

VILLAGE OF WALES
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

VILLAGE OF WALES

TABLE OF CONTENTS

Year Ended December 31, 2013

<u>Basic Financial Statements</u>	<u>Exhibit</u>	<u>Page</u>
Independent auditors' report		1
Government-Wide Financial Statements:		
Statement of net position	A	3
Statement of activities	B	4
Fund Financial Statements:		
Governmental funds:		
Balance sheet	C	5
Reconciliation of the balance sheet to the statement of net position	D	6
Statement of revenues, expenditures and changes in fund balances	E	7
Reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities	F	8
General Fund and Tax Incremental District No.1 Fund:		
Budgetary comparison statement	G	9
Agency Fund:		
Statement of fiduciary net position	H	10
Notes to financial statements		11
<u>Supporting Schedules</u>	<u>Schedule</u>	
General Fund:		
Statement of revenues compared to budget	1	27
Statement of expenditures compared to budget	2	29
Debt Service Fund:		
Statement of revenues, expenditures and changes in fund balance - actual and budget	3	30
Tax Incremental District No. 1 Fund:		
Statement of revenues, expenditures and changes in fund balance - actual and budget	4	31



Certified Public Accountants & Consultants

Independent Auditors' Report

Village Board
Village of Wales
Waukesha County, Wisconsin

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Wales, Wisconsin as of and for the year ended December 31, 2013, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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, each major fund, and the aggregate remaining fund information of the Village of Wales, Wisconsin as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 5(F), the Village adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. The Village's net position at December 31, 2012 had included unamortized debt issuance costs of \$44,757. As a result of adopting GASB Statement No. 65 the Village's net position reported in the government-wide statement of activities at December 31, 2012 has been restated from \$5,026,277 to \$4,981,520.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Wales, Wisconsin's basic financial statements. The combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.



VILLAGE OF WALES
STATEMENT OF NET POSITION
Governmental Activities
December 31, 2013

Assets

Current assets:	
Cash and cash equivalents	\$ 2,237,121
Receivables:	
Current taxes	713,740
Intergovernmental	98,785
Accounts	5,393
Non-current assets:	
Intergovernmental receivables	560,986
Fixed assets:	
Non-depreciable:	
Land	665,856
Depreciable:	
Capital assets, net of accumulated depreciation	5,053,484
Total assets	<u>9,335,365</u>

Liabilities

Current liabilities:	
Accounts payable	90,216
Other liabilities	40,103
Unearned revenues	152,442
Current portion of long-term obligations	413,083
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	1,983,084
Total liabilities	<u>2,678,928</u>

Deferred Inflows of Resources

Subsequent year's tax levy	<u>1,335,693</u>
----------------------------	------------------

Net Position

Net investment in capital assets	3,940,539
Restricted	535,074
Unrestricted	845,131
Total net position	<u>5,320,744</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
STATEMENT OF ACTIVITIES
Governmental Activities
Year Ended December 31, 2013

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government:					
Direct expenses:					
General government	\$ 291,366	24,795	-	-	(266,571)
Public safety	216,415	35,498	17,501	-	(163,416)
Health and sanitation	199,946	157,324	13,964	-	(28,658)
Highway and transportation	449,028	-	60,845	21,953	(366,230)
Parks and recreation	268,471	63,821	2,500	-	(202,150)
Indirect expenses:					
Interest and other related charges	55,323	-	-	-	(55,323)
Total primary government	\$ 1,480,549	281,438	94,810	21,953	(1,082,348)
General revenues:					
Property taxes					1,355,838
Grants not restricted to specific programs					41,350
Cable television franchise fees					22,028
Interest and investment earnings					4,577
Loss on disposal of fixed assets					(2,221)
					Total general revenues
					1,421,572
					Change in Net Position
					339,224
					Net Position - Beginning of Year
					4,981,520
					Net Position - End of Year
					\$ 5,320,744

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
BALANCE SHEET
Governmental Funds
December 31, 2013

	General	Debt Service	Tax Incremental District No. 1	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,389,699	213,487	633,935	2,237,121
Receivables:				
Taxes	440,025	192,325	81,390	713,740
Intergovernmental	18,861	617,366	-	636,227
Accounts	5,337	-	-	5,337
	<u>1,853,922</u>	<u>1,023,178</u>	<u>715,325</u>	<u>3,592,425</u>
Total assets	<u>\$ 1,853,922</u>	<u>1,023,178</u>	<u>715,325</u>	<u>3,592,425</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 75,648	4,253	10,315	90,216
Accrued payroll	14,947	-	-	14,947
Other liabilities	4,789	-	-	4,789
Unearned revenues	152,442	-	-	152,442
Total liabilities	<u>247,826</u>	<u>4,253</u>	<u>10,315</u>	<u>262,394</u>
Deferred inflows of resources:				
Subsequent year's tax levy	764,198	401,559	169,936	1,335,693
Loans	-	617,366	-	617,366
Total deferred inflows of resources	<u>764,198</u>	<u>1,018,925</u>	<u>169,936</u>	<u>1,953,059</u>
Fund balance:				
Restricted	-	-	535,074	535,074
Assigned	354,010	-	-	354,010
Unassigned	487,888	-	-	487,888
Total fund balance	<u>841,898</u>	<u>-</u>	<u>535,074</u>	<u>1,376,972</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,853,922</u>	<u>1,023,178</u>	<u>715,325</u>	<u>3,592,425</u>

