

**VILLAGE OF MERRILLAN, WISCONSIN**

**AUDITED FINANCIAL STATEMENTS**

Including Independent Auditor's Report

As of and for the year ended December 31, 2017

Johnson Block and Company, Inc.  
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VILLAGE OF MERRILLAN, WISCONSIN  
DECEMBER 31, 2017  
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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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Merrilan, Wisconsin, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in 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 pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 2016 financial statements and, in our report dated February 17, 2017, 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 basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
Mineral Point, Wisconsin  
February 5, 2018

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
Village of Merrillan, Wisconsin  
Statement of Net Position  
December 31, 2017

(With summarized financial information as of December 31, 2016)

	Governmental Activities	Business-Type Activities	Total	
			2017	2016
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 34,336	\$ 470,797	\$ 505,133	\$ 560,251
Receivables				
Taxes	22,907		22,907	28,066
Customer		54,858	54,858	58,667
Special assessments				
Due from other governments	6,042		6,042	4,989
Materials and supplies		15,073	15,073	15,697
Total current assets	63,285	540,728	604,013	667,670
Restricted assets:				
Restricted cash and investments		227,508	227,508	217,068
Capital assets:				
Property, plant and equipment	2,028,237	7,182,787	9,211,024	9,204,614
Less: accumulated depreciation	1,012,308	2,669,877	3,682,185	3,467,455
Total capital assets	1,015,929	4,512,910	5,528,839	5,737,159
Other assets:				
Special assessments receivable		4,600	4,600	5,300
Total assets	\$ 1,079,214	\$ 5,285,746	\$ 6,364,960	\$ 6,627,197

Exhibit A-1 (Cont'd)  
Village of Merrillan, Wisconsin  
Statement of Net Position  
December 31, 2017

(With summarized financial information as of December 31, 2016)

	Governmental Activities	Business-Type Activities	Total	
			2017	2016
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 3,498	\$ 28,057	\$ 31,555	\$ 35,897
Accrued and other current liabilities	1,702	3,477	5,179	4,621
Accrued interest		16,449	16,449	17,266
Customer deposits		8,607	8,607	8,598
Current portion of long-term obligations		50,916	50,916	50,159
Total current liabilities	5,200	107,506	112,706	116,541
Current liabilities payable from restricted assets:				
Current portion of mortgage revenue bonds		41,951	41,951	40,401
Accrued interest		2,253	2,253	2,404
Total current liabilities payable from restricted assets		44,204	44,204	42,805
Noncurrent liabilities:				
Notes payable		646,351	646,351	701,430
Mortgage revenue bonds		600,119	600,119	640,520
Less: current portion		(92,867)	(92,867)	(90,560)
Total noncurrent liabilities		1,153,603	1,153,603	1,251,390
Total liabilities	5,200	1,305,313	1,310,513	1,410,736
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred revenues		29,912	29,912	29,604
<b>NET POSITION</b>				
Net investment in capital assets	1,015,929	3,266,440	4,282,369	4,400,129
Restricted	45,364	225,255	270,619	291,558
Unrestricted	(17,191)	488,738	471,547	495,170
Total net position	1,044,102	3,980,433	5,024,535	5,186,857
Total liabilities, deferred inflow of resources, and net position	\$ 1,079,214	\$ 5,285,746	\$ 6,364,960	\$ 6,627,197

Exhibit A-2  
Village of Merrilan, Wisconsin  
Statement of Activities  
For the Year Ended December 31, 2017  
(With summarized financial information for the year ended December 31, 2016)

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total	
						2017	2016
Primary government:							
Governmental activities:							
General government	\$ 87,302	\$ 6,855	\$	\$ (80,447)	\$	\$ (80,447)	\$ (86,800)
Public safety	179,710	42,823	21,800	(115,087)		(115,087)	(67,185)
Public works	153,707		22,286	(131,421)		(131,421)	(96,785)
Sanitation	44,459			(44,459)		(44,459)	(43,241)
Health and human services	4,594	552		(4,042)		(4,042)	1,815
Culture and recreation	18,501	3,417		(15,084)		(15,084)	(13,668)
Conservation and development	558			(558)		(558)	(2,605)
Interest and fiscal charges	452			(452)		(452)	
Total governmental activities	489,283	53,647	44,086	(391,550)		(391,550)	(308,469)
Business-type activities:							
Water and electric	514,940	536,871			21,931	21,931	39,844
Sewer	169,348	151,352			(17,996)	(17,996)	(9,677)
Total business-type activities	684,288	688,223			3,935	3,935	30,167
Total primary government	1,173,571	741,870	44,086	(391,550)	3,935	(387,615)	(278,302)
General Revenues and Transfers:							
Property taxes							
General purposes				29,604		29,604	26,504
Other taxes				2,216		2,216	887
Federal and State aid not restricted for specific purposes							
General				187,193		187,193	187,202
Interest and investment earnings				1,747	1,494	3,241	3,378
Miscellaneous				3,039		3,039	1,519
Gain on sale of capital assets							4,763
Transfers				46,354	(46,354)		
Total general revenues and transfers				270,153	(44,860)	225,293	224,253
Changes in net position				(121,397)	(40,925)	(162,322)	(54,049)
Net position - beginning				1,165,499	4,021,358	5,186,857	5,240,906
Net position - ending				\$ 1,044,102	\$ 3,980,433	\$ 5,024,535	\$ 5,186,857



Exhibit A-3  
Village of Merrilan, Wisconsin  
Balance Sheet  
Governmental Funds  
December 31, 2017  
(With summarized financial information as of December 31, 2016)

	General	Total Governmental Funds	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$ 34,336	\$ 34,336	\$ 88,442
Receivables:			
Taxes	22,907	22,907	28,066
Due from other governments	6,042	6,042	4,989
Total assets	\$ 63,285	\$ 63,285	\$ 121,497
<b>LIABILITIES</b>			
Accounts payable	\$ 3,498	\$ 3,498	\$ 6,014
Accrued payroll liabilities	1,702	1,702	1,959
Total liabilities	5,200	5,200	7,973
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred property tax revenue	29,912	29,912	29,604
<b>FUND BALANCES</b>			
Restricted	45,364	45,364	76,894
Unassigned	(17,191)	(17,191)	7,026
Total fund balances	28,173	28,173	83,920
Total liabilities, deferred inflow of resources, and fund balances	\$ 63,285	\$ 63,285	\$ 121,497

