

AUDITED FINANCIAL STATEMENTS  
VILLAGE OF MERRILLAN, WISCONSIN  
December 31, 2013

VILLAGE OF MERRILLAN, WISCONSIN  
DECEMBER 31, 2013

TABLE OF CONTENTS

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Independent Auditor's Report .....	1
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Basic Financial Statements

Exhibits

A-1	Statement of Net Position.....	4
A-2	Statement of Activities .....	6
A-3	Balance Sheet – Governmental Funds .....	7
A-4	Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets .....	8
A-5	Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds .....	9
A-6	Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	10
A-7	Statement of Net Assets – Proprietary Funds .....	11
A-8	Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds .....	13
A-9	Statement of Cash Flows – Proprietary Funds.....	14
A-10	Statement of Net Assets – Fiduciary Funds.....	16
	Notes to the Basic Financial Statements .....	17

Required Supplementary Information:

B-1	Budgetary Comparison Schedule for the General Fund .....	37
	Notes to Required Supplementary Information .....	38

Supplemental Information:

Schedule 1	Detailed Comparison of Budgeted and Actual Revenues – Governmental Funds .....	39
Schedule 2	Detailed Comparison of Budgeted and Actual Expenditures – Governmental Funds.....	41
Schedule 3	Schedule of Operating Revenues and Expenses .....	43



**Certified Public Accountants**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Village Board  
Village of Merrilan, Wisconsin

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 Merrilan, Wisconsin ("Village"), as of and for the year ended December 31, 2013, 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 of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Village of Merrillan, Wisconsin, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 37 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.

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Information**

### *Prior Year Summarized Comparative Information*

The prior year summarized comparative information has been derived from the Village's 2012 financial statement and, in our report dated January 25, 2013, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities and the major fund.

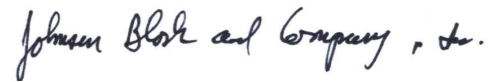
### *Other Supplementary Information*

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we will also issue a report on our consideration of the Village of Merrilan, Wisconsin's internal control over financial reporting and on 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 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 The Village of Merrilan, Wisconsin's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

A handwritten signature in cursive script that reads "Johnson Block and Company, Inc.".

January 31, 2014  
Mineral Point, Wisconsin

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
Village of Merrillan, Wisconsin  
Statement of Net Position  
December 31, 2013

(With summarized financial information as of December 31, 2012)

	Governmental Activities	Business-Type Activities	Total	
			2013	2012
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 188,008	\$ 579,354	\$ 767,362	\$ 695,411
Receivables				
Taxes	29,316		29,316	27,204
Customer		58,845	58,845	55,646
Special assessments		4,600	4,600	1,600
Due from other governments	132,411	276,673	409,084	5,988
Materials and supplies		14,488	14,488	13,981
Total current assets	349,735	933,960	1,283,695	799,830
Restricted Assets:				
Restricted cash and investments		73,886	73,886	61,670
Capital Assets:				
Property, plant and equipment	1,575,304	6,951,221	8,526,525	7,419,537
Less: accumulated depreciation	769,887	2,196,817	2,966,704	2,805,087
Total capital assets	805,417	4,754,404	5,559,821	4,614,450
Other Assets:				
Special assessments receivable		29,500	29,500	16,100
Total Assets	\$ 1,155,152	\$ 5,791,750	\$ 6,946,902	\$ 5,492,050

Exhibit A-1 (Cont'd)  
Village of Merrillan, Wisconsin  
Statement of Net Position  
December 31, 2013

(With summarized financial information as of December 31, 2012)

	Governmental Activities	Business-Type Activities	Total	
			2013	2012
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 7,590	\$ 52,394	\$ 59,984	\$ 24,194
Accrued and other current liabilities	507	1,568	2,075	1,260
Accrued interest		17,108	17,108	10,767
Due to other governments	126,620	234,900	361,520	864
Customer deposits		11,869	11,869	10,906
Current portion of long-term obligations		69,773	69,773	478,115
Total current liabilities	134,717	387,612	522,329	526,106
Current Liabilities Payable from Restricted Assets:				
Current portion of mortgage revenue bonds		12,000	12,000	12,000
Accrued interest		2,271	2,271	1,464
Total Liabilities Payable from Restricted Assets		14,271	14,271	13,464
Noncurrent liabilities:				
Long-term note		841,500	841,500	865,000
Mortgage revenue bonds		710,963	710,963	633,717
Less: Current Portion		(81,773)	(81,773)	(490,115)
Total noncurrent liabilities		1,470,690	1,470,690	1,008,602
Total Liabilities	134,717	1,872,573	2,007,290	1,548,172
<u>Deferred inflow of resources:</u>				
Deferred revenues	32,101		32,101	29,153
<u>Net Position</u>				
Net investment in capital assets	805,417	3,201,941	4,007,358	3,334,760
Restricted	52,068	71,615	123,683	109,969
Unrestricted	130,849	645,621	776,470	469,996
Total Net Position	988,334	3,919,177	4,907,511	3,914,725
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,155,152	\$ 5,791,750	\$ 6,946,902	\$ 5,492,050



Exhibit A-2  
Village of Merrillan, Wisconsin  
Statement of Activities  
For the Year Ended December 31, 2013  
(With summarized financial information for the year ended December 31, 2012)

	Program Revenues					Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
							2013 2012
Primary Government:							
<u>Governmental activities:</u>							
General government	\$ 98,767	\$ 6,069	\$	\$	\$ (92,698)	\$	\$ (92,698) \$ (96,415)
Public safety	119,426	25,288	690		(93,448)		(93,448) (107,547)
Public works	87,130		18,200	523,192	454,262		454,262 (67,997)
Sanitation	43,977				(43,977)		(43,977) (37,056)
Health and human services	4,521				(4,521)		(4,521) (6,191)
Culture and recreation	11,625	5,493			(6,132)		(6,132) (4,926)
Conservation and development	729				(729)		(729) (2,511)
Total Expenses	366,175	36,850	18,890	523,192	212,757		212,757 (322,643)
<u>Business-type activities:</u>							
Water and electric	499,016	586,524	360,089			447,597	447,597 273,290
Sewer	153,796	146,690	111,775			104,669	104,669 356,666
Total business-type activities	652,812	733,214	471,864			552,266	552,266 629,956
Total primary government	1,018,987	770,064	490,754	523,192	212,757	552,266	765,023 307,313
General Revenues and Transfers:							
Property Taxes							
General purposes					29,152		29,152 29,153
Other taxes					1,530		1,530 2,561
Federal and State aid not restricted for specific purposes							
General					187,984		187,984 188,149
Interest and investment earnings					1,902	2,944	4,846 6,273
Miscellaneous					4,251		4,251 6,224
Transfers					46,048	(46,048)	
Total general revenues and transfers					270,867	(43,104)	227,763 232,360
Changes in net position					483,624	509,162	992,786 539,673
Net position-beginning of year					504,710	3,410,015	3,914,725 3,375,052
Net position-end of year					\$ 988,334	\$ 3,919,177	\$ 4,907,511 \$ 3,914,725

