

VILLAGE OF SHOREWOOD HILLS

Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

VILLAGE OF SHOREWOOD HILLS

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Shorewood Hills
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Shorewood Hills, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village of Shorewood Hills' 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.

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 auditors' 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 Village of Shorewood Hills' 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 Village of Shorewood Hills' 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 Shorewood Hills, 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 6, 2018

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2017

The management of the Village of Shorewood Hills offers all persons interested in the financial position of the village this narrative overview and analysis of the village's financial performance during the fiscal year ending December 31, 2017. You are invited to read this narrative in conjunction with the village's financial statements.

FINANCIAL HIGHLIGHTS

- > The assets of the Village of Shorewood Hills exceeded its liabilities by \$798,678. Of this amount, (\$1,385,433) is considered unrestricted net position (deficit) and \$1,881,224 is net investment in capital assets.
- > The village's total net position increased \$660,776. Governmental activities net position increased by \$598,255, and business-type activities net position increased by \$62,521.
- > On December 31, 2017, the village's governmental funds reported combined fund balances of \$2,319,061, an increase of \$291,457 from 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the village's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the village:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the village's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of the village government, reporting the village's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS (cont.)

The two government-wide statements report the village's net position and how it has changed. Net Position – the difference between the village's assets and liabilities and deferred outflows/inflows – is one way to measure the village's financial health, or position. Over time, increases or decreases in the village's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the village you need to consider additional nonfinancial factors such as changes in the village's property tax base and the condition of the village's roads.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, swimming pool, debt service fund, capital improvement fund, Tax Incremental District No. 3 fund, Tax Incremental District No. 4 fund, and Tax Incremental District No.5 fund, each of which are considered to be major funds. The village has one nonmajor fund: waterfront, which is also presented on the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances.

The village adopts an annual appropriated budget for all its funds except Tax Incremental District No. 5.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Proprietary Funds – The village maintains three different types of proprietary funds (water, sewer, and stormwater utilities), each of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basis financial statements and accompanying notes, *required supplementary information* presents a detailed budget comparison schedule for the general fund and swimming pool fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth and new regulations.

A summary of the village's Statement of Net Position is presented below in Table 1.

**Table 1
Condensed Statements of Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017 *	2016 *
Current and other assets	\$ 6,501,884	\$ 5,581,480	\$ 175,694	\$ 279,729	\$ 6,677,578	\$ 5,861,209
Capital assets	9,318,279	8,623,686	5,350,776	5,471,630	14,669,055	14,095,316
Total Assets	<u>15,820,163</u>	<u>14,205,166</u>	<u>5,526,470</u>	<u>5,751,359</u>	<u>21,346,633</u>	<u>19,956,525</u>
Deferred outflows of resources	645,731	857,314	62,827	69,571	708,558	926,885
Long-term debt outstanding	13,562,386	13,418,349	2,572,137	2,882,596	16,134,523	16,300,945
Other liabilities	373,057	160,100	107,468	595,506	480,525	755,606
Total Liabilities	<u>13,935,443</u>	<u>13,578,449</u>	<u>2,679,605</u>	<u>3,478,102</u>	<u>16,615,048</u>	<u>17,056,551</u>
Deferred inflows of resources	4,110,362	3,662,197	18,972	26,760	4,129,334	3,688,957
Net investment in capital assets	(456,990)	(369,180)	2,769,544	2,614,720	1,881,224	1,787,047
Restricted	302,887	-	-	-	302,887	-
Unrestricted	<u>(1,425,808)</u>	<u>(1,808,986)</u>	<u>(390,955)</u>	<u>(298,652)</u>	<u>(1,385,433)</u>	<u>(1,649,145)</u>
Total Net Position	<u>\$ (1,579,911)</u>	<u>\$ (2,178,166)</u>	<u>\$ 2,378,589</u>	<u>\$ 2,316,068</u>	<u>\$ 798,678</u>	<u>\$ 137,902</u>

* The total column reflects a capital debt adjustment. See Note I.D.10. for further information.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

One portion of the village's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 2
Condensed Statement of Activities**

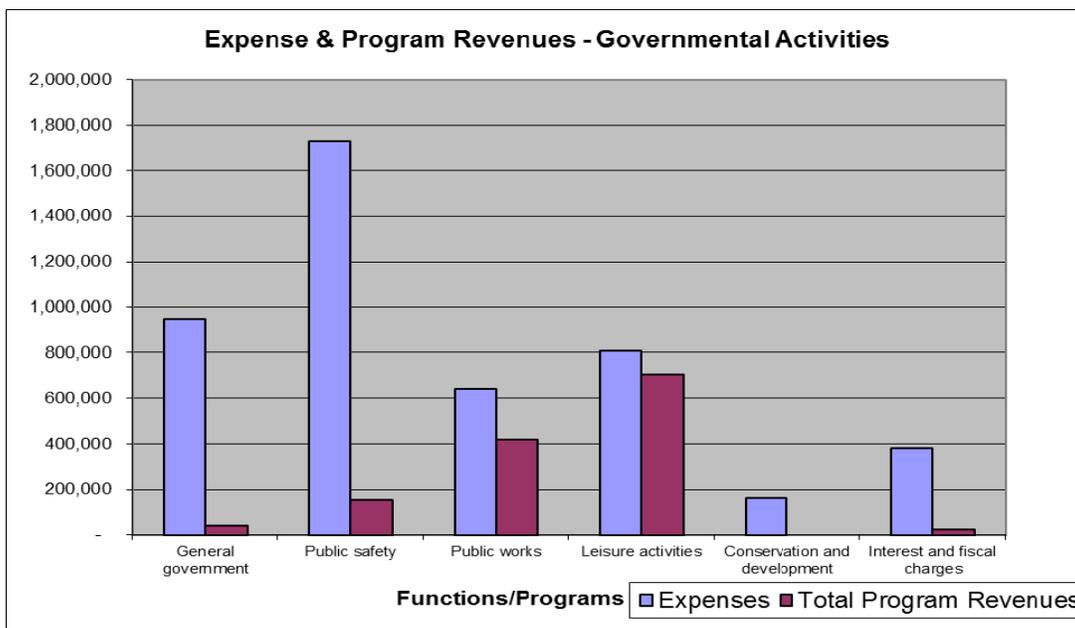
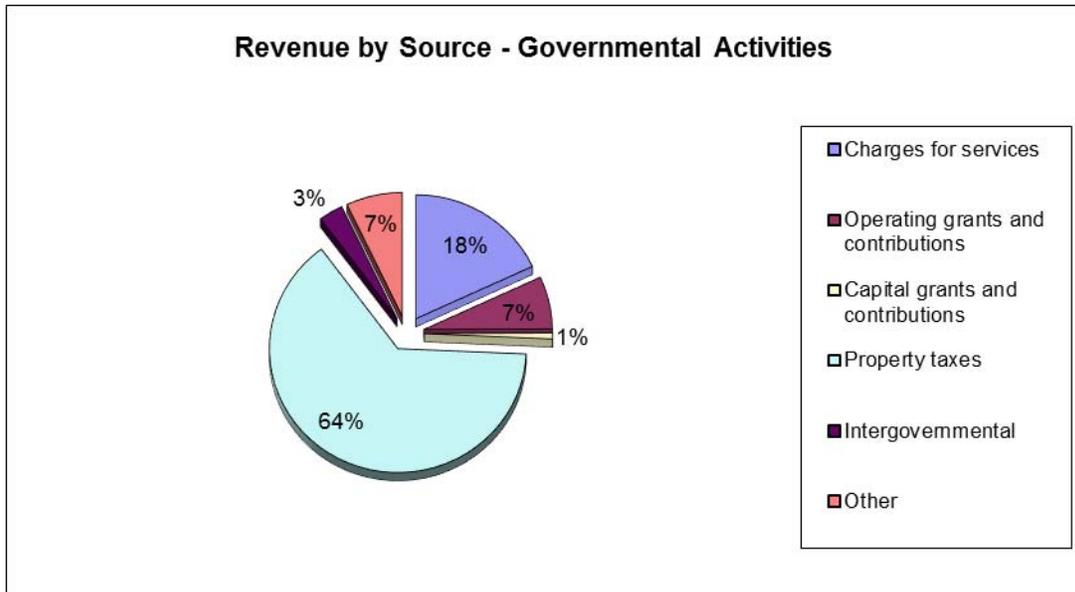
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Charges for services	\$ 940,004	\$ 1,032,878	\$ 1,088,896	\$ 901,008	\$ 2,028,900	\$ 1,933,886
Operating grants and contributions	355,681	344,744	16,935	17,589	372,616	362,333
Capital grants and contributions	40,423	-	-	-	40,423	-
General Revenues						
Property taxes	3,337,482	3,256,904	-	-	3,337,482	3,256,904
Intergovernmental	159,105	70,686	-	-	159,105	70,686
Other	369,088	220,848	-	-	369,088	220,848
Total Revenues	<u>5,201,783</u>	<u>4,926,060</u>	<u>1,105,831</u>	<u>918,597</u>	<u>6,307,614</u>	<u>5,844,657</u>
Expenses:						
General government	945,983	964,725	-	-	945,983	964,725
Public safety	1,726,120	1,514,640	-	-	1,726,120	1,514,640
Public works	639,313	984,370	-	-	639,313	984,370
Culture, education and recreation	806,759	814,312	-	-	806,759	814,312
Conservation and development	163,034	123,938	-	-	163,034	123,938
Water	-	-	502,634	413,599	502,634	413,599
Sewer	-	-	310,046	305,095	310,046	305,095
Stormwater	-	-	172,489	140,854	172,489	140,854
Interest and fiscal charges	380,460	409,522	-	-	380,460	409,522
Total Expenses	<u>4,661,669</u>	<u>4,811,507</u>	<u>985,169</u>	<u>859,548</u>	<u>5,646,838</u>	<u>5,671,055</u>
Income (Loss) Before Transfers	540,114	(114,553)	120,662	59,049	660,776	(173,602)
Transfers	<u>58,141</u>	<u>54,213</u>	<u>(58,141)</u>	<u>(54,213)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	598,255	168,766	62,521	4,836	660,776	(173,602)
Beginning Net Position	<u>(2,178,166)</u>	<u>(2,346,932)</u>	<u>2,316,068</u>	<u>2,311,232</u>	<u>137,902</u>	<u>(35,700)</u>
Ending Net Position	<u>\$ (1,579,911)</u>	<u>\$ (2,178,166)</u>	<u>\$ 2,378,589</u>	<u>\$ 2,316,068</u>	<u>\$ 798,678</u>	<u>\$ (137,902)</u>

