VILLAGE OF GRANTSBURG

GRANTSBURG, WISCONSIN

FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION

December 31, 2016

VILLAGE OF GRANTSBURG

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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Grantsburg
Grantsburg, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Grantsburg, Wisconsin as of and for the year ended December 31, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Grantsburg, Wisconsin as of December 31, 2016, 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 (pages 6 through 16), budgetary comparison information on pages 54 – 56 and 58 - 59 and the Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions on page 57 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 Grantsburg's basic financial statements. The schedule of federal and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Wisconsin State Single Audit Guidelines, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the Village of Grantsburg Wisconsin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Grantsburg Wisconsin's internal control over financial reporting and compliance.

Statz ; Company

Grantsburg, Wisconsin
May 2, 2017

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

As management of the Village of Grantsburg, we offer readers of the Village of Grantsburg's financial statements this narrative overview and analysis of the financial activities of the Village of Grantsburg for the fiscal year ended December 31, 2016. 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 of the Village of Grantsburg exceeded its liabilities and other obligations as of December 31, 2016, by $8,084,255 (net position). Of this amount, $330,469 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure of the governmental funds ($4,068,353), net of related debt, as well as proprietary capital of the Village's enterprise funds ($3,567,820).

- The Village of Grantsburg's total net position decreased by $102,129. The following factors contributed to the overall decrease:

  - Total general fund operations decreased net position by $182,153.

  - Other governmental operations decreased net position by $204.

  - Business type activities (proprietary funds) increased net position by $80,228.

- As of December 31, 2016, the Village of Grantsburg's governmental funds reported combined ending fund balances of $522,449. Of this balance $289,839 is available for spending at the government's discretion (unassigned fund balance), $14,238 is assigned to the Library and $167,958 is assigned to Tax Increment District #5. Prepaid expenses and non-current special assessments of $50,414 are recorded as nonspendable fund balance.

- As of December 31, 2016, the unassigned fund balance for the general fund was $289,839 or approximately 21.14 percent of total general fund expenditures before capital outlay.

• The Village of Grantsburg's total long-term debt decreased by $302,591 (net) during 2016. This decrease was due to 2016 principal payments that were greater than new borrowing.

THE FINANCIAL HIGHLIGHTS (Continued)

• The Village of Grantsburg's liability for post-retirement benefits decreased by $1,048 for a total liability at December 31, 2016, of $141,566. See Note A and Note E to the financial statements.

• The Village adopted GASB #68 in 2015, relating to its defined benefit pension plan with the Wisconsin Retirement System. See Note F to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village of Grantsburg'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 17 through 18 of this report

- The ***statement of net position*** presents information on all of the Village of Grantsburg's assets, deferred outflows, liabilities and deferred inflows, with the difference between the these 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 Grantsburg 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 Grantsburg 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 Grantsburg include general government, public safety, public works, health and human services, leisure, and conservation and development. The Library Fund is also included in the governmental activities. The business-type activities of the Village of Grantsburg include the Grantsburg Water Utility, Grantsburg Storm Water Utility, and Grantsburg 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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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.*

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 Grantsburg maintains two (2) 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 and Library Fund.

The Village of Grantsburg adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 18 through 21 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 Grantsburg Water Utility, Grantsburg Storm Water Utility, and Grantsburg Sewer Utility, which are considered to be major funds of the Village of Grantsburg. The basic proprietary fund financial statements can be found on pages 22 through 25 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 27 through 52 of this report.

Other information. Budgetary information related to the individual funds is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1, below, provides a summary of the Village of Grantsburg's net position for the year ended December 31, 2016 and 2015.

Table 1	**Village of Grantsburg Net Position**			
	Governmental Activities	Business-Type Activities	Total	Total
	2016	2016	2016	2015
Current and other assets	$856,239	$677,939	$1,534,178	$1,645,791
Capital assets, net	$5,338,723	$4,619,842	$9,958,565	$10,324,595
Deferred outflows	$277,588	$55,331	$332,919	$111,619
Total assets	$6,472,550	$5,353,112	$11,825,662	$12,082,005
Long-term liabilities outstanding	$1,290,894	$1,247,634	$2,538,528	$2,762,193
Other liabilities	$250,143	$305,144	$555,287	$606,630
Total Liabilities	$1,541,037	$1,552,778	$3,093,815	$3,368,823
Deferred Inflows	$415,078	$232,514	$647,592	$526,798
Net Position:				
Invested in capital assets, net of related debt	$4,068,353	$3,039,180	$7,107,533	$7,146,627
Nonspendable	$50,414	$41,293	$91,707	$89,672
Restricted	$67,199	$487,347	$554,546	$554,735
Unrestricted	$330,469		$330,469	$395,350
Total net position	$4,516,435	$3,567,820	$8,084,255	$8,186,384

By far the largest portion of the Village's net position (87.9%) 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 (7.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($330,469) may be used to meet the Village's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2, below, provides a summary of the Village's operating results and their impact on net position for the year ended December 31, 2016 and 2015. In 2016 the Village relied primarily on property taxes (40.8%) and state aids (27.6%) to fund its governmental activities. Combined, these account for 68.4% of governmental activity revenues or $1,100,436. Program revenues, in the form of charges for services (13.3%) and grants and contributions (17.1%) accounted for $489,350 of the total revenues of $1,606,987.

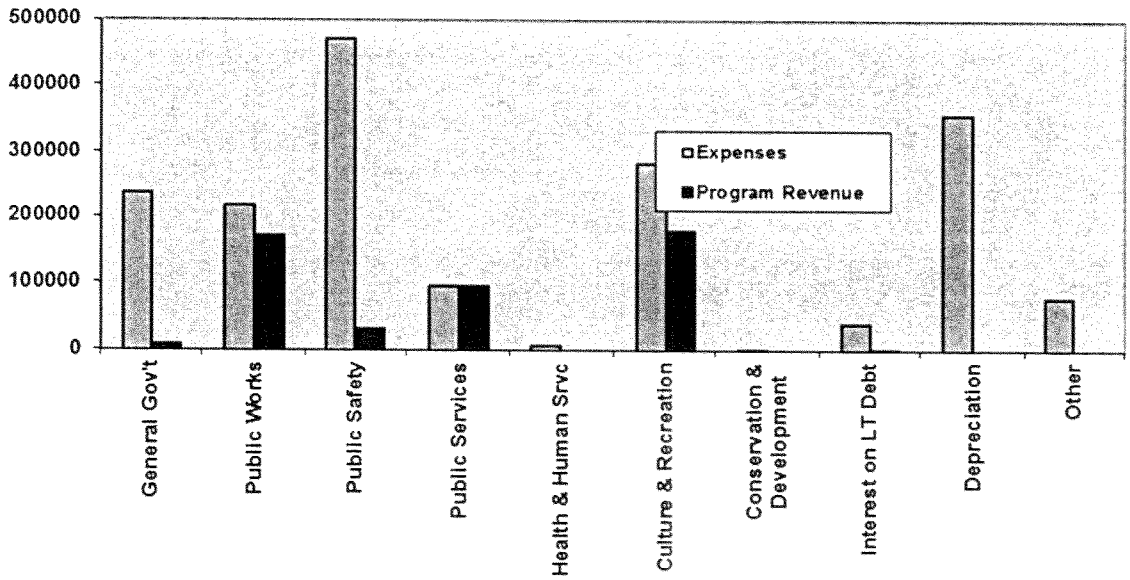
Table 2 Village of Grantsburg's Change in Net Position				
	Governmental Activities	Business-Type Activities	Total	Total
	2016	2016	2016	2015
Revenues:				
Program revenues:				
Charges for services and fees, fines and costs	$214,277	$615,251	$829,528	$789,513
Grants and contributions	$275,073	$0	$275,073	$218,920
General revenues:				
Property taxes	$656,176		$656,176	$666,791
State Aids	$444,260		$444,260	$434,510
Unrestricted Interest and Investment	$7,487	$1,680	$9,167	$5,517
Other	$9,714	$9,490	$19,204	$6,079
Total revenues	$1,606,987	$626,421	$2,233,408	$2,121,330
Expenses:				
General Government	$237,926		$237,926	$226,405
Public Safety	$471,101		$471,101	$451,898
Public Works	$216,841	$374,433	$591,274	$650,799
Public Services	$95,837		$95,837	$91,585
Health & human services	$6,436		$6,436	$5,140
Recreation and education	$284,171		$284,171	$252,793
Conservation and development	$948		$948	$520
Miscellaneous	($948)		($948)	($3,479)
Depreciation and Deletions	$357,819	$105,598	$463,417	$452,963
Pension	$79,203	$16,760	$95,963	($1,053)
Interest on long-term debt	$40,010	$49,402	$89,412	$99,464
Total Expenses	$1,789,344	$546,193	$2,335,537	$2,227,035
Increase (decrease) in net position	($182,357)	$80,228	($102,129)	($105,705)
Net position – January 1	$4,698,792	$3,487,592	$8,186,384	$8,093,213
Prior period adjustment	$0	$0	$0	$198,876
Net position – December 31	$4,516,435	$3,567,820	$8,084,255	$8,186,384

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities decreased the Village's net position by $182,357. Key elements of this decrease are as follows:

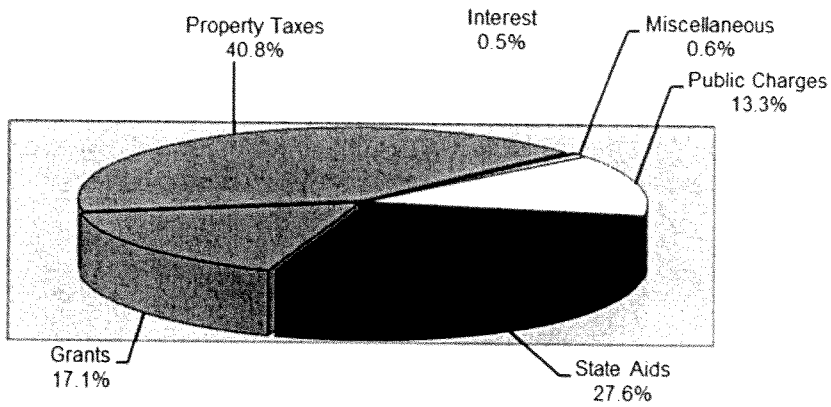
- Debt retirement exceeded new debt by $167,422
- General Fund expenditures exceeded revenues by $61,652

