270,582</u>	<u>\$ 51,395,881</u>
Long-term liabilities outstanding	\$ 6,446,374	\$ 7,258,999	\$ 1,657,720	\$ 1,898,633	\$ 8,104,094	\$ 9,157,632
Other liabilities	518,838	658,317	168,365	162,448	687,203	820,765
Total Liabilities	<u>6,965,212</u>	<u>7,917,316</u>	<u>1,826,085</u>	<u>2,061,081</u>	<u>8,791,297</u>	<u>9,978,397</u>
Deferred inflows of resources	3,707,476	3,408,201	-	-	3,707,476	3,408,201
Net Position:						
Net investment in capital assets	20,027,306	19,665,544	14,245,304	14,273,748	34,272,610	33,939,292
Restricted	395,571	219,191	766,826	763,785	1,162,397	982,976
Unrestricted	1,447,584	1,329,700	1,889,218	1,757,315	3,336,802	3,087,015
Total Net Position	<u>21,870,461</u>	<u>21,214,435</u>	<u>16,901,348</u>	<u>16,794,848</u>	<u>38,771,809</u>	<u>38,009,283</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 32,543,149</u>	<u>\$ 32,539,952</u>	<u>\$ 18,727,433</u>	<u>\$ 18,855,929</u>	<u>\$ 51,270,582</u>	<u>\$ 51,395,881</u>

The largest portion of the Village's net position, \$34,272,610 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Village's net position of \$1,162,397 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$3,336,802 may be used to meet the Village's ongoing obligations to citizens and creditors.

The next table provides a summary of the Village's operating results and their impact on net position for the year ended December 31, 2015. In 2015 the Village relied primarily on property taxes, 48.9%, and charges for service, 30.5%, to fund its operations. Combined, these account for 79.4% of all revenues, or approximately \$5.51 million. Program revenues, in the form of charges for services accounted for \$2.1 million of the total revenues of \$6.93 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities increased the Village's net position by \$465,319.

	Village of Waterford's Change in Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services and Fees, Fines and Costs	\$ 489,377	\$ 461,221	\$ 1,626,723	\$ 1,605,288	\$ 2,116,100	\$ 2,066,509
Operating Grants and Contributions	775,302	753,787	-	-	775,302	753,787
Capital Grants and Contributions	176,206	26,766	76,384	34,020	252,590	60,786
General Revenues:						
Property Taxes	3,391,709	3,389,990	-	-	3,391,709	3,389,990
Other Taxes	118,587	130,258	-	-	118,587	130,258
Grants and Contributions Not Restricted to Specific Programs	242,097	257,196	-	-	242,097	257,196
Unrestricted Interest and Investment	20,410	21,203	3,283	3,231	23,693	24,434
Other	14,321	11,208	-	-	14,321	11,208
Total Revenues	5,228,009	5,051,629	1,706,390	1,642,539	6,934,399	6,694,168
Expenses:						
General Government	\$ 909,502	\$ 821,484	\$ -	\$ -	\$ 909,502	\$ 821,484
Public Safety	1,344,522	1,233,972	-	-	1,344,522	1,233,972
Public Works	1,587,404	1,634,276	-	-	1,587,404	1,634,276
Health, Welfare, and Sanitation	40,191	30,207	-	-	40,191	30,207
Culture and Recreation	849,574	842,769	-	-	849,574	842,769
Conservation and Development	85,081	117,010	-	-	85,081	117,010
Interest on Long-Term Debt	148,453	418,483	-	-	148,453	418,483
Loss on Disposal of Assets	-	40,402	-	-	-	40,402
Loss on Early Extinguishment of Debt	-	283,511	-	-	-	283,511
Water	-	-	591,246	631,347	591,246	631,347
Sewer	-	-	806,607	815,930	806,607	815,930
Total Expenses	4,964,727	5,422,114	1,397,853	1,447,277	6,362,580	6,869,391
Increase (Decrease) in Net Position						
Before Transfers	263,282	(370,485)	308,537	195,262	571,819	(175,223)
Transfers	202,037	205,615	(202,037)	(205,615)	-	-
Increase in Net Position	465,319	(164,870)	106,500	(10,353)	571,819	(175,223)
Net Position - January 1	21,214,435	21,379,305	16,794,848	16,805,201	38,009,283	38,184,506
Restatement	190,707	-	-	-	190,707	-
Net Position - December 31	\$ 21,870,461	\$ 21,214,435	\$ 16,901,348	\$ 16,794,848	\$ 38,771,809	\$ 38,009,283

Key elements of this increase are as follows:

- Program revenues exceeded expenses by \$263,282.
- Interest on Long-term debt expenses decreased by \$270,030.
- Capital grants and contributions increased by \$149,440.

FINANCIAL ANALYSIS OF THE VILLAGE OF WATERFORD'S FUNDS

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

Governmental funds. The focus of the Village of Waterford's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *usable* resources. Such information is useful in assessing the Village's financing requirements.

As of December 31, 2015, the Village's governmental funds reported combined ending fund balances of \$4,147,896, a decrease of \$158,723 from the prior year. Of the combined ending fund balance, \$619,191 is unassigned, \$160,151 is nonspendable, \$737,213 is restricted, and \$2,631,341 is assigned for specific purposes.

The general fund is the chief operating fund of the Village. At the end of the current year, unassigned fund balance of the general fund was \$846,502, while total fund balance reached \$2,346,534. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The Village has general fund assigned fund balance of \$1,339,881.

During the current year, the Village's general fund balance increased by \$134,480.

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

Operating expenses decreased by \$42,764 compared to 2014 operating expenses, while operating revenues increased by \$21,435.

Water Utility had a decrease in net position of \$29,260 in 2015 after deducting a transfer of \$202,037 to the Village's General Fund and including capital contributions of \$29,072. Net position was \$8,215,729 as of December 31, 2015.

Sewer Utility had an increase in net position of \$135,760. Net position was \$8,685,619 as of December 31, 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village had differences between actual expenditures and revenues and the budget amounts. During the year, actual revenues were greater than budgeted by \$141,767. \$47,223 of this increase is related to fines, forfeits and penalties. The increase was also due to receiving \$33,513 more in license and permit fees than budgeted and \$84,049 more in public service charges than budgeted offset by decreased revenues for other taxes.

Actual expenditures were less than budgeted by \$73,868. The main reasons were public works expenditures were \$104,281 less than budget, general government expenditures were \$24,683 less than budget, offset by increased expenditures for public safety.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Village of Waterford's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$39,976,314 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, public domain infrastructure (highway and bridges), and construction in progress. The net decrease in the Village's investment in capital assets for the current year was \$485,099. A summary is listed below.

	Governmental Activities		Business-Type Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 10,375,739	\$ 10,375,739	\$ 210	\$ 210
Construction in Progress	125,167	25,411	98,196	-
Land Improvements	424,976	235,557	-	-
Buildings & Improvements	7,158,268	7,158,268	-	-
Machinery and Equipment	3,993,088	3,761,443	-	-
Infrastructure	24,834,356	24,858,407	20,867,823	20,863,815
Accumulated Depreciation	(22,725,967)	(22,013,676)	(5,175,542)	(4,803,761)
Total	\$ 24,185,627	\$ 24,401,149	\$ 15,790,687	\$ 16,060,264

Additional information on the Village of Waterford's capital assets can be found in Note 3D on pages 29 through 31 of this report.

Long-term debt. At the end of the current fiscal year, Village of Waterford had long-term debt obligations outstanding of \$7,942,720.

Village of Waterford Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Debt	\$ 6,285,000	\$ 7,070,000	\$ -	\$ -	\$ 6,285,000	\$ 7,070,000
CDA Lease Revenue Bond	-	-	-	-	-	-
2010 CWF Loan	-	-	837,720	883,633	837,720	883,633
2010 Revenue Bonds	-	-	460,000	585,000	460,000	585,000
2012 Revenue Bonds	-	-	360,000	430,000	360,000	430,000
Total	\$ 6,285,000	\$ 7,070,000	\$ 1,657,720	\$ 1,898,633	\$ 7,942,720	\$ 8,968,633

During the fiscal year, Village of Waterford's debt decreased by \$1,025,913.

Additional information on the Village's long-term debt can be found in Note 3G on pages 34-37 of this report.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village of Waterford's finances. Questions, concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Waterford, Village Hall, 123 N. River Street, Waterford, WI 53185.

General information relating to the Village of Waterford, Wisconsin, can be found at the Village's website, www.vi.waterford.wi.gov.