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

As previously noted, the Statement of Net Position shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.



VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES

Governmental activities increased the village's net position by \$598,255. This increase is a result of increase in revenues in addition to a decrease in public works expenditures.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the village's net position by \$62,521. This increase is primarily a result of the following items:

- > The water utility had an increase in net position of \$33,338. The income before transfers for the water utility was \$91,479. The nonoperating expenses, net of revenues, were \$49,953. In addition, there was a transfer out of \$58,141 for the tax equivalent.
 - > The sewer utility had an increase in net position of \$48,226. This was due to an operating income of \$63,731, nonoperating revenue of \$3,410, and interest expense of \$18,915.
 - > The stormwater utility had a decrease in net position of \$19,043. This was due to an operating income of \$5,891, nonoperating revenue of \$5,090, and interest expense of \$30,024.
-

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

GOVERNMENTAL FUNDS

General Fund

The village's general fund is the chief operating fund of the village. Total fund balance in the general fund decreased \$226,668 or 17%. Income before transfers was \$472,717.

The village evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the subsequent year's general fund budget. For 2017, unassigned fund balance is \$699,615 and the 2018 general fund expenditure budget is \$3,947,254, resulting in an unassigned fund balance of 18%.

Swimming Pool Fund

The village's swimming pool fund accounts for resources committed to supporting expenditures for the swimming pool program. Total fund balance in the swimming pool fund is \$242,042, which is a decrease of \$731 from the prior year.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

Debt Service Fund

The village's debt service fund accounts for resources that are restricted to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt. Total fund balance in the debt service fund is \$160,351, which is an increase of \$83,736 from the prior year.

Capital Improvement Fund

The village's capital improvement fund accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects. Total fund balance in the capital projects fund is \$786,029, which is an increase of \$313,555 from the prior year. This is primarily due to proceeds from the debt issued in 2017.

TID No. 3

The village's TID No. 3 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Total fund balance in the TID No. 3 fund is \$86,729, which is an increase of \$91,525 from the prior year. This is primarily due to an increase in the tax increments and intergovernmental revenue and a decrease in capital expenditures.

TID No. 4

The village's TID No. 4 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Total fund balance in the TID No. 4 fund is (\$110,024), which is an increase of \$25,602 from the prior year. This is primarily due to proceeds from the debt issued in 2017.

TID No. 5

The village's TID No. 5 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Total fund balance in the TID No. 5 fund is (\$9,450), which is a decrease of \$1,943 from the prior year. TID No.5 was created in 2016 and had minimal capital expenditure activity in 2017.

Nonmajor Governmental Funds

Fund balance for the nonmajor governmental fund, waterfront, is \$44,817, which is an increase of \$6,381 from the prior year.

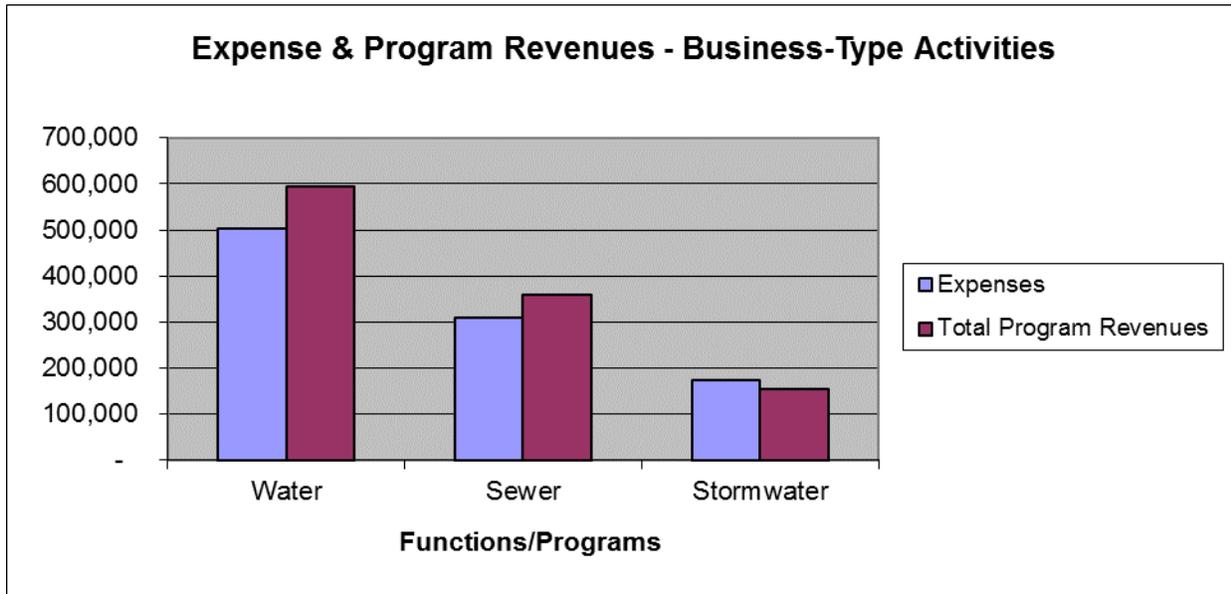
VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

PROPRIETARY FUNDS

The Village of Shorewood Hills' proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the village's business-type activities.



GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget had total appropriations of approximately \$3,670,000 and was not amended during the year.

Actual expenditures and other uses were \$3,833,624, resulting in a negative variance of \$169,721. This was primarily due to negative variances in general government and public safety.

Total revenues and other sources were \$3,606,956, which was \$84,454 greater than the budget. This was primarily due to a general operations.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2017

CAPITAL ASSETS

At the end of 2017, the village had invested a total of \$14,669,055 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. This investment does not include infrastructure acquired prior to 2004, which the village is not required to record.

**Table 3
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,288,934	\$ 1,288,934	\$ -	\$ -	\$ 1,288,934	\$ 1,288,934
Land improvements	1,122,475	1,122,475	-	-	1,122,475	1,122,475
Construction in progress	-	29,760	-	-	-	29,760
Buildings	3,102,465	2,504,540	-	-	3,102,465	2,504,540
Machinery and equipment	1,650,619	1,648,577	-	-	1,650,619	1,648,577
Infrastructure	5,548,441	5,283,059	-	-	5,548,441	5,283,059
Intangibles	19,500	19,500	-	-	19,500	19,500
Utility plant	-	-	6,690,564	6,683,277	6,690,564	6,683,277
Total Capital Assets	12,732,434	11,896,845	6,690,564	6,683,277	19,422,998	18,580,122
Less: Accumulated Depreciation	(3,414,155)	(3,273,159)	(1,339,788)	(1,211,647)	(4,753,943)	(4,484,806)
Net Capital Assets	\$ 9,318,279	\$ 8,623,686	\$ 5,350,776	\$ 5,471,630	\$ 14,669,055	\$ 14,095,316

Additional information on the village's capital assets can be found in Note III. D.