Expenses and Program Revenues - Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

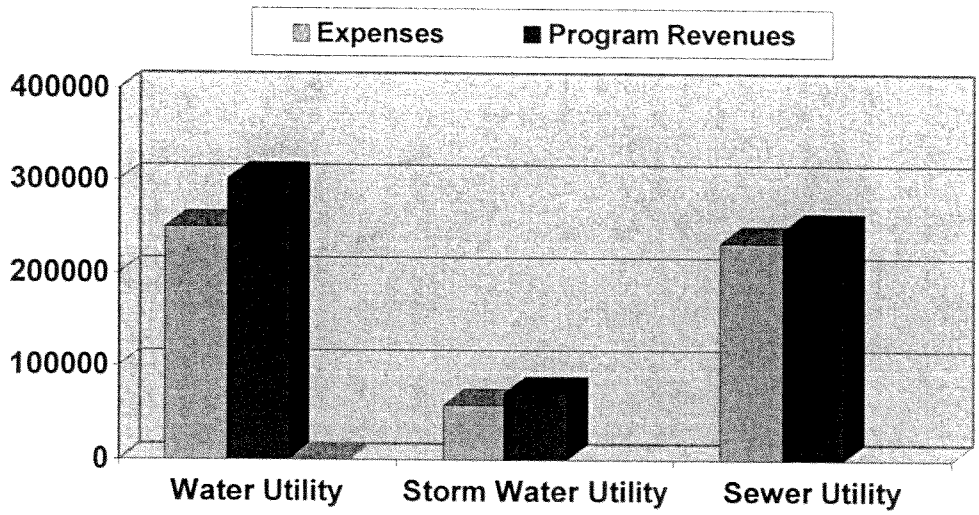
Revenues by Source-Governmental Activities



Business-type activities: Business-type activities increased Village net position by $80,228. Key elements of this increase are as follows:

- Water Utility Fund revenues exceeded expenditures by $52,718.
- Storm Water Utility Fund revenues exceeded expenditures by $13,245.
- Sewer Utility Fund revenues exceeded expenditures by $14,265.

Expenses and Program Revenues – Business-type Activities



FINANCIAL ANALYSIS OF THE VILLAGE OF GRANTSBURG'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 Grantsburg's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year.

GASB #54-Fund Balance Reporting and Governmental Fund Type Definitions became effective for the 2011 fiscal year. This standard redefines the categories that classify fund balances. There are five classifications for segregating fund balance; nonspendable, restricted, committed, assigned and unassigned.

As of December 31, 2016, the Village's governmental funds reported combined ending fund balances of $522,449, a decrease of $61,856 from the prior year. Of the combined ending fund balance, $289,839 constitutes *unassigned fund balance* that is available for spending at the Village's discretion $182,196 constitutes assigned fund balance, and $50,414 is nonspendable fund balance.

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 $289,839. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.12% of total general fund expenditures and transfers.

During the current year, the Village's general fund balance decreased by $61,652. Key factors in this decrease are as follows:

- A 2017 police squad was purchased using cash $40,318
- The portion of Benson Avenue W, not covered by disaster funds, was paid from cash $28,304

The Library Fund has a total fund balance of $14,332, representing 9.42% of fund expenditures.

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

Operating revenues were up $19,995 from 2015. Operating expenses decreased $4,964,. Other income (expense) changed from a 2015 net loss of $73,452 to a 2016 net loss of $75,955.

Net position was $3,567,820 as of December 31, 2016. The increase in net position for 2016 totaled $80,228.

All outstanding proprietary fund debt at December 31, 2016 totaled $1,371,578, a decrease of $135,169 over the balance at December 31, 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget amounted to a $87,882 increase in revenues and a $218,306 increase in expenditures. Differences can be briefly summarized as follows:

- Law enforcement safety grant was received
- A golf trailer and used police squad car were sold
- Campground revenues were higher than expected
- Donations were received for new Christmas decorations
- Disaster funds were received from the WI Department of Transportation
- New police squad car was purchased
- Benson Avenue W was repaved
- Operating transfer to the Grantsburg Public Library was increased
- Christmas decorations were purchased with donated funds

During the year, actual revenues exceeded budgeted revenues by $7,679. Budgeted expenditures exceeded actual expenditures by $23,505.

Capital Asset and Debt Administration

Capital assets. The Village of Grantsburg's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to $9,958,565 (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 Village's net investment in capital assets decreased for the current year by $366,030 (a $212,383 decrease for governmental activities and a $153,647 decrease for business-type activities).

Major capital assets events during the current fiscal year included the following:

Governmental activities:

- Police squad was purchased $40,318
- Benson Avenue W was repaved $93,118
- Golf mower was capitalized $12,000
- Building previously used as an ambulance garage was transferred to the Water & Sewer Funds to be used for water and sewer operations $43,742

Business-type activities:

- Two water services were added $1,566
- Building was transferred from General Fund for water and sewer operations $43,742

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Village of Grantsburg's Capital Assets (Net of accumulated depreciation)						
	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	$667,609	$668,349	$11,217	$10,477	$678,826	$678,826
Buildings & Improvements	$2,252,515	$2,296,257	$142,999	$99,257	$2,395,514	$2,395,514
Land Imprv.	$719,907	$719,907			$719,907	$719,907
Mach& equip.	$1,191,012	$1,166,509			$1,191,012	$1,166,509
Utility Plant			$7,466,179	$7,469,470	$7,466,179	$7,469,470
Infrastructure	$7,638,133	$7,709,775			$7,638,133	$7,709,775
Const. Work in Progress						
Accum depr	($7,130,453)	($7,009,691)	($3,000,553)	($2,805,715)	($10,131,006)	($9,815,406)
Total	$5,338,723	$5,551,106	$4,619,842	$4,773,489	$9,958,565	$10,324,595

Additional information on the Village of Grantsburg's capital assets can be found in Note C on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the Village of Grantsburg had total debt outstanding of $2,619,577 all of which was backed by the full faith of the Village.

Village of Grantsburg Outstanding Debt General Obligation Debt Revenue Bond Debt Capital Leases						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation debt	$911,035	$1,059,447	$222,913	$279,902	$1,133,948	$1,339,349
General Revenue Bond	$333,855	$350,999			$333,855	$350,999
Water Revenue Bond			$494,463	$533,496	$494,463	$533,496
Storm Water Revenue Bond			$187,419	$200,089	$187,419	$200,089
Sewer Revenue Bond			$466,783	$493,260	$466,783	$493,260
Capital Leases	$3,109	$4,975			$3,109	$4,975
Total	$1,247,999	$1,415,421	$1,371,578	$1,506,747	$2,619,577	$2,922,168

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

The Village is not rated by Moody's Investors Service or any other rating agency for its general obligation debt.

Additional information on the Village's long-term debt can be found in Notes D and E on pages 36 through 42 of this report.

Economic Factors and Next Year's Budgets and Rates

Governor Walker signed the 2015-2017 state budget bill into law as Act 55 on July 20, 2015. The budget makes no cuts to shared revenue, expenditure restraint and payments for municipal services. Strict levy limits, which were imposed in 2011, continue with this budget. A municipality may increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. The 2015 levy/2016 budget amount was increased to $418,784 or $3,678 over the 2014 levy/2015 budget amount, which was possible due to an increase in net new construction.

The Village's 2016 shared revenue payment increased $11,270 from the 2015 payment and the transportation aid decreased $9,961 from the 2015 amount. This results in a 0.25% increase in the two largest state aid payments received by the Village.

The Water Utility, Storm Water Utility and Sewer Utility rates are reviewed annually. The Water Utility filed an application with the WI Public Service Commission on September 28, 2015 for an analysis of the current water and public fire protection rates. Water Utility rates increased an average of 7% effective March 23, 2016.

All of these factors were considered in preparing the Village budgets for the 2016 and 2017 fiscal years.

Contacting the Village of Grantsburg's Financial Management

This financial report is designed to provide a general overview of the Village of Grantsburg's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Grantsburg, 316 South Brad Street, Grantsburg, WI 54840 or by calling the Village Office at 715/463-2405.

General information relating to the Village of Grantsburg, Grantsburg, Wisconsin, can be found at the Village's website, http://www.grantsburgwi.com.

VILLAGE OF GRANTSBURG
STATEMENT OF NET POSITION

December 31, 2016

ASSETS and DEFERRED OUTFLOWS	Governmental Activities	Business Activities	Total
Current Assets:			
Cash and equivalents	$ 616,075	$ 212,175	$ 828,250
Cash restricted	-	100,796	100,796
Reserved funds	-	90,470	90,470
Due from other funds	870	43,359	44,229
Receivables:			
Customer accounts	124,652	184,508	309,160
Special assessments	64,228	5,338	69,566
Materials and supplies	-	14,525	14,525
Prepaid insurance	764	181	945
Total current Assets	806,589	651,352	1,457,941
Non-current Assets			
Special assessments	49,650	26,587	76,237
Pension Asset	-	-	-
Capital Assets			
Land and land improvements	1,387,516	11,217	1,398,733
Utility plant in service	-	7,609,178	7,609,178
Other capital Assets	11,081,660	-	11,081,660
Accumulated depreciation	(7,130,453)	(3,000,553)	(10,131,006)
Total non-current Assets	5,388,373	4,646,429	10,034,802
Total Assets	6,194,962	5,297,781	11,492,743
Deferred Outflows			
Pension	277,588	55,331	332,919
Total Assets and Deferred Outflows	$ 6,472,550	$ 5,353,112	$ 11,825,662
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities:			
Cash overdraft	$ -	$ 99,331	$ 99,331
Vouchers payable	9,552	628	10,180
Due to other funds	39,670	4,559	44,229
Accrued payroll	16,550	3,981	20,531
Accrued interest	22,371	7,122	29,493
Accrued taxes	6,217	54,195	60,412
Current portion of long term debt	155,783	135,328	291,111
Total current liabilities	250,143	305,144	555,287
Non-current liabilities:			
Notes payable	772,603	327,015	1,099,618
Capital leases	3,109	-	3,109
Pension liability	57,112	11,384	68,496
Accrued employee benefits	141,566	-	141,566
Bonds payable	316,504	909,235	1,225,739
Total non-current liabilities	1,290,894	1,247,634	2,538,528
Total liabilities	1,541,037	1,552,778	3,093,815
Deferred Inflows of Resources:			
Pension	153,277	30,552	183,829
Deferred revenues	261,801	-	261,801
Deferred regulatory liability	-	201,962	201,962
	415,078	232,514	647,592
NET POSITION			
Invested in capital assets, net of related debt	4,068,353	3,039,180	7,107,533
Nonspendable	50,414	41,293	91,707
Restricted	67,199	487,347	554,546
Unrestricted	330,469	-	330,469
Total net position	4,516,435	3,567,820	8,084,255
Total liabilities, deferred inflows and net position	$ 6,472,550	$ 5,353,112	$ 11,825,662