Exhibit A-4  
Village of Merrilan, Wisconsin  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
December 31, 2017  
(With summarized financial information as of December 31, 2016)

	2017	2016
Total fund balances-governmental funds:	\$ 28,173	\$ 83,920

Amounts reported for governmental activities in the statement of net position are different because:

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	2,028,237		
Governmental accumulated depreciation	(1,012,308)	1,015,929	1,086,499

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the fund balance sheet are:

Notes payable			(4,920)
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Total net position of governmental activities	\$ 1,044,102	\$ 1,165,499
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Exhibit A-5  
Village of Merrillan, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Year Ended December 31, 2017

(With summarized financial information for the year ended December 31, 2016)

	General	Total	
		Governmental Funds	
		2017	2016
<b>REVENUES</b>			
Taxes	\$ 31,820	\$ 31,820	\$ 27,391
Intergovernmental	210,330	210,330	261,478
Licenses and permits	6,885	6,885	11,580
Public charges for services	13,538	13,538	29,295
Intergovernmental charges for services	33,225	33,225	28,579
Interest and investment earnings	1,747	1,747	1,385
Miscellaneous	23,989	23,989	64,044
Total revenues	321,534	321,534	423,752
<b>EXPENDITURES</b>			
Current:			
General government	86,467	86,467	105,793
Public safety	167,640	167,640	163,578
Public works	101,118	101,118	138,691
Sanitation	44,459	44,459	43,241
Health and human services	4,594	4,594	3,317
Culture and recreation	13,427	13,427	34,880
Conservation and development	558	558	2,605
Debt service:			
Principal retirement	4,920	4,920	22,600
Interest and fiscal charges	452	452	
Capital outlay:			
Public safety			27,520
Public works			1,500
Total expenditures	423,635	423,635	543,725
Excess of revenues over (under) expenditures	(102,101)	(102,101)	(119,973)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of fixed assets			15,500
Transfer from utility - tax equivalent	46,354	46,354	46,175
Loan proceeds			27,520
Total other financing sources (uses)	46,354	46,354	89,195
Net change in fund balances	(55,747)	(55,747)	(30,778)
Fund balance - beginning	83,920	83,920	114,698
Fund balance - ending	\$ 28,173	\$ 28,173	\$ 83,920

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, 2017  
(With summarized financial information for the year ended December 31, 2016)

	2017	2016
Net change in fund balances-total governmental funds	\$ (55,747)	\$ (30,778)
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		29,020
Capital asset additions not included in capital outlay		47,619
Depreciation expenses reported in the statement of activities	(70,570)	(70,238)
Amount by which capital outlays are greater (less) than depreciation in the current period.	(70,570)	6,401
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, and disposals).		(10,737)
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds but does not affect the statement of activities.		(27,520)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:	4,920	22,600
Change in net position-governmental activities	\$ (121,397)	\$ (40,034)

Exhibit A-7  
Village of Merrillan, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2017

(With summarized financial information as of December 31, 2016)

	Electric & Water Utility	Sewer Utility	Total	
			2017	2016
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 470,797	\$	\$ 470,797	\$ 471,809
Receivables:				
Customer	40,480	14,378	54,858	58,667
Special assessments				
Due from other governments				
Due from other funds	8,052		8,052	19,108
Materials and supplies	15,073		15,073	15,697
Total current assets	534,402	14,378	548,780	565,281
Restricted assets:				
Debt service fund	102,627	78,615	181,242	162,233
Bond depreciation fund		46,266	46,266	54,835
Total restricted assets	102,627	124,881	227,508	217,068
Fixed assets:				
Water and electric	3,893,449		3,893,449	3,887,039
Sewerage plant		3,289,338	3,289,338	3,289,338
Less: accumulated depreciation	(1,647,475)	(1,022,402)	(2,669,877)	(2,525,717)
Net property and plant	2,245,974	2,266,936	4,512,910	4,650,660
Other assets:				
Special assessments	2,650	1,950	4,600	5,300
Total other assets	2,650	1,950	4,600	5,300
Total assets	\$ 2,885,653	\$ 2,408,145	\$ 5,293,798	\$ 5,438,309

Exhibit A-7 (Cont'd)  
Village of Merrillan, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2017

(With summarized financial information as of December 31, 2016)

	Electric & Water Utility	Sewer Utility	Total	
			2017	2016
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 27,106	\$ 951	\$ 28,057	\$ 29,883
Due to other funds		8,052	8,052	19,108
Accrued and other current liabilities	2,754	723	3,477	2,662
Accrued interest	16,449		16,449	17,266
Customer deposits	8,607		8,607	8,598
Current portion of long-term obligations	50,916		50,916	50,159
<b>Total current liabilities</b>	<b>105,832</b>	<b>9,726</b>	<b>115,558</b>	<b>127,676</b>
Current liabilities payable from restricted assets:				
Current portion of long-term obligations	13,640	28,311	41,951	40,401
Accrued interest	487	1,766	2,253	2,404
<b>Total current liabilities payable from restricted assets</b>	<b>14,127</b>	<b>30,077</b>	<b>44,204</b>	<b>42,805</b>
Long-term liabilities:				
Notes payable	646,351		646,351	696,510
Mortgage revenue bonds	227,281	372,838	600,119	640,520
Less: current portion	(64,556)	(28,311)	(92,867)	(90,560)
<b>Total long-term liabilities</b>	<b>809,076</b>	<b>344,527</b>	<b>1,153,603</b>	<b>1,246,470</b>
<b>Total liabilities</b>	<b>929,035</b>	<b>384,330</b>	<b>1,313,365</b>	<b>1,416,951</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,372,342	1,894,098	3,266,440	3,313,630
Restricted	102,140	123,115	225,255	214,664
Unrestricted	482,136	6,602	488,738	493,064
<b>Total net position</b>	<b>1,956,618</b>	<b>2,023,815</b>	<b>3,980,433</b>	<b>4,021,358</b>
<b>Total liabilities and net position</b>	<b>\$ 2,885,653</b>	<b>\$ 2,408,145</b>	<b>\$ 5,293,798</b>	<b>\$ 5,438,309</b>