LONG-TERM DEBT

At December 31, 2017, the village had \$15,615,000 of general obligation long-term notes and bonds outstanding.

Total long-term notes and bonds outstanding at December 31, 2017 decreased by \$65,000. This was due to repayment of existing debt, as well as a refunding of 2009 general obligation notes in 2017.

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's jurisdiction. The debt limit as of December 31, 2017 was \$29,908,365. Total general obligation debt outstanding at year-end was \$15,615,000. Therefore, the village was at 52% of its legal debt limit.

**Table 4
Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Debt	<u>\$ 13,049,178</u>	<u>\$ 12,810,120</u>	<u>\$ 2,565,822</u>	<u>\$ 2,869,880</u>	<u>\$ 15,615,000</u>	<u>\$ 15,680,000</u>

Additional information on the village's long-term debt can be found in Note III. F.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2017

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2018 village budget. None of these conditions are anticipated to change the overall financial position of the village.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have questions about this report, or need additional financial information, contact Karl Frantz, Village Administrator.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 1,935,542	\$ 96,405	\$ 2,031,947
Receivables			
Taxes receivable	3,876,849	-	3,876,849
Accounts	137,551	75,897	213,448
Delinquent personal property taxes	11,621	-	11,621
Internal balances	510,249	(510,249)	-
Prepaid items	30,072	-	30,072
Restricted assets			
Cash and investments	-	1,510	1,510
Capital Assets			
Land	1,288,934	11,512	1,300,446
Other capital assets, net of accumulated depreciation	<u>8,029,345</u>	<u>5,339,264</u>	<u>13,368,609</u>
Total Assets	<u>15,820,163</u>	<u>5,014,339</u>	<u>20,834,502</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	584,584	45,659	630,243
Loss on refunding	<u>61,147</u>	<u>17,168</u>	<u>78,315</u>
Total Deferred Outflows of Resources	<u>645,731</u>	<u>62,827</u>	<u>708,558</u>
LIABILITIES			
Accounts payable and accrued expenses	248,708	90,548	339,256
Deposits	250	-	250
Due to other governmental units	1,209	-	1,209
Noncurrent Liabilities			
Due within one year	1,241,444	324,660	1,566,104
Due in more than one year	12,320,942	2,247,477	14,568,419
Unamortized premium on debt	<u>122,890</u>	<u>16,920</u>	<u>139,810</u>
Total Liabilities	<u>13,935,443</u>	<u>2,679,605</u>	<u>16,615,048</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	3,876,849	-	3,876,849
Pension related amounts	<u>233,513</u>	<u>18,972</u>	<u>252,485</u>
Total Deferred Inflows of Resources	<u>4,110,362</u>	<u>18,972</u>	<u>4,129,334</u>
NET POSITION			
Net investment in capital assets (deficit)	(456,990)	2,769,544	1,881,224
Restricted	302,887	-	302,887
Unrestricted (deficit)	<u>(1,425,808)</u>	<u>(390,955)</u>	<u>(1,385,433)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (1,579,911)</u>	<u>\$ 2,378,589</u>	<u>\$ 798,678</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 945,983	\$ 20,823	\$ -	\$ 20,526
Public safety	1,726,120	129,167	21,217	897
Public works	639,313	88,843	313,108	19,000
Culture, education and recreation	806,759	701,171	-	-
Conservation and development	163,034	-	-	-
Interest and fiscal charges	380,460	-	21,356	-
Total Governmental Activities	4,661,669	940,004	355,681	40,423
Business-type Activities				
Water	502,634	585,678	8,435	-
Sewer	310,046	354,862	3,410	-
Stormwater	172,489	148,356	5,090	-
Total Business-type Activities	985,169	1,088,896	16,935	-
Total	\$ 5,646,838	\$ 2,028,900	\$ 372,616	\$ 40,423

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION (Deficit) - Beginning of Year

NET POSITION (DEFICIT) - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (904,634)	\$ -	\$ (904,634)
(1,574,839)	-	(1,574,839)
(218,362)	-	(218,362)
(105,588)	-	(105,588)
(163,034)	-	(163,034)
<u>(359,104)</u>	<u>-</u>	<u>(359,104)</u>
<u>(3,325,561)</u>	<u>-</u>	<u>(3,325,561)</u>
-	91,479	91,479
-	48,226	48,226
-	<u>(19,043)</u>	<u>(19,043)</u>
-	<u>120,662</u>	<u>120,662</u>
<u>(3,325,561)</u>	<u>120,662</u>	<u>(3,204,899)</u>
2,563,940	-	2,563,940
773,527	-	773,527
15	-	15
159,105	-	159,105
50,058	-	50,058
28,430	-	28,430
290,600	-	290,600
<u>58,141</u>	<u>(58,141)</u>	<u>-</u>
<u>3,923,816</u>	<u>(58,141)</u>	<u>3,865,675</u>
598,255	62,521	660,776
<u>(2,178,166)</u>	<u>2,316,068</u>	<u>137,902</u>
<u>\$ (1,579,911)</u>	<u>\$ 2,378,589</u>	<u>\$ 798,678</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	General	Swimming Pool	Debt Service	Capital Improvement Fund
ASSETS				
Cash and investments	\$ 953,835	\$ 232,521	\$ 160,351	\$ 316,016
Receivables				
Taxes	2,770,440	-	-	-
Delinquent personal property taxes	11,621	-	-	-
Accounts	25	14,067	123,409	-
Advances to other funds	193,896	-	-	510,249
Prepaid items	30,072	-	-	-
TOTAL ASSETS	\$ 3,959,889	\$ 246,588	\$ 283,760	\$ 826,265
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 43,580	\$ 2,104	\$ -	\$ 40,236
Accrued liabilities	27,233	1,332	-	-
Due to other governments	69	1,110	-	-
Deposits	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	70,882	4,546	-	40,236
Deferred Inflows of Resources				
Unearned revenues	2,770,440	-	-	-
Unavailable revenues	-	-	123,409	-
Total Deferred Inflows of Resources	2,770,440	-	123,409	-
Fund Balances				
Nonspendable	235,589	-	-	-
Restricted	-	-	160,351	248,539
Committed	-	242,042	-	-
Assigned	183,363	-	-	537,490
Unassigned (deficit)	699,615	-	-	-
Total Fund Balances (Deficit)	1,118,567	242,042	160,351	786,029
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,959,889	\$ 246,588	\$ 283,760	\$ 826,265

See accompanying notes to financial statements.

<u>Tax Incremental District No. 3</u>	<u>Tax Incremental District No. 4</u>	<u>Tax Incremental District No. 5</u>	<u>Nonmajor Governmental Fund - Waterfront</u>	<u>Totals</u>
\$ 119,172	\$ 108,238	\$ -	\$ 45,409	\$ 1,935,542
708,155	356,013	42,241	-	3,876,849
-	-	-	-	11,621
-	-	-	50	137,551
-	-	-	-	704,145
-	-	-	-	30,072
<u>\$ 827,327</u>	<u>\$ 464,251</u>	<u>\$ 42,241</u>	<u>\$ 45,459</u>	<u>\$ 6,695,780</u>
\$ 32,044	\$ 33,354	\$ 63	\$ 78	\$ 151,459
399	399	-	284	29,647
-	-	-	30	1,209
-	-	-	250	250
-	184,509	9,387	-	193,896
<u>32,443</u>	<u>218,262</u>	<u>9,450</u>	<u>642</u>	<u>376,461</u>
708,155	356,013	42,241	-	3,876,849
-	-	-	-	123,409
<u>708,155</u>	<u>356,013</u>	<u>42,241</u>	<u>-</u>	<u>4,000,258</u>
-	-	-	-	235,589
86,729	-	-	-	495,619
-	-	-	44,817	286,859
-	-	-	-	720,853
-	(110,024)	(9,450)	-	580,141
<u>86,729</u>	<u>(110,024)</u>	<u>(9,450)</u>	<u>44,817</u>	<u>2,319,061</u>
<u>\$ 827,327</u>	<u>\$ 464,251</u>	<u>\$ 42,241</u>	<u>\$ 45,459</u>	<u>\$ 6,695,780</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2017

Total Fund Balances - Governmental Funds	\$ 2,319,061
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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 funds.