(See notes to financial statements)

VILLAGE OF GRANTSBURG
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended December 31, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	$ 237,926	$ 7,086	$ 1,416	$ (229,424)		$ (229,424)
Public Safety:						
Police	309,482	11,113	18,566	(279,803)		(279,803)
Fire	95,992	-	2,547	(93,445)		(93,445)
Other	65,627	-	-	(65,627)		(65,627)
Public Works	216,841	8,774	162,116	(45,951)		(45,951)
Public Services						
Recycling	1,733	32	1,851	150		150
Refuse and garbage collection	94,104	94,475	-	371		371
Health and Human Services						
Cemetery	6,436	-	-	(6,436)		(6,436)
Culture and recreation						
Library	152,137	4,922	60,062	(87,153)		(87,153)
Parks	10,577	-	-	(10,577)		(10,577)
Campground	31,582	62,221	-	30,639		30,639
Swimming pool	46,545	16,715	25,000	(4,830)		(4,830)
Golf Course	1,209	-	2,100	891		891
Community center	14,645	8,939	-	(5,706)		(5,706)
Other	27,476	-	-	(27,476)		(27,476)
Conservation and development						
Economic development	948	-	-	(948)		(948)
Accrued employee benefits	(1,048)	-	-	1,048		1,048
Miscellaneous	100	-	-	(100)		(100)
Pension	79,203			(79,203)		(79,203)
Depreciation expense-unallocated	347,559	-	-	(347,559)		(347,559)
Loss on Disposal of Assets	10,260	-	-	(10,260)		(10,260)
Interest on long-term debt	40,010		1,415	(38,595)		(38,595)
Total governmental activities	1,789,344	214,277	275,073	(1,299,994)		(1,299,994)
Business-type Activities						
Water Utility	254,561	302,534	4,745		$ 52,718	$ 52,718
Storm Water Utility	58,032	71,277	-		13,245	13,245
Sewer Utility	233,600	243,120	4,745		14,265	14,265
Total business-type activities	546,193	616,931	9,490		80,228	80,228
Total Village	$ 2,335,537	$ 831,208	$ 284,563			
General Revenues:						
Tax collections						
General property taxes				418,784		418,784
Tax increments				167,279		167,279
Taxes from municipally owned utilities				56,231		56,231
Taxes from other exempt entities				13,882		13,882
Special assessments				-		-
State aids				444,260		444,260
Fines and Penalties				80		80
Interest income				7,487		7,487
Sale of Village property				5,687		5,687
Miscellaneous revenues				3,947		3,947
Total general revenues				1,117,637		1,117,637
Changes in net position				(182,357)	80,228	(102,129)
Net position - beginning				4,698,792	3,487,592	8,186,384
				-	-	-
Net position - ending				$ 4,516,435	$ 3,567,820	$ 8,084,255

(See notes to financial statements)

VILLAGE OF GRANTSBURG
BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	Governmental Funds		
	General	Library	Total Governmental Funds
ASSETS			
Cash and equivalents	$ 598,073	$ 18,002	$ 616,075
Due from other funds	870	-	870
Receivables:			
Customer accounts	124,652	-	124,652
Special assessments	64,228	-	64,228
Other	-	-	-
Prepaid expenses	670	94	764
Special assessments	49,650	-	49,650
Total assets	$ 838,143	$ 18,096	$ 856,239
LIABILITIES			
Vouchers payable	$ 8,507	$ 1,045	$ 9,552
Due to other funds	39,670	-	39,670
Accrued payroll	13,831	2,719	16,550
Accrued taxes and benefits	6,217	-	6,217
Trust funds	-	-	-
Total liabilities	68,225	3,764	71,989
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenues	261,801	-	261,801
FUND BALANCES			
Fund balances - nonspendable	50,320	94	50,414
- assigned	167,958	14,238	182,196
- unassigned	289,839	-	289,839
Total fund balances	508,117	14,332	522,449
Total liabilities and fund balances	$ 838,143	$ 18,096	$ 856,239

(See notes to financial statements)

VILLAGE OF GRANTSBURG
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balance- governmental funds		$ 522,449
Amounts reported as governmental activities in the statement of net position are different because:		
Capital assets of $12,469,176 net of accumulated depreciation ($7,130,453), are not financial resources, and therefore are not reported in the governmental funds. See Note C for additional details.		5,338,723
Items related to the Village defined benefit pension plan (see Note F) are not financial resources and are not reported in the governmental funds:		
Deferred pension outflows	$ 277,588	
Pension liability	(57,112)	
Deferred pension inflows	(153,277)	67,199
Long-term liabilities of ($1,247,999) are not due and payable in the current period and are not reported in the funds. See Note E for details. Other related amounts include accrued interest payable ($22,371) and accrued employee benefits of ($141,566).		(1,411,936)
Net position of government activities		$ 4,516,435

(See notes to financial statements)

VILLAGE OF GRANTSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General Fund	Library Fund	Total Governmental Funds
REVENUES			
Local sources	$ 926,294	$ 67,446	$ 993,740
Federal sources	-	1,487	1,487
State sources	606,073	-	606,073
Total revenues	1,532,367	68,933	1,601,300
EXPENDITURES			
General government	237,926	152,137	390,063
Public safety	471,101	-	471,101
Public works	312,677	-	312,677
Recreation and education	132,034	-	132,034
Health & Human services	6,436	-	6,436
Conservation and development	948	-	948
Capital outlay	145,437	-	145,437
Debt service	210,047	-	210,047
Other	100	-	100
Total expenditures	1,516,706	152,137	1,668,843
Excess revenues (expenditures)	15,661	(83,204)	(67,543)
OTHER FINANCING SOURCES			
Sale of property	5,687	-	5,687
Operating transfer	(83,000)	83,000	-
Excess revenues and other financing sources over (expenditures)	(61,652)	(204)	(61,856)
FUND BALANCES,			
Beginning of year	569,769	14,536	584,305
FUND BALANCES,			
End of year	$ 508,117	$ 14,332	$ 522,449

(See notes to financial statements)

VILLAGE OF GRANTSBURG
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2016

Net change in fund balances - total governmental funds	$ (61,856)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays of $145,436 and depreciation expense of ($347,559) plus deletions of ($10,260) in the current period equals	(212,383)
The proceeds of debt issuances provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount by which debt proceeds of ($0) exceeded repayments of $167,422 equals	167,422
Changes to the actuarial calculations related to the Village pension plan are not recognized in the governmental funds.	(79,203)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in accrued employee benefits of ($1,048), and a decrease in accrued interest of ($2,615).	3,663
Changes in net position of governmental activities	$ (182,357)

See notes to financial statements

VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016

ASSETS	Water Utility	Storm Water Utility	Sewer Utility	Totals Enterprise Funds 2016	Totals Enterprise Funds 2015
UTILITY PLANT:					
Utility plant in service	$ 3,480,363	$ 804,087	$ 3,324,728	$ 7,609,178	$ 7,568,727
Land and improvements	9,876	-	1,341	11,217	10,477
Accumulated depreciation	(1,203,611)	(217,124)	(1,579,818)	(3,000,553)	(2,805,715)
Net plant	2,286,628	586,963	1,746,251	4,619,842	4,773,489
CURRENT ASSETS:					
Cash and investments	212,175	-	-	212,175	177,171
Cash restricted	22,877	2,036	75,883	100,796	95,235
Reserved funds	47,270	18,900	24,300	90,470	85,667
Due from other funds	43,359	-	-	43,359	43,451
Receivables:					
Customers	77,548	25,609	81,351	184,508	180,116
Special assessments	3,748	-	1,590	5,338	5,809
Other	-	-	-	-	281
Prepaid insurance	81	10	90	181	179
Materials and supplies	12,448	-	2,077	14,525	11,858
Total current assets	419,506	46,555	185,291	651,352	599,767
NON-CURRENT ASSETS:					
Special assessments	26,205	-	382	26,587	31,291
Pension asset	-	-	-	-	18,042
Total other assets	26,205	-	382	26,587	49,333
DEFERRED OUTFLOWS:					
Pension	25,889	4,189	25,253	55,331	19,065
	$ 2,758,228	$ 637,707	$ 1,957,177	$ 5,353,112	$ 5,441,654

(See notes to financial statements)

VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
STATEMENT OF NET POSITION - continued
December 31, 2016

LIABILITIES AND EQUITY	Water Utility	Storm Water Utility	Sewer Utility	Total Enterprise Funds 2016	Total Enterprise Funds 2015
NET POSITION:					
Invested in capital assets, net of related debt	$ 1,640,844	$ 378,859	$ 1,019,477	$ 3,039,180	$ 3,035,928
Restricted	395,266	(46,235)	179,609	528,640	451,664
Total net position	2,036,110	332,624	1,199,086	3,567,820	3,487,592
CURRENT LIABILITIES:					
Cash overdraft	-	93,144	6,187	99,331	128,110
Vouchers payable	137	5	486	628	8,870
Due to other funds	420	450	3,689	4,559	5,381
Accrued payroll	1,960	206	1,815	3,981	3,136
Accrued interest	5,490	157	1,475	7,122	7,822
Accrued taxes	54,195	-	-	54,195	56,231
Current portion of long-term debt	56,607	18,147	60,574	135,328	135,168
Total current liabilities	118,809	112,109	74,226	305,144	344,718
NON-CURRENT LIABILITIES:					
Long-term debt	504,155	189,800	542,295	1,236,250	1,371,579
Pension liability	5,327	861	5,196	11,384	-
Total non-current liabilities	509,482	190,661	547,491	1,247,634	1,371,579
DEFERRED REGULATORY LIABILITY	79,532	-	122,430	201,962	230,814
DEFERRED INFLOWS					
Pension	14,295	2,313	13,944	30,552	6,951
	$ 2,758,228	$ 637,707	$ 1,957,177	$ 5,353,112	$ 5,441,654