Exhibit A-3  
Village of Merrillan, Wisconsin  
Balance Sheet  
Governmental Funds  
December 31, 2013  
(With summarized financial information as of December 31, 2012)

		Total	
		Governmental Funds	
	General	2013	2012
<u>Assets</u>			
Cash and Investments	\$ 188,008	\$ 188,008	\$ 171,491
Receivables:			
Taxes	29,316	29,316	27,204
Due from other governments	132,411	132,411	5,488
Total Assets	\$ 349,735	\$ 349,735	\$ 204,183
<u>Liabilities:</u>			
Accounts payable	\$ 7,590	\$ 7,590	\$ 1,168
Accrued payroll liabilities	507	507	427
Due to other governments	126,620	126,620	864
Total Liabilities	134,717	134,717	2,459
<u>Deferred Inflow of Resources:</u>			
Deferred property tax revenue	32,101	32,101	29,153
<u>Fund Equity:</u>			
Fund Balance:			
Restricted	52,068	52,068	49,763
Unassigned	130,849	130,849	122,808
Total Fund Equity	182,917	182,917	172,571
Total Liabilities, Deferred Inflow of Resources, and Fund Equity	\$ 349,735	\$ 349,735	\$ 204,183

Exhibit A-4  
Village of Merrilan, Wisconsin  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
December 31, 2013  
(With summarized financial information as of December 31, 2012)

	<u>2013</u>	<u>2012</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total Fund balances-governmental funds:	\$ 182,917	\$ 172,571
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Governmental capital asset	1,575,304	
Governmental accumulated depreciation	<u>(769,887)</u>	<u>805,417</u>
		332,139
Net Position of Governmental Funds	<u>\$ 988,334</u>	<u>\$ 504,710</u>

Exhibit A-5  
Village of Merrillan, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2013  
(With summarized financial information for the year ended December 31, 2012)

		Total	
		Governmental Funds	
	General	2013	2012
<u>Revenues:</u>			
Taxes	\$ 30,682	\$ 30,682	\$ 32,680
Intergovernmental	333,396	333,396	207,781
Licenses and permits	6,325	6,325	7,728
Public charges for services	11,620	11,620	11,627
Intergovernmental charges for services	16,240	16,240	18,437
Interest and investment earnings	1,902	1,902	3,255
Miscellaneous	6,916	6,916	4,094
Total Revenues	407,081	407,081	285,602
<u>Expenditures:</u>			
Current:			
General government	92,618	92,618	95,892
Public safety	95,189	95,189	105,246
Public works	69,332	69,332	62,894
Sanitation	43,977	43,977	37,056
Health and human services	4,521	4,521	6,191
Culture and recreation	9,895	9,895	10,579
Conservation and development	729	729	2,511
Capital Outlay:			
Public works	126,522	126,522	7,894
Total Expenditures	442,783	442,783	328,263
Excess of Revenues Over (Under) Expenditures	(35,702)	(35,702)	(42,661)
<u>Other Financing Sources (Uses):</u>			
Transfer from utility - tax equivalent	46,048	46,048	36,061
Total Other Financing Sources (Uses):	46,048	46,048	36,061
Net Change in Fund Balances	10,346	10,346	(6,600)
Fund Balance January 1	172,571	172,571	179,171
Fund Balance December 31	\$ 182,917	\$ 182,917	\$ 172,571

Exhibit A-6  
Village of Merrillan, Wisconsin  
Reconciliation of Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2013  
(With summarized financial information for the year ended December 31, 2012)

	2013	2012
Net change in fund balances-total governmental funds	\$ 10,346	\$ (6,600)
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	523,192	1,189
Depreciation expenses reported in the statement of activities	<u>(49,914)</u>	<u>(51,829)</u>
Amount by which capital outlays are greater (less) than depreciation in the current period.	<u>473,278</u>	<u>(50,640)</u>
Change in net position-governmental activities	<u>\$ 483,624</u>	<u>\$ (57,240)</u>

Exhibit A-7  
Village of Merrillan, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2013

(With summarized financial information as of December 31, 2012)

Assets	Electric & Water Utility	Sewer Utility	Total 2013	2012
<u>Current Assets:</u>				
Cash and investments	\$ 579,354		\$ 579,354	\$ 523,920
Receivables:				
Customer	43,318	15,527	58,845	55,646
Special assessments-current	3,850	750	4,600	1,600
Due from other governments	164,898	111,775	276,673	500
Due from other funds	48,153		48,153	
Materials and supplies	14,488		14,488	13,981
Total Current Assets	854,061	128,052	982,113	595,647
<u>Restricted Assets:</u>				
Special redemption fund		29,589	29,589	20,841
Bond depreciation fund		44,297	44,297	40,829
Total Restricted Assets		73,886	73,886	61,670
<u>Fixed Assets:</u>				
Water and electric	3,751,760		3,751,760	3,319,113
Sewerage plant		3,199,461	3,199,461	3,048,312
Less: accumulated depreciation:	(1,371,415)	(825,402)	(2,196,817)	(2,085,114)
Net Property and Plant	2,380,345	2,374,059	4,754,404	4,282,311
<u>Other Assets:</u>				
Special assessments	22,750	6,750	29,500	16,100
Total Other Assets	22,750	6,750	29,500	16,100
Total Assets	\$ 3,257,156	\$ 2,582,747	\$ 5,839,903	\$ 4,955,728

Exhibit A-7 (Cont'd)  
Village of Merrillan, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2013

(With summarized financial information as of December 31, 2012)