Exhibit A-8  
Village of Merrillan, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2017  
(With summarized financial information for the year ended December 31, 2016)

	Water & Electric Utility	Sewer Utility	Total	
			2017	2016
<b>OPERATING REVENUES</b>				
Water & electric	\$ 535,195	\$	\$ 535,195	\$ 553,419
Sewer service		151,352	151,352	151,676
Other	1,676		1,676	3,836
Total operating revenues	536,871	151,352	688,223	708,931
<b>OPERATING EXPENSES</b>				
Operation and maintenance	399,032	89,373	488,405	481,232
Depreciation expense	78,535	65,272	143,807	142,102
Taxes	5,440		5,440	5,382
Total operating expenses	483,007	154,645	637,652	628,716
Total operating income	53,864	(3,293)	50,571	80,215
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	(31,933)	(14,703)	(46,636)	(50,048)
Interest income	806	688	1,494	1,993
Total net nonoperating revenues (expenses)	(31,127)	(14,015)	(45,142)	(48,055)
Income (loss) before contributions and transfers	22,737	(17,308)	5,429	32,160
Capital contributions				
Transfer of tax equivalent	(46,354)		(46,354)	(46,175)
Changes in net position	(23,617)	(17,308)	(40,925)	(14,015)
Net position - beginning	1,980,235	2,041,123	4,021,358	4,035,373
Net position - ending	\$ 1,956,618	\$ 2,023,815	\$ 3,980,433	\$ 4,021,358

Exhibit A-9  
Village of Merrillan, Wisconsin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2017  
(With summarized financial information for the year ended December 31, 2016)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2017	2016
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>				
Received from customers	\$ 541,092	\$ 150,940	\$ 692,032	\$ 705,317
Payments to employees	(56,001)	(26,253)	(82,254)	(83,174)
Payments for employee benefits	(49,271)	(9,862)	(59,133)	(57,165)
Payments to suppliers	(287,944)	(63,999)	(351,943)	(343,111)
Net cash flows from operating activities	147,876	50,826	198,702	221,867
<b>CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent	(46,354)		(46,354)	(46,175)
Net cash flows (used by) noncapital financing activities	(46,354)		(46,354)	(46,175)
<b>CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(6,950)		(6,950)	(80,309)
Grant proceeds				
Receipt of special assessments	400	300	700	8,300
Proceeds from long-term debt				
Debt retired	(63,625)	(26,935)	(90,560)	(89,248)
Interest paid	(32,779)	(14,825)	(47,604)	(51,026)
Net cash flows (used by) capital and related financing activities	(102,954)	(41,460)	(144,414)	(212,283)
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>				
Interest income	806	688	1,494	1,993
Purchase of investments	(50,077)	(46,266)	(96,343)	(104,516)
Proceeds of investments maturing	49,681	54,835	104,516	120,579
Net cash flows from (used by) investing activities	410	9,257	9,667	18,056
Net change in cash and cash equivalents	(1,022)	18,623	17,601	(18,535)
Cash and cash equivalents - beginning of the year	524,369	59,992	584,361	602,896
Cash and cash equivalents - end of the year	\$ 523,347	\$ 78,615	\$ 601,962	\$ 584,361
<b>Reconciliation of cash and cash equivalents to statement of net position accounts</b>				
Cash and investments	\$ 470,797	\$	\$ 470,797	\$ 471,809
Restricted cash and investments	102,627	124,881	227,508	217,068
Cash and cash equivalents	573,424	124,881	698,305	688,877
Less: non-cash equivalents	(50,077)	(46,266)	(96,343)	(104,516)
Cash and cash equivalents	\$ 523,347	\$ 78,615	\$ 601,962	\$ 584,361



Exhibit A-9 (Cont'd)  
Village of Merrillan, Wisconsin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2017  
(With summarized financial information for the year ended December 31, 2016)

	Business Type Activities- Enterprise Funds		Totals	
	Electric & Water Utility	Sewer Utility	2017	2016
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 53,864	\$ (3,293)	\$ 50,571	\$ 80,215
Noncash items in operating income:				
Depreciation expense	79,429	65,271	144,700	153,140
Changes in assets and liabilities:				
Customer accounts receivable	4,221	(412)	3,809	(3,614)
Material and supplies	624		624	(686)
Due from other governments				34,916
Due from other funds	11,056		11,056	18,731
Accounts payable	(1,716)	(110)	(1,826)	(40,921)
Due to other governments				
Due to other funds		(11,056)	(11,056)	(18,731)
Accrued and other current liabilities	389	426	815	820
Customer deposits	9		9	(2,003)
Net cash provided by operating activities	<u>\$ 147,876</u>	<u>\$ 50,826</u>	<u>\$ 198,702</u>	<u>\$ 221,867</u>

Exhibit A-10  
Village of Merrilan, Wisconsin  
Statement of Net Position  
Fiduciary Funds  
December 31, 2017

(With summarized financial information as of December 31, 2016)

	Tax Collection Fund	Totals	
		2017	2016
<b>ASSETS</b>			
Cash and investments	\$ 104,288	\$ 104,288	\$ 78,734
Taxes receivable	283,967	283,967	278,294
Total assets	\$ 388,255	\$ 388,255	\$ 357,028
<b>LIABILITIES</b>			
Due to other taxing units	\$ 388,255	\$ 388,255	\$ 357,028
Total liabilities	\$ 388,255	\$ 388,255	\$ 357,028

NOTES TO THE BASIC FINANCIAL STATEMENTS

Village of Merrillan, Wisconsin  
December 31, 2017  
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Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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 position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 position/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, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Government-Wide and Fund Financial Statements (Cont.)**

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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 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 fund:

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

**Government-Wide Financial Statements**

The government-wide statement of net position 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, 2017

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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 inflows of resources.

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, 2017

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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.

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, 2017

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Cont.)

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale- 2017 delinquent real estate taxes	October 2020

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 position. 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 position.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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 position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<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, 2017

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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 net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does 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 Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Cont.)

**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. All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed may be assigned. Assignments may take place after the end of the reporting period.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or non-spendable.