Land	1,288,934
Land improvements	1,122,475
Intangible assets	19,500
Buildings	3,102,465
Machinery and equipment	1,650,619
Infrastructure	5,548,441
Less: Accumulated depreciation	(3,414,155)

Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

123,409

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

584,584

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

(233,513)

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(13,049,178)
Compensated absences	(371,151)
Amortization of premium on debt issuance	(122,890)
Amortization of loss on advance refunding	61,147
Accrued interest	(67,602)
Village share of landfill district deficit	(68,089)
Net pension obligation	<u>(73,968)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (1,579,911)

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2017

	General	Swimming Pool	Debt Service	Capital Improvement Fund
REVENUES				
Taxes	\$ 2,563,955	\$ -	\$ -	\$ -
Intergovernmental	400,977	1,410	-	-
Licenses and permits	103,314	-	-	-
Fines, forfeitures and penalties	69,143	-	-	-
Public charges for services	86,771	578,914	-	-
Investment income	26,301	-	2,129	-
Miscellaneous	298,354	832	13,291	34,103
Total Revenues	<u>3,548,815</u>	<u>581,156</u>	<u>15,420</u>	<u>34,103</u>
EXPENDITURES				
Current				
General government	702,077	-	-	-
Public safety	1,579,914	-	-	-
Public works	496,913	-	-	-
Culture, recreation and education	262,714	466,109	-	-
Conservation and development	29,589	-	-	-
Capital Outlay	4,891	-	-	825,816
Debt Service				
Principal	-	-	676,247	-
Interest and fiscal charges	-	-	263,934	20,467
Total Expenditures	<u>3,076,098</u>	<u>466,109</u>	<u>940,181</u>	<u>846,283</u>
Excess (deficiency) of revenues over expenditures	<u>472,717</u>	<u>115,047</u>	<u>(924,761)</u>	<u>(812,180)</u>
OTHER FINANCING SOURCES (USES)				
General obligation debt issued	-	-	2,130,000	1,085,000
Premium on debt issued	-	-	79,968	40,735
Transfers in	58,141	-	878,529	-
Transfers out	(757,526)	(115,778)	-	-
Payments to refunding escrow	-	-	(2,080,000)	-
Total Other Financing Sources (Uses)	<u>(699,385)</u>	<u>(115,778)</u>	<u>1,008,497</u>	<u>1,125,735</u>
Net Change in Fund Balances	(226,668)	(731)	83,736	313,555
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,345,235</u>	<u>242,773</u>	<u>76,615</u>	<u>472,474</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,118,567</u>	<u>\$ 242,042</u>	<u>\$ 160,351</u>	<u>\$ 786,029</u>

See accompanying notes to financial statements.

Tax Incremental District No. 3	Tax Incremental District No. 4	Tax Incremental District No. 5	Nonmajor Governmental Fund - Waterfront	Totals
\$ 520,907	\$ 252,620	\$ -	\$ -	\$ 3,337,482
132,175	121	-	-	534,683
-	-	-	-	103,314
-	-	-	-	69,143
-	-	-	65,641	731,326
-	-	-	-	28,430
<u>20,668</u>	<u>18,726</u>	<u>-</u>	<u>965</u>	<u>386,939</u>
<u>673,750</u>	<u>271,467</u>	<u>-</u>	<u>66,606</u>	<u>5,191,317</u>
-	-	-	-	702,077
-	-	-	-	1,579,914
-	-	-	-	496,913
-	-	-	55,000	783,823
-	-	-	-	29,589
92,902	355,970	1,943	-	1,281,522
503,375	86,320	-	-	1,265,942
<u>141,076</u>	<u>32,338</u>	<u>-</u>	<u>-</u>	<u>457,815</u>
<u>737,353</u>	<u>474,628</u>	<u>1,943</u>	<u>55,000</u>	<u>6,597,595</u>
<u>(63,603)</u>	<u>(203,161)</u>	<u>(1,943)</u>	<u>11,606</u>	<u>(1,406,278)</u>
149,515	220,485	-	-	3,585,000
5,613	8,278	-	-	134,594
-	-	-	-	936,670
-	-	-	(5,225)	(878,529)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,080,000)</u>
<u>155,128</u>	<u>228,763</u>	<u>-</u>	<u>(5,225)</u>	<u>1,697,735</u>
91,525	25,602	(1,943)	6,381	291,457
<u>(4,796)</u>	<u>(135,626)</u>	<u>(7,507)</u>	<u>38,436</u>	<u>2,027,604</u>
<u>\$ 86,729</u>	<u>\$ (110,024)</u>	<u>\$ (9,450)</u>	<u>\$ 44,817</u>	<u>\$ 2,319,061</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$	291,457
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		1,281,522
Some items reported as capital outlay were not capitalized		(252,292)
Depreciation is reported in the government-wide financial statements		(309,547)
Net book value of assets retired		(45,616)
Contributed capital assets are reported as revenues in the government-wide financial statements.		20,526
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(5,006)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt issued		(3,585,000)
Principal repaid		1,100,942
Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in long-term liabilities in the Statement of Net Position.		2,245,000
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Current year premium		(134,594)
Amortization of debt premium		11,704
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		13,474
Accrued interest on debt		4,504
Amortization of deferred charge on refunding		61,147
Net pension liability		80,336
Deferred outflows of resources related to pensions		(272,730)
Deferred inflows of resources related to pensions		91,217
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.		1,211
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>598,255</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ -	\$ 96,405	\$ 96,405
Receivables				
Accounts	27,805	34,190	13,902	75,897
Total Current Assets	27,805	34,190	110,307	172,302
Noncurrent Assets				
Restricted Cash and Investments				
Construction	-	-	1,510	1,510
Capital Assets				
Property and equipment	3,562,697	1,591,686	1,536,182	6,690,565
Less: Accumulated depreciation	(738,299)	(416,691)	(184,799)	(1,339,789)
Total Noncurrent Assets	2,824,398	1,174,995	1,352,893	5,352,286
Total Assets	2,852,203	1,209,185	1,463,200	5,524,588
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	20,421	15,525	9,713	45,659
Deferred charge on refunding	7,971	1,798	7,399	17,168
Total Deferred Outflows of Resources	28,392	17,323	17,112	62,827