(See notes to financial statements)

VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
Year Ended December 31, 2016
(with comparative totals for December 31, 2015)

	Water Utility	Storm Water	Sewer Utility	Totals (Memorandum Only) 2016	2015
OPERATING REVENUES					
Residential	$ 88,619	$ 12,714	$ 158,619	$ 259,952	$ 251,036
Commercial	34,877	30,928	49,897	115,702	107,535
Industrial	10,291	9,961	12,145	32,397	32,065
Multi-Family	7,597	2,347	9,031	18,975	17,924
Public authorities	19,348	14,068	9,198	42,614	41,073
Fire protection	113,360	-	-	113,360	112,808
Other revenues	25,434	1,164	4,087	30,685	31,249
	299,526	71,182	242,977	613,685	593,690
OPERATING EXPENSES					
Supervision and labor	29,584	3,503	28,491	61,578	70,223
Power purchased	16,422	-	21,932	38,354	38,028
Chemicals	14,578	-	15,036	29,614	23,455
Supplies and expenses	8,642	6,053	20,971	35,666	37,812
Meter use fee	-	-	3,689	3,689	3,781
Transportation	646	-	1,137	1,783	3,075
Repairs	2,360	478	-	2,838	11,403
Subtotal operating expenses	72,232	10,034	91,256	173,522	187,777
Administrative	22,492	4,441	20,940	47,873	50,944
Office supplies and expense	8,520	4,890	4,928	18,338	15,281
Insurance and benefits	22,195	2,487	21,532	46,214	47,969
Outside services	2,300	-	1,900	4,200	3,735
Depreciation	25,334	26,738	53,526	105,598	92,131
Taxes	57,533	582	3,642	61,757	64,629
	210,606	49,172	197,724	457,502	462,466
OPERATING INCOME (LOSS)	88,920	22,010	45,253	156,183	131,224
OTHER INCOME (EXPENSE)					
Interest income	1,442	95	143	1,680	1,673
Miscellaneous non-operating income	1,566	-	-	1,566	-
Building transfer	4,745	-	4,745	9,490	-
Miscellaneous amortization	11,362	-	17,490	28,852	28,852
Pension	(7,134)	(1,280)	(8,346)	(16,760)	-
Other income deductions	(28,014)	-	(23,367)	(51,381)	(50,661)
Interest on long-term debt	(20,169)	(7,580)	(21,653)	(49,402)	(53,316)
NET INCOME	52,718	13,245	14,265	80,228	57,772
NET POSITION					
Beginning of year	1,983,392	319,379	1,184,821	3,487,592	3,399,664
Prior Period Adjustment	-	-	-	-	30,156
Beginning of year, adjusted	1,983,392	319,379	1,184,821	3,487,592	3,429,820
End of year	$ 2,036,110	$ 332,624	$ 1,199,086	$ 3,567,820	$ 3,487,592

(See notes to financial statements)

VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended December 31, 2016
(with comparative totals for December 31, 2015)

	Water Utility	Storm Water	Sewer Utility	Totals (Memorandum Only) 2016	2015
SOURCES (USES) OF CASH FROM:					
Operating Activities:					
Net earnings	$ 52,718	$ 13,245	$ 14,265	$ 80,228	$ 57,772
Add expense which did not require cash outlay - depreciation	56,217	26,737	76,893	159,847	145,658
- amortization	(11,362)	-	(17,490)	(28,852)	(28,852)
- building transfer	(4,745)	-	(4,745)	(9,490)	-
- pension	7,134	1,280	8,346	16,760	-
	99,962	41,262	77,269	218,493	174,578
(Increase) decrease in receivables	(985)	(450)	2,498	1,063	13,293
(Increase) decrease in prepaids	9	(6)	(5)	(2)	3,056
(Increase) decrease in materials	(2,529)	-	(138)	(2,667)	(1,721)
Increase (decrease) in payables	(2,251)	5	(5,996)	(8,242)	4,667
Increase (decrease) in accruals	(2,214)	16	307	(1,891)	(795)
	91,992	40,827	73,935	206,754	193,078
Investing Activities:					
Equipment purchases	(1,798)	-	5,090	3,292	(20,065)
	(1,798)	-	5,090	3,292	(20,065)
Capital Financing Activities:					
Long-term debt - new borrowing	-	-	-	-	7,066
Long-term debt - payments	(55,648)	(19,421)	(60,100)	(135,169)	(134,385)
Reserved funds	(3)	(2,100)	(2,700)	(4,803)	(4,802)
	(55,651)	(21,521)	(62,800)	(139,972)	(132,121)
Non Capital Financing Activities:					
Cash Overdraft	-	(18,256)	(10,523)	(28,779)	(15,944)
Due to (from) other funds	422	(1,060)	(92)	(730)	85
	422	(19,316)	(10,615)	(29,509)	(15,859)
NET INCREASE (DECREASE) IN CASH	34,965	(10)	5,610	40,565	25,033
Cash, beginning of period	200,087	2,046	70,273	272,406	247,373
Cash, end of period	$ 235,052	$ 2,036	$ 75,883	$ 312,971	$ 272,406
Operating Activities:					
Operating income	$ 88,920	$ 22,010	$ 45,253		
Depreciation and amortization	56,217	26,737	76,893		
Interest income	1,442	95	143		
Miscellaneous non operating income	1,566	-	-		
Other Income deductions	(28,014)	-	(23,367)		
Interest expense	(20,169)	(7,580)	(21,653)		
	$ 99,962	$ 41,262	$ 77,269		
Cash receipts from customers	$ 299,526	$ 71,182	$ 242,977		
interfund services	39,670	-	-		
interest	1,442	95	143		
Cash payments to suppliers	39,327	(50,944)	(74,447)		
for employees	(70,549)	(10,717)	(67,448)		
for interest	(20,169)	(7,580)	(21,653)		
interfund services	(54,195)	-	(3,689)		
	$ 235,052	$ 2,036	$ 75,883		

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Grantsburg (the Village) conform to accounting principles generally accepted in the United States of America as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below:

(1) Reporting Entity – In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units as required under Government Accounting Standards. Based upon the criteria, the financial statements of the Village of Grantsburg contain all the funds and account groups controlled by the Village Board. There are no other entities which meet the criteria to be considered a blended component unit or a discretely presented component of the Village, nor is the Village a component unit of another entity. The Village, governed by a seven member elected village board, is a community of fewer than 2,500 persons incorporated as a village under Wisconsin law.

(2) Basic Financial Statements – Government-Wide – The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in four parts:

- Invested in capital assets, net of related debt – This category consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Nonspendable – This category includes amounts either not in spendable form, or legally or contractually required to be maintained intact. This would include inventory, prepaid items, non-current receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). Also included are the principal balance of endowments and permanent funds.

- Restricted– This category consists of net assets with constraints placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. All of the proprietary funds net position that is not invested in capital assets is considered restricted. In addition, the net pension asset (liability) and related deferred outflows and deferred inflows are recorded as restricted.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

•Unrestricted:

Committed – This category includes amounts that are committed for specific purposes by formal action of the village board. Amounts classified as "committed" are not subject to legal enforceability like restricted net assets; however, those amounts cannot be used for any other purpose unless the board removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. The action to commit net assets must occur prior to year end; however, the actual amounts can be determined in a subsequent period.

Assigned – Amounts that are intended by the village to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the board itself or a subordinate high level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the board. The Library Fund balance that is not nonspendable is considered assigned. In addition, $167,958 of general fund balance is assigned to Tax Increment District #5.

Unassigned – Includes any remaining amounts after applying the above definitions (amounts not classified as nonspendable, restricted, committed or assigned).

The Village first utilizes restricted resources to finance qualifying activities. When expenditure is made for which there are committed or assigned fund balances, unassigned fund balance will not be used.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, and others).

The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

(3) Basic Financial Statements – Fund Financial Statements – The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise its'

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped in the financial statements in this report into two broad fund categories and four generic fund types as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the activities of specific revenue sources such as the Library.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition, construction, or major repair of capital facilities or other capital assets, including equipment. There was no activity in the capital projects fund during 2016.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village maintains three enterprise funds: Water, Sewer, and Storm Water.

(4) Measurement Focus and Basis of Accounting – The basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus. The governmental-wide financial statement uses the economic resources measurement focus.

a. Accrual Basis – Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

b. Modified Accrual Basis – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when the resource is both measurable and available. A period of sixty days is used to measure availability. Expenditures are generally recognized when the related fund liability is incurred with certain exceptions, such as interest of general long-term debt, which is recognized when due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes are recognized in the fiscal year levied as they are considered due as of January 1. Penalties and interest accrue for non-payment of scheduled installment starting on February 1. Full receipt of the entire levy is assured within sixty (60) days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by generally accepted accounting principles.

State general and categorical aids, federal aids, and other entitlements are recognized as revenue at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

Charges for services provided other agencies and private parties are recognized as revenue when services are provided.

Interest earnings on temporary investments are recognized in the fiscal period earned. Long term debt proceeds received are recorded as 'other financing sources', with debt discount and issuance costs recorded as an expenditure of the fund receiving the proceeds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Employee services and payroll-related costs (employee health, life, disability insurance, FICA, Wisconsin Retirement System contributions, annuities) other than compensated absences, termination and other post employment benefits are recognized in the fiscal period when acquired. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred. Costs for services provided the Village by other agencies or private organizations are recognized when incurred.

Compensated absences are recognized as an expenditure when used rather than when earned by the employee. Terminations and other post employment benefits are recognized as an expenditure in the fiscal period when paid or normally paid rather than when earned by employee.