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. In the event that the balance drops below the established minimum level, the Village Board will develop a plan to replenish the fund balance to the established level in two years. As of December 31, 2017 the general fund balance was 7% of the 2017 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.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Transfers

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

N. Income Tax

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

O. 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.

P. 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.

Q. 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.

R. 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.

S. 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, 2016, from which the summarized information was derived.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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, 2017, cash and investments included the following:

Petty Cash	\$ 250
Deposits with financial institutions	836,679
Total cash and investments	<u>\$ 836,929</u>

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 505,133
Cash and investments - restricted	227,508
Exhibit A-10:	
Cash and investments	104,288
Total cash and investments	<u>\$ 836,929</u>

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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.
- Bonds or securities of any county, city, drainage district, technical college district, village, 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.

Information about the sensitivity of the fair values of the Village's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

Investment Type	Amount	Remaining Maturity 12 months or less
Certificates of deposit	\$ 155,792	\$ 155,792

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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 Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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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, 2017, \$510,196 of Village deposits were insured by FDIC and \$345,844 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>\$ 345,844</u>

All of this amount would be insured by the State of Wisconsin Guarantee 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.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 4

RESTRICTED ASSETS

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

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 recognition in connection with resources that have been received, but not yet earned. At December 31, 2017 the various components of deferred inflow of resources reported in the governmental funds was as follows:

Property Tax Levy	\$ 29,912
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NOTE 6

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 20,653	\$	\$	\$ 20,653
	20,653			20,653
Other capital assets:				
Buildings and improvements	431,282			431,282
Infrastructure	957,512			957,512
Machinery and equipment	117,432			117,432
Vehicles	501,358			501,358
Total other capital assets at historical costs	2,007,584			2,007,584
Less accumulated depreciation:				
Buildings and improvements	356,104	3,291		359,395
Infrastructure	91,203	38,301		129,504
Machinery and equipment	84,453	7,228		91,681
Vehicles	409,978	21,750		431,728
Total accumulated depreciation	941,738	70,570		1,012,308
Net other capital assets	1,065,846	(70,570)		995,276
Total net capital assets	\$ 1,086,499	\$ (70,570)	\$	\$ 1,015,929

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 6

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 833
Public safety	12,074
Public works	52,589
Culture and recreation	5,074
Total depreciation for governmental activities	<u>\$ 70,570</u>

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Intangible plant				
Land and land rights	\$ 33,975	\$	\$	\$ 33,975
Construction in progress				
Total capital assets not being depreciated	<u>33,975</u>	<u></u>	<u></u>	<u>33,975</u>
Capital assets being depreciated:				
Water:				
Structures and improvements	106,171			106,171
Pumping equipment	58,848			58,848
Water treatment	9,249			9,249
Transmission and distribution	2,670,452	975	(540)	2,670,887
General plant	63,147			63,147
Sewer:				
Structures and improvements	789,153			789,153
Transmission and distribution	2,304,799			2,304,799
Pumping equipment	91,356			91,356
Miscellaneous equipment	78,282			78,282
Electric:				
Structures and improvements	178,869			178,869
Transmission and distribution	684,767	5,975		690,742
General plant	107,309			107,309
Total capital assets being depreciated	<u>7,142,402</u>	<u>6,950</u>	<u>(540)</u>	<u>7,148,812</u>
Total accumulated depreciation	<u>2,525,717</u>	<u>144,700</u>	<u>(540)</u>	<u>2,669,877</u>
Net capital assets being depreciated	<u>4,616,685</u>	<u>(137,750)</u>	<u></u>	<u>4,478,935</u>
Total net capital assets	<u>\$ 4,650,660</u>	<u>\$ (137,750)</u>	<u>\$</u>	<u>\$ 4,512,910</u>

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 6

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric and Water	\$ 79,428
Sewer	<u>65,272</u>
Total depreciation expense	144,700
Less: Electric and Water depreciation expense	
allocated to sewer	<u>(893)</u>
Total depreciation expense per Exhibit A-8	<u><u>\$ 143,807</u></u>

NOTE 7

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Notes Payable	\$ 4,920	\$ _____	\$ (4,920)	\$ _____	\$ _____
Total Governmental Activities	<u>\$ 4,920</u>	<u>\$ _____</u>	<u>\$ (4,920)</u>	<u>\$ _____</u>	<u>\$ _____</u>
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Notes Payable	\$ 696,510	\$ _____	\$ (50,159)	\$ 646,351	\$ 50,917
Mortgage Revenue Bonds	<u>640,520</u>	<u>_____</u>	<u>(40,401)</u>	<u>600,119</u>	<u>41,950</u>
Total Business-Type Activities	<u>\$ 1,337,030</u>	<u>\$ _____</u>	<u>\$ (90,560)</u>	<u>\$ 1,246,470</u>	<u>\$ 92,867</u>

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. 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, 2017 was \$1,063,030. There was \$646,351 of general obligation debt outstanding at year-end as follows:

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2017
G.O. Refunding Bonds	7/6/2011	3/1/2024	2.4-4.0%	\$ 465,000	\$ 270,000
State Trust Fund	5/20/2013	3/15/2033	5.00%	436,500	376,351
Total Business-Type General Obligation Debt					<u>\$ 646,351</u>

Debt service requirements to maturity are as follows:

Years	Business-Type Activities		
	General Obligation Debt		
	Principal	Interest	Total
2018	\$ 50,917	\$ 27,757	\$ 78,674
2019	51,712	25,982	77,694
2020	52,501	24,073	76,574
2021	58,423	21,951	80,374
2022	59,344	19,590	78,934
2023-2027	197,188	64,981	262,169
2028-2032	143,188	30,481	173,669
2033	33,078	1,655	34,733
Totals	<u>\$ 646,351</u>	<u>\$ 216,470</u>	<u>\$ 862,821</u>

Revenue Bonds

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

Revenue debt payable at December 31, 2017 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2017
Revenue Bonds	12/1/2004	12/1/2024	5.20-5.85%	\$ 217,000	\$ 122,000
Revenue Bonds	5/23/2012	5/1/2032	3.00%	230,435	184,990
Revenue Bonds	5/23/2012	5/1/2032	1.32%	232,797	180,681
Revenue Bonds	6/12/2013	5/1/2033	2.625%	74,395	65,848
Revenue Bonds	6/12/2013	5/1/2033	1.155%	40,386	46,600
Total Business-Type Activities Revenue Debt					<u>\$ 600,119</u>

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Year	Business-Type Activities		
	Revenue Debt		
	Principal	Interest	Total
2018	\$ 41,950	\$ 16,558	\$ 58,508
2019	43,513	15,209	58,722
2020	45,089	13,794	58,883
2021	45,679	12,305	57,984
2022	47,283	10,784	58,067
2023-2027	195,000	31,500	226,500
2028-2032	173,472	10,409	183,881
2033	8,133	82	8,215
Totals	\$ 600,119	\$ 110,641	\$ 710,760

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.

