

VILLAGE OF GRANTSBURG
GRANTSBURG, WISCONSIN
FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION

December 31, 2017

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, 2017, 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, 2017, 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 – 59, and the Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions on page 60 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 7, 2018, 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 7, 2018

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017. 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, 2017, by \$8,042,434 (net position). Of this amount, \$461,483 (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 (\$3,901,627), net of related debt, as well as proprietary capital of the Village's enterprise funds (\$3,692,724).
- The Village of Grantsburg's total net position decreased by \$57,095. The following factors contributed to the overall decrease:
 - Total general fund operations decreased net position by \$176,496.
 - Other governmental operations decreased net position by \$5,503.
 - Business type activities (proprietary funds) increased net position by \$124,904.
- As of December 31, 2017, the Village of Grantsburg's governmental funds reported combined ending fund balances of \$537,490. Of this balance \$214,512 is available for spending at the government's discretion (unassigned fund balance), \$8,734 is assigned to the Library, \$242,889 is assigned to Tax Increment District #5 and \$15,700 is assigned to items that will be purchased in 2018. Prepaid expenses and non-current special assessments of \$55,655 are recorded as nonspendable fund balance.
- As of December 31, 2017, the unassigned fund balance for the general fund was \$214,512 or approximately 15.72 percent of total general fund expenditures before capital outlay.
- The Village of Grantsburg's total long-term debt decreased by \$129,110 (net) during 2017. This decrease was due to 2017 principal payments of \$291,110 that were greater than new borrowing of \$162,000.

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

THE FINANCIAL HIGHLIGHTS (Continued)

- The Village of Grantsburg's liability for post-retirement benefits increased by \$16,906 for a total liability at December 31, 2017, of \$158,472. 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 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

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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 19 through 22 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 23 through 26 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.

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017 and 2016.

Table 1				
Village of Grantsburg Net Position				
	Governmental Activities	Business-Type Activities	Total	Total
	2017	2017	2017	2016
Current and other assets	\$876,643	\$728,743	\$1,605,386	\$1,534,178
Capital assets, net	\$5,175,786	\$4,506,192	\$9,681,978	\$9,958,565
Deferred outflows	\$253,999	\$49,938	\$303,937	\$332,919
Total assets	\$6,306,429	\$5,284,873	\$11,591,301	\$11,825,662
Long-term liabilities outstanding	\$1,271,037	\$1,107,833	\$2,378,870	\$2,538,528
Other liabilities	\$273,540	\$280,531	\$554,071	\$555,287
Total Liabilities	\$1,544,577	\$1,388,364	\$2,932,941	\$3,093,815
Deferred Inflows	\$412,141	\$203,785	\$615,926	\$647,592
Net Position:				
Invested in capital assets, net of related debt	\$3,901,627	\$3,090,420	\$6,992,047	\$7,107,533
Non-spendable	\$55,655	\$41,367	\$97,022	\$91,707
Restricted	(\$69,055)	\$560,937	\$491,882	\$554,546
Unrestricted	\$461,483		\$461,483	\$330,469
Total net position	\$4,349,710	\$3,692,724	\$8,042,434	\$8,084,255

By far the largest portion of the Village's net position (86.9%) 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 (7.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$461,483) may be used to meet the Village's ongoing obligations to citizens and creditors.

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017 and 2016. In 2017 the Village relied primarily on property taxes (45.9%) and state aids (28.8%) to fund its governmental activities. Combined, these account for 74.7% of governmental activity revenues or \$1,152,767. Program revenues, in the form of charges for services (14.2%) and grants and contributions (10.3%) accounted for \$377,886 of the total revenues of \$1,543,923.

Table 2 Village of Grantsburg's Change in Net Position				
	Governmental Activities	Business-Type Activities	Total	Total
	2017	2017	2017	2016
Revenues:				
Program revenues:				
Charges for services and fees, fines and costs	\$219,457	\$628,466	\$847,923	\$829,528
Grants and contributions	\$158,429	\$37,947	\$196,376	\$275,073
General revenues:				
Property taxes	\$708,835		\$708,835	\$656,176
State Aids	\$443,932		\$443,932	\$444,260
Unrestricted Interest and Investment	\$8,277	\$1,977	\$10,254	\$9,167
Other	\$4,993	\$0	\$4,993	\$19,204
Total revenues	\$1,543,923	\$668,390	\$2,212,313	\$2,233,408
Expenses:				
General Government	\$231,796		\$231,796	\$237,926
Public Safety	\$480,777		\$480,777	\$471,101
Public Works	\$213,471	\$393,997	\$607,468	\$591,274
Public Services	\$97,382		\$97,382	\$95,837
Health & human services	\$7,376		\$7,376	\$6,436
Recreation and education	\$296,341		\$296,341	\$284,171
Conservation and development	\$1,791		\$1,791	\$948
Miscellaneous	\$16,906		\$16,906	(\$948)
Depreciation and Deletions	\$347,470	\$104,779	\$452,249	\$463,417
Pension	(\$1,866)	(\$182)	(\$2,048)	\$95,963
Interest on long-term debt	\$34,478	\$44,892	\$79,370	\$89,412
Total Expenses	\$1,725,922	\$543,486	\$2,269,408	\$2,335,537
Increase (decrease) in net position	(\$181,999)	\$124,904	(\$57,095)	(\$102,129)
Net position – January 1	\$4,516,435	\$3,567,820	\$8,084,255	\$8,186,384
Prior period adjustment	\$15,274	\$0	\$15,274	\$0
Net position – December 31	\$4,349,710	\$3,692,724	\$8,042,434	\$8,084,255

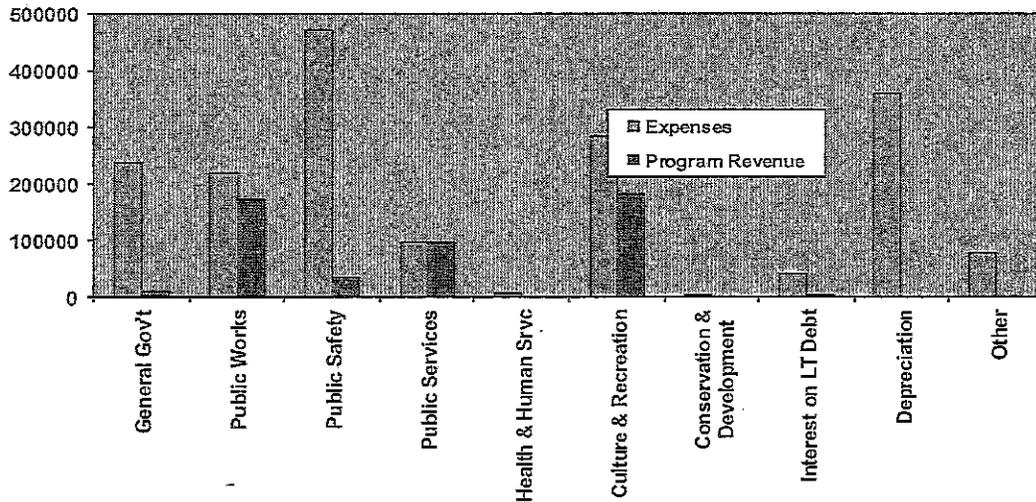
**VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities: Governmental activities decreased the Village's net position by \$181,999. Key elements of this decrease are as follows:

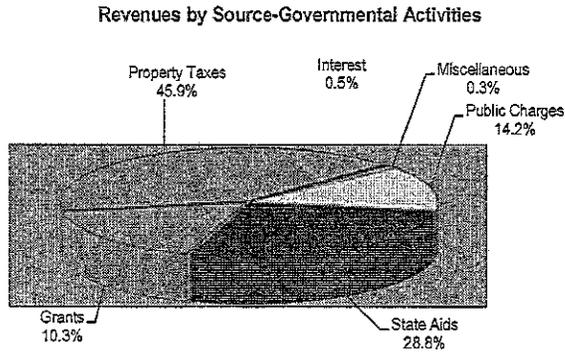
- General Fund depreciation expense exceeded capital outlays by \$178,211
- General Fund accrued employee benefits increased by \$16,906
- General Fund actuarial calculations for the pension plan increased by \$1,866
- Library Fund expenditures exceeded revenues by \$5,503