(5) Deposits 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. State statutes permit the Village to invest available cash balances in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Donations to the Village of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the Village may invest the donated items in accordance with laws applicable to trust investments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Receivables and Payables – The aggregate Village tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the Village is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the Village for any remaining balance.

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. Special assessments against property owners are recorded as revenue in the year of assessment. Payment of these special assessments is allowed over a period of years, bearing stated rates of interest.

(7) Other Assets – Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year's cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first –in, first-out method) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

(8) Capital Assets – The accounting and reporting treatment applied to capital assets depends on whether the assets are reported in the government-wide financial statements or the fund financial statements.

Government-wide Statements

In the government-wide financial statements fixed assets are capitalized. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated fixed assets are recorded at their estimated fair market value at the date of donation.

Depreciation on all exhaustible fixed assets is recorded as an unallocated expense in the Statement of Activities with accumulated depreciation being reflected in the Statement of Net Position. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets as follows:

Bridges and dams	50 years
Buildings and site improvements	30 years
Electrical, Plumbing, Roofing	20 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vehicles	5 years
Equipment	5 – 20 years

Depreciation is provided in the enterprise funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. Depreciation rates and estimated useful lives for the Water Fund are as determined by the Wisconsin Public Service Commission, and are applied to average plant balances per year. Depreciation for the Sewer Fund is applied to average plant balance at a rate of 2% per year.

Enterprise fund plant and equipment is recorded at cost. Expenditures for normal repairs and maintenance are charged to operations as incurred. Renewals and betterments are capitalized. Interest expense incurred for long-term debt on construction projects is capitalized during the period of construction.

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.

(9) Other Obligations – The Village's policy allows employees to earn varying amounts of sick and vacation pay. Employees may accumulate vacation leave at the end of any fiscal year, which must be used by the end of the next year. Accumulated vacation is paid at retirement. The Village also allows accumulation of sick leave. Upon retirement, employees receive payment for fifty percent of their unused sick time. Expenditures for these benefits are recognized on a pay-as-you-go basis.

(10) Budgetary Accounting – The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

a) A formal budget is adopted for the general fund in the fall of each year, for the succeeding calendar year. This budget is adopted on a basis consistent with generally accepted accounting principles.

b) The Village Board approves the budget by department. No transfers between departments are allowed without Board approval. Therefore, the level of budgetary responsibility is by a functional departmental basis.

c) Unused appropriations for all annually budgeted funds lapse at the end of the year.

d) Revised budget amounts are approved by the board.

e) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(11) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(12) Deferred Revenues – Collections in November and December of the current year relating to the next years property tax levy are recorded as deferred revenue at December 31 of each year.

(13) Proprietary Funds –

a) The Village elects to follow all FASB statements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements and that are developed for business enterprises.

b) For the purpose of the statement of cash flows, 'cash and equivalent's', 'cash overdraft', and 'restricted cash' were used, but 'reserved funds' were not considered in beginning or ending cash balances. The Village considers cash equivalents to include cash and investments having an original maturity of three months or less.

c) All revenues of proprietary funds are considered operating revenues, unless distinctly not related to the normal operation of the fund.

(14) Amortization of Bond Expense – The costs of bond issuance, prior to 2014, were amortized, on the straight-line method, over the life of the bonds. GASB Statement No. 65 was issued and changes the way Bond issuance fees are reported. They will no longer be reported as assets, but are now classified as expenses.

(15) Comparative Data – Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

(16) Program Revenues – Charges for services and operating grants and contributions that are directly related to a Functional expense category are recorded as program revenues. All other revenues are treated as general revenue.

(17) Policy regarding cost allocations – No indirect cost allocations are made. In addition, no allocation of depreciation expense to functional expense categories is made.

NOTE B – CASH AND INVESTMENTS

The Village maintains a cash pool that is used by most Village funds. Each fund type's portion of this pool is displayed on the combined balance sheet as part of 'cash and equivalents'. In addition, the Sewer Utility Fund, the Water Utility Fund, the Storm Water Fund, and the Library separately hold accounts. Deposits and investments are stated at cost.

Deposits: Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 per entity for demand deposits and time deposits. In addition, the State of Wisconsin has a State Guarantee Fund providing a maximum of $400,000 per entity above the amount provided by the FDIC. However, due the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

At year-end, the carrying amount of the Village's deposits at US Bank, N.A. was $418,274 and the bank balance was $465,635. Of the bank balance, $250,000 is covered by federal depository insurance and $215,635 is covered by the state public deposit guarantee fund. In addition to the bank balance at year-end, $400,325 was held by The State of Wisconsin, Department of Administration-State Controller's Office in the Local Government Investment Pool (LGIP) and $101,587 was invested in Commercial Paper by U. S. Bank N.A. Treasury Division. Deposits in the LGIP are not covered by federal depository insurance but are subject to coverage under the state public deposit guarantee fund. The $101,587 invested in Commercial Paper by U.S. Bank N.A. Treasury Division is covered by the remaining state public deposit guarantee fund.

Investments: At year end, the Village's investments were all allowed by State Statute and were entirely insured or collateralized with securities held by the Village or by its agent in the Village's name. The Village's investments are categorized below to give an indication of the level of risk assumed by the Village at year-end. Category 1 includes investments that are insured or collateralized or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's Trust department or Agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the Village's name. The Village has no formal investment policy.

CATEGORY 1:	Carrying Amount	Market Value
Commercial Paper/Local Gov't Investment Pool	$ 501,912	$ 501,912
Deposits with banks	418,274	418,274
Total Cash and Investments	$ 920,186	$ 920,186

NOTE C – CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

Governmental Activities:	Balance 12/31/15	Additions	Disposal	Balance 12/31/16
Land	$ 668,349	$ -	$ (740)	$ 667,609
Land Improvements	719,907	-	-	719,907
Buildings and Improvements	2,296,257	-	(43,742)	2,252,515
Vehicles	259,527	40,318	(23,965)	275,880
Machinery and Equipment	906,982	12,000	(3,850)	915,132
Bridge and dam	291,710	-	-	291,710
Streets, curb and gutter storm sewer, sidewalks	7,418,065	93,118	(164,760)	7,346,423
Total	12,560,797	145,436	(237,057)	12,469,176
Accumulated Depreciation	(7,009,691)	(347,559)	226,797	(7,130,453)
Governmental activities, net	$ 5,551,106	$ (202,123)	$ (10,260)	$ 5,338,723

Business type Activities:

Following is a summary of the proprietary funds property, plant, and equipment at December 31, 2016:

	Water Fund	Storm Water Utility Fund	Sewer Fund	Total
Buildings	$ 82,748	$ -	$ 60,251	$ 142,999
Improvements other than buildings	3,266,302	802,137	3,001,564	7,070,003
Equipment & Miscellaneous	131,313	1,950	262,913	396,176
	3,480,363	804,087	3,324,728	7,609,178
Accumulated depreciation	(1,203,611)	(217,124)	(1,579,818)	(3,000,553)
	2,276,752	586,963	1,744,910	4,608,625
Land	9,876	-	1,341	11,217
Construction in progress	-	-	-	-
Total	$ 2,286,628	$ 586,963	$1,746,251	$4,619,842

Depreciation for 2016 totaled $56,217 in the Water Fund, $76,893 in the Sewer Fund, and $26,738 in the Storm Water Utility Fund. Additions for 2016 included the former ambulance garage at $44,482 split equally between the Water and Sewer Funds, and other Water Fund additions of $1,799. Deletions occurred only in the Sewer Fund ($5,090).

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions of the Village proprietary funds for the year ended December 31, 2016:

	12/31/15	Additions	Retirements	12/31/16	
Water Utility:					
W-1 Revenue Refunding Bonds 2005	$ 331,800	$ -	$ 29,000	$ 302,800	
W-2 Revenue Bonds/St. Projects 2012	87,268	-	4,613	82,655	*
W-3 Refinance Loan 2012	82,914	-	16,615	66,299	**
W-4 Revenue Bonds/St. Project 2014	114,428	-	5,420	109,008	***
Storm Water Utility:					
SW-2 Capital Outlay 2006	1,600	-	1,600	0	
SW-3 Revenue Bonds 2008	142,275	-	9,931	132,344	
SW-4 Refinance Loan 2012	25,679	-	5,151	20,528	**
SW-5 Revenue Bonds/St. Project 2014	57,814	-	2,739	55,075	***
Sewer Utility:					
S-1 Revenue Bonds 2008	182,925	-	12,769	170,156	
S-2 Refinance Loan 2012	79,709	-	33,623	46,086	**
S-3 Street Project 2014	90,000	-	-	90,000	
S-4 Revenue Bonds 2014	310,335	-	13,708	296,627	
	$1,506,747	$ -	$ 135,169	$ 1,371,578	

*The amount outstanding on these Bonds totals $172,018 with an additional $89,363 reported in Note E as General Fund debt.

**The amount outstanding on this note is $314,948 with an additional $182,035 reported in Note E as General Fund debt.

***The amount outstanding on these Bonds is estimated to total $408,575 with an additional $244,492 reported in Note E as General Fund debt.

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS (continued)

W-1 Water System Mortgage Revenue Bonds were issued for the Northside Water Project in 1993. The bonds carried varying maturities at a constant interest rate of 5.25%, with principal due January 1 and interest due January 1 and July 1 of each year. These bonds were paid off in 2005 by the Water System Mortgage Refunding Bonds, Series 2005A. The new issue carries varying maturities at a constant interest rate of 4.81%, with principal due September 1 and interest due March 1 and September 1 each year.

W-2 Water System Revenue Bonds were issued in 2012 for improvements to the Water Utility system. See Note E for details on this borrowing.

SW-2 Storm Water Utility debt was incurred during 2006 in conjunction with the capital outlay activity of that fund. This debt was completely extinguished in 2016.

SW-3 & S-1 Storm Water System and Sewer System Revenue Bonds were issued in 2008, totaling $480,000. These bonds carry varying maturities at a constant interest rate of 4.44%, with principal and interest due quarterly on January 1, April 1, July 1, and September 1 of each year. The final payment is scheduled for January 1, 2028.