The accompanying notes are an integral part of the financial statements

VILLAGE OF WALES
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
Governmental Funds
December 31, 2013

Total fund balances - governmental funds	\$	1,376,972
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain accounts receivable are not available soon enough after year-end to pay for the current year's expenditures, and therefore are not reported in the governmental funds		79,980
Other long-term assets are not available to pay for current year expenditures and therefore are not reported in the government funds.		560,986
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 8,814,364	
Less: Accumulated depreciation	<u>(3,095,024)</u>	5,719,340
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(20,367)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		<u>(2,396,167)</u>
Total net position - governmental activities	\$	<u><u>5,320,744</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended December 31, 2013

	General	Debt Service	Tax Incremental District No. 1	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 731,563	404,101	220,174	1,355,838
Intergovernmental	151,080	62,676	4,533	218,289
Regulation and compliance	63,649	-	-	63,649
Charges for services	231,044	-	-	231,044
Interest	4,401	199	-	4,600
Miscellaneous	14,870	-	-	14,870
Total revenues	<u>1,196,607</u>	<u>466,976</u>	<u>224,707</u>	<u>1,888,290</u>
<u>Expenditures</u>				
General government	290,711	-	-	290,711
Public safety	198,869	-	-	198,869
Health and sanitation	159,249	-	-	159,249
Highway and transportation	266,738	-	-	266,738
Parks and recreation	141,397	-	-	141,397
Capital outlay	-	-	40,697	40,697
Debt service:				
Principal	-	1,797,333	-	1,797,333
Interest and fiscal fees	-	82,863	-	82,863
Total expenditures	<u>1,056,964</u>	<u>1,880,196</u>	<u>40,697</u>	<u>2,977,857</u>
Excess (deficiency) of revenues over expenditures	<u>139,643</u>	<u>(1,413,220)</u>	<u>184,010</u>	<u>(1,089,567)</u>
<u>Other financing sources (uses)</u>				
Transfer in	-	248,146	-	248,146
Transfer out	(248,146)	-	-	(248,146)
	<u>(248,146)</u>	<u>248,146</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(108,503)	(1,165,074)	184,010	(1,089,567)
Fund balance:				
January 1	<u>950,401</u>	<u>1,165,074</u>	<u>351,064</u>	<u>2,466,539</u>
December 31	<u>\$ 841,898</u>	<u>-</u>	<u>535,074</u>	<u>1,376,972</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 Governmental Funds
 Year Ended December 31, 2013

Net change in fund balances - governmental funds	\$	(1,089,567)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities do not include those which were earned in prior years, but provide financial resources of the current year.		(1,779)
Collection of long-term intergovernmental receivables which are not available to pay for current year expenditures are not reported until collected in the governmental funds. In the Statement of Activities however, these are reported when they are earned.		(56,381)
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, however, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which depreciation expense (332,933) exceeds capital outlays (\$5,368).		(327,565)
In governmental funds, losses from the disposition of assets are not recognized. In the Statement of Activities, however, losses are recognized to the extent that the remaining net book value exceeds proceeds received from disposition.		(2,221)
Interest on long-term debt is recognized as an expenditure in the funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues.		19,404
Repayment of long-term debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		<u>1,797,333</u>
Net change in position - governmental activities	\$	<u><u>339,224</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
BUDGETARY COMPARISON STATEMENT
General Fund and Tax Incremental District No.1 Fund
Year Ended December 31, 2013