Expenses and Program Revenues - Governmental Activities



**VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017**

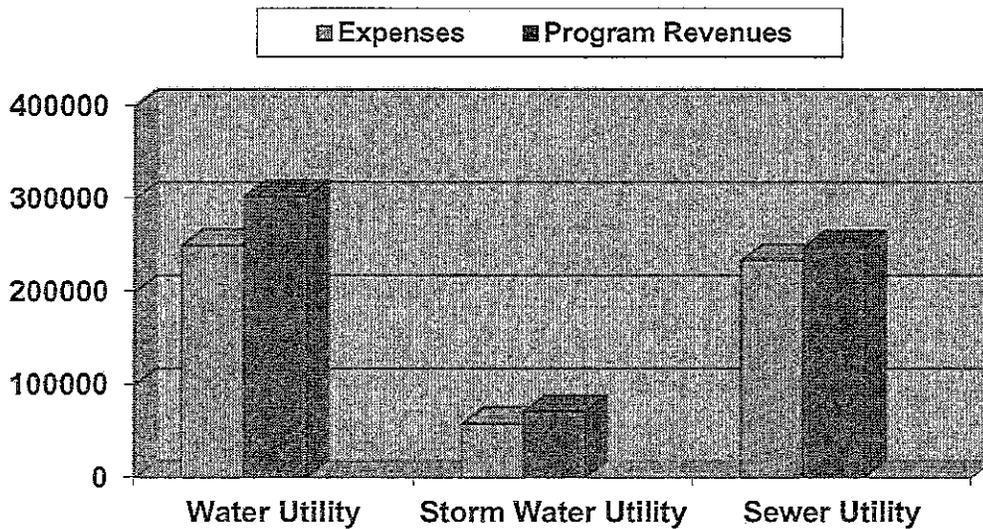
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)



Business-type activities: Business-type activities increased Village net position by \$124,904. Key elements of this increase are as follows:

- Water Utility Fund revenues exceeded expenditures by \$57,317
- Storm Water Utility Fund revenues exceeded expenditures by \$15,430
- Sewer Utility Fund revenues exceeded expenditures by \$52,157

Expenses and Program Revenues – Business-type Activities



VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017, the Village's governmental funds reported combined ending fund balances of \$537,490, an increase of \$15,041 from the prior year. Of the combined ending fund balance, \$214,512 constitutes *unassigned fund balance* that is available for spending at the Village's discretion, \$267,323 constitutes assigned fund balance, and \$55,655 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 \$214,512. 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 13.3% of total general fund expenditures and transfers.

During the current year, the Village's general fund balance increased by \$20,544. Key factors in this increase are as follows:

- A general obligation loan was obtained in the amount of \$162,000
- General Fund expenditures exceeded revenues by \$141,456

The Library Fund has a total fund balance of \$8,829, representing 5.62% 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 \$14,781 from 2016. Operating expenses increased \$18,387. Other income (expense) changed from a 2016 net loss of \$75,955 to a 2017 net loss of \$27,673.

Net position was \$3,692,724 as of December 31, 2017. The increase in net position for 2017 totaled \$124,904.

All outstanding proprietary fund debt at December 31, 2017 totaled \$1,236,251, a decrease of \$135,327 over the balance at December 31, 2016.

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget amounted to a \$176,135 increase in revenues and a \$207,633 increase in expenditures. Differences can be briefly summarized as follows:

- A long-term loan was transferred from the Capital Projects budget and amended to \$162,000
- An insurance dividend was received in the amount of \$3,422
- Donations were received for carts at the golf course \$9,500
- Police night vision, records software, vests and tasers were added to budget \$15,900
- Cemetery budget was adjusted for tree removal \$3,000
- Capital outlay items were transferred from Capital Projects budget and amended to \$188,781

During the year, actual revenues exceeded budgeted revenues by \$4,604. Budgeted expenditures exceeded actual expenditures by \$44,410.

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, 2017 amounts to \$9,681,978 (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 \$276,587 (a \$162,937 decrease for governmental activities and a \$113,650 decrease for business-type activities).

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

Governmental activities:

- Tennis courts were resurfaced \$10,529
- Keyless entry system was installed at the Village Office building \$9,150
- New payloaders were purchased \$109,600
- Brush hog attachment, mower deck and shop compressor were purchased \$9,748
- Golf carts were purchased \$9,500
- Pool handicapped chair lift was purchased \$3,057
- Alley behind downtown businesses, between Madison and Burnett was repaved \$13,856

Business-type activities:

- A used generator was purchased \$10,103
- New meters were purchased \$2,670
- 200 feet of sewer main was installed and turned over to the Village by DGI-Grantsburg, LLC, the developer for the Dollar Store \$33,000

VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Village of Grantsburg's Capital Assets (Net of accumulated depreciation)						
	Governmental activities		Business-type activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$670,124	\$667,609	\$11,217	\$11,217	\$681,341	\$678,826
Buildings & Improvements	\$2,255,682	\$2,252,515	\$142,999	\$142,999	\$2,398,681	\$2,395,514
Land Imprv.	\$730,436	\$719,907			\$730,436	\$719,907
Mach & equip.	\$1,241,251	\$1,191,012			\$1,241,251	\$1,191,012
Utility Plant Infrastructure	\$7,645,588	\$7,638,133	\$7,510,220	\$7,466,179	\$7,510,220	\$7,466,179
Const. Work in Progress	\$3,819	\$0	\$0	\$0	\$3,819	\$0
Accum depr	(\$7,371,114)	(\$7,130,453)	(\$3,158,244)	(\$3,000,553)	(\$10,529,358)	(\$10,131,006)
Total	\$5,175,786	\$5,338,723	\$4,506,192	\$4,619,842	\$9,681,978	\$9,958,565

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 \$2,490,467 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	
	2017	2016	2017	2016	2017	2016
General obligation debt	\$936,468	\$911,035	\$168,080	\$222,913	\$1,104,548	\$1,133,948
General Revenue Bond	\$316,505	\$333,855			\$316,505	\$333,855
Water Revenue Bond			\$454,307	\$494,463	\$454,307	\$494,463
Storm Water Revenue Bond			\$174,367	\$187,419	\$174,367	\$187,419
Sewer Revenue Bond			\$439,497	\$466,783	\$439,497	\$466,783
Capital Leases	\$1,243	\$3,109			\$1,243	\$3,109
Total	\$1,254,216	\$1,247,999	\$1,236,251	\$1,371,578	\$2,490,467	\$2,619,577

**VILLAGE OF GRANTSBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017**

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 2016 levy, collected in 2017, was increased to \$419,772 or \$988 over the 2015 levy, collected in 2016. This was possible due to an increase in net new construction.

The Village's 2017 shared revenue payment increased \$1,090 over the 2016 payment and transportation aid decreased \$644 from the 2016 amount. This results in an increase of only \$446 in the two largest state aid payments received by the Village.

The Water Utility, Storm Water Utility and Sewer Utility rates are reviewed annually. All three funds reported a net income in 2017. The Water Utility filed an application with the WI Public Service Commission on November 21, 2017 to move the last 1/3 of the public fire protection costs from the General Fund tax levy to direct billing effective January 1, 2018. This change was approved and will become effective February 15, 2018.