W-3, SW-4 & S-2 The 2012 Refinance loan is recorded in multiple Village funds. The total loan of $816,000 is financed over 10 years at an interest rate of 2.95% with principal due December 1 and interest due June 1 and December 1 of each year. The disposition of these funds included Water Utility $134,240; Storm Water Utility $41,583; Sewer Utility $271,618; and General Fund $368,559.

S-3 Sewer improvements on the West Broadway Avenue Utility Improvement Project in 2014 were not eligible for WI DNR SDWLF funds. Sewer Utility debt was issued for these improvements in the amount of $90,000 with an interest rate of 2.33%. This note has a 10-year term with quarterly interest only payments in the first three years and quarterly principal and interest payments starting in the fourth year in amounts sufficient to pay the loan off in the 10 years.

S-4 Sewer System Revenue Bonds were issued in 2014 totaling $323,692. The Bonds mature in installments of principal due May 1 and interest due May 1 and November 1 of each of the years 2014 through 2033 and bear interest at a rate of 2.625%. These bonds were issued as part of the Federal Environmental Improvement Fund through the WI Department of Natural Resources Clean Water Fund and were used for improvements at the Wastewater Treatment Plant.

W-4 & SW-5 The Federal Environmental Improvement Fund through the WI Department of Natural Resources Safe Drinking Water Loan Fund (WI DNR SDWLF) was used to fund the West Broadway Avenue Utility Improvement Project in 2014. The final installment of this loan was received in 2015 in the amount of $17,505. This Revenue Bond is recorded in multiple funds. The 20 year bonds total $447,557 with an interest rate of 1.155%. Principal payments are due May 1 and interest payments are due May 1 and November 1 of each of the years 2015 through 2034. The disposition of these funds includes Water Utility $119,408; Storm Water Utility $60,331; and General Fund $267,818. In addition to this low interest loan, principal forgiveness was received in the amount of $414,919. This amount was distributed as follows: General Fund $248,288, Water Utility $110,700 and Storm Water Utility $55,931.

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS (continued)

W-1 Water System 2005 bond maturities are as follows:

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ 30,000	$ 14,767	2022	$ 35,000	$ 7,110
2018	30,000	13,304	2023	35,000	5,404
2019	30,000	11,841	2024	37,000	3,707
2020	32,000	10,407	2025	38,800	1,892
2021	35,000	8,817			
				$ 302,800	$ 77,249

W-2 Water System 2012 bond maturities are as follows (48.05% of total bonds)*:

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ 4,673	$ 1,060	2025	$ 5,190	$ 540
2018	4,735	998	2026	5,259	471
2019	4,798	935	2027	5,328	401
2020	4,861	872	2028	5,399	330
2021	4,925	807	2029	5,470	259
2022	4,990	741	2030	5,542	186
2023	5,056	675	2031	5,615	112
2024	5,123	608	2032	5,691	37
				$ 82,655	$ 9,032

*See Note E for maturities of General Fund portion of 2012 bond.

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS (continued)

SW-3 & S-1 Storm Water System (43.75%) and Sewer System (56.25%) 2008 bond maturities are as follows:

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ 23,500	$ 13,042	2023	$ 28,300	$ 6,169
2018	24,300	11,985	2024	29,100	4,900
2019	25,100	10,894	2025	29,900	3,594
2020	25,900	9,766	2026	30,700	2,253
2021	26,700	8,602	2027	31,500	877
2022	27,500	7,404			
				$ 302,500	$ 79,486

W-3 SW-4 & S-2 Refinance loan of 2012 (16.45% Water; 5.10% Storm Water 33.29% Sewer)*:

Due Date	Principal	Interest
2017	$ 54,833	$ 4,563
2018	40,643	3,114
2019	20,349	1,120
2020	17,088	513
	$132,913	$ 9,310

*See Note E for maturities of General Fund portion of this debt.

S-3 Sewer System – Broadway Avenue note payable maturities are as follows :

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ -	$ 2,938	2021	$ 12,831	$ 1,604
2018	11,639	2,796	2022	13,255	1,180
2019	12,023	2,412	2023	13,693	742
2020	12,415	2,020	2024	14,144	291
				$ 90,000	$ 13,983

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS (continued)

S-4 Sewer System 2014 bond maturities are as follows :

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ 14,068	$ 7,602	2026	$ 17,763	$ 3,858
2018	14,438	7,228	2027	18,229	3,386
2019	14,816	6,844	2028	18,708	2,901
2020	15,207	6,450	2029	19,199	2,404
2021	15,605	6,045	2030	19,703	1,893
2022	16,014	5,630	2031	20,220	1,369
2023	16,435	5,204	2032	20,751	832
2024	16,866	4,767	2033	21,296	279
2025	17,309	4,319		$ 296,627	$ 71,011

W-4 & SW-5 Water System (26.68%) and Storm Water System (13.48%) 2014 bond maturities are as follows* :

Due Date	Principal	Interest	Due Date	Principal	Interest
2017	$ 8,253	$ 1,847	2026	$ 9,152	$ 944
2018	8,348	1,752	2027	9,258	837
2019	8,445	1,654	2028	9,365	730
2020	8,542	1,556	2029	9,473	621
2021	8,641	1,459	2030	9,582	511
2022	8,741	1,357	2031	9,693	400
2023	8,842	1,255	2032	9,805	287
2024	8,944	1,153	2033	9,918	173
2025	9,048	1,049	2034	10,032	58
				$ 164,083	$ 17,643

* See Note E for maturities of General Fund portion of 2014 bond.

NOTE D – PROPRIETARY FUND LONG-TERM OBLIGATIONS (continued)

Aggregate maturities:

	Water		Storm Water		Sewer		Total	
Due Date	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 56,607	$ 18,824	$ 18,147	$ 6,874	$ 60,574	$ 20,122	$ 135,327	$ 45,820
2018	61,538	16,674	20,019	6,205	52,546	18,299	134,103	41,179
2019	55,944	14,730	18,629	5,586	40,958	15,384	115,531	35,700
2020	55,593	12,704	18,231	4,916	42,191	13,963	116,015	31,583
2021	45,666	10,594	14,582	4,252	43,455	12,488	103,703	27,332
Thereafter	285,414	28,699	118,339	14,171	363,145	53,228	766,899	96,099
	$ 560,762	$ 102,225	$ 207,947	$ 42,004	$ 602,869	$ 133,484	$ 1,371,578	$ 277,713

The interest incurred and charged to expense for 2016 was $20,169 in the Water Utility, $7,580 in the Storm Water Utility, and $21,653 in the Sewer Utility.

NOTE E – GENERAL FUND LONG TERM OBLIGATIONS

Changes in the general long-term obligations of the Village follow:

	12-31-15	Issued	Retired	12-31-16
US Bank Note Payable, 4.65% interest, $15,000 due 12-31 plus interest 6-30 and 12-31	$ 13,400	$ 0	$ 13,400	$ 0
State of WI-Bd of Comm of Public Lands Note Payable 4.0% interest, $54,000 Due 3-15 plus interest	687,000	0	54,000	633,000
State of WI-Bd of Comm of Public Lands Note Payable 3.0% interest, $27,000 Due 3-15 plus interest	87,000	0	28,000	59,000
Bremer Bank Note Payable, 2.95% interest, $103,000 Due 12-1 plus interest 6-1 and 12-1	227,647	0	45,612	182,035*

NOTE E – GENERAL FUND LONG TERM OBLIGATIONS (continued)

WI DNR Revenue Bond, 1.32% interest, $9,351 Due 5/1 plus interest 5/1 and 11/1	94,350	0	4,987	89,363**
Community Bank, 2.86% interest $7,400 Due 8/15 plus interest	44,400	0	7,400	37,000
WI DNR Revenue Bond, 1.155% interest, $19,234 Due 5/1 plus interest 5/1 and 11/1	256,649	0	12,157	244,492***
	1,410,446	0	165,556	1,244,890
Capital leases	4,975	0	1,866	3,109
Accumulated sick and vacation leave at December 31	142,614	0	1,048	141,566
Total	$1,558,035	$ 0	$ 168,470	$ 1,389,565

*The amount outstanding on this note totals $314,948, with an additional $66,299 Water Utility debt, $20,528 Storm Water Utility debt and $46,086 Sewer Utility debt reported in Note D.
**The amount outstanding on these bonds totals $172,018, with an additional $82,655 reported in Note D as Water Utility debt.
***The amount outstanding on these bonds is estimated to total $408,575, with an additional $109,008 Water Utility debt and $55,075 Storm Water Utility debt reported in Note D.

Total interest incurred and charged to expense was $41,625 for 2016.

Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows: (this presentation excludes those obligations for which cash flows are presented at Note D)

	Governmental Principal	Interest
2017	$ 155,783	$ 36,918
2018	170,562	31,881
2019	124,822	27,348
2020	118,243	23,416
2021	83,601	19,578
2022-2034	594,988	67,553
	$ 1,247,999	$ 206,694

NOTE F – EMPLOYEE RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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

During the reporting period (2015), the WRS recognized $40,477 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the Village of Grantsburg reported a liability (asset) of $68,496 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability (asset) was based on the Village's

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Village's proportion was .00421521%, which was a decrease of .00008523% from its proportion measured as of December 31, 2014.

For the years ended December 31, 2016 and 2015, the Village recognized pension expense of $39,680 and $40,477 on covered payroll of $529,060 and $528,836.

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	($144,149)
Changes in assumptions	47,923	-
Net differences between projected and actual earnings on pension plan investments	242,823	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,493	-
Employer contributions subsequent to the measurement date	39,680	(39,680)
Total	$ 332,919	($183,829)

The $39,680 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	$ 89,885	$ (34,884)
2017	89,885	(34,884)
2018	89,885	(34,884)
2019	74,621	(34,884)
2020	(51,037)	(4,613)
	$ 293,239	$ (144,149)

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

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

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

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

Retirement Funds Asset Allocation Targets and Expected Returns
As of December 31, 2015

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

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

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

	1% Decrease To Discount Rate (6.20%)	Current Discount Rate (7.2%)	1% Increase To Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	$480,435	$68,496	($253,235)

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

NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION

Effective January 1, 2004, the Water Fund of the Village implemented the requirements of Wisconsin Public Service Commission order 05-US-105, relating to the accounting treatment for contributions in aid of construction. All contributions in aid of construction previously recorded in the equity section of the financial report were eliminated by transfer to a deferred regulatory liability in part, and to unappropriated surplus for the remainder.