The sewerage, electric, and water system revenue bonds require that the following:

**Debt Service Fund Requirement:** The Bond covenants require the utility to establish and maintain a Debt Service Fund Account, deposits to be made monthly equal to one-sixth (1/6) of the next installment of interest coming due on the Prior Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Prior Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Fund from accrued interest, any premium or any other source). This requirement was met for the sewer utility and the electric & water utility for the year ended December 31, 2017. The debt service fund requirement for the sewer utility is \$4,616 and the Debt Service Fund Account had a balance of \$78,615 at December 31, 2017. The debt service fund requirement for the electric & water utility is \$1,609 and the Debt Service Fund Account had a balance of \$102,627 at December 31, 2017.

**Annual Debt Service Requirement:** The Village covenants to establish, charge and collect such lawfully established rates and charges for the services provided by the Sewerage and Water System so that net revenues (i.e. gross revenues less all costs of operation and maintenance, exclusive of debt service, depreciation, or local tax equivalents) will be at least 1.10 times the amount of principal and interest coming due on all outstanding bonds payable from the income and revenues of the Sewerage and Water System each year. This requirement was met for the year ended December 31, 2017. The net earnings for the sewer utility were \$62,667 or 1.49 times the annual principal and interest amount of \$42,034. The net earnings for the electric & water utility were \$133,205 or 8.09 times the annual principal and interest amount of \$16,475.

Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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NOTE 7

LONG-TERM OBLIGATIONS (CONTINUED)

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.

The balance in this account at December 31, 2017 was as follows:

Sewer Utility	Depreciation
	\$ 46,266

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:

Receivable Fund	Payable Fund	Amount
Electric & Water Utility	Sewer Utility	\$ 8,052

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:

Fund Transfer To	Fund Transferred From	Amount
Government Funds:		
General	Water utility-tax equivalent	\$ 46,354
Proprietary Funds:		
General	Water utility-tax equivalent	\$ 46,354

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.

Village of Merrillan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

NOTE 9

GOVERNMENTAL FUND BALANCES

Fund balance as of December 31, 2017 includes the following items:

Major Funds:

General Fund:

Restricted

EMS activities	\$ 7,222
Fire department	256
Cemetery	37,886
Total	<u>\$ 45,364</u>

NOTE 10

GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2017 includes the following:

Net investment in capital assets:

Land	\$ 20,653
Other capital assets, net of accumulated depreciation	<u>995,276</u>
Total net investment in capital assets	<u>1,015,929</u>

Restricted for:

EMS activities	7,222
Fire department	256
Cemetery	<u>37,886</u>
Total restricted	<u>45,364</u>

Unrestricted	<u>(17,191)</u>
Total governmental activities net position	<u>\$ 1,044,102</u>

NOTE 11

NET POSITION – PROPRIETARY FUNDS

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

Plant in service	\$ 7,182,787
Accumulated depreciation	<u>(2,669,877)</u>
Sub-total	4,512,910
Less: capital related debt	<u>(1,246,470)</u>
Total net investment in capital assets	<u>\$ 3,266,440</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	\$ 123,115
Electric & Water Utility	
Reserved for Mortgage Revenue Bonds	<u>102,140</u>
Total	<u>\$ 225,255</u>



Village of Merrilan, Wisconsin  
Notes to the Basic Financial Statements  
December 31, 2017

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NOTE 12

TAX LEVY LIMIT

Wisconsin Act 32 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under 2011 Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. All of the exceptions and modifications to levy limits that existed under previous law continue to apply.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the Village adopts a new fee or a fee increase for covered services (which were partly or wholly funded by property tax levy), the Village must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions.

NOTE 13 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has adopted GASB Statement No. 83, Certain Asset Retirement Obligations, GASB Statement No. 84, Fiduciary Activities, and GASB Statement No. 87, Leases. When these become effective, application of these standards may restate portions of these financial statements.

Required Supplementary Information

Exhibit B-1  
Required Supplementary Information  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>REVENUES</b>					
Taxes	\$ 32,321	\$ 32,321	\$ 31,820	\$ (501)	\$ (501)
Intergovernmental	210,302	210,302	210,330	28	28
Licenses and permits	14,260	14,260	6,885	(7,375)	(7,375)
Public charges for services	15,756	15,756	13,538	(2,218)	(2,218)
Intergovernmental charges for services	35,380	35,380	33,225	(2,155)	(2,155)
Interest and investment earnings	1,200	1,200	1,747	547	547
Miscellaneous	3,800	3,800	23,989	20,189	20,189
Total revenues	313,019	313,019	321,534	8,515	8,515
<b>EXPENDITURES</b>					
Current:					
General government	96,325	96,325	86,467	9,858	9,858
Public safety	112,891	112,891	167,640	(54,749)	(54,749)
Public works	145,119	145,119	145,577	(458)	(458)
Health and human services			4,594	(4,594)	(4,594)
Leisure activities	15,800	15,800	13,427	2,373	2,373
Conservation and development	1,400	1,400	558	842	842
Debt service:			5,372	(5,372)	(5,372)
Capital outlay:	5,000	5,000		5,000	5,000
Total expenditures	376,535	376,535	423,635	(47,100)	(47,100)
Excess (deficiency) of revenues over expenditures	(63,516)	(63,516)	(102,101)	(38,585)	(38,585)
<b>OTHER FINANCING SOURCES</b>					
Transfer from utility - tax equivalent	47,950	47,950	46,354	(1,596)	(1,596)
Total other financing sources	47,950	47,950	46,354	(1,596)	(1,596)
Net change in fund balance	(15,566)	(15,566)	(55,747)	(40,181)	(40,181)
Fund balance - beginning	83,920	83,920	83,920		
Fund balance - ending	\$ 68,354	\$ 68,354	\$ 28,173	\$ (40,181)	\$ (40,181)

Village of Merrillan, Wisconsin  
Notes to Required Supplementary Information  
December 31, 2017

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NOTE 1

BUDGET SCHEDULE

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 to the financial statements.