All of these factors were considered in preparing the Village budgets for the 2017 and 2018 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, 2017

<u>ASSETS and DEFERRED OUTFLOWS</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$ 710,876	\$ 258,832	\$ 969,708
Cash restricted	-	102,826	102,826
Reserved funds	-	95,272	95,272
Due from other funds	-	43,400	43,400
Receivables:			
Customer accounts	56,328	185,295	241,623
Special assessments	53,784	1,751	55,535
Materials and supplies	-	14,768	14,768
Prepaid insurance	438	152	590
Total current Assets	821,426	702,296	1,523,722
Non-current Assets			
Special assessments	55,217	26,447	81,664
Pension Asset	-	-	-
Capital Assets			
Land and land improvements	1,400,560	11,217	1,411,777
Utility plant in service	-	7,653,219	7,653,219
Other capital Assets	11,146,340	-	11,146,340
Accumulated depreciation	(7,371,114)	(3,158,244)	(10,529,358)
Total non-current Assets	5,231,003	4,532,639	9,763,642
Total Assets	6,052,429	5,234,935	11,287,364
Deferred Outflows			
Pension	253,999	49,938	303,937
Total Assets and Deferred Outflows	\$ 6,306,428	\$ 5,284,873	\$ 11,591,301
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Current Liabilities:			
Cash overdraft	\$ -	\$ 72,813	\$ 72,813
Vouchers payable	18,281	4,036	22,317
Due to other funds	39,670	3,730	43,400
Accrued payroll	17,914	5,244	23,158
Accrued interest	19,943	6,411	26,354
Accrued taxes	7,171	54,195	61,366
Current portion of long term debt	170,561	134,102	304,663
Total current liabilities	273,540	280,531	554,071
Non-current liabilities:			
Notes payable	784,710	115,799	900,509
Capital leases	-	-	-
Pension liability	28,910	5,684	34,594
Accrued employee benefits	158,472	-	158,472
Bonds payable	298,945	986,350	1,285,295
Total non-current liabilities	1,271,037	1,107,833	2,378,870
Total liabilities	1,544,577	1,388,364	2,932,941
Deferred Inflows of Resources:			
Pension	156,024	30,675	186,699
Deferred revenues	256,117	-	256,117
Deferred regulatory liability	-	173,110	173,110
	412,141	203,785	615,926
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,901,627	3,090,420	6,992,047
Nonspendable	55,655	41,367	97,022
Restricted	(69,055)	560,937	491,882
Unrestricted	461,483	-	461,483
Total net position	4,349,710	3,692,724	8,042,434
Total liabilities, deferred inflows and net position	\$ 6,306,428	\$ 5,284,873	\$ 11,591,301

(See notes to financial statements)

VILLAGE OF GRANTSBURG
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business Type Activities	
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 231,796	\$ 8,073	\$ 3,422	\$ (220,301)		\$ (220,301)
Public Safety:						
Police	318,351	10,450	8,548	(299,353)		(299,353)
Fire	96,077	-	2,753	(93,324)		(93,324)
Other	66,349	-	-	(66,349)		(66,349)
Public Works	213,471	9,454	89,685	(114,332)		(114,332)
Public Services						
Recycling	1,775	66	1,851	142		142
Refuse and garbage collection	95,607	96,151	-	544		544
Health and Human Services						
Cemetery	7,376	-	-	(7,376)		(7,376)
Culture and recreation						
Library	157,194	3,094	13,532	(140,568)		(140,568)
Parks	11,227	-	-	(11,227)		(11,227)
Campground	38,198	65,493	-	27,295		27,295
Swimming pool	52,498	16,530	26,528	(9,440)		(9,440)
Golf Course	1,303	1,500	10,000	10,197		10,197
Community center	16,200	8,646	-	(7,554)		(7,554)
Other	19,721	-	350	(19,371)		(19,371)
Conservation and development						
Economic development	1,791	-	-	(1,791)		(1,791)
Accrued employee benefits	16,906	-	-	(16,906)		(16,906)
Miscellaneous	-	-	687	687		687
Pension	(1,866)	-	-	1,866		1,866
Depreciation expense-unallocated	346,283	-	-	(346,283)		(346,283)
Loss on Disposal of Assets	1,187	-	-	(1,187)		(1,187)
Interest on long-term debt	34,478	-	1,073	(33,405)		(33,405)
Total governmental activities	<u>1,725,922</u>	<u>219,457</u>	<u>158,429</u>	<u>(1,348,036)</u>		<u>(1,348,036)</u>
Business-type Activities						
Water Utility	258,072	311,834	3,555		\$ 57,317	\$ 57,317
Storm Water Utility	55,586	71,016	-		15,430	15,430
Sewer Utility	229,828	247,593	34,392		52,157	52,157
Total business-type activities	<u>543,486</u>	<u>630,443</u>	<u>37,947</u>		<u>124,904</u>	<u>124,904</u>
Total Village	<u>\$ 2,269,408</u>	<u>\$ 849,900</u>	<u>\$ 196,376</u>			
General Revenues:						
Tax collections						
General property taxes				419,772		419,772
Tax increments				167,212		167,212
Taxes from municipally owned utilities				54,195		54,195
Taxes from other exempt entities				14,966		14,966
Other Taxes				52,690		52,690
Special assessments				-		-
State aids				443,932		443,932
Fines and Penalties				121		121
Interest income				8,277		8,277
Sale of Village property				4,708		4,708
Miscellaneous revenues				184		184
Total general revenues				<u>1,166,037</u>		<u>1,166,037</u>
Changes in net position				(181,999)	124,904	(57,095)
Net position - beginning				4,516,435	3,567,820	8,084,255
Prior period adjustment - capital assets				15,274	-	15,274
Net position - ending				<u>\$ 4,349,710</u>	<u>\$ 3,692,724</u>	<u>\$ 8,042,434</u>

(See notes to financial statements)

**VILLAGE OF GRANTSBURG
BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2017

	Governmental Funds		
	General	Library	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 697,658	\$ 13,218	\$ 710,876
Due from other funds	-	-	-
Receivables:			
Customer accounts	56,328	-	56,328
Special assessments	53,784	-	53,784
Other	-	-	-
Prepaid expenses	343	95	438
Special assessments	55,217	-	55,217
Total assets	\$ 863,330	\$ 13,313	\$ 876,643
LIABILITIES			
Vouchers payable	\$ 16,877	\$ 1,404	\$ 18,281
Due to other funds	39,670	-	39,670
Accrued payroll	14,834	3,080	17,914
Accrued taxes and benefits	7,171	-	7,171
Trust funds	-	-	-
Total liabilities	78,552	4,484	83,036
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenues	256,117	-	256,117
FUND BALANCES			
Fund balances - nonspendable	55,560	95	55,655
- assigned	258,589	8,734	267,323
- unassigned	214,512	-	214,512
Total fund balances	528,661	8,829	537,490
Total liabilities and fund balances	\$ 863,330	\$ 13,313	\$ 876,643

(See notes to financial statements)

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

December 31, 2017

Total fund balance- governmental funds		\$ 537,490
Amounts reported as governmental activities in the statement of net position are different because:		
Capital assets of \$12,546,900 net of accumulated depreciation (\$7,371,114), are not financial resources, and therefore are not reported in the governmental funds. See Note C for additional details.		5,175,786
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	\$ 253,999	
Pension liability	(28,910)	
Deferred pension inflows	<u>(156,024)</u>	69,065
Long-term liabilities of (\$1,254,216) 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 (\$19,943) and accrued employee benefits of (\$158,472).		<u>(1,432,631)</u>
Net position of government activities		<u>\$ 4,349,710</u>

(See notes to financial statements)

VILLAGE OF GRANTSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 933,399	\$ 73,691	\$ 1,007,090
State sources	<u>536,333</u>	<u>-</u>	<u>536,333</u>
Total revenues	<u>1,469,732</u>	<u>73,691</u>	<u>1,543,423</u>
EXPENDITURES			
General government	231,796	157,194	388,990
Public safety	480,777	-	480,777
Public works	310,853	-	310,853
Health & Human services	7,376	-	7,376
Recreation and education	139,147	-	139,147
Conservation and development	1,791	-	1,791
Capital outlay	169,259	-	169,259
Debt service	<u>192,689</u>	<u>-</u>	<u>192,689</u>
Total expenditures	<u>1,533,688</u>	<u>157,194</u>	<u>1,690,882</u>
Excess revenues (expenditures)	(63,956)	(83,503)	(147,459)
OTHER FINANCING SOURCES			
Sale of property	500	-	500
Operating transfer	(78,000)	78,000	-
Long term debt	<u>162,000</u>	<u>-</u>	<u>162,000</u>
Excess revenues and other financing sources over (expenditures)	20,544	(5,503)	15,041
FUND BALANCES,			
Beginning of year	<u>508,117</u>	<u>14,332</u>	<u>522,449</u>
FUND BALANCES,			
End of year	<u>\$ 528,661</u>	<u>\$ 8,829</u>	<u>\$ 537,490</u>

(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, 2017

Net change in fund balances - total governmental funds	\$ 15,041
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 \$169,259 and depreciation expense of (\$346,283) plus deletions of (\$1,187) in the current period equals	(178,211)
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 (\$162,000) exceeded repayments of \$155,783 equals	(6,217)
Changes to the actuarial calculations related to the Village pension plan are not recognized in the governmental funds.	1,866
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 increase in accrued employee benefits of \$16,906, and a decrease in accrued interest of (\$2,428).	<u>(14,478)</u>
Changes in net position of governmental activities	<u>\$ (181,999)</u>