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 26,184	\$ 43,239	\$ 2,438	\$ 71,861
Accrued interest	8,719	3,165	4,533	16,417
Accrued wages	1,020	751	499	2,270
Current portion of general obligation debt	<u>144,660</u>	<u>90,000</u>	<u>90,000</u>	<u>324,660</u>
Total Current Liabilities	<u>180,583</u>	<u>137,155</u>	<u>97,470</u>	<u>415,208</u>
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt	1,210,473	451,531	596,078	2,258,082
Net pension liability	2,862	2,106	1,347	6,315
Advances from other funds	<u>446,472</u>	<u>63,777</u>	<u>-</u>	<u>510,249</u>
Total Noncurrent Liabilities	<u>1,659,807</u>	<u>517,414</u>	<u>597,425</u>	<u>2,774,646</u>
Total Liabilities	<u>1,840,390</u>	<u>654,569</u>	<u>694,895</u>	<u>3,189,854</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	<u>8,492</u>	<u>6,446</u>	<u>4,034</u>	<u>18,972</u>
Total Deferred Inflows of Resources	<u>8,492</u>	<u>6,446</u>	<u>4,034</u>	<u>18,972</u>
NET POSITION				
Net investment in capital assets	1,476,493	637,078	672,893	2,786,464
Unrestricted (deficit)	<u>(444,780)</u>	<u>(71,585)</u>	<u>108,490</u>	<u>(407,875)</u>
TOTAL NET POSITION	<u>\$ 1,031,713</u>	<u>\$ 565,493</u>	<u>\$ 781,383</u>	<u>\$ 2,378,589</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Stormwater Utility	
OPERATING REVENUES				
Public charges for services	\$ 582,035	\$ 354,862	\$ 148,356	\$ 1,085,253
Other operating revenue	<u>3,643</u>	<u>-</u>	<u>-</u>	<u>3,643</u>
Total Operating Revenues	<u>585,678</u>	<u>354,862</u>	<u>148,356</u>	<u>1,088,896</u>
OPERATING EXPENSES				
Operation and maintenance	372,626	258,015	111,742	742,383
Depreciation	68,804	33,116	30,723	132,643
Taxes	<u>2,816</u>	<u>-</u>	<u>-</u>	<u>2,816</u>
Total Operating Expenses	<u>444,246</u>	<u>291,131</u>	<u>142,465</u>	<u>877,842</u>
Operating Income	<u>141,432</u>	<u>63,731</u>	<u>5,891</u>	<u>211,054</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and fiscal charges	(58,388)	(18,915)	(30,024)	(107,327)
Build America Bond Subsidy	<u>8,435</u>	<u>3,410</u>	<u>5,090</u>	<u>16,935</u>
Total Nonoperating Revenues (Expenses)	<u>(49,953)</u>	<u>(15,505)</u>	<u>(24,934)</u>	<u>(90,392)</u>
Income Before Transfers	<u>91,479</u>	<u>48,226</u>	<u>(19,043)</u>	<u>120,662</u>
TRANSFERS				
Transfers out	<u>(58,141)</u>	<u>-</u>	<u>-</u>	<u>(58,141)</u>
Total Transfers	<u>(58,141)</u>	<u>-</u>	<u>-</u>	<u>(58,141)</u>
Change in Net Position	33,338	48,226	(19,043)	62,521
NET POSITION - Beginning of Year	<u>998,375</u>	<u>517,267</u>	<u>800,426</u>	<u>2,316,068</u>
NET POSITION - END OF YEAR	<u>\$ 1,031,713</u>	<u>\$ 565,493</u>	<u>\$ 781,383</u>	<u>\$ 2,378,589</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 441,181	\$ 356,692	\$ 149,080	\$ 946,953
Received from municipality for services	169,045	-	-	169,045
Paid to suppliers for goods and services	(313,227)	(217,130)	(51,751)	(582,108)
Paid to employees for services	(54,545)	(40,524)	(49,361)	(144,430)
Net Cash Flows From Operating Activities	<u>242,454</u>	<u>99,038</u>	<u>47,968</u>	<u>389,460</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(58,141)	-	-	(58,141)
Net Cash Flows From Noncapital Financing Activities	<u>(58,141)</u>	<u>-</u>	<u>-</u>	<u>(58,141)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(144,058)	(80,000)	(80,000)	(304,058)
Interest paid	(59,617)	(22,286)	(30,891)	(112,794)
Unamortized premium	7,228	3,614	6,078	16,920
Acquisition and construction of capital assets	(24,059)	(1,798)	(7,399)	(33,256)
Build America Bond subsidy	8,435	3,410	5,090	16,935
Paid on long-term advances	-	(1,978)	-	(1,978)
Advances from other funds	14,788	-	-	14,788
Net Cash Flows From Capital and Related Financing Activities	<u>(197,283)</u>	<u>(99,038)</u>	<u>(107,122)</u>	<u>(403,443)</u>
Net Change in Cash and Cash Equivalents	(12,970)	-	(59,154)	(72,124)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>12,970</u>	<u>-</u>	<u>157,069</u>	<u>170,039</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,915</u>	<u>\$ 97,915</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 141,432	\$ 63,731	\$ 5,891	\$ 211,054
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	68,804	33,116	30,723	132,643
Depreciation charged to other funds	4,299	-	-	4,299
Changes in assets, deferred outflows, liabilities and deferred inflows				
Accounts receivable	20,249	1,830	724	22,803
Accounts payable	3,124	(2,880)	(2,437)	(2,193)
Other current liabilities	1	84	56	141
Prepaid items	-	-	10,990	10,990
Pension related deferrals and assets/liabilities	4,545	3,157	2,021	9,723
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 242,454</u>	<u>\$ 99,038</u>	<u>\$ 47,968</u>	<u>\$ 389,460</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments	\$ -	\$ -	\$ 96,405	\$ 96,405
Restricted cash and investments	-	-	1,510	1,510
CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,915</u>	<u>\$ 97,915</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND

As of December 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 6,585,873
Tax roll receivable	<u>2,203,770</u>
TOTAL ASSETS	<u>\$ 8,789,643</u>
LIABILITIES	
Due to other governments	<u>\$ 8,789,643</u>
TOTAL LIABILITIES	<u>\$ 8,789,643</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Shorewood Hills, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The village has not identified any organizations that meet this criteria.

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. 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.

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 village 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor 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/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the village believes is particularly important to financial statement users may be reported as a major fund.

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.

The village reports the following major governmental funds:

- General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Swimming Pool Special Revenue Fund - used to account for and report local revenues committed to supporting expenditures for the swimming pool program.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Capital Improvement Fund Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.
- Tax Incremental District (TID) No. 3 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.
- Tax Incremental District (TID) No. 4 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.
- Tax Incremental District (TID) No. 5 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outline in the TID project plan.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The village reports the following major enterprise funds:

Water Utility - accounts for operations of the water system
Sewer Utility - accounts for operations of the sewer system
Stormwater Utility - accounts for operations of the stormwater system

The village reports the following nonmajor governmental fund:

Special Revenue Fund - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Waterfront

In addition, the village reports the following fund type:

Agency Fund - used to account for and report assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection 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 inflows. 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.

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, sewer, and stormwater utilities 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.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

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. 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 unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

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 water, sewer, and stormwater utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the village considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

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

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

The village has adopted an investment policy. That policy follows the state statute for allowable investments. To address custodial credit risk, it is the village's policy that investment amounts are limited to the maximum of state guarantee fund and FDIC insurance limits for each institution unless collateralized. To address credit risk, the village does not invest in stocks, corporate bonds, futures, or derivatives and has limited deposits and investments of village funds to those that meet the policy's objective of safety, meaning deposits and investments shall be undertaken in a manner that seeks to ensure the preservation of principal and to minimize credit risk.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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 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, 2017, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

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 statement of assets and liabilities - agency fund.

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. 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 water, sewer, and stormwater utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. *Receivables* (cont.)

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 governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. *Prepaid Items*

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *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.

5. *Capital Assets*

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, 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 capital assets are recorded at their estimated acquisition value at the date of donation.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

Buildings	10-40	Years
Land Improvements	10-20	Years
Machinery and Equipment	5-25	Years
Utility System	40-100	Years
Infrastructure	50	Years
Intangibles	10	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. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

The village provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirement from the village. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 100% of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the village. Funding for those costs is provided out of the current operating budget of the village. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is three. The total amount outstanding at year-end to be paid in the future is \$77,316 and is included in the government-wide statement of net position.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2017, are determined on the basis of current salary rates and include salary related payments.

8. 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.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. 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/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those 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 positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ (456,990)	\$ 2,769,544	\$ (431,330)	\$ 1,881,224
Unrestricted	(1,425,808)	(390,955)	431,330	(1,385,433)

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.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances 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.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Village Board has, by resolution, adopted a financial policy authorizing the Board to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. 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 assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 15% of the general fund's subsequent year expenditure budget. The balance at year end was \$699,615, or 18%, and is included in unassigned general fund balance.

See Note III. H. for further information.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Pension

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

12. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on August 3, 2016.

Sewer Utility

Current sewer rates were approved by the Village Board on August 15, 2016.

Stormwater Utility

Current stormwater rates were approved by the Village Board on September 17, 2007.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund, swimming pool fund, waterfront fund, debt service fund, capital improvements fund, TID No. 3 capital projects fund, and TID No. 4 capital projects fund. A budget has not been formally adopted for TID No. 5 capital projects fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
TID No. 3	\$ 713,198	\$ 737,353	\$ 24,155
TID No. 4	212,661	474,628	261,967
Capital improvements	674,460	846,283	171,823
Debt service	1,110,413	3,020,181	1,909,768

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of December 31, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
TID No. 4	\$ 110,024	Increments and other financing sources not sufficient to cover expenditures
TID No. 5	9,450	Increments and other financing sources not sufficient to cover expenditures

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The village's deposits and investments at year-end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 7,320,665	\$ 6,619,966	Custodial credit
LGIP	1,298,455	1,298,455	Credit
Petty cash	210	-	N/A
 Total Deposits and Investments	 \$ 8,619,330	 \$ 7,918,421	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 2,031,947		
Restricted cash and investments	1,510		
Per statement of assets and liabilities -			
agency fund			
Agency Fund	6,585,873		
 Total Deposits and Investments	 \$ 8,619,330		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

As of December 31, 2017, \$2,085,619 of the village's total bank balances were exposed to custodial credit risk.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of \$11,621 reported in the general fund for delinquent personal property taxes.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 3,876,849	\$ -
Receivable not collected in period of availability	-	123,409
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 3,876,849	 \$ 123,409