BASIC FINANCIAL STATEMENTS

**Village of Waterford
Waterford, Wisconsin**

**Statement of Net Position
December 31, 2015**

	Governmental Activities	Business-type Activities	Primary Government
ASSETS			
Cash and Investments	\$ 4,461,342	\$ 1,516,303	\$ 5,977,645
Receivables			
Taxes	3,707,967	-	3,707,967
Other	106,445	447,006	553,451
Special assessments	-	-	-
Due from Other Governments	80,988	-	80,988
Due from Agency	780	63,354	64,134
Prepaid Expenses	-	15,000	15,000
Restricted Cash and Investments	-	886,418	886,418
Capital Assets			
Land and Improvements	10,500,906	55,233	10,556,139
Other Capital Assets, net of depreciation	13,684,721	15,735,454	29,420,175
Total Capital Assets	<u>24,185,627</u>	<u>15,790,687</u>	<u>39,976,314</u>
Total Assets	<u>32,543,149</u>	<u>18,718,768</u>	<u>51,261,917</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Debt Discount	-	8,665	8,665
Total Deferred Outflows of Resources	<u>-</u>	<u>8,665</u>	<u>8,665</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 32,543,149</u>	<u>\$ 18,727,433</u>	<u>\$ 51,270,582</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 419,515	\$ 161,109	\$ 580,624
Developer Deposits	66,145	-	66,145
Accrued Interest	33,178	7,256	40,434
Long-Term Liabilities			
Due within one year			
Long-term Debt	790,000	242,020	1,032,020
Compensated Absences	22,036	-	22,036
Due in more than one year			
Long-term Debt	5,614,878	1,415,700	7,030,578
Compensated Absences	19,460	-	19,460
Total Liabilities	<u>6,965,212</u>	<u>1,826,085</u>	<u>8,791,297</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,707,476</u>	<u>-</u>	<u>3,707,476</u>
NET POSITION			
Net Investment in Capital Assets	20,027,306	14,245,304	34,272,610
Restricted	395,571	766,826	1,162,397
Unrestricted	1,447,584	1,889,218	3,336,802
Total Net Position	<u>21,870,461</u>	<u>16,901,348</u>	<u>38,771,809</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 32,543,149</u>	<u>\$ 18,727,433</u>	<u>\$ 51,270,582</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Activities
For the Year Ended December 31, 2015**

<u>Functions/Programs</u>	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for			Primary Government		
		Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government
Primary government							
Governmental activities							
General Government	\$ 909,502	\$ 122,715	\$ 27,274	\$ -	\$ (759,513)		\$ (759,513)
Public Safety	1,344,522	318,194	149,400	32,427	(844,501)		(844,501)
Public Works	1,587,404	11,629	180,211	5,592	(1,389,972)		(1,389,972)
Health, Welfare and Sanitation	40,191	-	-	-	(40,191)		(40,191)
Culture and Recreation	849,574	36,839	396,638	138,187	(277,910)		(277,910)
Conservation and Development	85,081	-	21,779	-	(63,302)		(63,302)
Interest on Long-term Debt	148,453	-	-	-	(148,453)		(148,453)
Total governmental activities	<u>4,964,727</u>	<u>489,377</u>	<u>775,302</u>	<u>176,206</u>	<u>(3,523,842)</u>		<u>(3,523,842)</u>
Business-type activities							
Water	591,246	733,356	-	29,072	-	\$ 171,182	171,182
Sewer	806,607	893,367	-	47,312	-	134,072	134,072
Total business-type activities	<u>1,397,853</u>	<u>1,626,723</u>	<u>-</u>	<u>76,384</u>	<u>-</u>	<u>305,254</u>	<u>305,254</u>
Total primary government	<u>\$ 6,362,580</u>	<u>\$ 2,116,100</u>	<u>\$ 775,302</u>	<u>\$ 252,590</u>	<u>(3,523,842)</u>	<u>305,254</u>	<u>(3,218,588)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,451,647	-	2,451,647
Property taxes, levied for debt service					241,494	-	241,494
Property taxes, levied for TIF District					698,568	-	698,568
Other taxes					118,587	-	118,587
Grants and contributions not restricted to specific programs					242,097	-	242,097
Unrestricted investment earnings					20,410	3,283	23,693
Miscellaneous					11,358	-	11,358
<i>Special item</i> - gain (loss) on sale/retirement of asset(s)					2,963	-	2,963
Transfers					202,037	(202,037)	-
Total general revenues, special items, and transfers					<u>3,989,161</u>	<u>(198,754)</u>	<u>3,790,407</u>
Change in Net Position					465,319	106,500	571,819
Net Position - beginning, restated					21,405,142	16,794,848	38,199,990
Net Position - ending					<u>\$ 21,870,461</u>	<u>\$ 16,901,348</u>	<u>\$ 38,771,809</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Balance Sheet
Governmental Funds
December 31, 2015**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Library Operations</u>	<u>Special Funds</u>	<u>TIF #2 Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 2,253,273	\$ 4,136	\$ 15,613	\$ 1,444,480	\$ 292,984	\$ 450,856	\$ 4,461,342
Receivables:							
Taxes	1,798,205	491,227	287,084	258,770	805,750	65,660	3,706,696
Delinquent Personal Property Taxes	1,271	-	-	-	-	-	1,271
Other	101,130	-	488	-	-	81,413	183,031
Due From Other Funds	149,746	-	-	-	-	-	149,746
Advances Receivable	158,880	-	-	-	-	-	158,880
Total Assets	<u>\$ 4,462,505</u>	<u>\$ 495,363</u>	<u>\$ 303,185</u>	<u>\$ 1,703,250</u>	<u>\$ 1,098,734</u>	<u>\$ 597,929</u>	<u>\$ 8,660,966</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 165,275	\$ -	\$ 1,574	\$ 159,223	\$ -	\$ 7,080	\$ 333,152
Accrued Liabilities	69,499	-	12,460	-	-	-	81,959
Deposits	66,145	-	-	-	-	-	66,145
Advances Payable	-	-	-	-	-	158,880	158,880
Total Liabilities	<u>300,919</u>	<u>-</u>	<u>14,034</u>	<u>159,223</u>	<u>-</u>	<u>314,926</u>	<u>789,102</u>
Deferred Inflows of Resources:							
Deferred Inflows	<u>1,815,052</u>	<u>491,227</u>	<u>287,084</u>	<u>258,770</u>	<u>805,750</u>	<u>66,085</u>	<u>3,723,968</u>
Fund Balances (Deficit):							
Nonspendable	160,151	-	-	-	-	-	160,151
Restricted	-	-	-	-	292,984	444,229	737,213
Committed	-	-	-	-	-	-	-
Assigned	1,339,881	4,136	2,067	1,285,257	-	-	2,631,341
Unassigned	846,502	-	-	-	-	(227,311)	619,191
Total Fund Balances (Deficit)	<u>2,346,534</u>	<u>4,136</u>	<u>2,067</u>	<u>1,285,257</u>	<u>292,984</u>	<u>216,918</u>	<u>4,147,896</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,462,505</u>	<u>\$ 495,363</u>	<u>\$ 303,185</u>	<u>\$ 1,703,250</u>	<u>\$ 1,098,734</u>	<u>\$ 597,929</u>	<u>\$ 8,660,966</u>

See accompanying notes to the financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2015**

Total fund balance, governmental funds	\$	4,147,896
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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.		24,185,627
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Deferred revenues are reported in the fund financial statement, but are already recognized as earned in the Statement of Net Position.		16,492
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable), 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	\$ (33,178)		
	Bond and Notes Payable Due Within One Year	(790,000)		
	Bond and Notes Payable Due In More Than One Year	(5,614,878)		
	Compensated Absences	(41,498)		(6,479,554)

Net Position of Governmental Activities in the Statement of Net Position	\$	21,870,461
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See accompanying notes to the financial statements.