	Electric & Water Utility	Sewer Utility	Total	
			2013	2012
<b>Liabilities and Equity</b>				
<u><b>Current Liabilities:</b></u>				
Accounts payable	\$ 35,054	\$ 17,340	\$ 52,394	\$ 23,026
Due to other governments	181,898	53,002	234,900	
Due to other funds		48,153	48,153	
Accrued and other current liabilities	1,298	270	1,568	833
Accrued interest	17,108		17,108	10,767
Customer deposits	11,869		11,869	10,906
Current portion of long-term debt	58,431	11,342	69,773	478,115
Total Current Liabilities	305,658	130,107	435,765	523,647
<u><b>Current Liabilities</b></u>				
(Payable from Restricted Assets):				
Current portion of long-term obligations		12,000	12,000	12,000
Accrued interest		2,271	2,271	1,464
Total Liabilities Payable from Restricted Assets		14,271	14,271	13,464
<u><b>Long-term Debt:</b></u>				
Notes payable	841,500		841,500	865,000
Mortgage revenue bonds	249,206	461,757	710,963	633,717
Less: current portion	(58,431)	(23,342)	(81,773)	(490,115)
Total Long-Term Debt	1,032,275	438,415	1,470,690	1,008,602
Total Liabilities	1,337,933	582,793	1,920,726	1,545,713
<u><b>Net Position:</b></u>				
Net investment in capital assets	1,289,639	1,912,302	3,201,941	3,002,621
Restricted		71,615	71,615	60,206
Unrestricted	629,584	16,037	645,621	347,188
Total Net Position	1,919,223	1,999,954	3,919,177	3,410,015
Total Equity	1,919,223	1,999,954	3,919,177	3,410,015
Total Liabilities and Equity	\$ 3,257,156	\$ 2,582,747	\$ 5,839,903	\$ 4,955,728

Exhibit A-8  
Village of Merrillan, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2013  
(With summarized financial information for the year ended December 31, 2012)

	Water & Electric Utility	Sewer Utility	Total	
			2013	2012
<u>Operating Revenues:</u>				
Water & Electric	\$ 549,888	\$	\$ 549,888	\$ 523,592
Sewer Service		146,286	146,286	110,155
Other	36,636	404	37,040	6,421
Total Operating Revenues	586,524	146,690	733,214	640,168
<u>Operating Expenses:</u>				
Operation and Maintenance	399,441	74,778	474,219	493,920
Depreciation Expense	62,724	61,963	124,687	94,913
Taxes	5,033		5,033	5,644
Total Operating Expenses	467,198	136,741	603,939	594,477
Total Operating Income	119,326	9,949	129,275	45,691
<u>Nonoperating Revenues (Expenses):</u>				
Interest Expense	(31,818)	(17,055)	(48,873)	(36,604)
Amortization Expense				(38,029)
Miscellaneous Income				
Interest Income	2,085	859	2,944	3,018
Total Net Nonoperating Revenues (Expenses)	(29,733)	(16,196)	(45,929)	(71,615)
Income before contributions and transfers	89,593	(6,247)	83,346	(25,924)
Capital Contributions	360,089	111,775	471,864	658,898
Transfer of Tax Equivalent	(46,048)		(46,048)	(36,061)
Changes in Net Position	403,634	105,528	509,162	596,913
Net Position - January 1	1,515,589	1,894,426	3,410,015	2,813,102
Net Position - December 31	\$ 1,919,223	\$ 1,999,954	\$ 3,919,177	\$ 3,410,015



Exhibit A-9  
Village of Merrilan, Wisconsin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2013  
(With summarized financial information for the year ended December 31, 2012)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2013	2012
<u>Cash Flows From (Used by) Operating Activities:</u>				
Received from customers	\$ 587,151	\$ 143,364	\$ 730,515	\$ 677,346
Payments to employees	(62,481)	(24,004)	(86,485)	(81,606)
Payments for employee benefits	(45,080)	(8,762)	(53,842)	(52,984)
Payments to suppliers	(282,437)	(25,162)	(307,599)	(478,485)
Net Cash Flows From (Used by) Operating Activities	197,153	85,436	282,589	64,271
<u>Cash Flows (Used by) Noncapital Financing Activities:</u>				
Paid to municipality for tax equivalent	(46,048)		(46,048)	(36,061)
Paid to other funds for working capital	(48,153)		(48,153)	
Received from other funds for working capital		48,153	48,153	
Net Cash Flows (Used by) Noncapital Financing Activities	(94,201)	48,153	(46,048)	(36,061)
<u>Cash Flows From (Used by) Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(113,531)	(102,288)	(215,819)	(971,995)
Grant proceeds	13,502		13,502	658,898
Cost of removals	(5,140)		(5,140)	
Receipt of special assessments	22,850	750	23,600	5,200
Proceeds from long-term debt	476,321	67,540	543,861	883,139
Debt issue costs paid				(10,000)
Debt retired	(469,642)	(20,473)	(490,115)	(404,818)
Interest paid	(24,658)	(17,067)	(41,725)	(33,183)
Net Cash Flows From (Used by) Capital and Related Financing Activities	(100,298)	(71,538)	(171,836)	127,241
<u>Cash Flows From (Used by) Investing Activities:</u>				
Interest income	2,086	859	2,945	3,018
Purchase of investments	(65,398)	(44,297)	(109,695)	(138,730)
Proceeds of investments maturing	97,901	40,829	138,730	131,262
Net Cash Flows (Used by) Investing Activities	34,589	(2,609)	31,980	(4,450)
Net change in Cash and Cash Equivalents	37,243	59,442	96,685	151,001
Cash and Cash Equivalents - Beginning of Year	476,713	(29,853)	446,860	295,859
Cash and Cash Equivalents - End of Year	\$ 513,956	\$ 29,589	\$ 543,545	\$ 446,860

Exhibit A-9 (Cont'd)  
Village of Merrilan, Wisconsin  
Statement of Cash Flows  
Proprietary Funds

For the Year Ended December 31, 2013

(With summarized financial information for the year ended December 31, 2012)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2013	2012
<u>Reconciliation of operating income to net cash provided</u>				
<u>by operating activities:</u>				
Operating Income	\$ 119,326	\$ 9,949	\$ 129,275	\$ 45,691
Noncash items in operating income:				
Depreciation Expense	63,491	61,963	125,454	95,679
Amortization of major repair				
Changes in assets and liabilities:				
Customer accounts receivable	627	(3,826)	(3,199)	(1,455)
Other accounts receivable		500	500	38,633
Material and supplies	(507)		(507)	312
Accounts payable	12,685	16,683	29,368	(112,223)
Accrued and other current liabilities	568	167	735	(4,166)
Customer deposits	963		963	1,800
Net Cash Provided by Operating Activities	<u>\$ 197,153</u>	<u>\$ 85,436</u>	<u>\$ 282,589</u>	<u>\$ 64,271</u>
<u>Reconciliation of Cash and Cash Equivalents to</u>				
<u>Statement of Net Position Accounts</u>				
Cash and investments	\$ 579,354		\$ 579,354	\$ 523,920
Restricted cash and investments		73,886	73,886	61,670
Cash and Cash Equivalents	579,354	73,886	653,240	585,590
Less: Non-cash Equivalents	(65,398)	(44,297)	(109,695)	(138,730)
Cash and Cash Equivalents	<u>\$ 513,956</u>	<u>\$ 29,589</u>	<u>\$ 543,545</u>	<u>\$ 446,860</u>