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. Carryovers are shown in Note 9 of the financial statements. Budget comparisons are not required for proprietary funds.

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, 2017:

<u>Expenditure</u>	<u>Excess Expenditures</u>
Public safety	\$ 54,749
Public works	458
Health and human services	4,594
Debt service	5,372

## Schedules

Schedule 1  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Revenues  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>TAXES</b>					
General property	\$ 29,621	\$ 29,621	\$ 29,604	\$ (17)	\$ (17)
Payment in lieu of taxes	1,600	1,600	1,600		
Mobile home taxes	1,100	1,100	616	(484)	(484)
Total taxes	<u>32,321</u>	<u>32,321</u>	<u>31,820</u>	<u>(501)</u>	<u>(501)</u>
<b>INTERGOVERNMENTAL</b>					
State shared taxes	187,177	187,177	187,177		
State aid - fire insurance dues	789	789	850	61	61
State aid - exempt computer aid	50	50	16	(34)	(34)
State aid - highways	22,286	22,286	22,287	1	1
Total intergovernmental	<u>210,302</u>	<u>210,302</u>	<u>210,330</u>	<u>28</u>	<u>28</u>
<b>LICENSES, PERMITS AND FINES</b>					
Cigarette licenses	140	140	105	(35)	(35)
Liquor licenses	1,770	1,770	2,064	294	294
Beer garden permit	50	50	75	25	25
Operator licenses	1,000	1,000	785	(215)	(215)
Mobile home park licenses	200	200	200		
Dog and cat licenses	1,800	1,800	775	(1,025)	(1,025)
Building permits	3,000	3,000	1,057	(1,943)	(1,943)
Zoning permits	1,300	1,300	150	(1,150)	(1,150)
Ordinance violations	5,000	5,000	1,674	(3,326)	(3,326)
Total licenses, permits and fines	<u>14,260</u>	<u>14,260</u>	<u>6,885</u>	<u>(7,375)</u>	<u>(7,375)</u>
<b>PUBLIC CHARGES FOR SERVICES</b>					
Sale of copies	100	100	20	(80)	(80)
Police department	4,606	4,606	3,165	(1,441)	(1,441)
Public charges	500	500	226	(274)	(274)
Cemetery			552	552	552
License publication fees	50	50	6	(44)	(44)
Parks	5,000	5,000	3,417	(1,583)	(1,583)
Fire department public charges	3,000	3,000	3,702	702	702
Hall rent	2,500	2,500	2,450	(50)	(50)
Total public charges for services	<u>15,756</u>	<u>15,756</u>	<u>13,538</u>	<u>(2,218)</u>	<u>(2,218)</u>
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>					
Police service contracts - Alma, Mentor	16,000	16,000	14,784	(1,216)	(1,216)
Fire protection - Dewhurts, Alma	17,096	17,096	17,096		
State charge fire	1,000	1,000		(1,000)	(1,000)
Intergovernmental charge for fire contracts	1,284	1,284	1,345	61	61
Total intergovernmental charges for services	<u>\$ 35,380</u>	<u>\$ 35,380</u>	<u>\$ 33,225</u>	<u>\$ (2,155)</u>	<u>\$ (2,155)</u>

Schedule 1 (Continued)  
Village of Merrillan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Revenues  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>INVESTMENT INCOME</b>					
Interest	\$ 1,200	\$ 1,200	\$ 1,747	\$ 547	\$ 547
Total investment income	<u>1,200</u>	<u>1,200</u>	<u>1,747</u>	<u>547</u>	<u>547</u>
<b>MISCELLANEOUS</b>					
Donations			20,950	20,950	20,950
Insurance refunds	3,500	3,500	2,540	(960)	(960)
Other income	300	300	499	199	199
Total miscellaneous	<u>3,800</u>	<u>3,800</u>	<u>23,989</u>	<u>20,189</u>	<u>20,189</u>
<b>OTHER FINANCING SOURCES</b>					
Transfer from Utility - Tax Equivalent	47,950	47,950	46,354	(1,596)	(1,596)
Total other financing sources	<u>47,950</u>	<u>47,950</u>	<u>46,354</u>	<u>(1,596)</u>	<u>(1,596)</u>
Total revenues and other financing sources	<u>\$ 360,969</u>	<u>\$ 360,969</u>	<u>\$ 367,888</u>	<u>\$ 6,919</u>	<u>\$ 6,919</u>