**Village of Waterford
Waterford, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015**

	General Fund	Debt Service	Library Operations	Special Funds	TIF #2 Debt Service	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 1,811,057	\$ 241,494	\$ 269,900	\$ 305,000	\$ 698,568	\$ 65,690	\$ 3,391,709
Other Taxes	321,478	-	-	-	1,275	21,779	344,532
Intergovernmental	197,373	-	396,284	167,904	44,724	154,827	961,112
License and Permits	151,673	-	-	-	-	-	151,673
Fines, Forfeits and Penalties	117,423	-	-	-	-	-	117,423
Public Charges for Services	269,349	-	19,304	-	-	3,151	291,804
Intergovernmental Charges for Services	11,560	-	-	-	-	-	11,560
Interest Income	14,865	776	66	4,231	-	473	20,411
Miscellaneous Income	15,411	-	-	-	-	104,953	120,364
Total Revenues	<u>2,910,189</u>	<u>242,270</u>	<u>685,554</u>	<u>477,135</u>	<u>744,567</u>	<u>350,873</u>	<u>5,410,588</u>
EXPENDITURES							
Current:							
General Government	702,999	-	-	119,689	-	34,326	857,014
Public Safety	1,234,726	-	-	-	-	4,687	1,239,413
Public Works	660,317	-	-	-	-	89,892	750,209
Health and Human Services	40,191	-	-	-	-	-	40,191
Culture, Recreation and Education	26,723	-	699,861	-	-	236,486	963,070
Conservation and Development	67,073	-	-	-	-	39,183	106,256
Capital Outlay	-	-	-	653,780	-	-	653,780
Debt Service:							
Principal Repayment	-	215,000	-	-	570,000	-	785,000
Interest Expense	-	28,173	-	-	137,592	8,613	174,378
Total Expenditures	<u>2,732,029</u>	<u>243,173</u>	<u>699,861</u>	<u>773,469</u>	<u>707,592</u>	<u>413,187</u>	<u>5,569,311</u>
Excess (Deficiency) of Revenues Over Expenditures	178,160	(903)	(14,307)	(296,334)	36,975	(62,314)	(158,723)
OTHER FINANCING SOURCES (USES)							
Transfers In	398	-	578	23,500	-	51,057	75,533
Transfers Out	(44,078)	-	-	-	(31,057)	(398)	(75,533)
Total Other Financing Sources and Uses	<u>(43,680)</u>	<u>-</u>	<u>578</u>	<u>23,500</u>	<u>(31,057)</u>	<u>50,659</u>	<u>-</u>
Net Change Fund Balances (Deficit)	134,480	(903)	(13,729)	(272,834)	5,918	(11,655)	(158,723)
Fund Balances - Beginning (restated)	2,212,054	5,039	15,796	1,558,091	287,066	228,573	4,306,619
Fund Balances - Ending	<u>\$ 2,346,534</u>	<u>\$ 4,136</u>	<u>\$ 2,067</u>	<u>\$ 1,285,257</u>	<u>\$ 292,984</u>	<u>\$ 216,918</u>	<u>\$ 4,147,896</u>

See accompanying notes to the financial statements.

**Village of Waterford
Waterford, 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, 2015**

Net change in fund balances - total governmental funds: \$ (158,723)

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 by which depreciation exceeded capital outlays in the current period.

	Capital outlay capitalized:	\$ 833,287	
	Depreciation expense reported in the Statement of Activities:	<u>(1,033,772)</u>	(200,485)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	16,492
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The Village disposed of various capital assets resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the Statement of Net Position as a net loss and has no effect on the Governmental Fund Balance Sheet.

	The value of capital assets disposed of during the year was:	(336,518)	
	The amount of depreciation recapture for the year was:	<u>321,481</u>	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:			(15,037)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure; In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. \$7,082,025 is the amount of principal repayments in 2014.

	The amount of long-term debt principal payments in the current year is:	785,000	
	The amount of long-term debt incurred in the current year is:	<u>-</u>	785,000

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:

Adjustment for accrued interest not reflected on Governmental funds	25,924
Adjustment for decrease in compensated absences	12,148
Change in Net Position of governmental activities	<u>\$ 465,319</u>

See accompanying notes to the financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2015**

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ -	\$ 1,516,303	\$ 1,516,303
Receivables			
Accounts	159,558	287,448	447,006
Due from Other Funds	22,613	68,729	91,342
Prepaid Expenses	7,500	7,500	15,000
Total Current Assets	<u>189,671</u>	<u>1,879,980</u>	<u>2,069,651</u>
Restricted Assets:			
Restricted Cash and Investments	429,909	456,509	886,418
Total Restricted Assets	<u>429,909</u>	<u>456,509</u>	<u>886,418</u>
Capital Assets:			
Land	210	-	210
Construction Work in Progress	55,023	43,173	98,196
Other Capital Assets	11,043,931	9,823,892	20,867,823
Less Accumulated Depreciation	(2,993,542)	(2,182,000)	(5,175,542)
Net Capital Assets	<u>8,105,622</u>	<u>7,685,065</u>	<u>15,790,687</u>
Total Assets	<u>8,725,202</u>	<u>10,021,554</u>	<u>18,746,756</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Debt Discount	6,494	2,171	8,665
Total Deferred Outflows of Resources	<u>6,494</u>	<u>2,171</u>	<u>8,665</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,731,696</u>	<u>\$ 10,023,725</u>	<u>\$ 18,755,421</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2015**

	Enterprise Funds		
	Water	Sewer	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 16,550	\$ 128,298	\$ 144,848
Accrued Liabilities	8,667	7,595	16,262
Accrued Interest Payable	2,763	4,493	7,256
Due to Other Funds	27,987	-	27,987
Current Portion of Long-Term Bonds	120,000	122,020	242,020
Total Current Liabilities	<u>175,967</u>	<u>262,406</u>	<u>438,373</u>
Non-Current Liabilities:			
Long-Term Debt			
Bonds and Loans Payable	340,000	1,075,700	1,415,700
Total Long-Term Debt	<u>340,000</u>	<u>1,075,700</u>	<u>1,415,700</u>
Total Liabilities	<u>515,967</u>	<u>1,338,106</u>	<u>1,854,073</u>
NET POSITION			
Net Investment in Capital Assets	7,757,959	6,487,345	14,245,304
Restricted	314,810	452,016	766,826
Unrestricted	142,960	1,746,258	1,889,218
Total Net Position	<u>8,215,729</u>	<u>8,685,619</u>	<u>16,901,348</u>
Total Liabilities and Net Position	<u>\$ 8,731,696</u>	<u>\$ 10,023,725</u>	<u>\$ 18,755,421</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015**

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for Services	\$ 718,909	\$ 883,751	\$ 1,602,660
Other Operating Revenues	14,447	9,616	24,063
Total Operating Revenues	<u>733,356</u>	<u>893,367</u>	<u>1,626,723</u>
OPERATING EXPENSES			
Operation and Maintenance	332,451	625,329	957,780
Depreciation	230,219	145,311	375,530
Taxes	9,057	6,458	15,515
Total Operating Expenses	<u>571,727</u>	<u>777,098</u>	<u>1,348,825</u>
Operating Income (Loss)	<u>161,629</u>	<u>116,269</u>	<u>277,898</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	1,595	1,688	3,283
Interest Expense	(17,214)	(27,356)	(44,570)
Amortization Expense	(2,305)	(2,153)	(4,458)
Total Non-Operating Revenue (Expenses)	<u>(17,924)</u>	<u>(27,821)</u>	<u>(45,745)</u>
Income (Loss) Before Contributions and Transfers	143,705	88,448	232,153
Capital Contributions	29,072	47,312	76,384
Transfers Out (Tax Equivalent)	(202,037)	-	(202,037)
Change in Net Position	<u>(29,260)</u>	<u>135,760</u>	<u>106,500</u>
Total Net Position - Beginning	8,244,989	8,549,859	16,794,848
Total Net Position - Ending	<u>\$ 8,215,729</u>	<u>\$ 8,685,619</u>	<u>\$ 16,901,348</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2015**

	Enterprise Funds		
	Water	Sewer	Total
<u>Cash Flows From Operating Activities:</u>			
Received from customers	\$ 487,252	\$ 869,114	\$ 1,356,366
Received from (paid to) municipality for services	267,861	(31,268)	236,593
Payments to suppliers	(243,865)	(559,976)	(803,841)
Payments to employees for services	(106,970)	(54,808)	(161,778)
Net cash provided (used) by operating activities	<u>404,278</u>	<u>223,062</u>	<u>627,340</u>
<u>Cash Flows From Noncapital Financing Activities:</u>			
Paid to municipality for tax equivalent	(202,037)	-	(202,037)
Negative cash balance implicitly financed	(26,679)	26,679	-
Net cash provided (used) by noncapital financing activities	<u>(228,716)</u>	<u>26,679</u>	<u>(202,037)</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of plant assets	(62,347)	(43,606)	(105,953)
Principal payments on long-term debt	(125,000)	(115,913)	(240,913)
Interest paid	(18,327)	(28,001)	(46,328)
Contributions of plant	29,072	47,312	76,384
Net cash used for capital and related financing activities	<u>(176,602)</u>	<u>(140,208)</u>	<u>(316,810)</u>
<u>Cash Flows From Investing Activities:</u>			
Interest on investments	1,595	1,688	3,283
Net cash provided (used) by investing activities	<u>1,595</u>	<u>1,688</u>	<u>3,283</u>
Net increase (decrease) in cash and equivalents	555	111,221	111,776
Cash and equivalents - beginning of year	429,354	1,861,591	2,290,945
Cash and equivalents - end of year	<u>\$ 429,909</u>	<u>\$ 1,972,812</u>	<u>\$ 2,402,721</u>
Reconciliation of Cash and Equivalents to Statement of Net Position			
Cash and Investments	\$ -	\$ 1,516,303	\$ 1,516,303
Restricted Cash and Investments	429,909	456,509	886,418
Cash and equivalents - end of year	<u>\$ 429,909</u>	<u>\$ 1,972,812</u>	<u>\$ 2,402,721</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income	\$ 161,629	\$ 116,269	\$ 277,898
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	230,219	145,311	375,530
Joint meter	7,343	(7,343)	-
Changes in Assets and Liabilities:			
Customer accounts receivable	(15,880)	(24,253)	(40,133)
Due from/to other funds	30,294	(23,925)	6,369
Accounts payable	(10,042)	16,313	6,271
Accrued liabilities	715	690	1,405
Net cash provided (used) by operating activities	<u>\$ 404,278</u>	<u>\$ 223,062</u>	<u>\$ 627,340</u>

See accompanying notes to the basic financial statements.