See notes to financial statements

VILLAGE OF GRANTSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 December 31, 2017

<u>ASSETS</u>	<u>Water Utility</u>	<u>Storm Water Utility</u>	<u>Sewer Utility</u>	<u>Totals Enterprise Funds</u>	
				<u>2017</u>	<u>2016</u>
UTILITY PLANT:					
Utility plant in service	\$ 3,488,061	\$ 804,087	\$ 3,361,071	\$ 7,653,219	\$ 7,609,178
Land and improvements	9,876	-	1,341	11,217	11,217
Accumulated depreciation	<u>(1,258,869)</u>	<u>(243,863)</u>	<u>(1,655,512)</u>	<u>(3,158,244)</u>	<u>(3,000,553)</u>
Net plant	<u>2,239,068</u>	<u>560,224</u>	<u>1,706,900</u>	<u>4,506,192</u>	<u>4,619,842</u>
CURRENT ASSETS:					
Cash and investments	251,066	-	7,766	258,832	212,175
Cash restricted	22,656	2,061	78,109	102,826	100,796
Reserved funds	47,272	21,000	27,000	95,272	90,470
Due from other funds	43,400	-	-	43,400	43,359
Receivables:					
Customers	78,561	26,510	80,224	185,295	184,508
Special assessments	1,751	-	-	1,751	5,338
Other	-	-	-	-	-
Prepaid insurance	74	11	67	152	181
Materials and supplies	<u>12,847</u>	<u>-</u>	<u>1,921</u>	<u>14,768</u>	<u>14,525</u>
Total current assets	<u>457,627</u>	<u>49,582</u>	<u>195,087</u>	<u>702,296</u>	<u>651,352</u>
NON-CURRENT ASSETS:					
Special assessments	26,447	-	-	26,447	26,587
Pension asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>26,447</u>	<u>-</u>	<u>-</u>	<u>26,447</u>	<u>26,587</u>
DEFERRED OUTFLOWS:					
Pension	<u>23,282</u>	<u>4,256</u>	<u>22,400</u>	<u>49,938</u>	<u>55,331</u>
	<u>\$ 2,746,424</u>	<u>\$ 614,062</u>	<u>\$ 1,924,387</u>	<u>\$ 5,284,873</u>	<u>\$ 5,353,112</u>

(See notes to financial statements)

VILLAGE OF GRANTSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - continued
 December 31, 2017

<u>LIABILITIES AND EQUITY</u>	Water Utility	Storm Water Utility	Sewer Utility	Total Enterprise Funds	
				2017	2016
NET POSITION:					
Invested in capital assets, net of related debt	\$ 1,661,803	\$ 370,286	\$ 1,058,331	\$ 3,090,420	\$ 3,039,180
Restricted	<u>431,624</u>	<u>(22,232)</u>	<u>192,912</u>	<u>602,304</u>	<u>528,640</u>
Total net position	<u>2,093,427</u>	<u>348,054</u>	<u>1,251,243</u>	<u>3,692,724</u>	<u>3,567,820</u>
CURRENT LIABILITIES:					
Cash overdraft	-	72,813	-	72,813	99,331
Vouchers payable	1,903	-	2,133	4,036	628
Due to other funds	-	-	3,730	3,730	4,559
Accrued payroll	2,683	159	2,402	5,244	3,981
Accrued interest	4,940	139	1,332	6,411	7,122
Accrued taxes	54,195	-	-	54,195	54,195
Current portion of long-term debt	<u>61,539</u>	<u>20,019</u>	<u>52,544</u>	<u>134,102</u>	<u>135,328</u>
Total current liabilities	<u>125,260</u>	<u>93,130</u>	<u>62,141</u>	<u>280,531</u>	<u>305,144</u>
NON-CURRENT LIABILITIES:					
Long-term debt	442,616	169,780	489,753	1,102,149	1,236,260
Pension liability	<u>2,650</u>	<u>484</u>	<u>2,550</u>	<u>5,684</u>	<u>11,384</u>
Total non-current liabilities	<u>445,266</u>	<u>170,264</u>	<u>492,303</u>	<u>1,107,833</u>	<u>1,247,634</u>
DEFERRED REGULATORY LIABILITY					
	<u>68,170</u>	<u>-</u>	<u>104,940</u>	<u>173,110</u>	<u>201,962</u>
DEFERRED INFLOWS					
Pension	<u>14,301</u>	<u>2,614</u>	<u>13,760</u>	<u>30,675</u>	<u>30,552</u>
	<u>\$ 2,746,424</u>	<u>\$ 614,062</u>	<u>\$ 1,924,387</u>	<u>\$ 5,284,873</u>	<u>\$ 5,353,112</u>

(See notes to financial statements)

**VILLAGE OF GRANTSBURG
PROPRIETARY FUNDS
STATEMENT OF CHANGES IN NET POSITION**
Year Ended December 31, 2017
(with comparative totals for December 31, 2016)

	Water Utility	Storm Water	Sewer Utility	Totals (Memorandum Only)	
				2017	2016
OPERATING REVENUES					
Residential	\$ 87,305	\$ 12,387	\$ 158,495	\$ 258,187	\$ 259,952
Commercial	36,922	30,332	50,750	118,004	115,702
Industrial	13,166	10,520	15,907	39,593	32,397
Multi-Family	7,641	2,350	8,939	18,930	18,975
Public authorities	20,271	13,906	8,938	43,115	42,614
Fire protection	113,056	-	-	113,056	113,360
Other revenues	32,150	1,218	4,213	37,581	30,685
	<u>310,511</u>	<u>70,713</u>	<u>247,242</u>	<u>628,466</u>	<u>613,685</u>
OPERATING EXPENSES					
Supervision and labor	31,670	4,838	29,632	66,140	61,578
Power purchased	17,437	-	22,414	39,851	38,354
Chemicals	17,244	-	17,758	35,002	29,614
Supplies and expenses	16,702	3,087	18,173	37,962	35,666
Meter use fee	-	-	3,729	3,729	3,689
Transportation	477	-	1,100	1,577	1,783
Repairs	1,013	-	3,391	4,404	2,838
Subtotal operating expenses	84,543	7,925	96,197	188,665	173,522
Administrative	20,965	4,188	20,429	45,582	47,873
Office supplies and expense	12,347	5,425	7,962	25,734	18,338
Insurance and benefits	20,433	3,927	21,309	45,669	46,214
Outside services	1,925	-	1,650	3,575	4,200
Depreciation	25,632	26,738	52,409	104,779	105,598
Taxes	57,540	671	3,674	61,885	61,757
	<u>223,385</u>	<u>48,874</u>	<u>203,630</u>	<u>475,889</u>	<u>457,502</u>
OPERATING INCOME (LOSS)	87,126	21,839	43,612	152,577	156,183
OTHER INCOME (EXPENSE)					
Interest income	1,323	303	351	1,977	1,680
Miscellaneous non-operating income	3,555	-	34,392	37,947	1,566
Building transfer	-	-	-	-	9,490
Miscellaneous amortization	11,362	-	17,490	28,852	28,852
Pension	.63	142	(23)	182	(16,760)
Other income deductions	(28,046)	-	(23,693)	(51,739)	(51,381)
Interest on long-term debt	(18,066)	(6,854)	(19,972)	(44,892)	(49,402)
NET INCOME	57,317	15,430	52,157	124,904	80,228
NET POSITION					
Beginning of year	2,036,110	332,624	1,199,086	3,567,820	3,487,592
Prior Period Adjustment	-	-	-	-	-
Beginning of year, adjusted	<u>2,036,110</u>	<u>332,624</u>	<u>1,199,086</u>	<u>3,567,820</u>	<u>3,487,592</u>
End of year	<u>\$ 2,093,427</u>	<u>\$ 348,054</u>	<u>\$ 1,251,243</u>	<u>\$ 3,692,724</u>	<u>\$ 3,567,820</u>

(See notes to financial statements)

VILLAGE OF GRANTSBURG
 PROPRIETARY FUNDS
 COMBINED STATEMENT OF CASH FLOWS
 Year Ended December 31, 2017
 (with comparative totals for December 31, 2016)