	Budget		Actual Amounts	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
GENERAL FUND				
Budgetary fund balance, January 1	\$ 950,401	950,401	950,401	-
<u>Resources (inflows)</u>				
Taxes	731,563	731,563	731,563	-
Intergovernmental	115,985	137,938	151,080	13,142
Regulation and compliance	45,600	55,600	63,649	8,049
Charges for services	181,584	222,829	231,044	8,215
Interest	4,500	4,500	4,401	(99)
Miscellaneous	300	14,870	14,870	-
Amounts available for appropriation	<u>2,029,933</u>	<u>2,117,701</u>	<u>2,147,008</u>	<u>29,307</u>
<u>Charges to appropriations (outflows)</u>				
General government	321,780	331,553	290,711	40,842
Public safety	188,300	198,869	198,869	-
Health and sanitation	152,582	159,249	159,249	-
Highway and transportation	231,433	266,738	266,738	-
Parks and recreation	122,781	156,546	141,397	15,149
Capital outlays	53,000	53,000	-	53,000
Transfers out:	-	248,146	248,146	-
Total charges to appropriations	<u>1,069,876</u>	<u>1,414,101</u>	<u>1,305,110</u>	<u>108,991</u>
Fund balance, December 31	<u>\$ 960,057</u>	<u>703,600</u>	<u>841,898</u>	<u>138,298</u>
TAX INCREMENTAL DISTRICT NO. 1 FUND				
Budgetary fund balance, January 1	\$ 351,064	351,064	351,064	-
<u>Resources (inflows)</u>				
Taxes	220,174	220,174	220,174	-
Intergovernmental	4,700	4,700	4,533	(167)
Interest	1,000	1,000	-	(1,000)
Amounts available for appropriation	<u>576,938</u>	<u>576,938</u>	<u>575,771</u>	<u>(1,167)</u>
<u>Charges to appropriations (outflows)</u>				
Capital outlays	-	40,697	40,697	-
Fund balance, December 31	<u>\$ 576,938</u>	<u>536,241</u>	<u>535,074</u>	<u>(1,167)</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF WALES
STATEMENT OF FIDUCIARY NET POSITION
Agency Fund
December 31, 2013

Assets

Cash and cash equivalents	\$ 3,073,570
Taxes receivable	<u>2,332,780</u>
Total assets	<u><u>\$ 5,406,350</u></u>

Liabilities

Due to other taxing units:	
School districts	\$ 4,015,446
Waukesha County	797,724
State of Wisconsin	57,493
Deposits:	
Kettle Moraine School District	513,782
Ditch and occupancy	18,500
Developers	3,350
Security deposit	<u>55</u>
Total liabilities	<u><u>\$ 5,406,350</u></u>

The accompanying notes are an integral part of the financial statements

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

NOTE	Page
I. Summary of Significant Accounting Policies	
A. Reporting Entity	12
B. Government-Wide and Fund Financial Statements	12
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	13
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity	
1. Deposits and Investments	14
2. Receivables	15
3. Capital Assets	16
4. Deferred Outflows/Inflows of Resources	17
5. Long-Term Obligations	17
6. Claims and Judgments	17
7. Equity Classifications	17
8. Use of Estimates	18
2. Reconciliation of Government-Wide and Fund Financial Statements	
A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position	19
B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	19
3. Stewardship, Compliance, and Accountability	
A. Budgetary Information	20
B. Limitations of the Village's Tax Levy	21
4. Detailed Notes on All Funds	
A. Deposits and Investments	21
B. Receivables	22
C. Capital Assets	22
D. Payables	23
E. Long-Term Obligations	23
F. Governmental Activities Net Position/Fund Balances	24
5. Other Information	
A. Risk Management	25
B. Joint Ventures	25
C. Tax Incremental District No. 1	26
D. Change in Accounting Principle – Inventory Reporting	26
E. Commitments	26
F. Restatement of Beginning Net Position	26
G. Subsequent Events	26

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of the Village of Wales included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

This report includes all of the funds of the Village of Wales. The reporting entity for the Village consists of the primary government, organizations for which the primary government is financially accountable and 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 is able to impose its will on that organization or 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. This report does not contain any component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 included 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental categories.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

B. Government-Wide and Fund Financial Statements - continued

Fund Financial Statements - continued

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 or resources, revenues, or expenditures/expenses of that individual governmental 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 that met the 10 percent test is at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

The Village reports the following major governmental funds:

General Fund – The 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.

Debt Service Fund – The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term debt.

Tax Incremental District No. 1 Fund – The tax incremental district no. 1 fund accounts for the proceeds of specific revenue sources that are legally restricted for expenditures for infrastructure improvements within the Village.

In addition, the Village reports the following fund types:

Agency Fund – The agency fund accounts for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

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. Accordingly, all the Village’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position.

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 inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

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 sixty days of the end of the current fiscal period.