**Village of Waterford
Waterford, Wisconsin**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015**

	<u>Tax Agency</u>	<u>Municipal Court</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,047,476	\$ 7,609	\$ 5,055,085
Receivables:			
Taxes Receivable	2,068,122	-	2,068,122
Total Assets	<u>\$ 7,115,598</u>	<u>\$ 7,609</u>	<u>\$ 7,123,207</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 7,609	\$ 7,609
Due to Other Funds	64,134	-	64,134
Due to Other Governments	7,051,463	-	7,051,463
Deferred Revenues	-	-	-
Total Liabilities	<u>\$ 7,115,597</u>	<u>\$ 7,609</u>	<u>\$ 7,123,206</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF WATERFORD, WISCONSIN
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December 31, 2015

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VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Waterford conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the Village of Waterford. 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.

Blended Component Units

The Community Development Authority of the Village of Waterford ("CDA") serves all the citizens of the government and is governed by a board appointed by the Village President and affirmed by the Village Board. The rates for user charges and bond issuance authorizations are approved by the Village Board and the legal liability for the general obligation portion of the CDA's debt remains with the government. The CDA is reported as a debt service fund. The CDA does not issue separate financial statements.

Because the CDA's sole activity is to provide financing for the Village's tax increment district, generally accepted accounting principles specifically provide that the CDA's related outstanding debt, assets, and debt service activity be reported as part of the primary government to avoid the "double" counting of outstanding debt, assets and debt service activity. This activity is reported as part of the Village's Tax Incremental District No. 2 Debt Service Fund.

B. BASIS OF FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Village does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures.

Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

General Fund – The General Fund is the general operating fund of the Village and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds – Special Revenue Funds are used to account for and report the specific revenue sources comprising a substantial portion of the fund’s resources on an ongoing basis that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Debt Service Funds – Debt Service Funds are used to account for and report the financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays (other than those financed by proprietary funds and trust funds).

The Village reports the following major governmental funds:

- General Fund
- General Debt Service Fund
- Library Operations Fund
- Special Funds
- Tax Incremental District No. 2 Debt Service Fund

The Village reports the following nonmajor governmental funds:

Library Donations	Flexible Spending
Library Impact Fees	Fire and Rescue Donations
Fire	Recycling
Fire and Rescue FEMA Grant	Deferred Comp Plan
Act 102 and Donations	Curb Appeal Grant
Police Donations	Park Impact Fees
Hotel Room Tax Promotion	Fire and Rescue Impact Fees
Flexible Spending	Tax Incremental District No. 2 Capital Projects
Canoe Kayak Launch	

Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. The Village reports the following business-type activities:

Major Enterprise Funds

- Water Utility – Accounts for providing water service
- Sewer Utility – Accounts for providing sewer service

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds (Not included in Government-Wide Statements)

Agency Funds – Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Village’s Tax Collection Fund accounts for the transactions pertaining to the Village’s tax appropriation. Deposits of the Village’s Municipal Court are accounted for in the Municipal Court Fund.

C. BASIS OF ACCOUNTING

The government-wide financial statements and fund financial statements for the proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Deferred outflows of resources represents a consumption of resources that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represents an acquisition of resources that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water Utility and the Sewer Utility are charges to customers for providing service to the Village’s residents and businesses. Operating expenses for proprietary funds include the cost of providing these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

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

The Village's property taxes are levied on or before December 31 on the assessed valuation as of the prior January 1 for all general property located in the Village. The taxes are due and payable in the following year. Property taxes are recorded in the year levied as taxes receivable and deferred inflows. Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services.

The aggregate amount of property taxes to be levied for Village purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the Village are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2015 tax roll:

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

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

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. Amounts received prior to the entitlement period are also recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, 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.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

For governmental fund financial statements, deferred inflows arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows 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, deferred inflows are removed from the balance sheet and revenue is recognized.

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

D. MEASUREMENT FOCUS

On the Government-Wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred inflows or nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

E. CASH AND INVESTMENTS

The Village’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND INVESTMENTS (Continued)

Restricted Assets

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

F. INVENTORIES AND PREPAID ITEMS

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

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

G. CAPITAL ASSETS

Government-Wide Statements

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

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

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. CAPITAL ASSETS (Continued)

Government-Wide Statements (Continued)

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

Buildings	40 - 80 years
Machinery and Equipment	3 - 30 years
Infrastructure	20 - 50 years
Water Utility System	3 - 77 years
Sewer Utility System	71 years

Fund Financial Statements

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

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Village reports ambulance accounts receivable net of an allowance of \$57,598. No other allowance for uncollectible accounts has been recorded as all other amounts are considered collectible.

J. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

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

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

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS/CONDUIT DEBT

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds 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 payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

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

Debt issuance costs are recognized in the current period for the government-wide, proprietary, and governmental fund statements.

L. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statement. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. EQUITY CLASSIFICATIONS

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund equity is reported as fund balance and is classified as follows:

- a. Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – amounts with externally imposed constraints placed on the use of resources by constitution, external resource providers, or through enabling legislation.
- c. Committed – amounts that can only be spent for specific purposes pursuant to constraints imposed by formal action by the Village Board. A formal resolution by the Village Board is required to establish, modify, or rescind a fund balance commitment.
- d. Assigned – amounts that are constrained by the Village’s intent to be used for specific purposes, but are neither restricted nor committed. The Village Board has designated the Village Treasurer as the official authorized to assign amounts to a specific purpose.
- e. Unassigned – the residual classification for the General Fund representing amounts not restricted, committed, or assigned to specific purposes.

When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Village’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

**VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. BASIS FOR EXISTING RATES – PROPRIETARY FUNDS

Water Utility - Current water rates were approved by the PSCW effective September 1, 2015.

Sewer Utility - Current sewer rates were approved by the Village Board effective September 1, 2011.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C.

A budget has been adopted for the General Fund, Library Operations Fund, Special Funds, General Debt Service Fund and TIF District No. 2 Debt Service Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds receiving a tax levy.

The budgeted amounts presented include any amendments made during the year. The Village Board may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by two-thirds of the Village Board. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The Village controls expenditures at the fund level. Some individual funds experienced expenditures which exceeded appropriations as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Appropriations
General Fund:			
Current:			
Public safety	\$ 1,189,168	\$ 1,234,726	\$ (45,558)
Conservation and development	52,728	67,073	(14,345)
Special Funds:			
General government	98,900	119,689	(20,789)

The excess expenditures were financed by revenues in excess of budget and fund balance.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. DEFICIT BALANCES

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

As of December 31, 2015, the following individual funds held a deficit balance:

Fund	Amount	Reason
Tax Incremental District No. 2 Capital Projects	\$ (156,880)	Expenditures to be paid by future tax increment revenues
Canoe Kayak Launch	\$ (68,431)	Unearned Grant Revenue

D. BOND COVENANT DISCLOSURE

As part of the Revenue Bond resolutions, certain information is required to be disclosed.

Compliance with Funding Requirements

The utilities are in compliance with combined bond funding requirements.

Number of Customers

The utilities served the following number of customers at December 31, 2015:

	Water	Sewer
Residential	1,869	1,879
Commercial	228	232
Industrial	17	17
Public authority	21	17
Multi-family	38	38
Totals	<u>2,173</u>	<u>2,183</u>

Insurance Coverage

The utilities were in compliance with combined insurance requirements.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

D. BOND COVENANT DISCLOSURE (Continued)

Debt Coverage

2015 required and actual coverage factors are as follows:

Net Revenues	Water	Sewer
REVENUES		
Charges for Services	\$ 718,909	\$ 883,751
Other Operating Revenues	14,447	9,616
Total Operating Revenues	733,356	893,367
OPERATING EXPENSES		
Operation and Maintenance	332,451	625,329
Taxes (excluding tax equivalent)	9,057	6,458
Total Expenses for Coverage Ratio Calculation	341,508	631,787
Net from Operations for Coverage Ratio Calculation	391,848	261,580
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Revenue	1,595	1,688
Capital Contributions Received	29,072	47,312
Net Revenues per Bond Ordinance	\$ 422,515	\$ 310,580
Annual debt service requirements	\$ 143,308	\$ 135,542
2015 calculated coverage ratio	2.95	2.29
Required coverage ratio	1.25	1.25

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Investment of Village funds is restricted by State Statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in the State of Wisconsin, if the time deposits mature in not more than three years.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.

**VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

3. Bonds or securities issued or guaranteed by the federal government.
4. The Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The Village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and Balance Sheet as cash and investments. In addition, investments are separately held by the Village's TIF District No. 2 Fund.