	Water Utility	Storm Water	Sewer Utility	Totals (Memorandum Only)	
				2017	2016
SOURCES (USES) OF CASH FROM:					
<i>Operating Activities:</i>					
Net earnings	\$ 57,317	\$ 15,430	\$ 52,157	\$ 124,904	\$ 80,228
Add expense which did not require cash outlay - depreciation	56,581	26,738	76,101	159,420	159,847
- amortization	(11,362)	-	(17,490)	(28,852)	(28,852)
- pension	(63)	(142)	23	(182)	16,760
	<u>102,473</u>	<u>42,026</u>	<u>110,791</u>	<u>255,290</u>	<u>227,983</u>
(Increase) decrease in receivables	742	(901)	3,099	2,940	1,063
(Increase) decrease in prepaids	7	(1)	23	29	(2)
(Increase) decrease in materials	(399)	-	156	(243)	(2,667)
Increase (decrease) in payables	1,766	(5)	1,647	3,408	(8,242)
Increase (decrease) in accruals	173	(65)	444	552	(1,891)
	<u>104,762</u>	<u>41,054</u>	<u>116,160</u>	<u>261,976</u>	<u>216,244</u>
<i>Investing Activities:</i>					
Equipment purchases	(9,022)	-	(36,750)	(45,772)	3,292
	<u>(9,022)</u>	<u>-</u>	<u>(36,750)</u>	<u>(45,772)</u>	<u>3,292</u>
<i>Capital Financing Activities:</i>					
Long-term debt - new borrowing	-	-	-	-	-
Long-term debt - payments	(56,607)	(18,148)	(60,572)	(135,327)	(135,169)
Reserved funds	(2)	(2,100)	(2,700)	(4,802)	(4,803)
	<u>(56,609)</u>	<u>(20,248)</u>	<u>(63,272)</u>	<u>(140,129)</u>	<u>(139,972)</u>
<i>Non Capital Financing Activities:</i>					
Cash Overdraft	-	(20,331)	(6,187)	(26,518)	(28,779)
Due to (from) other funds	(461)	(450)	41	(870)	(730)
	<u>(461)</u>	<u>(20,781)</u>	<u>(6,146)</u>	<u>(27,388)</u>	<u>(29,509)</u>
NET INCREASE (DECREASE) IN CASH	38,670	25	9,992	48,687	50,055
Cash, beginning of period	<u>235,052</u>	<u>2,036</u>	<u>75,883</u>	<u>312,971</u>	<u>272,406</u>
Cash, end of period	<u>\$ 273,722</u>	<u>\$ 2,061</u>	<u>\$ 85,875</u>	<u>\$ 361,658</u>	<u>\$ 322,461</u>
<i>Operating Activities:</i>					
Operating income	\$ 87,126	\$ 21,839	\$ 43,612		
Depreciation and amortization	56,581	26,738	76,101		
Interest income	1,323	303	351		
Miscellaneous non operating income	3,555	-	34,392		
Other Income deductions	(28,046)	-	(23,693)		
Interest expense	(18,066)	(6,854)	(19,972)		
	<u>\$ 102,473</u>	<u>\$ 42,026</u>	<u>\$ 110,791</u>		
Cash receipts from customers	\$ 275,138	\$ 69,812	\$ 284,733		
interfund services	39,670	-	-		
interest	1,323	303	351		
Cash payments to suppliers	101,532	(48,398)	(106,714)		
for employees	(71,680)	(12,802)	(68,793)		
for interest	(18,066)	(6,854)	(19,972)		
interfund services	(54,195)	-	(3,730)		
	<u>\$ 273,722</u>	<u>\$ 2,061</u>	<u>\$ 85,875</u>		

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, \$242,889 of general fund balance is assigned to Tax Increment District #5 and \$15,700 is assigned to miscellaneous items that will be purchased in 2018.

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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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' 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. All activity in the capital projects fund was transferred to the General Fund before year-end.

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. The governmental funds use the modified accrual basis.

- 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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 \$740,631 and the bank balance was \$788,806. Of the bank balance, \$250,000 is covered by federal depository insurance and \$400,000 is covered by the state public deposit guarantee fund. In addition to the bank balance at year-end, \$202,580 was held by The State of Wisconsin, Department of Administration-State Controller's Office in the Local Government Investment Pool (LGIP) and \$151,781 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. Therefore, of the bank balance of \$788,806 and the invested balances of \$202,580, a total of \$341,386 are not covered by deposit insurance.

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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B – CASH AND INVESTMENTS (continued)

CATEGORY 1:	<u>Carrying Amount</u>	<u>Market Value</u>
Commercial Paper/Local Gov't Investment Pool	\$ 354,361	\$ 354,361
Deposits with banks	<u>740,631</u>	<u>740,631</u>
Total Cash and Investments	<u>\$1,094,992</u>	<u>\$1,094,992</u>

NOTE C – CAPITAL ASSETS

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

Governmental Activities:	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Disposal</u>	<u>Adjustments</u>	<u>Balance 12/31/17</u>
Land	\$ 667,609	\$ -	\$ -	\$ 2,515	\$ 670,124
Land Improvements	719,907	10,529	-	-	730,436
Buildings and Improvements	2,252,515	-	-	3,167	2,255,682
Vehicles	275,880	-	-	-	275,880
Machinery and Equipment	915,132	141,055	(51,612)	(39,204)	965,371
Bridge and dam	291,710	-	-	-	291,710
Streets, curb and gutter storm sewer, sidewalks	<u>7,346,423</u>	<u>13,856</u>	<u>-</u>	<u>(6,401)</u>	<u>7,353,878</u>
Total	12,469,176	165,440	(51,612)	(39,923)	12,543,081
Construction Work in Progress	-	3,819	-	-	3,819
Accumulated Depreciation	<u>(7,130,453)</u>	<u>(346,283)</u>	<u>50,425</u>	<u>55,197</u>	<u>(7,371,114)</u>
Governmental activities, net	<u>\$ 5,338,723</u>	<u>\$ (177,024)</u>	<u>\$ (1,187)</u>	<u>\$ 15,274</u>	<u>\$ 5,175,786</u>

Business type Activities:

Following is a summary of the proprietary funds property, plant, and equipment at December 31, 2017:

	<u>Water Fund</u>	<u>Storm Water Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Buildings	\$ 82,748	\$ -	\$ 60,251	\$ 142,999
Improvements other than buildings	3,267,648	802,137	3,034,156	7,103,941
Equipment & Miscellaneous	<u>137,665</u>	<u>1,950</u>	<u>266,664</u>	<u>406,279</u>
	3,488,061	804,087	3,361,071	7,653,219
Accumulated depreciation	<u>(1,258,869)</u>	<u>(243,863)</u>	<u>(1,655,512)</u>	<u>(3,158,244)</u>
	2,229,192	560,224	1,705,559	4,494,975

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C – CAPITAL ASSETS (continued)

Land	9,876	-	1,341	11,217
Construction in progress	-	-	-	-
Total	<u>\$ 2,239,068</u>	<u>\$ 560,224</u>	<u>\$1,706,900</u>	<u>\$4,506,192</u>

Depreciation for 2017 totaled \$56,582 in the Water Fund, \$76,102 in the Sewer Fund, and \$26,738 in the Storm Water Utility Fund. Additions for 2017 included a backup generator split between the Water Fund at \$6,352 and the Sewer Fund at \$3,751, 200 feet of new sewer main in the Sewer Fund at \$33,000 and other Water Fund additions of \$2,670. Deletions occurred in the Water Fund (\$1,324) and in the Sewer Fund (\$408).

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, 2017:

	<u>12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/17</u>	
Water Utility:					
W-1 Revenue Refunding Bonds 2005	\$ 302,800	\$ -	\$ 30,000	\$ 272,800	
W-2 Revenue Bonds/St. Projects 2012	82,655	-	4,673	77,982	*
W-3 Refinance Loan 2012	66,299	-	16,451	49,848	**
W-4 Revenue Bonds/St. Project 2014	109,008	-	5,483	103,525	***
Storm Water Utility:					
SW-3 Revenue Bonds 2008	132,344	-	10,282	122,062	
SW-4 Refinance Loan 2012	20,528	-	5,096	15,432	**
SW-5 Revenue Bonds/St. Project 2014	55,075	-	2,770	52,305	***
Sewer Utility:					
S-1 Revenue Bonds 2008	170,156	-	13,218	156,938	
S-2 Refinance Loan 2012	46,086	-	33,286	12,800	**
S-3 Street Project 2014	90,000	-	-	90,000	
S-4 Revenue Bonds 2014	296,627	-	14,068	282,559	
	<u>\$1,371,578</u>	<u>\$ -</u>	<u>\$ 135,327</u>	<u>\$ 1,236,251</u>	

*The amount outstanding on these Bonds totals \$162,293 with an additional \$84,311 reported in Note E as General Fund debt.