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled to the resources and the amounts are available. Amounts owed to the Village but not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as liabilities. Revenues susceptible to accrual include property taxes, charges for services, inspection fees and interest.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims and judgments, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

The Village reports deferred inflows of resources on its governmental funds balance sheet. These include taxes levied in the current year but are for subsequent year's operations. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. They also include long-term loans which are recorded as revenues when they become measurable and available as current assets.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. Deposits and Investments

Wisconsin municipalities are authorized by statute to invest idle funds in the following institutions and investments:

- a. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, which is authorized to transact business in this state if the time deposits mature in not more than 3 years.
- b. Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, or school district of this state.
- d. Bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district or local cultural arts district.
- e. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued

1. Deposits and Investments - continued

- f. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- g. Securities of an open-end management investment company or investment trust (mutual fund), if the portfolio is limited to the following:
 - 1. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
 - 2. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
 - 3. Repurchase agreements fully collateralized by bonds or securities under (g) 1 or 2.
- h. Bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities.
- i. The Local Government Pooled Investment Fund.
- j. Repurchase agreements with public depositories, if federal bonds or securities secure the agreement.

Investments made during 2013 were held in the Village's name and were in accordance with those allowable by state statutes.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is unrated and is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. 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 on the accompanying agency fund balance sheet.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued

2. Receivables - continued

Property tax calendar – 2013 tax roll:

Levy:	
Tax lien and levy date	December 2013
Tax bills mailed	December 2013
Real property taxes:	
Payment in full or first installment	January 31, 2014
Second installment payable to County	July 31, 2014
Personal property taxes, special assessments and special charges, in full	January 31, 2014
Tax settlements with taxing jurisdictions:	
First settlement	January 15, 2014
Second settlement	February 20, 2014
Final settlement	August 20, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes their collection. The Village maintains responsibility for collection of delinquent personal property taxes.

3. 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 Village as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of three years. 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.

Prior to 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units were required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets was not required. The Village retroactively reported the infrastructure assets associated with its roadways and storm sewers.

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

Buildings and improvements	10-40 Years
Equipment	10-15 Years
Land improvements	20 Years
Infrastructure	20-100 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenditure) until then. The Village currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two types of items that qualify for reporting in this category; property taxes and long-term loans. These amounts will be recognized as an inflow of resources in subsequent years for which they were levied and/or assessed.

5. Long-Term Obligations

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

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

6. 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 as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

7. 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 including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – 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 – All other net positions that do not meet the definition of “net investment in capital assets” or “restricted”.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity - continued

7. Equity Classifications - continued

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Standards Board Statement No. 54 fund balance is further categorized into five classifications based on the constraints imposed on the use of these resources. These five classifications are nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form – prepaids or inventories; or are legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- a. Restricted - This classification reflects the constraints imposed on resources externally by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- b. Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Village Board, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purposes unless the Village Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- c. Assigned - This classification reflects the amounts constrained by the Village's intent to be used for a specific purpose, but are neither restricted nor committed. The Village Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- d. Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The Village has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. In these circumstances GASB Statement No. 54 indicates that restricted funds are to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(2) Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The financial statements include reconciliation between fund balance – total governmental funds as reported in the governmental fund balance sheet and net position – governmental activities as reported in the government-wide statement of net position.

Capital assets net of accumulated depreciation of \$5,719,340 used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Certain liabilities applicable to the Village's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Bonds and notes payable	\$ 2,396,167
Accrued interest	<u>20,367</u>
	\$ <u>2,416,534</u>

The long term portion of notes receivable that is not available to pay for current year expenditures of \$560,986 is a deferred inflow of resources in the governmental fund financial statements.

Certain accounts receivable that were not available soon enough after year-end to pay for the current year's expenditure are not reported in the governmental funds total \$79,980.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The financial statements include reconciliation between net change in fund balances – total governmental funds as reported in the statement of revenues, expenditures and changes in fund balances and change in net position of governmental activities as reported in the government-wide statement of activities.

A significant element of the reconciliation is the purchase of long-term capital assets and the repayment of long-term debt both of which consume current financial resources of governmental funds. These are not considered current year expenditures in the government-wide statement of activities.

Capital asset additions	\$ 5,368
Principal repayment	<u>1,797,333</u>
	\$ <u>1,802,701</u>

Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The details of this difference are as follows:

Depreciation expense	\$ 332,933
Decrease in accrued interest on long-term debt	(19,404)
Net book value of fixed asset disposed of	<u>2,221</u>
	\$ <u>315,750</u>

Long-term intergovernmental receivables which are not available to pay for current year expenditures are recorded as deferred inflows of resources until collected in the governmental funds. In the Statement of Activities these are reported when they are earned. Total collections in 2013 were \$56,381.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(2) Reconciliation of Government-Wide and Fund Financial Statements - Continued

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities - continued

The final element of the reconciliation relates to governmental fund revenues totaling \$1,779 which were earned in prior years but provide financial resources in the current year.

(3) Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 (C). The Village prepares an annual budget for the general, debt service, and tax incremental district no. 1 funds on a basis consistent with generally accepted accounting principles.

Public hearings are conducted on the proposed budget prior to Village Board approval. The budget is legally enacted prior to December 31 through approval of the Village Board.