Supplemental Schedule of Noncash Investing, Capital and Financing Activities

During 2013, the following plant additions were financed through special assessments or by the State of Wisconsin:

Electric and Water Utility	\$ 346,587
Sewer Utility	\$ 111,775

Exhibit A-10  
Village of Merrillan, Wisconsin  
Statement of Net Position  
Fiduciary Funds  
December 31, 2013

(With summarized financial information as of December 31, 2012)

	Tax Collection Fund	Totals 2013	2012
<b>Assets</b>			
Cash and investments	\$ 105,360	\$ 105,360	\$ 101,199
Taxes receivable	268,796	268,796	235,450
<b>Total Assets</b>	<b>\$ 374,156</b>	<b>\$ 374,156</b>	<b>\$ 336,649</b>
<b>Liabilities</b>			
Due to other taxing units	\$ 374,156	\$ 374,156	\$ 336,649
<b>Total Liabilities</b>	<b>\$ 374,156</b>	<b>\$ 374,156</b>	<b>\$ 336,649</b>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Village of Merrillan, Wisconsin  
December 31, 2013  
Index to Notes to the Financial Statements

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	<u>Page</u>
Note 1. <u>Summary of Significant Accounting Policies</u> .....	17
A. Reporting Entity .....	17
B. Government-Wide and Fund Financial Statements .....	17 – 18
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	18 – 20
D. Deposits and Investments .....	20
E. Receivables .....	20 – 21
F. Inventories .....	21
G. Restricted Assets .....	21
H. Capital Assets .....	22
I. Compensated Absences .....	22
J. Claims and Judgments .....	23
K. Long-Term Obligations .....	23
L. Equity Classifications .....	23 – 24
M. Budgets .....	24
N. Transfers .....	25
O. Income Tax .....	25
P. Risk Management .....	25
Q. Encumbrances .....	25
R. Allowance for Uncollectible Accounts .....	25
S. Estimates .....	25
T. Summarized Comparative Information .....	25
 Note 2. <u>Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements</u> .....	 26
 Note 3. <u>Cash and Investments</u> .....	 26 – 29
 Note 4. <u>Restricted Assets</u> .....	 29
 Note 5. <u>Deferred Inflow of Resources</u> .....	 30
 Note 6. <u>Capital Assets</u> .....	 30 – 32
 Note 7. <u>Long-Term Obligations</u> .....	 33 – 35
 Note 8. <u>Interfund Receivables/Payables and Transfers</u> .....	 35
 Note 9. <u>Governmental Fund Balances</u> .....	 35
 Note 10. <u>Governmental Activities Net Position</u> .....	 36
 Note 11. <u>Net Position Reservation – Proprietary Funds</u> .....	 36
 Note 12. <u>Tax Levy Limit</u> .....	 36

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Merrillan is located in Jackson County, Wisconsin. The accounting policies of the Village of Merrillan conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Significant accounting policies and principles of the Village of Merrillan are summarized below:

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Village reports the following major governmental funds:

Major Governmental Funds:

General Fund – Accounts for the Village’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

The Village reports the following major enterprise funds:

Major Enterprise Funds:

Water and Electric Utility – Accounts for operations of the electric and water system  
Sewer Utility – Accounts for the operations of the sewer utility.

The Village does not have any non-major governmental funds:

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

**Government-Wide Financial Statements**

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflow of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund Financial Statements**

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources.

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

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

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



Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to the standards in Governmental Accounting Standards Board Statement 33 (GASB-33).

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

D. Deposits and Investments

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

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

E. Receivables

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

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale- 2013 delinquent real estate taxes	October 2015

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the Village and the utilities because they have the right by law to place delinquent bills on the tax roll.

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

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

F. Inventories

Inventories of governmental fund types consist of expendable supplies held for consumption. Such amounts, which are not material, are considered expenditures when purchased and, accordingly, are not reflected on the Combined Balance Sheet - All Fund Types and Account Group.

Inventories of proprietary fund types are valued at the lower-of-cost or market using the first-in, first-out method and are charged as expenses or are capitalized when used.

G. Restricted Assets

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

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

**Government-Wide Statements**

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

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

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

	<u>Years</u>
Buildings	50
Machinery and Equipment	5
Infrastructure	25
Vehicles	10-20

**Fund Financial Statements**

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

I. Compensated Absences

Employees are granted vacation in varying amounts based on length of service. Vacation pay at year-end is not material to these financial statements. Sick leave hours are accumulated by employees for subsequent use. Employees earn ten days of sick leave per year of service with accumulation of up to 60 days. Sick leave does not vest to employees. Actual expenditures are recorded at the time the benefits are used by the employee, and will be paid at the rate of pay then in effect.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Claims and Judgments

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

K. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

L. Equity Classifications

**Government-Wide Statements**

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

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

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

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Statements**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – includes amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The Board has adopted a financial standard to maintain a general fund balance equal to 45% of annual general fund expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Village that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

**M. Budgets**

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

The Village budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and designated carryovers from prior years. Such revisions are required by a statutory provision, which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Changes to the overall budget must be approved by a two-thirds board action. Budgetary comparisons are not required for proprietary funds.

Appropriations for the general fund lapse at year-end unless specifically carried forward by Board action. Carryovers are shown in Note 9.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Transfers

Transfers include the payment in lieu of taxes from the water and sewer utility to the general fund.

O. Income Tax

Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded by the Merrillan Utilities.

P. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; 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.

Q. Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year-end are fulfilled. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrances accounting applies only to governmental fund types. The Village does not use encumbrance accounting.

R. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been reflected in the government financial statements. Delinquent real estate taxes of the Village are paid in full by the County, which assumes the responsibility for collection. In addition, delinquent user charges are placed on the tax roll if not collected.

S. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS  
AND GOVERNMENT-WIDE STATEMENTS

**Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3 CASH AND INVESTMENTS

At December 31, 2013, cash and investments included the following:

Petty Cash	\$ 250
Deposits with financial institutions	946,358
Total cash and investments	<u>\$ 946,608</u>

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 767,362
Cash and investments-restricted	73,886
Exhibit A-10:	
Cash and investments	105,360
Total cash and investments	<u>\$ 946,608</u>

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Interest Rate Risk

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

The Village's policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has chosen to limit its allowable investments to these instruments:

1. Certificates of Deposit – Village funds may be invested in certificates of deposit maturing within one (1) year or less from the date of investment issued by any banks, savings and loan associations or credit unions which are authorized to transact business in the State of Wisconsin. The financial institutions must have been designated as a public depository of the Village by resolution or ordinance of the Village Board.
2. Government Bonds and Securities – Village funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, bonds or securities which are obligations of any agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the State of Wisconsin and placed in safekeeping in a segregated account in the Village's name at any designated public depository or approved financial institution.
3. Government Investment Pool – Village funds may be invested in the Wisconsin Local Government Pool Investment Fund without restriction as to the amount of deposit or collateralization.
4. Repurchase Agreements – Village funds may be invested in repurchase agreements, in financial institutions authorized to conduct business in the State of Wisconsin. Repurchase agreements can only be made in securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the Village's name at any designated public depository or approved financial institution.
5. Savings Deposit – Village funds may be temporarily invested in savings deposits.
6. Securities – The Village Clerk-Treasurer may invest in private securities which are senior to, or on a parity with, a security of the same issuer which is rated highest or second highest by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

1. Depositories – The Village Board shall, by ordinance or resolution, designate one (1) or more public depositories, organized and doing business under the laws of this state or federal law, and located in Wisconsin, in which the Village Clerk-Treasurer shall deposit all public monies received by her/him.
2. Limitations – The resolution or ordinance designating one (1) or more public depositories shall specify whether the monies shall be maintained in time deposits subject to limitations of Sec. 66.04(2), Wis. Stats., demand deposits or savings deposits, and whether the surety bond or other security shall be required to be furnished under Sec. 34.07, Wis. Stats., by the public depository to secure the repayment of such deposits. Not more than Five Hundred Thousand Dollars (\$500,000) shall be deposited in any one (1) public depository, unless specifically authorized by the Village Board.

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

As of December 31, 2013, \$343,652 of the Village's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial risk as follows:

<u>Uninsured and Uncollateralized</u>	
Time and Savings Deposits	<u>\$ 343,652</u>

This amount would be insured by the State of Wisconsin Guaranty Fund providing funds are available at the time of any potential loss.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding uninsured amounts at the balance sheet date.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

NOTE 4

RESTRICTED ASSETS

Bond Reserve and Depreciation Accounts: Represent cash and investments restricted in accordance with the revenue bond ordinance.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

NOTE 5

DEFERRED INFLOW OF RESOURCES

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer inflow of resource recognition in connection with resources that have been received, but not yet earned. At December 31, 2013 the various components of deferred inflow of resources reported in the governmental funds was as follows:

Tax roll	<u>\$ 32,101</u>
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NOTE 6

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/12	Additions	Deductions	Balance 12/31/13
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 18,483	\$	\$	\$ 18,483
Construction work in progress	4,235		(4,235)	
	<u>22,718</u>		<u>(4,235)</u>	<u>18,483</u>
Other capital assets:				
Buildings and improvements	431,282			431,282
Infrastructure	30,879	527,427		558,306
Machinery and equipment	80,699			80,699
Vehicles	486,534			486,534
Total other capital assets at historical costs	<u>1,029,394</u>	<u>527,427</u>		<u>1,556,821</u>
Less accumulated depreciation:				
Buildings and improvements	334,944	8,625		343,569
Infrastructure	6,066	2,993		9,059
Machinery and equipment	64,874	7,574		72,448
Vehicles	314,089	30,722		344,811
Total accumulated depreciation	<u>719,973</u>	<u>49,914</u>		<u>769,887</u>
Net other capital assets	<u>309,421</u>	<u>477,513</u>		<u>786,934</u>
Total net capital assets	<u>\$ 332,139</u>	<u>\$ 477,513</u>	<u>\$ (4,235)</u>	<u>\$ 805,417</u>

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. The Village elected to not include the cost of infrastructure acquired before January 1, 2004.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 6

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 6,149
Public safety	24,237
Public works	17,798
Culture and recreation	<u>1,730</u>
Total depreciation for governmental activities	<u>\$ 49,914</u>

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

NOTE 6

CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

	Balance 12/31/12	Additions	Cost of Removals	Deductions	Balance 12/31/13
<u>Business-Type Activities:</u>					
Capital assets not being depreciated:					
Intangible plant					
Land and land rights	\$ 33,975	\$	\$	\$	\$ 33,975
Construction work in progress	8,728				8,728
Total capital assets not being depreciated	<u>42,703</u>				<u>42,703</u>
Capital assets being depreciated:					
Water:					
Structures and improvements	106,171				106,171
Pumping equipment	51,691				51,691
Water treatment	5,187				5,187
Transmission and distribution	2,409,370	218,400		(4,470)	2,623,300
General plant	41,592	994			42,586
Sewer:					
Structures and improvements	810,150				810,150
Transmission and distribution	2,061,344	155,291		(4,141)	2,212,494
Pumping equipment	79,378				79,378
Miscellaneous equipment	67,774				67,774
Electric:					
Structures and improvements	133,778	1,178			134,956
Transmission and distribution	497,535	180,494			678,029
General plant	<u>60,752</u>	<u>36,050</u>			<u>96,802</u>
Total capital assets being depreciated	<u>6,324,722</u>	<u>592,407</u>		<u>(8,611)</u>	<u>6,908,518</u>
Total accumulated depreciation	<u>2,085,114</u>	<u>125,454</u>	<u>(5,140)</u>	<u>(8,611)</u>	<u>2,196,817</u>
Net capital assets being depreciated	<u>4,239,608</u>	<u>466,953</u>	<u>5,140</u>		<u>4,711,701</u>
Total net capital assets	<u>\$ 4,282,311</u>	<u>\$ 466,953</u>	<u>\$ 5,140</u>	<u>\$</u>	<u>\$ 4,754,404</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric and Water	\$ 63,491
Sewer	61,963
Total depreciation expense	<u>125,454</u>
Less: Electric and Water depreciation expense allocated to sewer	(767)
Total depreciation expense per Exhibit A-8	<u>\$ 124,687</u>

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

NOTE 7

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013 was as follows:

	Beginning 12/31/12	Increases	Decreases	Balance 12/31/13	Amounts Due Within One Year
<u>Business-Type Activities</u>					
Notes Payable	\$ 865,000	\$ 436,500	\$ (460,000)	\$ 841,500	\$ 46,855
Mortgage Revenue Bonds	633,717	107,361	(30,115)	710,963	34,918
Total Business-Type Activities					
Long-Term Liabilities	\$ <u>1,498,717</u>	\$ <u>543,861</u>	\$ <u>(490,115)</u>	\$ <u>1,552,463</u>	\$ <u>81,773</u>

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed five percent of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2013 was \$920,715. There was \$865,000 of general obligation debt outstanding at year-end as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2013
G.O. Refunding Bonds	7/6/2011	3/1/2024	1.7-4.0%	\$ 465,000	\$ 405,000
State Trust Fund	5/20/2013	3/15/2033	5.00%	\$ 436,500	436,500
Total Business-Type General Obligation Debt					<u>\$ 841,500</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities		
	Principal	Interest	Total
2014	\$ 46,855	\$ 29,769	\$ 76,624
2015	48,752	32,320	81,072
2016	49,383	30,970	80,353
2017	50,158	29,355	79,513
2018	50,916	27,758	78,674
2019-2023	282,290	108,619	390,909
2024-2028	162,774	56,795	219,569
2029-2033	150,372	23,297	173,669
Totals	\$ <u>841,500</u>	\$ <u>338,883</u>	\$ <u>1,180,383</u>

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Revenue bonds are payable only from revenues derived from the operation of the utility.

Revenue debt payable at December 31, 2013 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2013
Revenue Bonds	12/1/2004	12/1/2024	4.5-5.85%	\$ 217,000	\$ 175,000
Revenue Bonds	5/23/2012	5/1/2032	3.00%	230,435	221,962
Revenue Bonds	5/23/2012	5/1/2032	1.32%	232,797	223,155
Revenue Bonds	6/12/2013	5/1/2033	2.625%	64,795	64,795
Revenue Bonds	6/12/2013	5/1/2033	1.155%	26,051	26,051
Total Business-Type Activities Revenue Debt					<u>\$ 710,963</u>

Debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2014	\$ 34,918	\$ 20,688	\$ 55,606
2015	36,400	19,601	56,001
2016	37,893	18,451	56,344
2017	38,398	17,226	55,624
2018	39,916	15,981	55,897
2019-2023	219,798	58,873	278,671
2024-2028	167,780	24,400	192,180
2029-2033	135,860	6,407	142,267
Totals	<u>\$ 710,963</u>	<u>\$ 181,627</u>	<u>\$ 892,590</u>

The 2004 bond resolutions require for the further protection of bond holders a statutory mortgage lien, created by Section 66.066 of the Wisconsin Statutes, upon the system which is recognized as valid and binding upon the Village.

Under the provisions of the resolutions, a portion of operating revenues must be set-aside to the Special Redemption Fund. An amount equal to one-sixth (1/6) of the next installment of interest coming due on the bonds, and an amount equal to one-twelfth (1/12) of the next installment of principal of the bonds. The balance for the sewer account is \$29,589.

In addition, the bond resolutions require segregation of the proceeds of the mortgage revenue bonds and the creation and continual funding of several accounts from operating revenues as described below:

Depreciation Accounts

The bond resolutions require that sufficient income and revenues shall be set-aside in depreciation accounts to be used to restore any deficiencies in the special redemption and reserve accounts. When sufficient for this purpose, money may then be used for additions to and betterments of the system.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

The balance in this account at December 31, 2013 was as follows:

	<u>Depreciation</u>
Sewer Utility	<u>\$ 44,297</u>
<u>Surplus Fund</u>	

Deposit to the Surplus Fund, any remaining funds after the monthly transfers required for the Debt Service and Depreciation funds have been completed.

The resolutions require that rates and charges for services rendered by the system be such that annual "net earnings" be not less than 110% of the annual debt service on the bonds so that the amount set aside in the bond and interest special redemption fund will be adequate for payment of the bonds and interest thereon as they become payable. This requirement was met for 2013.

NOTE 8

INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric & Water Utility	Sewer Utility	<u>\$ 48,153</u>

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated

The following is a schedule of interfund transfers:

<u>Fund Transfer To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Government Funds:		
General	Water utility-tax equivalent	<u>\$ 46,048</u>
Proprietary Funds:		
General	Water utility-tax equivalent	<u>\$ 46,048</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) used unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

NOTE 9

GOVERNMENTAL FUND BALANCES

Fund balance as of December 31, 2013 includes the following items:

Major Funds:	
General Fund:	
Restricted	
EMS activities	\$ 6,594
Fire department	6,830
Cemetery	38,644
Total	<u>\$ 52,068</u>



Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2013

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NOTE 10

GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2013 includes the following:

Net investment in capital assets:	
Land	\$ 18,483
Other capital assets, net of accumulated depreciation	786,934
Total Invested Capital Assets	<u>805,417</u>
Restricted for:	
EMS activities	6,594
Fire department	6,830
Cemetery	38,644
Total Restricted	<u>52,068</u>
Unrestricted	130,849
Total Governmental Activities Net Position	<u>\$ 988,334</u>

NOTE 11

NET POSITION – PROPRIETARY FUNDS

The following calculation supports the utility net position net investment in capital assets:

Plant in service	\$ 6,951,221
Accumulated depreciation	(2,196,817)
Sub-Total	<u>4,754,404</u>
Less: Capital related debt	(1,552,463)
Total net investment in capital assets	<u>\$ 3,201,941</u>

Portions of net position are reserved and are not available for current expenses as follows:

Enterprise Funds:	
Sewer Utility	
Reserved for Mortgage Revenue Bonds	<u>\$ 71,615</u>

NOTE 12

TAXY LEVY LIMIT

Wisconsin Act 25, effective July 27, 2005, imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period. The Act limits the increase in the tax levy to the greater of the percentage change in the Village's January 1 equalized value as a result of net new construction or two percent. The levy limit is applied to both operations and debt service. However, the Act allows the limit to be increased for debt service in certain situations.