**The amount outstanding on this note is \$214,948 with an additional \$136,868 reported in Note E as General Fund debt.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

***The amount outstanding on these Bonds totals \$388,024 with an additional \$232,194 reported in Note E as General Fund debt.

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-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.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 30,000	\$ 13,304	2022	\$ 35,000	\$ 7,110
2019	30,000	11,841	2023	35,000	5,404
2020	32,000	10,407	2024	37,000	3,707
2021	35,000	8,817	2025	<u>38,800</u>	<u>1,892</u>
				<u>\$ 272,800</u>	<u>\$ 62,482</u>

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
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	<u>5,691</u>	<u>37</u>
2025	5,190	540		<u>\$ 77,982</u>	<u>\$ 7,972</u>

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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 24,300	\$ 11,985	2023	\$ 28,300	\$ 6,169
2019	25,100	10,894	2024	29,100	4,900
2020	25,900	9,766	2025	29,900	3,594
2021	26,700	8,602	2026	30,700	2,253
2022	27,500	7,404	2027	<u>31,500</u>	<u>877</u>
				<u>\$ 279,000</u>	<u>\$ 66,444</u>

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 40,643	\$ 3,114
2019	20,349	1,120
2020	<u>17,088</u>	<u>513</u>
	<u>\$ 78,080</u>	<u>\$ 4,747</u>

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

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,638	\$ 2,796	2022	\$ 13,255	\$ 1,180
2019	12,023	2,412	2023	13,693	742
2020	12,415	2,020	2024	<u>14,145</u>	<u>291</u>
2021	12,831	1,604		<u>\$ 90,000</u>	<u>\$ 11,045</u>

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 14,438	\$ 7,228	2026	\$ 17,763	\$ 3,858
2019	14,817	6,844	2027	18,229	3,386
2020	15,207	6,450	2028	18,708	2,901
2021	15,605	6,045	2029	19,199	2,404
2022	16,014	5,630	2030	19,703	1,893
2023	16,434	5,204	2031	20,220	1,369
2024	16,866	4,767	2032	20,751	832
2025	17,309	4,319	2033	21,296	279
				<u>\$ 282,559</u>	<u>\$ 63,409</u>

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
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	8,642	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
2026	9,152	944		<u>\$ 155,830</u>	<u>\$ 15,796</u>

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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

Aggregate maturities:

Due Date	Water		Storm Water		Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 61,539	\$ 16,674	\$ 20,019	\$ 6,205	\$ 52,544	\$ 18,299	\$ 134,102	\$ 41,179
2019	55,944	14,730	18,629	5,586	40,959	15,384	115,532	35,700
2020	55,592	12,704	18,232	4,916	42,189	13,963	116,013	31,583
2021	45,666	10,594	14,582	4,252	43,455	12,488	103,703	27,332
2022	45,797	8,752	14,965	3,694	44,738	10,975	105,500	23,421
Thereafter	239,617	19,947	103,372	10,477	318,412	42,253	661,401	72,678
	<u>\$ 504,155</u>	<u>\$ 83,401</u>	<u>\$ 189,799</u>	<u>\$ 35,130</u>	<u>\$ 542,297</u>	<u>\$ 113,362</u>	<u>\$ 1,236,251</u>	<u>\$ 231,893</u>

The interest incurred and charged to expense for 2017 was \$18,066 in the Water Utility, \$6,854 in the Storm Water Utility, and \$19,972 in the Sewer Utility.

NOTE E – GENERAL FUND LONG TERM OBLIGATIONS

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

	<u>12-31-16</u>	<u>Issued</u>	<u>Retired</u>	<u>12-31-17</u>
State of WI-Bd of Comm of Public Lands Note Payable 4.0% interest, \$54,000 Due 3-15 plus interest	\$ 633,000	\$ 0	\$ 55,000	\$ 578,000
State of WI-Bd of Comm of Public Lands Note Payable 3.0% interest, \$27,000 Due 3-15 plus interest	59,000	0	29,000	30,000
Bremer Bank Note Payable, 2.95% interest, \$103,000 Due 12-1 plus interest 6-1 and 12-1	182,035	0	45,167	136,868*
WI DNR Revenue Bond, 1.32% interest, \$9,351 Due 5-1 plus interest 5-1 and 11-1	89,363	0	5,052	84,311**

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E – GENERAL FUND LONG TERM OBLIGATIONS (continued)

Community Bank, 2.86% interest \$7,400 Due 8-15 plus interest	37,000	0	7,400	29,600
WI DNR Revenue Bond, 1.155% interest, \$19,234 Due 5-1 plus interest 5-1 and 11-1	244,492	0	12,298	232,194***
Bremer Bank Note Payable, 3.46% interest, \$18,000 Due 3-18 plus interest 3-18 and 9-18 Principal payment starts 2019	0	162,000	0	162,000
	1,244,890	162,000	153,917	1,252,973
Capital leases	3,109	0	1,866	1,243
Accumulated sick and vacation leave at December 31	<u>141,566</u>	<u>16,906</u>	<u>0</u>	<u>158,472</u>
Total	<u>\$1,389,565</u>	<u>\$ 178,906</u>	<u>\$ 155,783</u>	<u>\$ 1,412,688</u>

*The amount outstanding on this note totals \$214,948, with an additional \$49,848 Water Utility debt, \$15,432 Storm Water Utility debt and \$12,800 Sewer Utility debt reported in Note D.

**The amount outstanding on these bonds totals \$162,293, with an additional \$77,982 reported in Note D as Water Utility debt.

***The amount outstanding on these bonds total \$388,024, with an additional \$103,525 Water Utility debt and \$52,305 Storm Water Utility debt reported in Note D.

Total interest incurred and charged to expense was \$36,906 for 2017.

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)

	<u>Governmental Principal</u>	<u>Interest</u>
2018	\$ 170,561	\$ 36,148
2019	142,821	32,713
2020	136,245	28,149
2021	101,601	23,680
2022	94,420	20,294
2023-2034	<u>608,568</u>	<u>58,606</u>
	<u>\$ 1,254,216</u>	<u>\$ 199,590</u>

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the 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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period (2016), the WRS recognized \$39,697 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.8%
Protective without Social Security	6.8%	15.1%

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

At December 31, 2017, the Village of Grantsburg reported a liability (asset) of \$34,594 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability (asset) was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Village's proportion was .00419709%, which was a decrease of .00001812% from its proportion measured as of December 31, 2015.

For the years ended December 31, 2017 and 2016, the Village recognized pension expense of \$43,795 and \$39,680 on covered payroll of \$529,060 and \$541,142.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,191	(\$108,795)
Net differences between projected and actual earnings on pension plan investments	206,307	(34,109)
Changes in assumptions	36,169	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,473	-
Employer contributions subsequent to the measurement date	<u>43,795</u>	<u>(43,795)</u>
Total	<u>\$ 303,935</u>	<u>(\$186,699)</u>

The \$43,795 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:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Year ended December 31		
2017	\$ 90,795	\$ (43,262)
2018	90,795	(43,262)
2019	75,593	(43,262)
2020	2,895	(13,118)
2021	<u>62</u>	<u>0</u>
	<u>\$ 260,140</u>	<u>\$ (142,904)</u>

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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

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

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

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

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:

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – EMPLOYEE RETIREMENT PLAN (continued)

Retirement Funds Asset Allocation Targets and Expected Returns
As of December 31, 2016

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 %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
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 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and 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:

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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)	\$455,107	\$34,594	(\$289,220)

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:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Contributed capital, January 1, 2004	\$ 1,587,695	\$ 1,166,691
Transferred to unappropriated surplus	<u>- 1,360,462</u>	<u>- 816,889</u>
Portion attributed to depreciation Claimed on contributed plant	<u>\$ 227,233</u>	<u>\$ 349,802</u>
Deferred regulatory liability 1/1/04	\$ 227,233	\$ 349,802
Prior amortization	- 147,703	- 227,371
2017 amortization (20 year life per PSC)	<u>- 11,362</u>	<u>- 17,490</u>
Deferred regulatory liability 12/31/17	<u>\$ 68,168</u>	<u>\$ 104,941</u>

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and to other funds:

	<u>Payable</u>	<u>Receivable</u>
General Fund	\$ 39,670	\$ 0
Water Fund	0	43,400
Storm Water Fund	0	0
Sewer Fund	<u>3,730</u>	<u>0</u>
	<u>\$ 43,400</u>	<u>\$ 43,400</u>

Transfers between funds occur periodically for cash flow and expenditure planning. All balances are repaid currently. \$78,000 was transferred from the General Fund to the Library Fund in 2017 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. \$12,948 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, \$48,000 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 \$67,222. 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 \$22,656. 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 \$47,272.