Schedule 2  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Expenditures  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>GENERAL GOVERNMENT</b>					
Village board	\$ 1,800	\$ 1,800	\$ 3,050	\$ (1,250)	\$ (1,250)
Board of review	180	180		180	180
Board committees	1,008	1,008	114	894	894
Clerk/treasurer	11,500	11,500	11,801	(301)	(301)
Elections	2,200	2,200	1,708	492	492
Office expense	6,500	6,500	6,392	108	108
President expense	20	20		20	20
President salary	2,040	2,040	3,105	(1,065)	(1,065)
Auditing	6,825	6,825	5,650	1,175	1,175
Legal fees	1,800	1,800	5,279	(3,479)	(3,479)
Attorney	30	30	151	(121)	(121)
Assessment of property	3,775	3,775	3,775		
Hall	10,700	10,700	10,773	(73)	(73)
Social security taxes	7,500	7,500	8,317	(817)	(817)
Liability and property insurance	10,700	10,700	8,896	1,804	1,804
Employee bonds	100	100		100	100
Health insurance and retirement	21,647	21,647	17,434	4,213	4,213
Miscellaneous expense			22	(22)	(22)
Contingency	8,000	8,000		8,000	8,000
Total general government	<u>96,325</u>	<u>96,325</u>	<u>86,467</u>	<u>1,858</u>	<u>1,858</u>
<b>PUBLIC SAFETY</b>					
Police department	41,437	41,437	51,841	(10,404)	(10,404)
Fire department	22,170	22,170	67,380	(45,210)	(45,210)
Hydrant rental	47,284	47,284	47,284		
Building inspection	2,000	2,000	1,135	865	865
Total public safety	<u>112,891</u>	<u>112,891</u>	<u>167,640</u>	<u>(54,749)</u>	<u>(54,749)</u>
<b>PUBLIC WORKS AND SANITATION</b>					
Garage	9,000	9,000	8,302	698	698
Streets	28,994	28,994	31,994	(3,000)	(3,000)
Sick leave	5,000	5,000	3,665	1,335	1,335
Vacation and holiday pay	8,500	8,500	10,456	(1,956)	(1,956)
Sidewalks	1,000	1,000	184	816	816
Snow removal	6,000	6,000	4,519	1,481	1,481
Street lighting/signals	29,000	29,000	28,671	329	329
Tree labor	3,000	3,000	3,363	(363)	(363)
Machinery & equipment	11,600	11,600	9,964	1,636	1,636
Refuse collection	36,175	36,175	36,382	(207)	(207)
Recycling	6,850	6,850	8,077	(1,227)	(1,227)
Total public works and sanitation	<u>\$ 145,119</u>	<u>\$ 145,119</u>	<u>\$ 145,577</u>	<u>\$ (458)</u>	<u>\$ (458)</u>



Schedule 2 (Continued)  
Village of Merrilan, Wisconsin  
General Fund  
Detailed Comparison of Budgeted and Actual Expenditures  
Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>HEALTH AND HUMAN SERVICES</b>					
Cemetery	\$	\$	\$ 4,594	\$ (4,594)	\$ (4,594)
<b>CULTURE AND RECREATION</b>					
Parks	13,500	13,500	12,035	1,465	1,465
Celebration	2,300	2,300	1,392	908	908
Total culture and recreation	15,800	15,800	13,427	2,373	2,373
<b>CONSERVATION AND DEVELOPMENT</b>					
Dam expense	1,000	1,000	383	617	617
Planning and zoning	400	400	175	225	225
Total conservation and development	1,400	1,400	558	842	842
<b>DEBT SERVICE</b>			5,372	(5,372)	(5,372)
<b>CAPITAL OUTLAY</b>	5,000	5,000		5,000	5,000
Total expenditures	\$ 376,535	\$ 376,535	\$ 423,635	\$ (49,728)	\$ (49,728)

Schedule 3  
Village of Merrilan, Wisconsin  
Schedule of Operating Revenues and Expenses  
Proprietary Funds  
Year Ended December 31, 2017

	Water Utility	Electric Utility	Subtotal	Sewer Utility	Total
<b>OPERATING REVENUES</b>					
Metered sales to general customers	\$ 146,783	\$ 284,001	\$ 430,784	\$ 150,139	\$ 580,923
Sewer revenue flat rate				807	807
Public fire protection service	47,284		47,284		47,284
Other sales public authority	6,322	19,309	25,631		25,631
Street lights		26,659	26,659		26,659
Interdepartmental		3,596	3,596		3,596
Forfeited discounts	397	844	1,241	406	1,647
Other	1,135	541	1,676		1,676
Total operating revenues	<u>201,921</u>	<u>334,950</u>	<u>536,871</u>	<u>151,352</u>	<u>688,223</u>
<b>OPERATING EXPENSES</b>					
Plant operation	36,244		36,244	46,733	82,977
Plant maintenance				24,054	24,054
Power production		227,462	227,462		227,462
Transmission and distribution		28,393	28,393		28,393
Administrative and general	48,229	58,704	106,933	18,586	125,519
Total operating expenses	<u>84,473</u>	<u>314,559</u>	<u>399,032</u>	<u>89,373</u>	<u>488,405</u>
Depreciation	60,247	18,288	78,535	65,272	143,807
Taxes	2,631	2,809	5,440		5,440
Operating income	<u>\$ 54,570</u>	<u>\$ (706)</u>	<u>\$ 53,864</u>	<u>\$ (3,293)</u>	<u>\$ 50,571</u>

**VILLAGE OF MERRILLAN, WISCONSIN**  
**REQUIRED AUDIT COMMUNICATIONS**  
**TO THE MEMBERS OF THE VILLAGE BOARD**

**Year Ended December 31, 2017**

**Johnson Block & Company, Inc.**  
**Certified Public Accountants**  
**2500 Business Park Road**  
**Mineral Point, Wisconsin 53565**  
**(608) 987-2206**  
**Fax: (608) 987-3391**



**VILLAGE OF MERRILLAN, WISCONSIN**

**Year Ended December 31, 2017**

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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, Wisconsin (“Village”) for the year ended December 31, 2017. 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 in our letter to you dated April 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village 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 2017. 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 accounting estimate affecting the Village’s financial statements was:

The estimate of depreciable lives of fixed assets was based on the estimated useful life of the related fixed asset. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *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 clearly trivial, and communicate them to the appropriate level of management. The appendix 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.

The following misstatements detected as a result of audit procedures were corrected by management:

- Record accounts payable.
- Record 2017 depreciation expense.
- Reflect fixed asset additions and deletions.
- Correct beginning balances.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 5, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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

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

We were engaged to report on Detailed Comparison of Budgeted and Actual Revenues Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

## Restriction on Use

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

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
Mineral Point, Wisconsin  
February 5, 2018



COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Village Board  
Village of Merrilan  
Merrilan, 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 Merrilan, Wisconsin ("Village") as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not 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's internal control to be a material weakness:

Segregation of Duties

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 deficiency in the Village's internal control to be a significant deficiency:

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.

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 & Company, Inc.*

Johnson Block and Company, Inc.  
Mineral Point, Wisconsin  
February 5, 2018



MANAGEMENT LETTER

To the Village Board  
Village of Merrillan  
Merrillan, Wisconsin

In planning and performing our audit of the financial statements of the Village of Merrillan, Wisconsin for the year ended December 31, 2017, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated February 5, 2018, on the financial statements of the Village.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Village's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
Mineral Point, Wisconsin  
February 5, 2018

## VILLAGE OF MERRILLAN, WISCONSIN

Year Ended December 31, 2017

### ADJUSTING JOURNAL ENTRIES

We are frequently requested by our clients to discuss the overall condition of their accounting records and what our role is as your audit firm. We believe that these matters should be discussed at each audit. The following section describes your accounting process in general terms and the ways in which we work with your staff.