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Construction - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Restricted assets at December 31, 2017 were \$1,510.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 1,288,934	\$ -	\$ -	\$ 1,288,934
Construction in progress	29,760	-	29,760	-
Total Capital Assets Not Being Depreciated/Amortized	1,318,694	-	29,760	1,288,934
Capital assets being depreciated/amortized				
Land improvements	1,122,475	-	-	1,122,475
Buildings	2,504,540	597,925	-	3,102,465
Machinery and equipment	1,648,577	216,209	214,167	1,650,619
Infrastructure	5,283,059	265,382	-	5,548,441
Intangibles	19,500	-	-	19,500
Total Capital Assets Being Depreciated/Amortized	10,578,151	1,079,516	214,167	11,443,500
Total Capital Assets	11,896,845	1,079,516	243,927	12,732,434
Less: Accumulated depreciation/amortization for				
Land improvements	(734,392)	(28,709)	-	(763,101)
Buildings	(1,013,037)	(57,340)	-	(1,070,377)
Machinery and equipment	(977,363)	(103,166)	168,551	(911,978)
Infrastructure	(546,856)	(118,382)	-	(665,238)
Intangibles	(1,511)	(1,950)	-	(3,461)
Total Accumulated Depreciation/Amortization	(3,273,159)	(309,547)	168,551	(3,414,155)
Net Capital Assets Being Depreciated/Amortized	7,304,992	769,969	45,616	8,029,345
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 8,623,686	\$ 769,969	\$ 75,376	\$ 9,318,279

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 42,595
Public safety	30,782
Public works	187,923
Culture, education and recreation	<u>48,247</u>
Total Governmental Activities Depreciation/Amortization Expense	<u><u>\$ 309,547</u></u>

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 11,512	\$ -	\$ -	\$ 11,512
Total Capital Assets Not Being Depreciated	<u>11,512</u>	<u>-</u>	<u>-</u>	<u>11,512</u>
Capital assets being depreciated				
Pumping	302,983	-	-	302,983
Transmission and distribution	3,207,852	16,088	8,800	3,215,140
General	33,062	-	-	33,062
Total Capital Assets Being Depreciated	<u>3,543,897</u>	<u>16,088</u>	<u>8,800</u>	<u>3,551,185</u>
Total Capital Assets	<u>3,555,409</u>	<u>16,088</u>	<u>8,800</u>	<u>3,562,697</u>
Less: Accumulated depreciation for				
Water utility plant	(673,996)	(73,103)	8,800	(738,299)
Total Accumulated Depreciation	<u>(673,996)</u>	<u>(73,103)</u>	<u>8,800</u>	<u>(738,299)</u>
Net Capital Assets Being Depreciated	<u>2,869,901</u>	<u>(57,015)</u>	<u>-</u>	<u>2,812,886</u>
Net Water Capital Assets	<u><u>\$ 2,881,413</u></u>	<u><u>\$ (57,015)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,824,398</u></u>

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets being depreciated				
Collection system	\$ 1,202,813	\$ -	\$ -	\$ 1,202,813
Collection system pumping	80,707	-	-	80,707
Treatment and disposal	233,373	-	-	233,373
General	74,793	-	-	74,793
Total Capital Assets Being Depreciated	1,591,686	-	-	1,591,686
Less: Accumulated depreciation for				
Sewer utility plant	(383,575)	(33,116)	-	(416,691)
Total Accumulated Depreciation	(383,575)	(33,116)	-	(416,691)
Net Capital Assets Being Depreciated	1,208,111	(33,116)	-	1,174,995
Net Sewer Capital Assets	\$ 1,208,111	\$ (33,116)	\$ -	\$ 1,174,995
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets being depreciated				
Collection system	\$ 1,536,182	\$ -	\$ -	\$ 1,536,182
Total Capital Assets Being Depreciated	1,536,182	-	-	1,536,182
Less: Accumulated depreciation for				
Collection system	(154,076)	(30,723)	-	(184,799)
Total Accumulated Depreciation	(154,076)	(30,723)	-	(184,799)
Net Capital Assets Being Depreciated	1,382,106	(30,723)	-	1,351,383
Net Stormwater Capital Assets	\$ 1,382,106	\$ (30,723)	\$ -	\$ 1,351,383
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 5,471,630	\$ (120,854)	\$ -	\$ 5,350,776

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Business-type Activities

Water	\$	68,804
Sewer		33,116
Storm		<u>30,723</u>
 Total Business-type Activities Depreciation Expense	 \$	 <u><u>132,643</u></u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

E. INTERFUND ADVANCES AND TRANSFERS

Advances

The general fund is advancing funds to Tax Incremental District No. 4 and Tax Incremental District No. 5. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. No interest is being charged and no repayment schedule has been established.

The capital improvements fund is advancing funds to the water and sewer utilities. The purpose of the advances is to finance negative cash balances. No interest is being charged and no repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TID No. 4	\$ 184,509	\$ 184,509
General fund	TID No. 5	9,387	9,387
Capital improvement fund	Water Utility	446,472	446,472
Capital improvement fund	Sewer Utility	<u>63,777</u>	<u>63,777</u>
Total - Fund Financial Statements		704,145	
Less: Fund eliminations		<u>(193,896)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u><u>\$ 510,249</u></u>	

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water utility	\$ 58,141	Tax equivalent
Debt service fund	General fund	757,526	Debt service
Debt service fund	Swimming pool fund	115,778	Debt service
Debt service fund	Waterfront fund	<u>5,225</u>	Debt service
Total - Fund Financial Statements		936,670	
Less: Fund eliminations		<u>(878,529)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 58,141</u></u>	
Fund Transferred To	Fund Transferred From	Amount	
Governmental Activities	Business-type Activities	<u>\$ 58,141</u>	
Total Government-wide Financial Statements		<u><u>\$ 58,141</u></u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 12,810,120	\$ 3,585,000	\$ 3,345,942	\$ 13,049,178	\$ 1,150,340
Premium on debt	-	134,594	11,704	122,890	17,556
Sub-totals	<u>12,810,120</u>	<u>3,719,594</u>	<u>3,357,646</u>	<u>13,172,068</u>	<u>1,167,896</u>
Other Liabilities					
Vested compensated absences	384,625	79,026	92,500	371,151	91,104
Net pension liability	154,304	-	80,336	73,968	-
Village share of landfill deficit	69,300	-	1,211	68,089	-
Total Other Liabilities	<u>608,229</u>	<u>79,026</u>	<u>174,047</u>	<u>513,208</u>	<u>91,104</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 13,418,349</u>	<u>\$ 3,798,620</u>	<u>\$ 3,531,693</u>	<u>\$ 13,685,276</u>	<u>\$ 1,259,000</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,869,880	\$ 515,000	\$ 819,058	\$ 2,565,822	\$ 324,660
Premium on debt	-	19,335	2,415	16,920	2,417
Sub-totals	<u>2,869,880</u>	<u>534,335</u>	<u>821,473</u>	<u>2,582,742</u>	<u>327,077</u>
Other Liabilities					
Net pension liability	12,716	-	6,401	6,315	-
Total Other Liabilities	<u>12,716</u>	<u>-</u>	<u>6,401</u>	<u>6,315</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 2,882,596</u>	<u>\$ 534,335</u>	<u>\$ 827,874</u>	<u>\$ 2,589,057</u>	<u>\$ 327,077</u>

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's jurisdiction. The debt limit as of December 31, 2017, was \$29,908,365. Total general obligation debt outstanding at year-end was \$15,615,000.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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 accumulated by the debt service fund. 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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
G.O. promissory notes	05/06/09	11/01/18	2.00 - 3.25	\$ 1,265,000	\$ 230,000
G.O. corp purpose bonds	05/06/09	11/01/24	2.00 - 4.00	2,995,000	560,000
Taxable G.O. corp purpose bonds	07/12/10	05/01/30	1.10 - 5.50	1,975,000	1,325,000
G.O. corp purpose bonds	05/16/12	03/01/27	2.00 - 2.50	2,605,000	1,035,000
Taxable G.O. corp purpose bonds	06/10/13	05/01/30	2.00 - 3.55	3,155,000	2,540,000
G.O. refunding bonds	08/05/13	05/01/33	2.00 - 4.00	2,500,000	2,072,095
G.O. promissory notes	06/08/15	05/01/25	1.50 - 2.50	2,032,083	1,702,083
G.O. promissory note	05/03/17	05/01/27	2.00 - 3.00	3,585,000	<u>3,585,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 13,049,178</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
G.O. promissory notes	05/06/09	11/01/18	2.00 - 3.25	\$ 1,040,000	\$ 130,000
G.O. corp purpose bonds	05/06/09	11/01/24	2.00 - 4.00	1,225,000	170,000
Taxable G.O. corp purpose bonds	07/12/10	05/01/30	1.10 - 5.50	1,425,000	1,035,000
G.O. corp. purpose bonds	05/16/12	03/01/27	2.00 - 2.50	145,000	100,000
G.O. refunding bonds	08/05/13	05/01/33	2.00 - 4.00	560,000	477,905
G.O. promissory notes	06/08/15	05/01/25	1.50 - 2.50	167,917	137,917
G.O. promissory note	05/03/17	05/01/27	2.00 - 3.00	515,000	<u>515,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 2,565,822</u>

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2018	\$ 1,150,340	\$ 363,521	\$ 324,660	\$ 193,452
2019	1,198,272	331,619	196,728	184,868
2020	1,239,738	300,863	200,262	75,317
2021	1,261,204	271,673	198,796	69,609
2022	1,303,272	241,287	206,728	63,661
2023-2027	5,143,759	686,106	891,241	208,778
2028-2032	1,643,037	142,594	501,963	55,038
2033	109,556	2,191	45,444	909
Totals	<u>\$ 13,049,178</u>	<u>\$ 2,339,854</u>	<u>\$ 2,565,822</u>	<u>\$ 851,632</u>

Other Debt Information

Estimated payments of compensated absences and the net pension liability are not included in the debt service requirement schedules. The compensated absences liability and net pension liability attributable to governmental activities will be liquidated primarily by the general fund.