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

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 11,752,564	\$ 11,856,892	Custodial Credit Risk
Library investments	166,384	166,384	Credit Risk, Interest Rate Risk
Petty cash	200	200	N/A
	<u>\$ 11,919,148</u>	<u>\$ 12,023,476</u>	

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:

Cash and investments	\$ 5,977,645
Restricted cash and investments	886,418

Fiduciary funds:

Tax Collection Fund	5,047,476
Municipal Court	7,609

\$ 11,919,148

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts. Bank accounts 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 not be significant to individual municipalities.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. CASH AND INVESTMENTS (Continued)

The Village maintains collateral agreements with its banks. At December 31, 2015, the banks had pledged various government securities in the amount of \$13,537,487 to secure the Village's deposits.

Custodial Credit Risk

Deposits

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

At December 31, 2015, \$11,849,283 of the Village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by pledging financial institution	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-bottom: 1px solid black;">\$ 11,199,083</td> </tr> <tr> <td style="border-bottom: 3px double black;">\$ 11,199,083</td> </tr> </table>	\$ 11,199,083	\$ 11,199,083
\$ 11,199,083			
\$ 11,199,083			

Investments

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Credit Risk

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Village has no investment policy that would further limit its investments choices.

As of December 31, 2015, the Village's investments were rated as follows:

	Morningstar Rating			
	2 Star	3 Star	4 Star	Total
Mutual Funds	\$ 21,242		\$ 41,732	\$ 62,974
Fixed Income	36,604	38,735	22,066	97,405
Total	\$ 57,846	\$ 38,735	\$ 63,798	\$ 160,379

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest Rate Risk

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

The Village does 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.

The Village's investments at December 31, 2015 included the following:

<u>Weighted Average of maturity</u>	<u>Fixed Income</u>
Less than one year	\$ 19,068
One to three years	22,066
Three to five years	29,276
Five to 10 years	26,995
	<u>\$ 97,405</u>

B. RECEIVABLES

Receivables as of year end for the government's individual major funds, nonmajor funds, and fiduciary funds in the aggregate, are detailed on the governmental funds balance sheet, proprietary funds statement of net position and the fiduciary funds statement of net position. All amounts are expected to be collected within one year except for \$158,880 of long-term advance receivable from the Village's TIF District.

C. RESTRICTED ASSETS

In the Water and Sewer Enterprise Funds, restricted assets represent cash reserved in accordance with utility revenue bond ordinances and can only be used in the following ways:

Redemption Account – Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve Account – Used to report resources set aside to make up potential future deficiencies in the redemption account.

Depreciation Account – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Replacement Account – As a condition of receiving state and federal funds for wastewater plant construction, the Utilities have established an account for replacement of certain equipment.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

At December 31, 2015, Water and Sewer restricted assets consisted of the following:

	Water	Sewer
Equipment Replacement Fund	\$ -	\$ 399,041
Utility Impact Fees	130,163	-
Depreciation Account	186,862	-
Debt Reserves and Special Redemption	112,884	57,468
Total Restricted Assets	<u>\$ 429,909</u>	<u>\$ 456,509</u>

D. CAPITAL ASSETS

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

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 10,375,739	\$ -	\$ -	\$ 10,375,739
Construction in progress	25,411	99,756	-	125,167
Total capital assets not being depreciated	<u>10,401,150</u>	<u>99,756</u>	<u>-</u>	<u>10,500,906</u>
Capital assets being depreciated:				
Land improvements	235,557	189,419	-	424,976
Buildings and improvements	7,158,268	-	-	7,158,268
Machinery and equipment	3,761,443	328,373	96,728	3,993,088
Roads	19,272,365	215,739	239,790	19,248,314
Storm sewers	4,153,629	-	-	4,153,629
Signage	248,140	-	-	248,140
Lighting	68,544	-	-	68,544
Sidewalks	958,398	-	-	958,398
Paths	157,331	-	-	157,331
Total capital assets being depreciated	<u>36,013,675</u>	<u>733,531</u>	<u>336,518</u>	<u>36,410,688</u>
Less: Accumulated depreciation:				
Land improvements	(101,756)	(13,578)	-	(115,334)
Buildings and improvements	(2,434,323)	(149,818)	-	(2,584,141)
Machinery and equipment	(3,198,880)	(117,755)	(96,728)	(3,219,907)
Roads	(13,799,391)	(627,389)	(224,753)	(14,202,027)
Storm sewers	(1,506,277)	(83,073)	-	(1,589,350)
Signage	(233,718)	(3,914)	-	(237,632)
Lighting	(66,830)	(1,714)	-	(68,544)
Sidewalks	(577,122)	(31,287)	-	(608,409)
Paths	(95,379)	(5,244)	-	(100,623)
Total accumulated depreciation	<u>(22,013,676)</u>	<u>(1,033,772)</u>	<u>(321,481)</u>	<u>(22,725,967)</u>
Net governmental capital assets	<u>\$ 24,401,149</u>	<u>\$ (200,485)</u>	<u>\$ 15,037</u>	<u>\$ 24,185,627</u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities

General government	\$	45,263
Public safety		87,412
Public works		815,432
Culture, education and recreation		85,665
Total governmental activities depreciation	<u>\$</u>	<u>1,033,772</u>

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

	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Sewer</u>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 43,173	\$ -	\$ 43,173
Total capital assets not being	<u>-</u>	<u>43,173</u>	<u>-</u>	<u>43,173</u>
Capital assets being depreciated:				
Collecting system	\$ 8,756,813	\$ -	\$ -	\$ 8,756,813
Collecting system pumping	775,143	-	-	775,143
General	291,936	-	-	291,936
Total capital assets being depreciated	<u>9,823,892</u>	<u>-</u>	<u>-</u>	<u>9,823,892</u>
Less: Accumulated depreciation				
Collecting system	(1,856,849)	(122,596)	-	(1,979,445)
Collecting system pumping	(119,801)	(10,852)	-	(130,653)
General	(67,815)	(4,087)	-	(71,902)
Total accumulated depreciation	<u>(2,044,465)</u>	<u>(137,535)</u>	<u>-</u>	<u>(2,182,000)</u>
Total sewer plant	<u>\$ 7,779,427</u>	<u>\$ (94,362)</u>	<u>\$ -</u>	<u>\$ 7,685,065</u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Capital asset activity for enterprise funds (Continued):

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<u>Water</u>				
Capital assets not being depreciated:				
Land and land rights	\$ 210	\$ -	\$ -	\$ 210
Construction in progress	-	55,023		55,023
Total capital assets not being depreciated	210	55,023	-	55,233
Capital assets being depreciated:				
Source of supply	861,201	-	-	861,201
Pumping	165,690	-	-	165,690
Water treatment	1,675,306	-	-	1,675,306
Transmission and distribution	8,154,638	7,758	3,750	8,158,646
General	183,088	-	-	183,088
Total capital assets being depreciated	11,039,923	7,758	3,750	11,043,931
Less: Accumulated depreciation				
Source of supply	(132,624)	(24,975)	-	(157,599)
Pumping	(42,966)	(6,979)	-	(49,945)
Water treatment	(458,021)	(53,825)	-	(511,846)
Transmission and distribution	(1,944,286)	(139,464)	(3,750)	(2,080,000)
General	(181,399)	(12,753)	-	(194,152)
Total accumulated depreciation	(2,759,296)	(237,996)	(3,750)	(2,993,542)
Total water plant	<u>\$ 8,280,837</u>	<u>\$ (175,215)</u>	<u>\$ -</u>	<u>\$ 8,105,622</u>
Total sewer and water plant	<u>\$ 16,060,264</u>	<u>\$ (269,577)</u>	<u>\$ -</u>	<u>\$ 15,790,687</u>

A summary of depreciation rates and accumulated depreciation for water and sewer follows:

Fund	Depreciation Rate	Balance 1/1/2015	2015 Depreciation Expense	2015 Joint Meter Allocation	2015 Retirements and Salvage	Balance 12/31/2015
Sewer	1.400%	\$ 2,044,465	\$ 145,312	\$ (7,777)	\$ -	\$ 2,182,000
Water	1.3%- 26.7%	2,759,296	230,219	7,777	3,750	2,993,542
		<u>\$ 4,803,761</u>	<u>\$ 375,531</u>	<u>\$ -</u>	<u>\$ 3,750</u>	<u>\$ 5,175,542</u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Agency	\$ 780
General Fund	Canoe -Kayak Launch	148,966
Water Utility	Tax Agency	22,613
Sewer Utility	Tax Agency	40,742
Sewer Utility	Water Utility	27,987
Total fund financial statements		241,088
Less: fund eliminations		(176,953)
Less: amount due from agency		(64,135)
Total internal balances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>

All amounts are due within one year.

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

For the Statement of Net Position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The General Fund has advanced the Village's TIF District \$158,880 for project expenditures occurring in the District. Payments of \$31,057 per year will be made for ten years including interest at a rate of 4.75%. For the Statement of Net Position, this advance has been eliminated.