The general fund budget is adopted at the departmental level of expenditure. All other governmental funds of the Village are adopted at the functional level of expenditure. Subsequent to the enactment of the budget, the Village Board has the authority to make amendments to the budget, which may result in changes in total appropriations. Such amendments require approval of two-thirds of the governing body with notice of such change being given by publication within 10 days in the official Village newspaper. Amendments made to the original approved budget were in accordance with these requirements and included the following:

	<u>Original</u>	<u>Amended</u>
General Fund		
Revenues:		
Intergovernmental	\$ 115,985	137,938
Charges for services	181,584	222,829
Expenditures:		
Highway and transportation	231,433	266,738
Parks and recreation	122,781	156,546
Other financing uses:		
Transfer to debt service	-	248,146
Debt Service Fund:		
Expenditures:		
Principal retirement	657,334	1,797,333
Interest and fiscal fees	57,361	82,863
Other financing sources:		
Transfer from general fund	-	248,146
Tax Incremental District #1 Fund:		
Expenditures:		
Capital outlay	-	40,697

The budgetary comparison statements for the general fund and tax incremental district no. 1 fund are shown as part of the basic financial statements. Budgetary comparisons for other governmental funds are included in supplemental information.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(3) Stewardship, Compliance, and Accountability - Continued

B. Limitations of the Village's Tax Levy

Wisconsin Statute 66.0602 limits the Village's property tax levy, with exceptions, to its prior tax levy, increased by the percentage change in the Village's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

(4) Detailed Notes on All Funds

A. Deposits and Investments

The Village's deposits and investments at December 31, 2013 were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	\$ 4,558,198	4,565,310	Custodial credit risk
Non-negotiable certificates of deposit	717,389	717,389	Custodial credit risk
LGIP	35,004	35,004	Credit risk, interest rate risk
Petty cash	100	100	
	<u>\$ 5,310,691</u>	<u>5,317,803</u>	

The difference between the carrying value and bank balance is due to outstanding checks. Reconciliation of deposits and investments to statement of net position and statement of fiduciary net position:

Per Statement of Net Position	\$ 2,237,121
Per Statement of Fiduciary Net Position	<u>3,073,570</u>
	<u>\$ 5,310,691</u>

All time and savings deposits owned by the Village and held by the Village's official custodian in an insured depository institution within the State of Wisconsin are combined and insured up to \$250,000. All demand deposits owned by the Village and held by the Village's official custodian in an insured depository institution within the State of Wisconsin are combined and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. For accounts held by the Village located outside the State of Wisconsin, all time, savings, and demand deposits are combined within each depository institution and insured up to \$250,000.

In addition to FDIC insurance, there is insurance currently available through the State of Wisconsin depository insurance program, which would provide a maximum of \$400,000 of insurance on deposits in any one institution. The amount available to fund the entire Wisconsin program is limited and, therefore, the actual benefits available at a time of claim would depend upon the remaining balance in the state fund. This coverage has not been considered in computing custodial credit risk.

The State Investment Fund, which the LGIP is a part of, had 99.3% of its investments in U.S. government securities.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Village's deposits may not be returned to it. Of the Villages' total bank balance, \$1,219,718 was collateralized by securities held by the pledging financial institution in excess of federal depository insurance limits. The Village does not have a deposit policy for custodial credit risk.

Credit and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value has to changes in market interest rates.

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from changes in interest rates. At December 31, 2013 the Village held investments with a fair value of \$35,004 in the LGIP. The average maturity date for investments held by the LGIP is 89 days, but funds are due to the Village on demand.

B. Receivables

At the end of the current fiscal year, the various components of the Village's receivables included deferred inflow of resources reported in the governmental fund financial statements were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Current year property taxes receivable:			
General fund	\$ 440,025	-	440,025
Debt service fund	192,325	-	192,325
Tax incremental district no. 1 fund	81,390	-	81,390
Notes receivable	-	<u>617,366</u>	<u>617,366</u>
	<u>\$ 713,740</u>	<u>617,366</u>	<u>1,331,106</u>

In addition, other receivables are reported in the government-wide financial statements net of the amount estimated to be uncollectible.