Advance Refunding

On May 3, 2017, the village issued \$4,100,000 in general obligation bonds with an average coupon rate of 2.5%, out of which \$2,815,000 was to advance refund \$2,750,000 of outstanding bonds with an average coupon rate of 3.8%. The net proceeds along with existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$3,283,603 from 2017 through 2024. The cash flow requirements on the 2017 refunding bonds are \$3,172,623 from 2017 through 2024. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,642.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

Lessor - Operating Leases

The village is leasing real estate, including buildings and structures presently located thereon, to Blackhawk Country Club, Inc. for use as a golf course and country club. The land originally cost the village \$57,000. The clubhouse and additional structures were paid for by Blackhawk Country Club, Inc. but are subject to the provisions of the lease.

Base rent for the period January 1, 2015 through December 31, 2015 was \$100,000. Beginning January 1, 2016 and on January 1 of each lease year through and including January 1, 2024, base rent shall increase to an amount equal to the greater of (1) base rent for the immediately preceding year or (2) \$100,000 plus the product calculated by multiplying \$300 by net new members, as defined in the lease. On January 1, 2025, base rent shall increase to an amount equal to the greater of (1) base rent for the immediately preceding lease year or (2) inflation adjusted base rent, as defined in the lease. On January 1, 2026 and on January 1 of each lease year thereafter, including an extended term of the lease, base rent shall be modified by adjusting the base rent for the immediately preceding lease year by 100% of the post-2025 adjustment multiplier, as defined in the lease.

The lease term currently ends on December 31, 2034; however, the lease provides an option to extend the term of the lease for one additional ten year period ending December 31, 2044, subject to certain conditions provided in the lease.

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,288,934
Other capital assets, net of accumulated depreciation/amortization	8,029,345
Less: Long-term debt outstanding	(13,049,178)
Less: Unamortized premium	(122,890)
Plus: Unspent capital related debt proceeds	425,469
Plus: Noncapital debt proceeds	<u>2,971,330</u>
Total Net Investment in Capital Assets	<u>\$ (456,990)</u>

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	General Fund	Swimming Pool Fund	Debt Service Fund	Capital Improvement Fund	Tax Incremental District No. 3	Tax Incremental District No. 4	Tax Incremental District No. 5	Nonmajor Govern- mental Fund - Waterfront	Totals
Fund Balances									
Nonspendable:									
Prepaid items	\$ 30,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,072
Delinquent personal property taxes	11,621	-	-	-	-	-	-	-	11,621
Advances	193,896	-	-	-	-	-	-	-	193,896
Sub-total	<u>235,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,589</u>
Restricted for:									
Debt service	-	-	160,351	-	-	-	-	-	160,351
TIF projects	-	-	-	-	86,729	-	-	-	86,729
Unspent bond proceeds	-	-	-	248,539	-	-	-	-	248,539
Sub-total	<u>-</u>	<u>-</u>	<u>160,351</u>	<u>248,539</u>	<u>86,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,619</u>
Committed to:									
Future pool projects	-	242,042	-	-	-	-	-	-	242,042
Future marina projects	-	-	-	-	-	-	44,817	-	44,817
Sub-total	<u>-</u>	<u>242,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,817</u>	<u>-</u>	<u>286,859</u>
Assigned to:									
Land Recreation	2,101	-	-	-	-	-	-	-	2,101
Tennis	6,652	-	-	-	-	-	-	-	6,652
Baseball	28	-	-	-	-	-	-	-	28
Indoor basketball	79	-	-	-	-	-	-	-	79
Outdoor basketball	1,434	-	-	-	-	-	-	-	1,434
Indoor soccer	68	-	-	-	-	-	-	-	68
Outdoor soccer	11,900	-	-	-	-	-	-	-	11,900
Golf	164	-	-	-	-	-	-	-	164
Park bench	3,500	-	-	-	-	-	-	-	3,500
Heiden House	24,103	-	-	-	-	-	-	-	24,103
Applied to subsequent budget	133,334	-	-	-	-	-	-	-	133,334
Future capital projects	-	-	-	537,490	-	-	-	-	537,490
Sub-total	<u>183,363</u>	<u>-</u>	<u>-</u>	<u>537,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,853</u>
Unassigned (deficit):	<u>699,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,024)</u>	<u>(9,450)</u>	<u>-</u>	<u>580,141</u>
Total Fund Balances (Deficit)	<u>\$ 1,118,567</u>	<u>\$ 242,042</u>	<u>\$ 160,351</u>	<u>\$ 786,029</u>	<u>\$ 86,729</u>	<u>\$ (110,024)</u>	<u>\$ (9,450)</u>	<u>\$ 44,817</u>	<u>\$ 2,319,061</u>

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 11,512
Other capital assets, net of accumulated depreciation	5,339,264
Less: Long-term debt outstanding	(2,565,822)
Less: Unamortized premium	(16,920)
Plus: Unspent capital related debt proceeds	<u>1,510</u>
Total Net Investment in Capital Assets	<u>\$ 2,769,544</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$87,809 in contributions from the village.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Pension (asset) Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the village reported a (asset) liability of \$80,283 for its proportionate share of the net pension (asset) liability. The net pension (asset) liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension (asset) liability was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the village's proportion was 0.00974032%, which was a decrease of 0.00053793% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the village recognized pension expense of \$209,697.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,611	\$ 252,485
Changes in assumptions	92,854	-
Net differences between projected and actual earnings on pension plan investments	399,626	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,355	-
Employer contributions subsequent to the measurement date	98,797	-
Totals	\$ 630,243	\$ 252,485

\$98,797 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 192,220	\$ 80,609
2019	192,220	80,609
2020	157,670	80,609
2021	(10,909)	10,658
2022	245	-

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension (asset) liability	\$1,059,181	\$80,283	\$(671,202)

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

At December 31, 2017, the village reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Metropolitan Refuse District, Inc.

The Village of Shorewood Hills and the City of Middleton, and the Village of Waunakee jointly operate the sanitary landfill, which is called the Metropolitan Refuse District, Inc. (district) and provides the communities share in the operation of the district based on equalized values. The village's share is 6.45%.

The governing body is made up of citizens from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village is obligated by the joint venture agreement to remit an amount annually to the district. The village made a payment to the district of \$12,460 in 2017.

Financial information of the district as of December 31, 2017 is available directly from the district's office.

The equity interest is reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

The district reporting follows Governmental Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The district's fund balance at December 31, 2017 is a deficit of \$1,055,641. Reporting standards require the village to report its share of the net deficit. The village's proportionate share of the operations of the district is 6.45%, which amounts to \$68,089 of the district's net deficit. The village's share of the net deficit has been reported as a noncurrent liability in the government-wide statements.

E. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The village is disclosing all abatement agreements individually.

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

E TAX ABATEMENT (cont.)