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 \$12,372.

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, 2017

GENERAL FUND:	Excess
General Government	\$ 3,567
Conservation and Development	41
LIBRARY: General Government	\$ 5,960

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE K – GENERAL FUND DONATIONS AND CONTRIBUTIONS

Total donations and contributions received as of December 31, 2017 were \$49,074. The following breakdown details these items:

Install Library Sound Panels	\$ 677
Police-National Night Out	150
Recycling	1,851
Pool	26,528
Golf	10,000
Grantsburg Watercross Security	7,758
Snowflake Decorations	350
Debt Service/Interest Reimbursed	<u>1,760</u>
	<u>\$ 49,074</u>

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 4.14% in 2017. Original project costs and progress in repayment are shown below:

	Original Cost	December 31, 2017
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

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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	30,900
District 3 – Project 12	28,304	0
District 4 – Project 1	400,000	140,596
District 5 – Project 1		(242,889)

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, 2017 is as follows:

	<u>Inception</u>	<u>01-01-17</u>	<u>Growth</u>
District 3	\$ 1,157,300	\$ 7,252,000	\$ 6,094,700
District 4	1,091,000	3,124,600	2,033,600
District 5	212,600	82,400	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 \$1,243 obligation for office equipment (original cost \$5,597) under a capital lease at December 31, 2017. This asset is included on the Village Capital assets register and is depreciated. The lease will be paid in full in 2018.

VILLAGE OF GRANTSBURG

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE O – PRIOR PERIOD ADJUSTMENTS

In 2017, the Village made an adjustment of \$15,274 to previously recorded Village financials. The following previously unrecorded capital assets were added; the registration building at the James N. McNally Campground (\$3,167), a Jacobson mower at the Grantsburg Golf Course (\$18,000) and a 2.56 acre parcel of land known as the former Kozak/D&J property located south of East Olson Drive (\$2,515). The following items were deleted as they are no longer located at these sites; tornado siren (\$6,401), golf equipment (\$46,229), park mower (\$5,150), pool equipment (\$5,825). Accumulated depreciation on the above deleted items in the amount of \$55,197 was added to net capital assets in governmental activities.

SUPPLEMENTAL FINANCIAL INFORMATION

**VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET TO ACTUAL
Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
<i>Local sources:</i>				
Property taxes	\$ 419,772	\$ 419,772	\$ 419,772	\$ -
Tax increments	165,100	167,200	167,212	12
In lieu of taxes - Utility funds	54,195	54,195	54,195	-
PILT	14,900	14,900	14,966	66
Licenses and permits	10,720	12,720	13,032	312
Law violations	3,500	3,500	3,173	(327)
General Government	1,500	1,500	1,560	60
Law enforcement	1,200	1,200	240	(960)
Streets	3,600	3,600	3,501	(99)
Airports	9,850	4,850	4,825	(25)
Trash collection	94,000	94,000	96,151	2,151
Recycling	-	-	66	66
Parks/Campground	58,000	63,000	65,493	2,493
Pool	20,000	16,500	16,530	30
Interest earned	7,075	8,075	8,395	320
Rent/Lease	10,000	11,000	11,792	792
Donations/Contributions	40,500	50,000	49,074	(926)
Miscellaneous	-	3,422	3,422	-
Total local sources	<u>913,912</u>	<u>929,434</u>	<u>933,399</u>	<u>3,965</u>
<i>State sources:</i>				
Shared revenues	434,586	434,586	434,527	(59)
Fire insurance tax	2,500	2,500	2,753	253
Law Enforcement	-	-	640	640
Local street aid	89,201	89,201	89,008	(193)
Payments - municipal services	5,676	5,285	5,283	(2)
In lieu - DNR	418	419	419	-
State grant - computer aid	5,200	3,703	3,703	-
Total state sources	<u>537,581</u>	<u>535,694</u>	<u>536,333</u>	<u>639</u>
<i>Other funding sources:</i>				
Sale of Village property	-	500	500	-
Long-term debt	-	162,000	162,000	-
Total Other Sources	<u>-</u>	<u>162,500</u>	<u>162,500</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 1,451,493</u>	<u>\$ 1,627,628</u>	<u>\$ 1,632,232</u>	<u>\$ 4,604</u>

(See notes to financial statements)

**VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET TO ACTUAL
Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES				
<i>General Government:</i>				
Legislative	\$ 9,263	\$ 11,963	\$ 11,803	\$ 160
Legal	7,500	8,750	8,424	326
General administration	86,865	76,665	78,369	(1,704)
Financial administration	56,510	56,510	57,389	(879)
Village Hall	25,641	25,641	27,170	(1,529)
Insurance	43,500	46,200	46,232	(32)
Other	<u>2,500</u>	<u>2,500</u>	<u>2,409</u>	<u>91</u>
Total general government	<u>231,779</u>	<u>228,229</u>	<u>231,796</u>	<u>(3,567)</u>
<i>Public Safety:</i>				
Law enforcement	319,321	340,221	318,351	21,870
Fire protection	95,875	95,875	96,077	(202)
Ambulance	<u>66,349</u>	<u>66,349</u>	<u>66,349</u>	<u>-</u>
Total public safety	<u>481,545</u>	<u>502,445</u>	<u>480,777</u>	<u>21,668</u>
<i>Public Works:</i>				
Street administration	6,198	3,698	3,681	17
Buildings and grounds	13,133	17,133	19,118	(1,985)
Streets, sidewalks	171,139	158,439	150,349	8,090
Street lights, signs	30,500	32,700	32,696	4
Airport	5,700	7,700	7,627	73
Trash collection	94,000	94,000	95,607	(1,607)
Recycling	<u>1,755</u>	<u>1,755</u>	<u>1,775</u>	<u>(20)</u>
Total public works	<u>322,425</u>	<u>315,425</u>	<u>310,853</u>	<u>4,572</u>
<i>Recreation and Education:</i>				
Community Center	14,656	16,356	16,200	156
Parks	14,708	12,208	11,227	981
Campground	32,555	37,555	38,198	(643)
Events	17,425	14,425	14,431	(6)
Pool	50,215	52,215	52,498	(283)
Golf	100	1,100	1,303	(203)
Skating rink	3,900	3,900	3,900	-
Dam	831	831	520	311
Fairgrounds	<u>876</u>	<u>876</u>	<u>870</u>	<u>6</u>
Total recreation and education	<u>135,266</u>	<u>139,466</u>	<u>139,147</u>	<u>319</u>

VILLAGE OF GRANTSBURG
GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER
FINANCING USES - BUDGET TO ACTUAL (Continued)
 Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<i>Health and Human Services:</i>				
Cemetery	\$ 6,300	\$ 9,300	\$ 7,376	\$ 1,924
Total health and human services	6,300	9,300	7,376	1,924
<i>Conservation and Development:</i>				
Other conservation and development	450	1,750	1,791	(41)
Total conservation and development	450	1,750	1,791	(41)
<i>Capital Outlay:</i>				
General Government	-	8,800	9,150	(350)
Public Works	-	155,481	137,023	18,458
Recreation & Education	-	24,500	23,086	1,414
Total capital outlay	-	188,781	169,259	19,522
<i>Debt Service:</i>				
Principal - long-term	155,782	155,783	155,783	-
Interest	36,918	36,919	36,906	13
Total debt service	192,700	192,702	192,689	13
<i>Other Financing Uses:</i>				
Operating Transfer	78,000	78,000	78,000	-
Total other financing uses	78,000	78,000	78,000	-
TOTAL EXPENDITURES	\$1,448,465	\$1,656,098	\$1,611,688	\$ 44,410