The Village of Merrilan processes accounting transactions based on the type of transaction involved. Money coming in is processed using a cash receipt system. The payment of bills is done through an accounts payable system. Employees' salaries are paid using a payroll system. Customer billing and accounts receivable are processed through a billing system. These systems are responsible for recording and summarizing the vast majority of your financial statements.

Beyond the systems described in the preceding paragraph, another system is used to make corrections and to record non-cash transactions. This system involves preparing general journal entries. Journal entries provide the ability to make changes to the financial data entered in the other systems. As your auditor, our role is to substantiate year-end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances.

For the 2017 audit, we proposed adjustments and reclassifications to your records. The effect of these journal entries was considered to be material to the financial statements of the Village of Merrilan, Wisconsin. The proposed entries were accepted by the Village of Merrilan's management. All of these changes are reflected properly in your audited financial statements.

Because we are providing assistance to your staff by proposing changes to correct your financial information, you should be aware of these processes. Many of our clients rely on us to make year-end adjustments as we have described. In many cases, we have the experience or expertise to compute, and identify, corrections to your records. We work with many clients on similar issues, so it may be more efficient for you to have us do some of the one-time adjustments, rather than your staff spending hours researching the proper adjustment.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year-end financial statements and note disclosures. We have provided these services to the Village of Merrilan.

We are communicating this information to you to give you a better understanding of what we do and how the year end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year. However, in many cases, our services go beyond auditing. Our experience and training can provide a very cost-effective means of providing the year end accounting assistance that you need.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

#### PASSED JOURNAL ENTRIES

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. See the appendix for passed journal entries.

## OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL

### Investment Policy

Per investment policy, the Village is not to deposit more than \$500,000 with any one financial institution. Deposits with one bank totaled \$595,000 at year end, due to December property tax collections. The Village may want to update the investment policy. We are able to provide a sample policy.

### Budget Appropriations

We noted the Village was over budget in several expenditure functions. We recommend the Village approve budget amendments throughout the year to prevent expenditures from exceeding budget appropriations. This will provide a useful management tool to utilize throughout the year.

### Municipal Levy Limit – Debt Payments

During our audit, we noted that the Village has not levied for debt payments as allowed by the Wisconsin Department of Revenue for debt incurred after July 1, 2005. The Village could borrow for fixed asset purchases and then levy for the debt payment in subsequent years. This would help eliminate a reduction in fund balance for new equipment purchases. We recommend that the Village review whether or not they want to increase the tax levy each year by the amount of annual debt payments.

### Net Operating Loss

The Water and Electric Utility experienced a net loss of (\$23,617) and the Sewer Utility experienced a net loss of (\$17,308) for 2017. We recommend that the Utilities review their user fees and consider raising the rates to generate an adequate cash reserve for operating activities and future plant replacement or major repairs. The Water and Electric Utility last had a rate increase in 2012, and the Sewer Utility last had a rate increase in 2013. We are able to assist with any rate increase analysis and application to the Wisconsin Public Service Commission.

### Computer Backups

Backups are currently being performed on the Village's computers, however the Village has not attempted to recover data from a backup. We recommend the Village periodically test restoring data from a backup to ensure that the process is working properly. A backup should be performed just prior to testing the recovery process.

### Minimum Fund Balance Policy

The Village policy is to maintain a general fund balance equal to 45% of annual general fund expenditures. As of December 31, 2017 the general fund balance was 7% of the 2017 general fund expenditures. In the event that the balance drops below the established minimum level, the policy states the Village Board will develop a plan to replenish the fund balance to the established level in two years. We recommend that the Village Board develop a plan.

## CONCLUDING REMARKS

We would like to thank you for allowing us to serve you. We are committed to assisting you in the long-term financial success of the Village of Merrilan and our comments are intended to draw to your attention issues which need to be addressed by the Village to meet its goals and responsibilities.

The comments and suggestions in this communication are not intended to reflect in any way on the integrity or ability of the personnel of the Village of Merrilan. They are made solely in the interest of establishing sound internal control practices required by changing professional standards. The Village of Merrilan's staff is deeply committed to maintaining the financial reporting system so that informed decisions can be made. They were receptive to our comments and suggestions.

We will review the status of these comments during each audit engagement.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

**Village of Merrillan, Wisconsin  
December 31, 2017**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Proposed JE # 6001</b>			
Adjust accounts receivable to actual at 12/31/17.			
600-30440-000	RESIDENTIAL SALES - ELECTRIC	1,572.00	
600-10142-000	A/R ELECT/SALES TAX COLLECTE		1,572.00
<b>Total</b>		<b><u>1,572.00</u></b>	<b><u>1,572.00</u></b>
<b>Proposed JE # 6002</b>			
Record unbilled revenue.			
600-10142-000	A/R ELECT/SALES TAX COLLECTE	9,600.00	
600-10143-000	A/R WATER	3,333.00	
600-20461-000	RESIDENTIAL METERED/WATER	285.00	
600-30440-000	RESIDENTIAL SALES - ELECTRIC	1,221.00	
610-00142-000	ACCTS RECEIVABLE - SEWER	4,419.00	
610-00622-000	SEWER METERED	140.00	
600-10216-000	RETAINED EARNINGS - SURPLUS		3,618.00
600-10216-000	RETAINED EARNINGS - SURPLUS		10,821.00
610-00216-000	RETAINED EARNINGS		4,559.00
<b>Total</b>		<b><u>18,998.00</u></b>	<b><u>18,998.00</u></b>
<b>Proposed JE # 6003</b>			
Record difference in subsidiary ledger and general ledger for customer deposits.			
600-10235-000	CUSTOMER DEPOSITS	1,556.80	
600-30440-000	RESIDENTIAL SALES - ELECTRIC		1,556.80
<b>Total</b>		<b><u>1,556.80</u></b>	<b><u>1,556.80</u></b>