The following is a schedule of transfers recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds as of December 31, 2015:

<u>Transfers Out Fund:</u>	<u>Transfers In Fund:</u>	<u>Purpose:</u>	<u>Amount</u>
General Fund	Special Funds	Contributions for capital	\$ 23,500
General Fund	Curb Appeal Grant	Operations	20,000
General Fund	Library Operations	Operations	578
Fire & Rescue FEMA grant	General Fund	Close out fund	398
TIF # 2 Debt Service	TIF # 2 Capital Projects	Eliminate deficit	31,057
			<u><u>\$ 75,533</u></u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

The following is a schedule of transfers in the Government-Wide Statement of Activities as of December 31, 2015:

<u>Transfers Out:</u>	<u>Transfers In:</u>	<u>Purpose:</u>	<u>Amount</u>
Business-Type Activities	Governmental Activities	Property tax equivalent	\$ 202,037

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 services 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.

For the Statements of Activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

F. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the governmental funds at December 31, 2015, consist of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
2015 tax apportionment	\$ -	\$ 3,706,696	\$ 3,706,696
Unearned ambulance revenue	16,067	-	16,067
Special charges and other	425	780	1,205
Total deferred inflows for governmental funds	<u>\$ 16,492</u>	<u>\$ 3,707,476</u>	<u>\$ 3,723,968</u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM OBLIGATIONS

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

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 7,070,000	\$ -	\$ 785,000	\$ 6,285,000	\$ 790,000
Add/ (subtract) deferred amounts for:					
(Discounts)/ premiums	135,346	-	15,468	119,878	-
Subtotal	<u>7,205,346</u>	<u>-</u>	<u>800,468</u>	<u>6,404,878</u>	<u>790,000</u>
Other liabilities:					
Vested compensated absences	53,654	-	12,150	41,504	22,036
Total governmental activities long-term liabilities	<u>\$ 7,259,000</u>	<u>\$ -</u>	<u>\$ 812,618</u>	<u>\$ 6,446,382</u>	<u>\$ 812,036</u>
Business-Type Activities					
Bonds and notes payable:					
Revenue bonds	\$ 1,898,633	\$ -	\$ 240,913	\$ 1,657,720	\$ 242,020
Total business-type activities long-term liabilities	<u>\$ 1,898,633</u>	<u>\$ -</u>	<u>\$ 240,913</u>	<u>\$ 1,657,720</u>	<u>\$ 242,020</u>

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

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM OBLIGATIONS (Continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2015 was \$22,329,540. Total general obligation debt outstanding at year end was \$6,285,000.

General obligation debt for governmental activities at December 31, 2015 consisted of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2015
<u>Governmental Activities</u>					
Community development bonds	2/6/2013	3/1/2024	2.0 - 2.15%	\$ 1,310,000	1,210,000
General obligation refunding bonds	5/17/2007	12/1/2018	3.7 - 4.0%	\$ 1,605,000	495,000
General obligation refunding bonds	9/8/2014	10/1/2024	2.0 - 2.25%	\$ 5,035,000	<u>4,580,000</u>
Total governmental activities general obligation debt					<u><u>\$6,285,000</u></u>

Debt service requirements to maturity for governmental activities general obligation debt are as follows:

Years	Governmental Activities	
	Principal	Interest
2016	\$ 790,000	\$ 136,808
2017	790,000	117,777
2018	760,000	99,160
2019	610,000	80,760
2020	325,000	68,560
2021-2024	2,710,000	211,139
Totals	<u><u>\$ 5,985,000</u></u>	<u><u>\$ 714,204</u></u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM OBLIGATIONS (Continued)

Business-type activities debt at December 31, 2015 consisted of the following:

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/2015
<u>Business-Type Activities</u>					
Sewer Utility					
2012 Refunding bonds	3/7/2012	5/1/2020	1.0 - 2.2%	\$ 570,000	\$ 360,000
2010 Clean Water Fund Loan	7/14/2010	5/1/2030	2.411%	1,050,807	837,720
Water Utility					
2010 Revenue bonds	5/4/2010	5/1/2019	1.25 - 4.0%	1,110,000	460,000
Total business-type activities revenue debt					<u>\$ 1,657,720</u>

Debt service requirements to maturity for business-type activities are as follows:

Years	Business-Type Activities	
	Principal	Interest
2016	\$ 242,020	\$ 40,523
2017	233,154	34,288
2018	234,315	27,685
2019	230,504	20,725
2020	126,721	15,698
2021-2025	277,924	54,813
2026-2030	313,082	19,231
Totals	<u>\$ 1,657,720</u>	<u>\$ 212,963</u>

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

G. LONG-TERM OBLIGATIONS (Continued)

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Village believes it is in compliance with all significant limitations and restrictions.

H. UNAMORTIZED DEBT DISCOUNTS AND PREMIUMS

The Village has a premium on the 2014 GO Refunding Bonds and is amortizing it over the life of the debt. As of December 31, 2015, the unamortized premium is \$119,878. In 2015, the Village amortized \$15,468 of the premium.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

I. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government-Wide Statement of Net Position at December 31, 2015 include the following:

Net investment in capital assets	
Land and Improvements	\$ 10,500,906
Other capital assets, net of accumulated depreciation	13,684,721
Less: related long-term debt outstanding	(6,404,878)
Plus: non-capital debt proceeds	2,246,557
Total net investment in capital assets	20,027,306
Restricted for special purposes	
Impact fees	150,621
Donations and grants	219,145
Tourism	6,143
Employee benefits	19,662
Total restricted for special purposes	395,571
Unrestricted	1,447,584
Total governmental activities net position	\$ 21,870,461

J. BUSINESS-TYPE ACTIVITIES NET POSITION

Business-type activities net position at December 31, 2015 include the following:

Net investment in capital assets	
Net Capital assets	\$ 15,790,687
Less: related long-term debt outstanding	(1,657,720)
Plus: noncapital bond proceeds	112,337
Total net investment in capital assets	14,245,304
Restricted for special purposes	
Debt service	50,759
Equipment replacement	399,041
Depreciation fund	186,862
Impact fees	130,164
Total restricted for special purposes	766,826
Unrestricted	1,889,218
Total business-type activities net position	\$ 16,901,348

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

K. GOVERNMENTAL FUND BALANCES

Governmental fund balances reported at December 31, 2015 include the following:

Nonspendable

Major fund:

General Fund:

Advance to TIF District No. 2 and delinquent pp tax	\$ 160,551
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Restricted

Nonmajor funds:

Special Revenue Funds:

Library donations	\$ 151,542
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Library impact fees	5,762
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Fire	16,400
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Act 102 and donations	9,171
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Police donations	12,947
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Hotel room tax promotion	6,143
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Flexible spending	19,662
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Fire and rescue donations	45,485
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Recycling	2,818
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Curb appeal	29,440
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Park impact fees	80,727
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Fire and rescue impact fees	64,132
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Major fund:

TIF expenditures	292,984
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Total	\$ 737,213
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Assigned

Major funds:

General Fund:

Capital projects, equipment, levy reduction	\$ 1,339,881
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Special Funds	1,285,257
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Debt Service Fund:

General debt service	4,136
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Special Revenue Fund:

Library operations - operating reserve	2,067
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Total	\$ 2,631,341
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Unassigned

Major fund:

General Fund

\$ 846,502

Nonmajor funds:

Canoe Kayak Launch	\$ (68,431)
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Capital Projects Fund:

TIF District No. 2 capital projects	(158,880)
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Total	\$ (227,311)
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**VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

K. GOVERNMENTAL FUND BALANCES (Continued)

The unassigned fund balance equals 30% of the 2016 budgeted General Fund expenditures. It is the policy that any amount of fund balance above 30% of the 2016 budgeted expenditures would be assigned for capital projects.

Fund Balance and Net Position Restatement

Beginning fund balance and net position was restated as follows:

	Non-Major Governmental Funds	Governmental Activities
Total fund balance/net position as previously reported	\$ 37,867	\$ 21,214,436
Donation accounts previously unreported	190,706	190,706
Net position, January 1, as restated	\$ 228,573	\$ 21,405,142

L. DEFINED CONTRIBUTION PENSION PLAN

The Village provides pension benefits for all of its eligible employees through a defined contribution plan known as the Village of Waterford Pension Trust through ING North America Insurance Company. Pension Consultants Co., Inc. of Green Bay, WI administers the plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan upon attaining the age of twenty and one-half years and completing one year of active service. Vesting begins in the second year of service and participants become fully vested after seven years. Village contributions based on established percentages of eligible paid compensation (but not to exceed 11.5% of total eligible compensation annually) for the year ended December 31, 2015 amounted to \$41,470. Total contributions for the years ending December 31, 2014 and 2013 were \$41,496 and \$39,623, respectively, equal to the required contributions for each year. The employer contributions were 5.75% of payroll.