C. Capital Assets

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

	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/13</u>
Capital Assets Not Being Depreciated:				
Land	\$ <u>665,856</u>	-	-	<u>665,856</u>
Capital Assets Being Depreciated:				
Buildings and improvements	1,638,752	5,368	4,000	1,640,120
Equipment	217,369	-	-	217,369
Land improvements	2,147,383	-	-	2,147,383
Infrastructure	<u>4,143,636</u>	-	-	<u>4,143,636</u>
	<u>8,147,140</u>	<u>5,368</u>	<u>4,000</u>	<u>8,148,508</u>
Total capital assets	<u>8,812,996</u>	<u>5,368</u>	<u>4,000</u>	<u>8,814,364</u>

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets - continued

	Balance <u>12/31/12</u>	Additions	Disposals	Balance <u>12/31/13</u>
Less Accumulated Depreciation:				
Buildings and improvements	\$ (368,152)	(40,691)	(1,779)	(407,064)
Equipment	(143,032)	(12,683)	-	(155,715)
Land improvements	(959,930)	(105,408)	-	(1,065,338)
Infrastructure	<u>(1,292,756)</u>	<u>(174,151)</u>	-	<u>(1,466,907)</u>
	<u>(2,763,870)</u>	<u>(332,933)</u>	<u>(1,779)</u>	<u>(3,095,024)</u>
Capital assets, net of depreciation	\$ <u>6,049,126</u>	<u>(327,565)</u>	<u>2,221</u>	<u>5,719,340</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 6,023
Public safety	17,546
Highway and transportation	182,290
Parks and recreation	<u>127,074</u>
	<u>\$ 332,933</u>

D. Payables

Payables as of December 31, 2013 for the Village's individual major funds and non-major funds in the aggregate, are as follows:

	General	Debt Service	Tax Incremental District No. 1	Total
Accounts payable	\$ 75,648	4,253	10,315	90,216
Accrued payroll	14,947	-	-	14,947
Other accrued liabilities	<u>4,789</u>	-	-	<u>4,789</u>
Total per fund balance sheet	\$ <u>95,384</u>	<u>4,253</u>	<u>10,315</u>	109,952
Accrued interest				<u>20,367</u>
Total per government-wide statement of net position				\$ <u>130,319</u>

E. Long-Term Obligations

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

	Balance <u>12/31/12</u>	Increases	Decreases	Balance <u>12/31/13</u>	Amounts Due Within <u>One Year</u>
Bonds and notes payable:					
General obligation debt	\$ <u>4,193,500</u>	<u>-</u>	<u>1,797,333</u>	<u>2,396,167</u>	<u>413,083</u>

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

E. Long-Term Obligations - continued

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 and contributions from the Town of Genesee for its portion of the fire station borrowing.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5% of the equalized value of taxable property within the Village of \$338,777,700. The debt limit as of December 31, 2013 was \$16,938,885 and total general obligation debt outstanding at year-end was \$2,396,167. The following is a list of the Village's long-term obligations at December 31, 2013:

	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/13</u>	<u>Amounts Due Within One Year</u>
General obligation debt:					
2006 Park bonds	2/1/26	3.85 - 4.3%	\$ 1,015,000	\$ 765,000	45,000
2012 Refunding bonds	2/1/23	.45 - 2.1%	1,195,000	1,095,000	100,000
2012 Road note	6/1/15	1.75%	804,250	<u>536,167</u>	<u>268,083</u>
				<u>\$ 2,396,167</u>	<u>413,083</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 413,083	52,842	465,925
2015	418,084	45,576	463,660
2016	150,000	40,393	190,393
2017	150,000	37,417	187,417
2018	160,000	34,148	194,148
2019-2023	895,000	107,510	1,002,510
2024-2026	<u>210,000</u>	<u>13,528</u>	<u>223,528</u>
	<u>\$ 2,396,167</u>	<u>331,414</u>	<u>2,727,581</u>

F. Governmental Activities Net Position/Fund Balances

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

Governmental Activities

Net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 5,719,340
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(1,778,801)</u>
	3,940,539

Restricted for capital improvements

535,074

Unrestricted

845,131

Total Governmental Activities Net Position

\$ 5,320,744

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Governmental Activities Net Position/Fund Balances - continued

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Restricted for:		
Tax Incremental District No. 1 Fund:	\$	535,074
Assigned:		
General Fund:		
Rescue equipment		278,879
General equipment		40,069
Village hall improvements		20,000
Park equipment		10,062
Revaluation		5,000
Unassigned:		
General Fund		<u>487,888</u>
Total governmental activities fund balances	\$	<u>1,376,972</u>

(5) Other Information

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

B. Joint Ventures

On June 24, 1998, under the authority of Wisconsin State Statutes Section 66.30, the Village entered into a joint venture with the Town of Genesee to form the Wales/Genesee Fire Department. The Department provides fire protection, ambulance and rescue services for persons and properties situated within a portion of the Town of Genesee and all of the Village of Wales. A six member Joint Board comprised of three members appointed by each the Village and the Town oversees the Fire Department.

Operating costs of the Department are apportioned to each member based upon equalized values. The Joint Fire Board submits an annual budget to the participating members by October 1. The Village and Town boards jointly adopt the final budget by December 1. The Village's share of the Department's operating costs for 2013 was \$155,238. Financial statements of the Fire Department can be obtained at the Department's office.