(See notes to financial statements)

VILLAGE OF GRANTSBURG
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND OTHER
FINANCING SOURCES - BUDGET TO ACTUAL
 Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
<i>Other funding sources:</i>				
Long-term debt	\$ 182,725	\$ -	\$ -	\$ -
Total Other Sources	182,725	-	-	-
TOTAL REVENUES	\$ 182,725	\$ -	\$ -	\$ -
EXPENDITURES				
<i>Capital Outlay:</i>				
General Government	\$ 8,800	\$ -	\$ -	\$ -
Public Safety	5,000	-	-	-
Public Works	156,625	-	-	-
Recreation & Education	12,300	-	-	-
Total capital outlay	182,725	-	-	-
TOTAL EXPENDITURES	\$ 182,725	\$ -	\$ -	\$ -

(See notes to financial statements)

VILLAGE OF GRANTSBURG
NON-MAJOR GOVERNMENTAL FUNDS
BUDGET TO ACTUAL COMPARISON
Year Ended December 31, 2017

	Library Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Local sources	\$ 63,236	\$ 63,236	\$ 73,690	\$ 10,454
State sources	-	-	-	-
Total revenues	<u>63,236</u>	<u>63,236</u>	<u>73,690</u>	<u>10,454</u>
EXPENDITURES				
General government	<u>151,233</u>	<u>151,233</u>	<u>157,193</u>	<u>(5,960)</u>
Total expenditures	<u>151,233</u>	<u>151,233</u>	<u>157,193</u>	<u>(5,960)</u>
Excess revenues (expenditures)	(87,997)	(87,997)	(83,503)	4,494
OTHER FINANCING SOURCES				
Operating transfer	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>	<u>-</u>
Excess revenues and other financing sources over (expenditures)	(9,997)	(9,997)	(5,503)	4,494
FUND BALANCE, beginning of year	<u>(5,303)</u>	<u>(5,303)</u>	<u>14,333</u>	<u>19,636</u>
FUND BALANCE, end of year	<u>\$ (15,300)</u>	<u>\$ (15,300)</u>	<u>\$ 8,830</u>	<u>\$ 24,130</u>

(See notes to financial statements)

VILLAGE OF GRANTSBURG
 PROPRIETARY FUNDS
 BUDGET TO ACTUAL COMPARISON
 Year Ended December 31, 2017

	WATER UTILITY				SEWER UTILITY			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	\$ 300,300	\$ 307,800	\$ 310,511	\$ 2,711	\$ 247,450	\$ 247,450	\$ 247,242	\$ (208)
OPERATING EXPENSES								
Depreciation and amortization	(28,688)	(24,594)	(25,632)	(1,038)	(52,746)	(52,746)	(52,409)	337
All other	(223,650)	(221,900)	(197,753)	24,147	(169,665)	(165,315)	(151,221)	14,094
Operating Income	47,962	61,306	87,126	25,820	25,039	29,389	43,612	14,223
OTHER								
Interest income	2,010	1,020	1,323	303	100	100	351	251
Misc non-operating income	50	3,590	3,555	(35)	6,200	6,200	34,392	28,192
Misc amortization	11,362	11,362	11,362	-	17,490	17,490	17,490	-
Pension	-	-	63	63	-	-	(23)	(23)
Other income deductions	(26,576)	(28,060)	(28,046)	14	(23,367)	(23,367)	(23,693)	(326)
Interest expense	(18,823)	(18,824)	(18,066)	758	(20,122)	(20,122)	(19,972)	150
Net income	\$ 15,985	\$ 30,394	\$ 57,317	\$ 26,923	\$ 5,340	\$ 9,690	\$ 52,157	\$ 42,467

	STORM WATER UTILITY			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	\$ 70,960	\$ 70,960	\$ 70,713	\$ (247)
OPERATING EXPENSES				
Depreciation and amortization	(23,050)	(23,050)	(26,738)	(3,688)
All other	(27,133)	(21,573)	(22,136)	(563)
Operating Income	20,777	26,337	21,839	(4,498)
OTHER				
Interest income	-	-	303	303
Pension	-	-	142	142
Interest expense	(6,874)	(6,874)	(6,854)	20
Net income	\$ 13,903	\$ 19,463	\$ 15,430	\$ (4,033)

(See notes to financial statements)

VILLAGE OF GRANTSBURG

Schedules of Required Supplementary Information

December 31, 2017

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

Wisconsin Retirement System

Last 10 Fiscal Years

	2015	2016
Village of Grantsburg's proportion of the net pension liability (asset)	0.00421521%	0.00419709%
Village of Grantsburg's proportionate share of the net pension liability (asset)	\$68,496	\$34,594
Village of Grantsburg's covered-employee payroll	\$528,836	\$529,060
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	99.12%

SCHEDULE OF VILLAGE OF GRANTSBURG CONTRIBUTIONS

Wisconsin Retirement System

Last 10 Fiscal Years

	2015	2016
Contractually required contributions	\$40,477	\$39,697
Contributions in relation to the contractually required contributions	\$40,477	\$39,697
Contribution deficiency (excess)	\$0	\$0
Village of Grantsburg's covered-employee payroll	\$528,836	\$529,060
Contributions as a percentage of covered-employee payroll	7.65%	7.50%

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
FEDERAL AND STATE FINANCIAL ASSISTANCE REPORTS
December 31, 2017



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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, 2017, 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 7, 2018.

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 7, 2018



STOTZ & COMPANY

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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, 2017. 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, 2017.

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.

Stutz & Company

Grantsburg, Wisconsin

May 7, 2018

VILLAGE OF GRANTSBURG
SCHEDULE OF FEDERAL and STATE FINANCIAL ASSISTANCE
Year ended December 31, 2017

<u>Awarding Agency</u> <u>Pass-Through Agency</u> <u>Award Description</u>	<u>Program</u> <u>I.D.</u> <u>Number</u>	<u>Reimbursements</u>
<u>MAJOR STATE PROGRAMS</u>		
<u>Department of Revenue</u>		
State Shared Revenues	835.102	\$ 434,527
Exempt Computer Aid	835.109	3,703
<u>NONMAJOR STATE PROGRAMS</u>		
<u>Department of Natural Resources</u>		
Aid in lieu of Taxes	370.579	419
<u>Department of Transportation</u>		
General Highway Aids	395.191	89,008
<u>Department of Administration</u>		
Municipal Services Aid	835.501	5,283
<u>Department of Justice</u>		
Law Enforcement Training	455.231	640
<u>Department of Industry, Labor and Human Relations</u>		
Fire Insurance Dues Distribution	143.325	<u>2,753</u>
TOTAL STATE ASSISTANCE		<u>\$ 536,333</u>

VILLAGE OF GRANTSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

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, 2017, 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. We do have, however, some comments and recommendations with regard to the Village's procedures and controls.

Review of Prior Year Comments

In previous years, we have noted to the Village Board that internal control requirements include controls over financial reporting under generally accepted accounting principles (GAAP). An entity with a small accounting staff many times does not have any one within the entity who has the accounting background sufficient to prepare GAAP financial statements with complete footnote disclosures. We are pleased to inform the Village Board that financial reporting for the year ended December 31, 2017 was completed by Village staff, with only oversight review required by the audit team.

Also noted in prior years were the following:

- a) We continue to encourage the Village of Grantsburg 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.

Current Year Comments

Other items which deserve continuing management consideration, are as follows:

- a) Each of the Village's bond covenants stipulate certain debt service fund and depreciation fund requirements. We encourage review of the covenants to be certain that the required funds are set aside on a regular basis.
- b) Systems: at year end December 31, 2017, we noted that a cash receipts log was not maintained on incoming receipts before bank deposit. We recommended such a log, and it has been implemented.

- c) Systems: we recommend that approval notations always be evidenced on disbursement vouchers.
- d) Tax Incremental Financing: with the closure of tax incremental districts looming, a study should be made regarding the budget effects on the Village budgets when these district increments are shared with other taxing authorities in the future.

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 7, 2018



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REPORT TO THE AUDIT COMMITTEE (FULL BOARD)

May 7, 2018

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, 2017. 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 29, 2018. 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 2017. 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 7, 2018.

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