The village, through its Tax Incremental Financing Districts (TIF) No. 3, 4, and 5, has entered into tax abatement agreements with a developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>Annual Payment</u>
Lodge 1	Excess increment	Developer agreed to remove a blighted structure and build 100 apartment units and a commercial development.	\$ 91,284
700 University Bay Drive	Excess increment	Developer agreed to remove a blighted structure and build 54 apartments, 9 of which are designated affordable housing, and 9,000 square feet of commercial space.	31,320
The Boulevard	Excess increment	Developer agreed to remove a blighted structure and build 38 apartments and approximately 11,700 square feet of commercial space.	350
Lodge 2	Excess increment	Developer agreed to remove a blighted structure and build 94 apartments, 8 of which are designated affordable housing.	-

VILLAGE OF SHOREWOOD HILLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHOREWOOD HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
Property	\$ 2,563,496	\$ 2,563,940	\$ 444
Interest and penalties on taxes	500	15	(485)
Total Taxes	<u>2,563,996</u>	<u>2,563,955</u>	<u>(41)</u>
INTERGOVERNMENTAL			
State shared revenues	20,889	20,889	-
Fire insurance tax (2% fire dues)	19,576	21,217	1,641
State aid - exempt computer	44,075	17,373	(26,702)
State aid - law enforcement	1,800	897	(903)
State aid - road allotment	298,862	298,216	(646)
State aid - recycling	14,138	14,892	754
Build America Bond subsidy	8,502	8,493	(9)
Grants from local governments	-	19,000	19,000
Total Intergovernmental	<u>407,842</u>	<u>400,977</u>	<u>(6,865)</u>
LICENSES AND PERMITS			
Business and occupational licenses	3,000	3,095	95
Liquor and malt beverage licenses	5,050	5,495	445
Cable television franchise fees	29,000	26,864	(2,136)
Bicycle licenses	60	6	(54)
Dog and cat licenses	4,000	1,268	(2,732)
Other nonbusiness licenses	700	1,030	330
Building permits	17,000	30,096	13,096
Electrical permits	7,000	10,364	3,364
Plumbing permits	5,000	7,740	2,740
Heating and air conditioning permits	6,000	11,252	5,252
Other permits	550	2,904	2,354
Zoning permits and fees	2,300	3,200	900
Total Licenses and Permits	<u>79,660</u>	<u>103,314</u>	<u>23,654</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	30,000	30,154	154
Parking violations	45,000	38,989	(6,011)
Total Fines, Forfeitures and Penalties	<u>75,000</u>	<u>69,143</u>	<u>(5,857)</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF SHOREWOOD HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
PUBLIC CHARGES FOR SERVICES			
Clerk's fees	\$ 1,000	\$ 1,393	\$ 393
Law enforcement fees	400	572	172
Garden plots	2,000	2,520	520
Recreation - four corners	14,000	15,135	1,135
Recreation - tennis	28,000	25,871	(2,129)
Recreation - basketball	2,200	2,210	10
Recreation - golf	7,000	3,824	(3,176)
Recreation - land	14,250	16,888	2,638
Recreation - soccer	8,780	9,805	1,025
Recreation - surcharges	7,500	7,420	(80)
Recreation - kayak/canoe	700	806	106
Disposal repair	-	327	327
Total Public Charges for Services	<u>85,830</u>	<u>86,771</u>	<u>941</u>
INVESTMENT INCOME			
Investment income	<u>10,000</u>	<u>26,301</u>	<u>16,301</u>
Total Investment Income	<u>10,000</u>	<u>26,301</u>	<u>16,301</u>
MISCELLANEOUS			
Rent	143,800	156,872	13,072
Property sales	7,500	17,845	10,345
Insurance recoveries - other	-	8,888	8,888
Donations	2,500	25,123	22,623
Miscellaneous	17,250	20,002	2,752
Developer Share of Madison Fire Expense	9,584	9,584	-
Water utility - reimbursement for services	13,230	13,230	-
Sewer utility - reimbursement for services	10,710	10,710	-
Waterfront - reimbursement for services	16,700	16,700	-
Stormwater - reimbursement for services	9,000	9,000	-
Dane County calendars	600	796	196
July 4th dinner/fireworks	9,300	9,604	304
Total Miscellaneous	<u>240,174</u>	<u>298,354</u>	<u>58,180</u>
 Total Revenues	 <u>3,462,502</u>	 <u>3,548,815</u>	 <u>86,313</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF SHOREWOOD HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Village board	\$ 1,500	\$ 3,661	\$ (2,161)
Committees	900	397	503
Judicial	34,529	34,967	(438)
Legal	45,000	55,003	(10,003)
Administrator	108,216	118,284	(10,068)
Clerk	129,595	146,729	(17,134)
Personnel	52,147	95,423	(43,276)
Elections	1,500	2,128	(628)
Data processing	22,270	31,310	(9,040)
Finance	26,000	31,850	(5,850)
Assessment of property	32,000	32,108	(108)
Risk and property management	58,437	52,821	5,616
Buildings and plant	80,200	92,368	(12,168)
Village hall	7,770	5,028	2,742
Total General Government	<u>600,064</u>	<u>702,077</u>	<u>(102,013)</u>
PUBLIC SAFETY			
Police	785,570	817,395	(31,825)
Fire protection	710,137	712,090	(1,953)
Inspection	33,156	45,578	(12,422)
Dispatch	2,600	4,851	(2,251)
Total Public Safety	<u>1,531,463</u>	<u>1,579,914</u>	<u>(48,451)</u>
PUBLIC WORKS			
DPW - aidable	95,257	94,876	381
DPW - nonaidable	135,196	146,349	(11,153)
Garage	27,000	24,497	2,503
Street maintenance and repair	10,000	8,783	1,217
Street lighting	36,000	25,989	10,011
Storm sewer maintenance	33	175	(142)
Bus service - disabled	30,000	30,000	-
Refuse and garbage collection	94,000	98,121	(4,121)
Landfill	12,460	12,460	-
Leaf collection	52,958	55,663	(2,705)
Total Public Works	<u>492,904</u>	<u>496,913</u>	<u>(4,009)</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF SHOREWOOD HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CULTURE, EDUCATION AND RECREATION			
Community center	\$ 7,504	\$ 7,973	\$ (469)
Parks	145,886	158,790	(12,904)
Special events	14,600	14,389	211
Four corners	17,671	18,998	(1,327)
Land recreation	16,317	20,857	(4,540)
Tennis	23,415	25,967	(2,552)
Golf	6,000	3,917	2,083
Soccer	8,200	8,824	(624)
Basketball	1,852	2,999	(1,147)
Total Culture, Education and Recreation	<u>241,445</u>	<u>262,714</u>	<u>(21,269)</u>
CONSERVATION AND DEVELOPMENT			
Forestry	24,200	25,756	(1,556)
Planning	-	3,833	(3,833)
Total Conservation and Development	<u>24,200</u>	<u>29,589</u>	<u>(5,389)</u>
CAPITAL OUTLAY			
General administration	1,500	1,005	495
Other public safety	-	3,886	(3,886)
Total Capital Outlay	<u>1,500</u>	<u>4,891</u>	<u>(3,391)</u>
 Total Expenditures	 <u>2,891,576</u>	 <u>3,076,098</u>	 <u>(184,522)</u>
 Excess of revenues over expenditures	 <u>570,926</u>	 <u>472,717</u>	 <u>(98,209)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000	58,141	(1,859)
Transfers out	(772,327)	(757,526)	14,801
Total Other Financing Sources (Uses)	<u>(712,327)</u>	<u>(699,385)</u>	<u>12,942</u>
 Net Change in Fund Balance	 (141,401)	 (226,668)	 (85,267)
 FUND BALANCE - Beginning of Year	 <u>1,345,235</u>	 <u>1,345,235</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 1,203,834</u>	 <u>\$ 1,118,567</u>	 <u>\$ (85,267)</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF SHOREWOOD HILLS

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SWIMMING POOL
For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
INTERGOVERNMENTAL			
Build America Bond subsidy	\$ 750	\$ 1,410	\$ 660
PUBLIC CHARGES FOR SERVICES	572,000	578,914	6,914
MISCELLANEOUS	<u>4,000</u>	<u>832</u>	<u>(3,168)</u>
Total Revenues	<u>576,750</u>	<u>581,156</u>	<u>4,406</u>
EXPENDITURES			
CULTURE, EDUCATION AND RECREATION			
Excess (deficiency) of revenues over (under) expenditures	107,045	115,047	8,002
OTHER FINANCING USES			
Transfers out	<u>(114,356)</u>	<u>(115,778)</u>	<u>(1,422)</u>
Net Change in Fund Balance	(7,311)	(731)	6,580
FUND BALANCE - Beginning of Year	<u>242,773</u>	<u>242,773</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 235,462</u>	<u>\$ 242,042</u>	<u>\$ 6,580</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF SHOREWOOD HILLS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.01069970%	\$ (262,814)	\$ 1,229,578	21.37%	102.74%
12/31/16	0.01027825%	167,020	1,184,084	-14.11%	98.20%
12/31/17	0.00974032%	80,283	1,152,310	-6.97%	99.12%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 92,261	\$ 92,261	\$ -	\$ 1,179,169	7.82%
12/31/16	86,650	86,650	-	1,097,438	7.90%
12/31/17	98,797	98,797	-	1,202,624	8.22%

See independent auditors' report and accompanying notes to the required supplementary information.

VILLAGE OF SHOREWOOD HILLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

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 I. C.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The village administrator may authorize transfer of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year-end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The village is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.