On May 4, 2004 the Village entered into an agreement with the Town to finance the construction of a new fire station. The Village issued general obligation bonds to finance the entire cost of construction. Subsequently, the Town issued a general obligation bond to the Village sufficient to guarantee full and timely payment of the Town's share of debt service payments. On February 1, 2013, the bonds were refunded using the proceeds of long-term debt issued on November 7, 2012. The refunding of this debt will result in an overall savings of \$156,223 over the term of the new debt. Annual debt service payments are allocated to each municipality based upon each municipality's respective equalized value within the district as of the prior January 1.

VILLAGE OF WALES
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

B. Joint Ventures - continued

The fire station is owned by the Village and the Town as tenants-in-common, with percentage ownership based upon total debt payments attributable to each municipality. The Village's portion of the construction costs is included in the government-wide statement of net position. The land upon which the fire station was constructed was owned by the Village and, as part of the agreement, the Village sold one-half of the ownership in the land to the Town for \$100,000.

The joint venture agreement provides for dissolution of the Department at the option of either of the members. Such dissolution would be delayed for one year to allow time for the Department to wind up its affairs. In the event of dissolution, the Joint Board is empowered to sell the Department's assets and divide the funds between the members based upon equalized values.

C. Tax Incremental District No. 1

In July 2006 the Village created Tax Incremental District No.1 under Wisconsin State Statute 66.1105. The primary purpose of the District is to install public improvements and make the necessary related expenditures to promote the commercial and residential development within the District. State Statutes require that project costs for the improvements within the District be incurred within 32 years of the District's formation and that the District terminate on the earlier of 37 years after the date the District was created or at such point when the aggregate incremental taxes are sufficient to cover all project costs incurred. Increases in the property valuations occurring after the District's creation are the basis for computing incremental taxes generated by the District. These tax increments will be used to finance project costs and provide for the related debt retirement. Project costs, including legal, engineering and consulting incurred since the creation of the District have totaled \$210,242.

D. Change in Accounting Principle – Inventory Reporting

In 2013 a change in accounting policy was adopted to record inventory costs using the "consumption method", where inventory expenditures are recorded at the time of use. This method accounts for any change in inventory as a direct reduction (increase in inventory) or direct charge (decrease in inventory) to expenditures reported in the governmental fund financial statements.

E. Commitments

The Village Board awarded a contract for the construction of a sanitary sewer line to Advanced Construction in the amount of \$499,396. The construction project will begin early in 2014 and is expected to be completed in the fall of 2014. This project is being funded by tax incremental district no. 1.

F. Restatement of Beginning Net Position

The Village has adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. The Village's net position at December 31, 2012 had included unamortized debt issuance costs of \$44,757. Net position for the government-wide financial statements has been restated from \$5,026,277 to \$4,981,520 as of December 31, 2012.

G. Subsequent Events

In preparing the financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through May 30, 2014, the date the financial statements were available to be issued.

SUPPORTING SCHEDULES

VILLAGE OF WALES
General Fund
STATEMENT OF REVENUES COMPARED TO BUDGET
Year Ended December 31, 2013

	Budget		Actual	Variance: Favorable (Unfavorable)
	Original	Final		
<u>Taxes</u>				
General property taxes	\$ 731,563	731,563	731,563	-
<u>Intergovernmental</u>				
State shared revenues	35,985	35,985	36,572	587
Exempt computer aids	300	300	145	(155)
State transportation aids	58,600	58,600	60,845	2,245
Fire insurance dues	11,000	11,000	12,649	1,649
EMS grants	-	-	4,852	4,852
Local road improvement grant	-	21,953	21,953	-
Aids in lieu of taxes	100	100	100	-
County recycling aids	10,000	10,000	13,964	3,964
	<u>115,985</u>	<u>137,938</u>	<u>151,080</u>	<u>13,142</u>
<u>Regulation and compliance</u>				
Liquor licenses	4,500	4,500	4,690	190
Dog licenses	2,200	2,200	1,433	(767)
Building permits	18,000	28,000	28,092	92
Cable franchise fees	19,500	19,500	22,028	2,528
Ordinance violations	1,000	1,000	2,306	1,306
Dog license fines	100	100	200	100
Ditch deposit forfeitures	-	-	4,000	4,000
Other	300	300	900	600
	<u>45,600</u>	<u>55,600</u>	<u>63,649</u>	<u>8,049</u>
<u>Charges for services</u>				
Sales of supplies and copies	100	100	2	(98)
Assessment letters	100	100	280	180
DNR grass cutting	1,000	1,000	1,620	620
Professional fees reimbursed:				-
Legal	100	100	7,287	7,187
Engineering	100	100	2,885	2,785
Other	300	300	1,245	945
Refuse collection	150,984	150,984	152,604	1,620
Recreation fees:				
Soccer program	-	13,604	13,604	-
Baseball program	11,000	11,000	7,300	(3,700)
Flag football program	5,000	5,000	-	(5,000)