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICT

Summary Description

The Village has created a Tax Incremental Financing District (TIF Districts or TID) in accordance with Section 66.1105 of the Wisconsin Statutes. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after creation of the district. The tax on the increased value is called a tax increment.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICT (Continued)

Summary Description (Continued)

Generally, the statutes provide that no project costs may be expended later than seven years after the creation date of the district. The statutes further allow the municipality to collect tax increments for sixteen years after the last project expenditure is made or until the net project cost of the district has been recovered, whichever occurs first. The 1995-97 state budget act changed these time frames for districts created prior to October 1, 1995. The budget act extended the project expenditure period for these districts from seven years to ten years. Also, the budget act established a maximum life of twenty-seven years on these districts. Project costs uncollected at the dissolution date are absorbed by the municipality.

The State enacted several changes relating to tax incremental districts in 2004. One of these changes extends the expenditure period for all current and future districts, effective October 1, 2004, to five years prior to the termination of the district's unextended maximum life. For those districts that have reached the end of its expenditure period prior to October 1, 2004, it allows a municipality to expend additional project costs included in the project plan beginning October 1, 2004.

The Village created Tax Incremental Financing District No. 2 in 2000, and amended the District in 2004 and 2010. A summary of the project costs to date are as follows:

	Year Ended December 31, 2015	From Date of Creation
TIF District No. 2		
Revenues:		
Taxes	\$ 698,568	\$ 7,010,590
Payment in lieu of taxes	1,275	3,823
Intergovernmental revenues	44,724	403,612
Investment income	-	613,360
Miscellaneous income	-	48,483
Transfer from other funds	-	200,000
Debt premium	-	139,213
Proceeds - lease revenue bonds	-	16,010,000
Proceeds - general obligation debt	-	7,690,000
	\$ 744,567	\$ 32,119,081
Expenditures:		
Capital expenditures	\$ -	\$ 7,116,407
Interest and fiscal charges	146,205	6,430,462
Principal on long-term debt - paid	570,000	2,735,000
Principal on long-term debt - refunded	-	15,240,000
Loss on refunding of long-term debt	-	463,107
Total expenditures	\$ 716,205	\$ 31,984,976

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

M. STATUS OF TAX INCREMENTAL FINANCING DISTRICT (Continued)

Advances of \$158,880 have been recorded in the General Fund to reflect costs advanced on behalf of the District.

Current valuations of the District are as follows:

	<u>TID No. 2</u>
Current value	\$ 47,696,500
Base value	13,788,800
Increment	<u>\$ 33,907,700</u>

The intent of the Village is to recover the above amounts from future TID surplus funds, if any, prior to termination of TID No. 2. Unless terminated by the Village prior thereto, TID No. 2 has a statutory termination year of 2024.

NOTE 4. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

As an incentive to a Developer, the Village has issued a Contingent Tax Incremental Bond of \$2,500,000 which is a special and limited obligation of the Village. The Excess Tax Increments attributable to the District, or any other revenues that may be appropriated by the Village Board, shall be used to pay principal and interest of the Contingent Bond. The Village has the option, but is under no obligation, to use excess increments to either payout on the contingent bond, accumulate the excess for subsequent payments, or to pay other costs toward the District.

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

Funding for the operating budget of the Village comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Village. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Village.

VILLAGE OF WATERFORD, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

B. RISK MANAGEMENT

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

C. SUBSEQUENT DEBT

The Village, on January 27, 2016 approved borrowing \$2,880,000 in general obligation notes. The debt is payable over 10 years at interest rates varying from .5% to 2.25%. The debt is supported by general levy of \$1,691,000, \$567,000 from the water utility and \$117,000 from the sewer. The remaining \$505,000 refinanced 2007 GO bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford, Wisconsin

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,811,057	\$ 1,811,057	\$ 1,811,057	\$ -
Other Taxes	344,900	344,900	321,478	(23,422)
Intergovernmental	194,692	194,692	197,373	2,681
License and Permits	118,160	118,160	151,673	33,513
Fines, Forfeits and Penalties	70,200	70,200	117,423	47,223
Public Charges for Services	185,300	185,300	269,349	84,049
Intergovernmental Charges for Services	14,500	14,500	11,560	(2,940)
Interest Income	18,613	18,613	14,865	(3,748)
Miscellaneous Income	11,000	11,000	15,411	4,411
Total Revenues	<u>2,768,422</u>	<u>2,768,422</u>	<u>2,910,189</u>	<u>141,767</u>
EXPENDITURES				
Current:				
General Government	727,682	727,682	702,999	24,683
Public Safety	1,189,168	1,189,168	1,234,726	(45,558)
Public Works	764,598	764,598	660,317	104,281
Health and Human Services	40,191	40,191	40,191	-
Culture, Recreation and Education	31,530	31,530	26,723	4,807
Conservation and Development	52,728	52,728	67,073	(14,345)
Total Expenditures	<u>2,805,897</u>	<u>2,805,897</u>	<u>2,732,029</u>	<u>73,868</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(37,475)</u>	<u>(37,475)</u>	<u>178,160</u>	<u>215,635</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(44,078)	(44,078)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(43,680)</u>	<u>(43,680)</u>
Net Change in Fund Balances	(37,475)	(37,475)	134,480	171,955
Fund Balances - Beginning	2,212,051	2,212,051	2,212,051	-
Fund Balances - Ending	<u>\$ 2,174,576</u>	<u>\$ 2,174,576</u>	<u>\$ 2,346,531</u>	<u>\$ 171,955</u>

**Village of Waterford
Waterford, Wisconsin**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
Library Operations
For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 269,900	\$ 269,900	\$ 269,900	\$ -
Intergovernmental	396,284	396,284	396,284	-
Public Charges for Services	20,415	20,415	19,304	(1,111)
Interest Income	-	-	66	66
Total Revenues	<u>686,599</u>	<u>686,599</u>	<u>685,554</u>	<u>(1,045)</u>
EXPENDITURES				
Current:				
Culture, Recreation and Education	<u>708,465</u>	<u>708,465</u>	<u>699,861</u>	<u>8,604</u>
Total Expenditures	<u>708,465</u>	<u>708,465</u>	<u>699,861</u>	<u>8,604</u>
Net Change in Fund Balances	(21,866)	(21,866)	(13,729)	8,137
Fund Balances - Beginning	15,795	15,795	15,795	-
Fund Balances - Ending	<u>\$ (6,071)</u>	<u>\$ (6,071)</u>	<u>\$ 2,066</u>	<u>\$ 8,137</u>

**Village of Waterford
Waterford, Wisconsin**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
Special Funds
For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 305,000	\$ 305,000	\$ 305,000	\$ -
Intergovernmental	149,754	149,754	167,904	18,150
Public Charges for Services	5,000	5,000	-	(5,000)
Interest Income	-	-	4,231	4,231
Total Revenues	<u>459,754</u>	<u>459,754</u>	<u>477,135</u>	<u>17,381</u>
EXPENDITURES				
Current:				
General Government	98,900	98,900	119,689	(20,789)
Capital Outlay	1,394,984	1,394,984	653,780	741,204
Total Expenditures	<u>1,493,884</u>	<u>1,493,884</u>	<u>773,469</u>	<u>720,415</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,034,130)</u>	<u>(1,034,130)</u>	<u>(296,334)</u>	<u>737,796</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	23,500	23,500
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>23,500</u>	<u>23,500</u>
Net Change in Fund Balances	(1,034,130)	(1,034,130)	(272,834)	761,296
Fund Balances - Beginning	1,558,090	1,558,090	1,558,090	-
Fund Balances - Ending	<u>\$ 523,960</u>	<u>\$ 523,960</u>	<u>\$ 1,285,256</u>	<u>\$ 761,296</u>

OTHER SUPPLEMENTARY INFORMATION

**Village of Waterford
Waterford, Wisconsin**

**Non-Major Funds
Combining Balance Sheet
December 31, 2015**

	Library Donations	Library Impact Fees	Fire	Act 102 and Donations	Police Donations	Hotel-Room Tax	Page Total
ASSETS							
Cash and Cash Equivalents	\$ 151,738	\$ 5,762	\$ 16,400	\$ 9,171	\$ 12,947	\$ 6,143	\$ 202,161
Receivables:							
Other	425	-	-	-	-	-	425
Total Assets	<u>\$ 152,163</u>	<u>\$ 5,762</u>	<u>\$ 16,400</u>	<u>\$ 9,171</u>	<u>\$ 12,947</u>	<u>\$ 6,143</u>	<u>\$ 202,586</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 196	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196
Due to Other Funds	-	-	-	-	-	-	-
Total Liabilities	<u>196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>
Deferred Inflows of Resources:							
Deferred Inflows	<u>425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425</u>
Fund Balances:							
Restricted	<u>151,542</u>	<u>5,762</u>	<u>16,400</u>	<u>9,171</u>	<u>12,947</u>	<u>6,143</u>	<u>201,965</u>
Total Fund Balances (Deficit)	<u>151,542</u>	<u>5,762</u>	<u>16,400</u>	<u>9,171</u>	<u>12,947</u>	<u>6,143</u>	<u>201,965</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 152,163</u>	<u>\$ 5,762</u>	<u>\$ 16,400</u>	<u>\$ 9,171</u>	<u>\$ 12,947</u>	<u>\$ 6,143</u>	<u>\$ 202,586</u>