The plant in service of the Water Fund was also segregated into two parts: contributed plant, and plant that was financed by utility operations. Future contributions in aid of construction will be treated as miscellaneous non-operating income when received, and annual depreciation allowances will be segregated between depreciation expense on plant financed by utility operations, and other income deductions for the portion of depreciation calculated on contributed plant.

Despite not being regulated by the Public Service Commission, the Village Sewer Fund does account for its affairs in a manner similar to that proposed by the PSC for the Water Fund. Therefore, contributions in aid of construction in the Sewer Fund were also adjusted similarly as of January 1, 2004.

The effects of these transactions follow:

	Water Fund	Sewer Fund
Contributed capital, January 1, 2004	$ 1,587,695	$ 1,166,691
Transferred to unappropriated surplus	- 1,360,462	- 816,889
Portion attributed to depreciation Claimed on contributed plant	$ 227,233	$ 349,802
Deferred regulatory liability 1/1/04	$ 227,233	$ 349,802
Prior amortization	- 136,341	- 209,881
2016 amortization (20 year life per PSC)	- 11,362	- 17,490
Deferred regulatory liability 12/31/16	$ 79,530	$ 122,431

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and to other funds:

	Payable	Receivable
General Fund	$ 39,670	$ 870
Water Fund	420	43,359
Storm Water Fund	450	0
Sewer Fund	3,689	0
	$ 44,229	$ 44,229

Transfers between funds occur periodically for cash flow and expenditure planning. All balances are repaid currently. $83,000 was transferred from the General Fund to the Library Fund in 2016 to subsidize Library operations.

NOTE I - RESERVED AND RESTRICTED FUNDS

The long term bonded debt secured for the Sewer Fund and Storm Water Fund projects includes in its indenture the requirement that a debt service reserve account be maintained until the bonds are retired. $12,727 is currently held in this account. The indenture also requires a Depreciation Fund to accumulate deposits annually of $4,800, until a balance of $48,000 is reached. At year-end, $43,200 is held in this account. These funds are available at management's discretion, for their specified use for debt service. In addition, a replacement fund has been established for equipment replacement in the Sewer Fund, with a year-end balance of $65,192. These funds are available for replacement of equipment, to be used at the discretion of management.

The Water Fund long-term bonded debt includes in its indenture a requirement for a Debt Service Reserve Fund, used to accumulate monthly deposits to meet the debt service requirements. The year-end balance in this account is $22,877. The indenture also requires a Depreciation Fund to accumulate monthly deposits, totaling $4,700 annually, until a balance of $47,000 is achieved. The year-end balance in this account is $47,270.

The General Fund long-term bonded debt includes in its indenture a requirement for a Debt Service Reserve Fund, used to accumulate monthly deposits to meet the debt service requirements. The year-end balance in this account is $12,268.

NOTE J – EXPENDITURES OVER BUDGET

The following functions in governmental funds had an excess of actual expenditures over budget for the year ended December 31, 2016

GENERAL FUND:	Excess
Public Safety	$ 4,859
Conservation and Development	498
Other Financing Uses	100
LIBRARY: General Government	$12,587

NOTE K – GENERAL FUND DONATIONS AND CONTRIBUTIONS

Total donations and contributions received as of December 31, 2016 were $48,216. The following breakdown details these items:

ATV Signs	$ 260
Recycling	1,851
Pool	25,000
Golf	2,100
Grantsburg Watercross Security	10,200
Snowflake Decorations	7,390
Debt Service/Interest Reimbursed	1,415
	$ 48,216

NOTE L – TAX INCREMENTAL FINANCING DISTRICT

The Village of Grantsburg has created five tax incremental financing districts to encourage industrial, residential, and commercial development within the Village. District #1 was created January 1, 1983 and facilitated the Impact 7 – McNally's building project; District #2 was created January 1, 1988 and facilitated an assistance loan as well as a road improvement project; District #3 was created January 1, 1994 for the construction of public works, capital costs for improvements to buildings and real property assembly costs; District #4 was created January 1, 2005 for construction, capital costs, and real property assembly costs; and District #5 was created January 1, 2008 to facilitate rehabilitation costs. Costs of the tax district projects are recovered through the property tax increment received due to the project value increase. Interest is charged on each project at 4.17% in 2016. Original project costs and progress in repayment are shown below:

	Original Cost	December 31, 2016
District 1 – Project 1	$ 75,000	$ 0
District 2 – Project 1	36,922	0
District 2 – Project 2	10,000	0
District 2 – Project 3	4,000	0
District 2 – Project 4	26,352	0
District 3 – Project 1	250,000	0
District 3 – Project 2	150,192	0
District 3 – Project 3	25,000	0
District 3 – Project 4	28,638	0
District 3 – Project 5	194,800	0
District 3 – Project 6	123,132	0
District 3 – Project 7	12,187	0
District 3 – Project 8	17,548	0

NOTE L – TAX INCREMENTAL FINANCING DISTRICT (continued)

District 3 – Project 9	338,166	0
District 3 – Project 10	151,870	0
District 3 – Project 11	51,800	37,804
District 3 – Project 12	28,304	0
District 4 – Project 1	400,000	174,164
District 5 – No projects		(167,958)

When tax incremental revenues received have extinguished the project costs plus interest, that tax district is either terminated or amended to allocate increments to another district. District 1 increments were allocated to District 2 on May 12, 2008. District 2 increments and any District 3 positive increments were allocated to District 5 on October 18, 2011. Expected termination dates by district are estimated below; termination year tax increments will be collected in the following year.

District 1	2010	District 3	2021	District 5	2034
District 2	2014	District 4	2025		

For each district, the growth in equalized value from the date of inception through January 1, 2016 is as follows:

	Inception	01-01-16	Growth
District 3	$ 1,157,300	$ 7,979,700	$ 6,822,400
District 4	1,091,000	2,866,000	1,775,000
District 5	212,600	78,000	0

In no case may a district remain open beyond 27 years from the date of creation. The project costs were originally reported as general fund expenditures in the year incurred. Each year's tax increment revenue is likewise received and reported as part of the general fund.

NOTE M – RISK MANAGEMENT

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

NOTE N – CAPITAL LEASES

The Village has a $3,109 obligation for office equipment (original cost $5,597) under a capital lease at December 31, 2016. This asset is included on the Village Capital assets register and is depreciated. The lease will be paid in full in 2018.

NOTE O – TRANSFER BETWEEN FUNDS

At January 1, 2016 the Village made an adjustment to previously recorded Village financials: a parcel of land with a building previously leased to North Ambulance Service for use as an ambulance garage was transferred to the Water Utility and the Sewer Utility for use by the Village's water and sewer operations.

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET TO ACTUAL
Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources:				
Property taxes	$ 418,784	$ 418,784	$ 418,784	$ -
Tax increments	173,538	167,810	167,279	(531)
In lieu of taxes - Utility funds	62,300	56,231	56,231	-
PILT	14,700	13,900	13,882	(18)
Licenses and permits	10,950	10,950	11,279	329
Law violations	4,500	4,500	4,275	(225)
General Government	1,500	1,500	1,449	(51)
Law enforcement	1,200	1,200	348	(852)
Streets	2,000	2,000	3,183	1,183
Airports	4,850	4,850	4,844	(6)
Trash collection	92,700	94,000	94,475	475
Recycling	-	-	32	32
Parks/Campground	46,000	62,151	62,221	70
Golf	500	-	-	-
Pool	20,000	16,830	16,715	(115)
Interest earned	6,275	6,275	7,564	1,289
Rent/Lease	10,000	10,000	10,535	535
Donations/Contributions	35,850	43,065	48,216	5,151
Miscellaneous	-	1,416	1,416	-
Total local sources	905,647	915,462	922,728	7,266
State sources:				
Shared revenues	433,874	433,874	433,437	(437)
Fire insurance tax	2,500	2,500	2,547	47
Law Enforcement	-	4,000	4,800	800
Local street aid	89,652	89,652	89,652	-
Payments - municipal services	5,201	5,201	5,168	(33)
In lieu - DNR	419	419	419	-
State grants - disaster assist	-	64,814	64,814	-
State grant - computer aid	5,200	5,200	5,236	36
Total state sources	536,846	605,660	606,073	413
Other funding sources:				
Insurance Recoveries	-	3,566	3,566	-
Sale of Village property	-	5,687	5,687	-
Total Other Sources	-	9,253	9,253	-
TOTAL REVENUES	$1,442,493	$1,530,375	$1,538,054	$ 7,679

(See notes to financial statements)

VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET TO ACTUAL
Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government:				
Legislative	$ 8,859	$ 7,934	$ 8,481	$ (547)
Legal	9,000	9,000	8,124	876
General administration	96,470	93,198	92,646	552
Financial administration	55,074	55,181	55,374	(193)
Village Hall	23,437	29,039	27,589	1,450
Insurance	43,032	43,032	43,488	(456)
Other	2,685	2,685	2,225	460
Total general government	238,557	240,069	237,927	2,142
Public Safety:				
Law enforcement	302,927	304,669	309,481	(4,812)
Fire protection	95,945	95,945	95,992	(47)
Ambulance	62,627	65,627	65,627	-
Total public safety	461,499	466,241	471,100	(4,859)
Public Works:				
Street administration	2,052	1,372	1,338	34
Buildings and grounds	15,200	19,179	13,318	5,861
Streets, sidewalks	156,322	176,221	165,770	10,451
Street lights, signs	30,500	30,500	30,178	322
Airport	2,680	8,649	6,238	2,411
Trash collection	92,700	94,000	94,104	(104)
Recycling	1,755	1,735	1,733	2
Total public works	301,209	331,656	312,679	18,977
Recreation and Education:				
Community Center	9,430	12,319	14,645	(2,326)
Parks	24,946	11,438	10,577	861
Campground	26,922	32,344	31,582	762
Events	7,721	19,306	20,704	(1,398)
Pool	45,014	52,500	46,544	5,956
Golf	500	1,644	1,209	435
Skating rink	3,900	3,900	3,900	-
Dam	-	1,834	2,434	(600)
Fairgrounds	440	440	438	2
Total recreation and education	118,873	135,725	132,033	3,692

VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET TO ACTUAL (Continued)
Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Health and Human Services:				
Cemetery	$ 5,904	$ 6,436	$ 6,436	$ -
Total health and human services	5,904	6,436	6,436	-
Conservation and Development:				
Other conservation and development	450	450	498	(48)
Promotion	-	-	450	(450)
Total conservation and development	450	450	948	(498)
Capital Outlay:				
Public Safety	-	38,221	40,318	(2,097)
Public Works	-	93,000	93,119	(119)
Recreation & Education	-	12,000	6,001	5,999
Total capital outlay	-	143,221	139,438	3,783
Debt Service:				
Principal - long-term	167,428	167,428	167,422	6
Interest	42,987	42,987	42,625	362
Total debt service	210,415	210,415	210,047	368
Other Financing Uses:				
Miscellaneous	-	10,000	100	9,900
Operating Transfer	62,000	73,000	83,000	(10,000)
Total other financing uses	62,000	83,000	83,100	(100)
TOTAL EXPENDITURES	$1,398,907	$1,617,213	$1,593,708	$ 23,505

(See notes to financial statements)

VILLAGE OF GRANTSBURG

Schedules of Required Supplementary Information

December 31, 2016

SCHEDULE OF VILLAGE OF GRANTSBURG'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Wisconsin Retirement System
Last 10 Fiscal Years

	2014	2015
Village of Grantsburg's proportion of the net pension liability (asset)	0.00430044%	0.00421521%
Village of Grantsburg's proportionate share of the net pension liability (asset)	($105,631)	$68,496
Village of Grantsburg's covered-employee payroll	$520,843	$528,836
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

SCHEDULE OF VILLAGE OF GRANTSBURG CONTRIBUTIONS

Wisconsin Retirement System
Last 10 Fiscal Years

	2014	2015
Contractually required contributions	$38,335	$40,477
Contributions in relation to the contractually required contributions	$38,335	$40,477
Contribution deficiency (excess)	$0	$0
Village of Grantsburg's covered-employee payroll	$520,843	$528,836
Contributions as a percentage of covered-employee payroll	7.36%	7.65%

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

Changes of assumptions. There were no changes in the assumptions.

VILLAGE OF GRANTSBURG
NON-MAJOR GOVERNMENTAL FUNDS
BUDGET TO ACTUAL COMPARISON
Year Ended December 31, 2016

	Library Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	$ 58,696	$ 58,696	$ 68,933	$ 10,237
State sources	-	-	-	-
Total revenues	58,696	58,696	68,933	10,237
EXPENDITURES				
General government	139,550	139,550	152,137	(12,587)
Total expenditures	139,550	139,550	152,137	(12,587)
Excess revenues (expenditures)	(80,854)	(80,854)	(83,204)	(2,350)
OTHER FINANCING SOURCES				
Operating transfer	73,000	73,000	83,000	$ 10,000
Excess revenues and other financing sources over (expenditures)	(7,854)	(7,854)	(204)	7,650
FUND BALANCE, beginning of year	2,551	2,551	14,537	11,986
FUND BALANCE, end of year	$ (5,303)	$ (5,303)	$ 14,333	$ 19,636

(See notes to financial statements)

VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
BUDGET TO ACTUAL COMPARISON
Year Ended December 31, 2016

	WATER UTILITY				SEWER UTILITY			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	$ 299,600	$ 299,600	$ 299,526	$ (74)	$ 243,915	$ 242,800	$ 242,977	$ 177
OPERATING EXPENSES								
Depreciation and amortization	(26,350)	(26,350)	(25,334)	1,016	(52,746)	(52,746)	(53,526)	(780)
All other	(210,124)	(196,964)	(185,272)	11,692	(157,802)	(151,407)	(144,198)	7,209
Operating income	63,126	76,286	88,920	12,634	33,367	38,647	45,253	6,606
OTHER								
Interest income	2,010	2,010	1,442	(568)	100	1,215	143	(1,072)
Misc non-operating income	150	150	6,311	6,161	-	-	4,745	4,745
Misc amortization	11,362	11,362	11,362	-	17,490	17,490	17,490	-
Pension	-	-	(7,134)	(7,134)	-	-	(8,346)	(8,346)
Other income deductions	(26,576)	(26,576)	(28,014)	(1,438)	(23,367)	(23,367)	(23,367)	-
Interest expense	(21,124)	(21,124)	(20,169)	955	(21,215)	(21,215)	(21,653)	(438)
Net income	$ 28,948	$ 42,108	$ 52,718	$ 10,610	$ 6,375	$ 12,770	$ 14,265	$ 1,495

	STORM WATER UTILITY			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	$ 70,600	$ 70,600	$ 71,182	$ 582
OPERATING EXPENSES				
Depreciation and amortization	(23,050)	(23,050)	(26,738)	(3,688)
All other	(21,603)	(21,563)	(22,434)	(871)
Operating income	25,947	25,987	22,010	(3,977)
OTHER				
Interest income	-	-	95	95
Pension	-	-	(1,280)	(1,280)
Interest expense	(7,646)	(7,646)	(7,580)	66
Net income	$ 18,301	$ 18,341	$ 13,245	$ (5,096)

(See notes to financial statements)

VILLAGE OF GRANTSBURG

FEDERAL AND STATE FINANCIAL ASSISTANCE REPORTS

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Board
Village of Grantsburg
Grantsburg, Wisconsin 54840

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Grantsburg, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Grantsburg, Wisconsin's basic financial statements, and have issued our report thereon dated May 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Grantsburg, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Grantsburg, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Grantsburg, Wisconsin's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Grantsburg, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that we are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stotz & Company

Grantsburg, Wisconsin
May 2, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

To the Village Board
Village of Grantsburg
Grantsburg, Wisconsin 54840

Report on Compliance for Each Major Federal and State Program

We have audited the Village of Grantsburg's compliance with the types of compliance requirements described in the *State Single Audit Guidelines* (issued by the Wisconsin Department of Administration) that could have a direct and material effect on each of the Village of Grantsburg's major programs for the year ended December 31, 2016. The Village's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village of Grantsburg's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Wisconsin State Single Audit Guidelines*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Village of Grantsburg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination on the Village of Grantsburg's compliance.

Opinion on Each Major Program

In our opinion, the Village of Grantsburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Village of Grantsburg is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Grantsburg's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Grantsburg's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis.
A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.
A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

Stotz & Company

Grantsburg, Wisconsin
May 2, 2017

VILLAGE OF GRANTSBURG
SCHEDULE OF FEDERAL and STATE FINANCIAL ASSISTANCE
Year ended December 31, 2016

Awarding Agency Pass-Through Agency Award Description	Program I.D. Number	Reimbursements
FEDERAL PROGRAM		
Department of Public Instruction		
Library Services & Technology Act	45.310	$ 1,487
MAJOR STATE PROGRAMS		
Department of Revenue		
State Shared Revenues	835.102	433,437
Exempt Computer Aid	835.109	5,236
NONMAJOR STATE PROGRAMS		
Department of Natural Resources		
Aid in lieu of Taxes	370.579	419
Department of Transportation		
Highway Safety	395.185	4,000
General Highway Aids	395.191	89,652
Disaster Aid	395.174	64,814
Department of Administration		
Municipal Services Aid	835.501	5,168
Department of Justice		
Law Enforcement Training	455.231	800
Department of Industry, Labor and Human Relations		
Fire Insurance Dues Distribution	143.325	2,547
TOTAL FEDERAL AND STATE ASSISTANCE		$ 607,560

VILLAGE OF GRANTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Village of Grantsburg.

2. Our 'Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards' did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses.

3. No instances of noncompliance material to the general purpose financial statements of the Village of Grantsburg were disclosed during the audit.

4. The auditor's report on compliance for the major federal and state award programs for the Village of Grantsburg expresses an unqualified opinion on all major programs.

5. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this Schedule.

6. The programs tested as major programs included: No major federal programs exist; State program revenues from the Wisconsin Department of Revenue.

7. The threshold for distinguishing Types A and B programs was $750,000.

8. The Village of Grantsburg was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT	None
FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AND STATE AWARD PROGRAMS AUDIT	None
SUMMARY OF PRIOR AUDIT FINDINGS	None

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MANAGEMENT LETTER

To the Village Board and Management
Village of Grantsburg
Grantsburg, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grantsburg as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not defined to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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

Internal control includes controls over financial reporting under generally accepted accounting principles (GAAP). The preparation of GAAP financial statements and footnote disclosures requires extensive knowledge of constantly changing accounting pronouncements. Currently no one in the Entity has the accounting background sufficient to prepare GAAP financial statements with complete footnote disclosures. Although we assist the Entity in drafting the financial statements and footnotes and management takes responsibility for the statements, we can not be considered as part of the internal control over GAAP financial statement preparation. Thus, there is a control deficiency which must be reported under auditing standards.

Other items which are not considered significant deficiencies, but deserve continuing management consideration, are as follows:

a) We continue to encourage the Village to prepare written policies regarding organizational charts, job descriptions, and various procedures of the Village (i.e. Budgeting, Purchasing, Accounting, Treasury, Computerization, etc).

b) Management should remain continually vigilant regarding risk assessment and response, defining areas of risk that are particularly applicable to the Village and adopting defined action plans should a defined risk be experienced.

We wish to extend our appreciation to the Village staff that assisted us in our audit. Their cooperation and helpfulness was deeply appreciated.

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

Stotz & Company

Grantsburg, Wisconsin

May 2, 2017

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REPORT TO THE AUDIT COMMITTEE (FULL BOARD)

May 2, 2017

To the Village Board
Village of Grantsburg, WI

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grantsburg for the year ended December 31, 2016. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards (and, *Government Auditing Standards* and the State Single Audit Act), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Grantsburg are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was pension actuarial valuations. We evaluated the key factors and assumptions used to determine those valuations, and determined that they were reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were related to long term debt obligations and pension liabilities.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 2, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and the pension contribution schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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

Very truly yours,

Stotz & Company

Stotz & Company