Exhibit B-1  
Required Supplementary Information  
Village of Merrilan, Wisconsin  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended December 31, 2013

				Variances-	
	Budgeted Amounts			Positive (Negative)	
	Original	Final	Actual	Original to Actual	Final to Actual
<u>Revenues:</u>					
Taxes	\$ 32,353	\$ 32,353	\$ 30,682	\$ (1,671)	\$ (1,671)
Intergovernmental	462,069	462,069	333,396	(128,673)	(128,673)
Licenses and permits	8,460	8,460	6,325	(2,135)	(2,135)
Intergovernmental charges for services	15,154	15,154	16,240	1,086	1,086
Public charges for services	5,545	5,545	11,620	6,075	6,075
Interest and investment earnings	1,400	1,400	1,902	502	502
Miscellaneous	3,100	3,100	6,916	3,816	3,816
Total Revenues	528,081	528,081	407,081	(121,000)	(121,000)
<u>Expenditures:</u>					
Current:					
General government	99,170	99,170	92,618	6,552	6,552
Public safety	96,599	96,599	95,189	1,410	1,410
Public works	115,612	115,612	113,309	2,303	2,303
Health and human services			4,521	(4,521)	(4,521)
Leisure activities	9,400	9,400	9,895	(495)	(495)
Conservation and development	28,500	28,500	729	27,771	27,771
Capital outlay:	214,000	214,000	126,522	87,478	87,478
Total Expenditures	563,281	563,281	442,783	120,498	120,498
Excess Revenues Over Expenditures	(35,200)	(35,200)	(35,702)	(502)	(502)
<u>Other Financing Sources:</u>					
Transfer from utility - tax equivalent	35,200	35,200	46,048	10,848	10,848
Net Change in Fund Balance			10,346	10,346	10,346
Fund Balance - Beginning of year	172,571	172,571	172,571		
Fund Balance - End of year	\$ 172,571	\$ 172,571	\$ 182,917	\$ 10,346	\$ 10,346

Required Supplementary Information

Village of Merrillan, Wisconsin  
Notes to Required Supplementary Information  
December 31, 2013

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NOTE 1

BUDGET SCHEDULE

The Village budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the Village board. Such revisions are required by a statutory provision which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Revisions require a two-thirds vote of the Village Board. Appropriations for the general fund lapse at year end unless specifically carried forward by Board action.

The Village does not utilize encumbrances in its budget process but does take into consideration certain appropriations, which do not lapse on an annual basis.

NOTE 2

EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2013:

<u>Expenditure</u>	<u>Excess Expenditures</u>
Health and human services	\$ 4,521
Leisure	495

## Schedules

Schedule 1  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Revenues  
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Taxes					
General property	\$ 29,153	\$ 29,153	\$ 29,152	\$	\$
Mobile home taxes	3,200	3,200	1,530	(1,670)	(1,670)
Total Taxes	32,353	32,353	30,682	(1,670)	(1,670)
Intergovernmental					
State shared taxes	187,177	187,177	187,979	802	802
Federal grant	256,000	256,000	126,522	(129,478)	(129,478)
State aid - fire insurance dues	681	681	690	9	9
State aid - exempt computer aid			5	5	5
State aid - highways	18,211	18,211	18,200	(11)	(11)
Total Intergovernmental	462,069	462,069	333,396	(128,673)	(128,673)
Licenses, Permits and Fines					
Cigarette licenses	175	175	175		
Liquor licenses	1,810	1,810	1,814	4	4
Beer garden permit	75	75	25	(50)	(50)
Operator licenses	600	600	610	10	10
Mobile home park licenses	200	200	300	100	100
Dog and cat licenses	700	700	817	117	117
Building permits	1,500	1,500	994	(506)	(506)
Zoning permits	400	400	535	135	135
Ordinance violations	3,000	3,000	1,055	(1,945)	(1,945)
Total Licenses, Permits and Fines	8,460	8,460	6,325	(2,135)	(2,135)
Intergovernmental Charges for Services					
Fire protection - Dewhurts, Alma	13,454	13,454	15,053	1599	1599
State charge fire	1,000	1,000	359	(641)	(641)
Intergovernmental charge for fire contracts	700	700	828	128	128
Total Intergovernmental Charges for Services	15,154	15,154	16,240	1,086	1,086
Public Charges for Services					
Sale of copies	150	150	96	(54)	(54)
Police department	50	50	435	385	385
Public charges	100	100	346	246	246
Cemetery			3,784	3,784	3,784
License publication fees	45	45		(45)	(45)
Parks	2,500	2,500	1,709	(791)	(791)
Fire department public charges	1,500	1,500	3,900	2,400	2,400
Hall rent	1,200	1,200	1,350	150	150
Total Public Charges for Services	\$ 5,545	\$ 5,545	\$ 11,620	\$ 6,075	\$ 6,075

Schedule 1 (Continued)  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Revenues  
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Investment Income					
Interest	\$ 1,400	\$ 1,400	\$ 1,902	\$ 502	\$ 502
Total	1,400	1,400	1,902	502	502
Miscellaneous					
Donations	100	100	2,664	2,564	2,564
Insurance refunds	2,500	2,500	3,691	1,191	1,191
Other income	500	500	561	61	61
Total Miscellaneous	3,100	3,100	6,916	3,816	3,816
Total Revenues	\$ 528,081	\$ 528,081	\$ 407,081	\$ (120,999)	\$ (120,999)

Schedule 2  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Expenditures  
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
General Government					
Village board	\$ 3,600	\$ 3,600	\$ 4,150	\$ (550)	\$ (550)
Board of review	250	250	271	(21)	(21)
Board committees	1,008	1,008	946	62	62
Clerk/treasurer	17,300	17,300	14,868	2,432	2,432
Elections	3,000	3,000	1,880	1,120	1,120
Office expense	6,000	6,000	6,601	(601)	(601)
President expense	72	72		72	72
President salary	2,640	2,640	1,980	660	660
Auditing	6,400	6,400	5,373	1,027	1,027
Legal fees	2,000	2,000	2,700	(700)	(700)
Attorney	300	300	60	240	240
Assessment of property	3,450	3,450	3,450		
Hall	9,300	9,300	8,710	590	590
Illegal taxes			46	(46)	(46)
Social security taxes	6,200	6,200	6,252	(52)	(52)
Liability and property insurance	9,350	9,350	10,973	(1,623)	(1,623)
Employee bonds	100	100	132	(32)	(32)
Health insurance and retirement	23,200	23,200	24,141	(941)	(941)
Misc Expense			85	(85)	(85)
Contingency	5,000	5,000		5,000	5,000
Total General Government	99,170	99,170	92,618	6,552	6,552
Public Safety					
Police department	28,237	28,237	21,139	7,098	7,098
Fire department	18,578	18,578	24,274	(5,696)	(5,696)
Hydrant rental	48,784	48,784	47,284	1,500	1,500
Building inspection	1,000	1,000	2,492	(1,492)	(1,492)
Total Public Safety	96,599	96,599	95,189	1,410	1,410
Public Works and Sanitation					
Garage	7,500	7,500	7,916	(416)	(416)
Streets	23,827	23,827	13,684	10,143	10,143
Sick leave	2,500	2,500	5,894	(3,394)	(3,394)
Vacation and holiday pay	7,200	7,200	7,836	(636)	(636)
Sidewalks	1,200	1,200	1,980	(780)	(780)
Snow removal	7,000	7,000	9,568	(2,568)	(2,568)
Street lighting/signals	16,000	16,000	16,130	(130)	(130)
Tree labor	1,200	1,200	852	348	348
Machinery & equipment	6,500	6,500	5,472	1,028	1,028
Refuse collection	34,860	34,860	37,473	(2,613)	(2,613)
Recycling	7,825	7,825	6,504	1,321	1,321
Total Public Works and Sanitation	\$ 115,612	\$ 115,612	\$ 113,309	\$ 2,303	\$ 2,303