VILLAGE OF WALES
 General Fund
 STATEMENT OF REVENUES COMPARED TO BUDGET
 Year Ended December 31, 2013

	Budget		Actual	Variance: Favorable (Unfavorable)
	Original	Final		
<u>Charges for services - continued</u>				
Sponsorship fees:				
Soccer	-	-	1,500	1,500
Baseball	500	500	200	(300)
Flag football program	300	300	-	(300)
Park reservation fees	12,000	12,000	14,825	2,825
State trail passes	100	100	51	(49)
Event fund raising:				
Summer celebration	-	27,641	27,641	-
	<u>181,584</u>	<u>222,829</u>	<u>231,044</u>	<u>8,215</u>
 <u>Interest</u>				
Investments	\$ 4,500	4,500	4,401	(99)
 <u>Miscellaneous</u>	<u>300</u>	<u>14,870</u>	<u>14,870</u>	<u>-</u>
Total revenues	\$ <u>1,079,532</u>	<u>1,167,300</u>	<u>1,196,607</u>	<u>29,307</u>

VILLAGE OF WALES
General Fund
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
Year Ended December 31, 2013

	Budget		Actual	Variance:
	Original	Final		Favorable (Unfavorable)
<u>General government</u>				
Legislative	\$ 21,540	21,540	18,990	2,550
Fire commission	1,620	1,620	1,485	135
General administration	129,880	129,880	125,752	4,128
Elections	4,900	4,900	3,029	1,871
Legal	31,000	31,000	20,284	10,716
Accounting	19,570	21,296	21,296	-
Treasurer	5,500	5,500	4,689	811
Assessor	16,500	16,500	10,808	5,692
General buildings and plant	47,200	47,200	32,261	14,939
Insurance	14,770	18,028	18,028	-
Other general government	29,300	34,089	34,089	-
	<u>321,780</u>	<u>331,553</u>	<u>290,711</u>	<u>40,842</u>
<u>Public safety</u>				
Fire and rescue	172,600	175,818	175,818	-
Building inspection	15,700	23,051	23,051	-
	<u>188,300</u>	<u>198,869</u>	<u>198,869</u>	<u>-</u>
<u>Health and sanitation</u>				
Sanitation and weed control	151,234	157,901	157,901	-
Animal control	1,348	1,348	1,348	-
	<u>152,582</u>	<u>159,249</u>	<u>159,249</u>	<u>-</u>
<u>Highway and transportation</u>				
Operations and maintenance	231,433	266,738	266,738	-
<u>Parks and recreation</u>				
Parks	98,271	98,271	83,122	15,149
Recreation programs	24,510	58,275	58,275	-
	<u>122,781</u>	<u>156,546</u>	<u>141,397</u>	<u>15,149</u>
<u>Capital outlays</u>				
	53,000	53,000	-	53,000
Total expenditures	\$ <u>1,069,876</u>	<u>1,165,955</u>	<u>1,056,964</u>	<u>108,991</u>

VILLAGE OF WALES
Debt Service Fund
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
Year Ended December 31, 2013

	Actual	Budget	Variance: Favorable (Unfavorable)
<u>Revenues</u>			
General property taxes	\$ 404,101	404,101	-
Contribution from Town of Genesee	62,676	64,665	(1,989)
Interest income	199	-	199
	466,976	468,766	(1,790)
<u>Expenditures</u>			
Debt service:			
Principal retirement	1,797,333	1,797,333	-
Interest and fiscal fees	82,863	82,863	-
	1,880,196	1,880,196	-
Excess (deficiency) of revenues over expenditures	(1,413,220)	(1,411,430)	(1,790)
<u>Other financing sources</u>			
Transfer from general fund	248,146	248,146	-
Excess (deficiency) of revenues and other financing sources over expenditures	(1,165,074)	(1,163,284)	(1,790)
Fund balance, January 1	1,165,074		
Fund balance, December 31	\$ -		

VILLAGE OF WALES
 Tax Incremental District No.1
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 Year Ended December 31, 2013

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
<u>Revenues</u>			
General property taxes	\$ 220,174	220,174	-
Exempt computer aids	4,533	4,700	(167)
Interest income	-	1,000	(1,000)
	<u>224,707</u>	<u>225,874</u>	<u>(1,167)</u>
<u>Expenditures</u>			
Capital outlays	<u>40,697</u>	<u>40,697</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	184,010	<u>185,177</u>	<u>(1,167)</u>
Fund balance, January 1	<u>351,064</u>		
Fund balance, December 31	<u>\$ 535,074</u>		