**Village of Waterford
Waterford, Wisconsin**

**Non-Major Funds
Combining Balance Sheet
December 31, 2015**

	<u>Flexible Spending</u>	<u>Fire and Rescue Donations</u>	<u>Recycling</u>	<u>Deferred Comp Plan</u>	<u>Curb Appeal Grant</u>	<u>Park Impact Fee</u>	<u>Fire and Rescue Impact Fees</u>	<u>Page Total</u>
ASSETS								
Cash and Cash Equivalents	\$ 19,662	\$ 45,485	\$ 8,474	\$ -	\$ 30,215	\$ 80,727	\$ 64,132	\$ 248,695
Receivables:								
Taxes	-	-	65,660	-	-	-	-	65,660
Total Assets	<u>\$ 19,662</u>	<u>\$ 45,485</u>	<u>\$ 74,134</u>	<u>\$ -</u>	<u>\$ 30,215</u>	<u>\$ 80,727</u>	<u>\$ 64,132</u>	<u>\$ 314,355</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ 5,656	\$ -	\$ 775	\$ -	\$ -	\$ 6,431
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,656</u>	<u>-</u>	<u>775</u>	<u>-</u>	<u>-</u>	<u>6,431</u>
Deferred Inflows of Resources:								
Deferred Inflows	<u>-</u>	<u>-</u>	<u>65,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,660</u>
Fund Balances:								
Restricted	19,662	45,485	2,818	-	29,440	80,727	64,132	242,264
Total Fund Balances (Deficit)	<u>19,662</u>	<u>45,485</u>	<u>2,818</u>	<u>-</u>	<u>29,440</u>	<u>80,727</u>	<u>64,132</u>	<u>242,264</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,662</u>	<u>\$ 45,485</u>	<u>\$ 74,134</u>	<u>\$ -</u>	<u>\$ 30,215</u>	<u>\$ 80,727</u>	<u>\$ 64,132</u>	<u>\$ 314,355</u>

**Village of Waterford
Waterford, Wisconsin**

**Combining Balance Sheet
Non-Major Funds
December 31, 2015**

	TIF 2 Capital Projects	Canoe Kayak Launch	Page Total	Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 450,856
Receivables:				
Taxes	-	-	-	65,660
Other	-	80,988	80,988	81,413
Due from Other Governments	-	-	-	-
Total Assets	\$ -	\$ 80,988	\$ 80,988	\$ 597,929
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 453	\$ 453	\$ 7,080
Due to Other Funds	-	148,966	148,966	148,966
Advances Payable	158,880	-	158,880	158,880
Total Liabilities	158,880	149,419	308,299	314,926
 Deferred Inflows of Resources:				
Deferred Inflows	-	-	-	66,085
 Fund Balances:				
Restricted	-	-	-	444,229
Unassigned (deficit)	(158,880)	(68,431)	(227,311)	(227,311)
Total Fund Balances (Deficit)	(158,880)	(68,431)	(227,311)	216,918
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 80,988	\$ 80,988	\$ 597,929

**Village of Waterford
Waterford, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2015**

	Library Donations	Library Impact Fees	Fire	Fire and Rescue FEMA Grant	Act 102 and Donations	Police Donations	Hotel-Room Tax	Page Total
REVENUES								
Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,779	\$ 21,779
Intergovernmental	-	-	16,285	-	5,247	-	-	21,532
Public Charges for Services	-	-	-	-	-	-	3,151	3,151
Interest Income	34	4	-	-	20	34	42	134
Miscellaneous Income	15,914	3,699	-	-	-	-	-	19,613
Total Revenues	<u>15,948</u>	<u>3,703</u>	<u>16,285</u>	<u>-</u>	<u>5,267</u>	<u>34</u>	<u>24,972</u>	<u>66,209</u>
EXPENDITURES								
Current:								
Public Safety	-	-	581	-	2,316	-	-	2,897
Culture, Recreation and Education	47,067	-	-	-	-	-	-	47,067
Conservation and Development	-	-	-	-	-	-	39,183	39,183
Total Expenditures	<u>47,067</u>	<u>-</u>	<u>581</u>	<u>-</u>	<u>2,316</u>	<u>-</u>	<u>39,183</u>	<u>89,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,119)</u>	<u>3,703</u>	<u>15,704</u>	<u>-</u>	<u>2,951</u>	<u>34</u>	<u>(14,211)</u>	<u>(22,938)</u>
OTHER FINANCING SOURCES (USES)								
Transfers Out	-	-	-	(398)	-	-	-	(398)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398)</u>
Net Change in Fund Balances	(31,119)	3,703	15,704	(398)	2,951	34	(14,211)	(23,336)
Fund Balances - Beginning (restated)	182,661	2,059	696	398	6,220	12,913	20,354	225,301
Fund Balances - Ending	<u>\$ 151,542</u>	<u>\$ 5,762</u>	<u>\$ 16,400</u>	<u>\$ -</u>	<u>\$ 9,171</u>	<u>\$ 12,947</u>	<u>\$ 6,143</u>	<u>\$ 201,965</u>

**Village of Waterford
Waterford, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2015**

	Flexible Spending	Fire and Rescue Donations	Recycling	Deferred Comp Plan	Curb Appeal Grant	Park Impact Fee	Fire and Rescue Impact Fees	Page Total
REVENUES								
Property Taxes	\$ -	\$ -	\$ 65,690	\$ -	\$ -	\$ -	\$ -	\$ 65,690
Intergovernmental	-	-	12,307	-	-	-	-	12,307
Interest Income	-	-	21	-	-	193	125	339
Miscellaneous Income	18,529	2,944	-	17,940	-	13,500	32,427	85,340
Total Revenues	<u>18,529</u>	<u>2,944</u>	<u>78,018</u>	<u>17,940</u>	<u>-</u>	<u>13,693</u>	<u>32,552</u>	<u>163,676</u>
EXPENDITURES								
Current:								
General Government	16,386	-	-	17,940	-	-	-	34,326
Public Safety	-	1,790	-	-	-	-	-	1,790
Public Works	-	-	77,466	-	12,426	-	-	89,892
Total Expenditures	<u>16,386</u>	<u>1,790</u>	<u>77,466</u>	<u>17,940</u>	<u>12,426</u>	<u>-</u>	<u>-</u>	<u>126,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,143</u>	<u>1,154</u>	<u>552</u>	<u>-</u>	<u>(12,426)</u>	<u>13,693</u>	<u>32,552</u>	<u>37,668</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	20,000	-	-	20,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balances	2,143	1,154	552	-	7,574	13,693	32,552	57,668
Fund Balances - Beginning (restated)	17,519	44,331	2,266	-	21,866	67,034	31,580	184,596
Fund Balances - Ending	<u>\$ 19,662</u>	<u>\$ 45,485</u>	<u>\$ 2,818</u>	<u>\$ -</u>	<u>\$ 29,440</u>	<u>\$ 80,727</u>	<u>\$ 64,132</u>	<u>\$ 242,264</u>

**Village of Waterford
Waterford, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Funds
For the Year Ended December 31, 2015**

	TIF 2 Capital Projects	Canoe Kayak Launch	Page Total	Non-Major Governmental Funds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ 65,690
Other Taxes	-	-	-	21,779
Intergovernmental	-	120,988	120,988	154,827
Public Charges for Services	-	-	-	3,151
Interest Income	-	-	-	473
Miscellaneous Income	-	-	-	104,953
Total Revenues	<u>-</u>	<u>120,988</u>	<u>120,988</u>	<u>350,873</u>
EXPENDITURES				
Current:				
General Government	-	-	-	34,326
Public Safety	-	-	-	4,687
Public Works	-	-	-	89,892
Culture, Recreation and Education	-	189,419	189,419	236,486
Conservation and Development	-	-	-	39,183
Debt Service:				
Principal Repayment	-	-	-	-
Interest Expense	8,613	-	8,613	8,613
Total Expenditures	<u>8,613</u>	<u>189,419</u>	<u>198,032</u>	<u>413,187</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,613)</u>	<u>(68,431)</u>	<u>(77,044)</u>	<u>(62,314)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	31,057	-	31,057	51,057
Total Other Financing Sources (Uses)	<u>31,057</u>	<u>-</u>	<u>31,057</u>	<u>50,659</u>
Net Change in Fund Balances	22,444	(68,431)	(45,987)	(11,655)
Fund Balances - Beginning (restated)	(181,324)	-	(181,324)	228,573
Fund Balances - Ending	<u>\$ (158,880)</u>	<u>\$ (68,431)</u>	<u>\$ (227,311)</u>	<u>\$ 216,918</u>