Schedule 2 (Continued)  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Expenditures  
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Culture and Recreation					
Celebration	\$ 8,000	\$ 8,000	\$ 8,706	\$ (706)	\$ (706)
Parks	1,400	1,400	1,189	211	211
Total Culture and Recreation	<u>9,400</u>	<u>9,400</u>	<u>9,895</u>	<u>(495)</u>	<u>(495)</u>
Health and Human Services					
Cemetery			<u>4,521</u>	<u>(4,521)</u>	<u>(4,521)</u>
Conservation and Development					
Engineering	28,000	28,000		28,000	28,000
Dam expense	300	300	297	3	3
Planning and zoning	200	200	432	(232)	(232)
Total Conservation and Development	<u>28,500</u>	<u>28,500</u>	<u>729</u>	<u>27,771</u>	<u>27,771</u>
Capital Outlay	<u>214,000</u>	<u>214,000</u>	<u>126,522</u>	<u>87,478</u>	<u>87,478</u>
Total Expenditures	<u>\$ 563,281</u>	<u>\$ 563,281</u>	<u>\$ 442,783</u>	<u>\$ 120,498</u>	<u>\$ 120,498</u>

Schedule 3  
Village of Merrilan, Wisconsin  
Schedule of Operating Revenues and Expenses  
Proprietary Funds  
Year Ended December 31, 2013

	Water Utility	Electric Utility	Subtotal	Sewer Utility	Total
Operating revenues					
Metered sales to general customers	\$ 155,719	\$ 303,123	\$ 458,842	\$ 145,096	\$ 603,938
Sewer revenue flat rate				739	739
Public fire protection service	47,284		47,284		47,284
Other sales public authority	5,525	18,253	23,778		23,778
Street lights		14,524	14,524		14,524
Interdepartmental		4,163	4,163		4,163
Forfeited discounts	488	809	1,297	451	1,748
PB collections					
Other	7,195	29,441	36,636	404	37,040
Total Operating Revenues	216,211	370,313	586,524	146,690	733,214
Operating Expenses					
Plant operation	45,582		45,582	45,425	91,007
Plant maintenance				11,199	11,199
Power production		237,208	237,208		237,208
Transmission and distribution		12,016	12,016		12,016
Administrative and general	45,697	58,938	104,635	18,154	122,789
Total Operating Expenses	91,279	308,162	399,441	74,778	474,219
Depreciation	54,646	8,078	62,724	61,963	124,687
Taxes	3,005	2,028	5,033		5,033
Operating Income	\$ 70,286	\$ 54,073	\$ 119,326	\$ 9,949	\$ 129,275



**Certified Public Accountants**

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**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES**

To the Village Board  
Village of Merrillan  
Merrillan, 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 Merrillan ("Village") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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

The size of the office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in organizations of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge and monitoring of matters relating to the Village's operations.

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

### Preparation of Financial Statements

Village staff does not prepare the financial statements and accompanying notes. The Village has designated an individual responsible for reviewing and accepting the financial statements and related notes.

### Customer Accounts Receivable

The accounts receivable subsidiary records were not reconciled to the customer accounts receivable general ledger account. An important element of internal control in this area is that the customer accounts receivable general ledger account be reconciled to the customer accounts receivable subsidiary records on a monthly basis. Since there is a lack of segregation of duties, this procedure is even more important to have in place.

Other observations are noted on the attached pages.

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

*JOHNSON BLOCK AND COMPANY, INC.*

*Johnson Block and Company, Inc.*

January 31, 2014

### Levy Limit

Wisconsin Statute 66.0602(2m)(b) provides that if a municipality adopts a new fee or a fee to increase for covered services, that municipality must reduce its levy limit in the current year by the amount of the new fee or the new fee increase. Covered services include garbage collection, fire protection, snow plowing, street sweeping, and storm water management. The Village should be aware of these requirements and ensure they are in compliance.

### Utility Customer Classes

The Public Service Commission of Wisconsin established two new customer classifications for reporting revenues. Along with residential, commercial, industrial, and public authority, the new categories are irrigation and multi-family residential. The irrigation classification applies to only when the utility has a separate rate approved for irrigation and is to be reported for 2013 in the annual report filed 2014. The multi-family residential classification should include any building primarily for residential purposes where one meter is used to serve three or more residential units. While implementation of this category is allowed for the 2013 information filed 2014, it will be required for 2014 information filed in 2015.



**Johnson & Block**  
AND COMPANY, INC.

**Certified Public Accountants**

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The Village Board  
Village of Merrilan  
Merrilan, Wisconsin

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 Merrilan ("Village") for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter. Professional standards require that we provide you with the following information related to the audit.

#### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Village 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 governmental activities, the business-type activities and each major fund was:

An estimate was made of the amount that will be reimbursed from a Community Development Block Grant.

#### Difficulties Encountered in Performing the Audit

We encountered no significant 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, the following 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:

- Close 2012 contributions in aid of construction to equity.
- Record 2013 hydrant rent and tax equivalent.
- Record additional accounts payable at December 31, 2013.
- Record 2013 depreciation expense.
- To reflect an estimate of the receivable due from the Community Development Block Grant.
- Reflect fixed asset additions paid for by the State of Wisconsin.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, 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 January 31, 2014.

### 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 Village's financial statement 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's 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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

*JOHNSON BLOCK AND COMPANY, INC.*

*Johnson Block and Company, Inc.*

January 31, 2014  
Mineral Point, Wisconsin