

VILLAGE OF BUTLER

Butler, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

VILLAGE OF BUTLER

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VILLAGE OF BUTLER

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Butler
Butler, 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 Butler, 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 Butler's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Butler's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Village of Butler's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Village Board
Village of Butler

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 Butler, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Butler's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 11, 2018

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

Village of Butler, Wisconsin

Management's Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

As management of the Village of Butler ("Village"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2017. The discussion and analysis presents the highlights of financial activities and financial position for the Village of Butler. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village.

Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,723,281 (net position). Of this amount, \$2,534,180 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$729,842.
- At the close of the 2017 fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,936,606, an increase of \$259,884 in comparison with the prior year. Approximately 28% of this total amount, \$532,682, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2017 fiscal year, unassigned fund balance for the General Fund was \$532,682 or 25% of the total general fund expenditures.
- The Village of Butler's total long-term debt, including compensated absences and net pension liability, increased by \$257,907 during fiscal year ended December 31, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Butler's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Village of Butler's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation and sick leave).

Both the government-wide financial statements distinguish functions of the Village of Butler that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Butler include general government, public safety, public works, community development, health and sanitation and library, parks and recreation. Business-type activities of the Village include the Sewer Service Utility, Water Utility and the Storm Water Utility.

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

The government-wide financial statements include the Village of Butler and the Community Development Authority as a blended component unit. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the Village.

The government-wide financial statements can be found on pages 13 and 14 of this report.

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 of Butler, 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 funds financial statements focus on the 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 of Butler maintains six 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, the Special Revenue Tax Increment Financing District Fund, the Debt Service Fund, and the Capital Projects Funds for the Community Development Authority, Equipment and Borrowed Money Funds.

The Village of Butler adopts an annual appropriated budget for its General Fund, Capital Projects Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget on pages 58 of this report.

The basic governmental fund financial statements can be found on pages 15 through 17 of this report.

Proprietary funds – The Village of Butler maintains three types of proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water operations, all of which are considered to be major funds of the Village. The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

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 statement because the resources of those funds are not available to support the Village of Butler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund for the Village is an agency fund used to account for tax collections.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 57 of this report.

Other information –The budget to actual comparison for the debt service fund and the comparative schedule of taxes and valuation can be found on pages 61 and 62 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Butler, assets exceeded liabilities by \$8,723,281 as of December 31, 2017, compared with net position at December 31, 2016 of \$7,993,439.

The largest portion of the Village of Butler's net position reflects its net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment and intangibles), less any debt used to acquire those assets that is still outstanding. The Village of Butler uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets, 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.

	Governmental Activities 2017	Business-type Activities 2017	Total
Current assets	\$ 4,657,813	\$ 1,997,015	\$ 6,654,828
Capital assets	4,906,571	4,056,716	8,963,287
Total Assets	9,564,384	6,053,731	15,618,115
Deferred outflows related to pensions	444,512	67,612	512,124
Total Deferred Outflows of Resources	444,512	67,612	512,124
Current liabilities	180,193	146,889	327,082
Noncurrent liabilities outstanding	3,371,523	981,992	4,353,515
Total Liabilities	3,551,716	1,128,881	4,680,597
Unearned property taxes	2,521,797	-	2,521,797
Deferred inflows related to pensions	179,280	25,284	204,564
Total Deferred Inflows of Resources	2,701,077	25,284	2,726,361
Net Position:			
Net investment in capital assets	2,373,150	3,084,310	5,457,460
Restricted	685,743	45,898	731,641
Unrestricted	697,210	1,836,970	2,534,180
Total Net Position	\$ 3,756,103	\$ 4,967,178	\$ 8,723,281

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

Village of Butler's Net Position

	Governmental Activities 2016	Business-type Activities 2016	Total
Current assets	\$ 4,314,969	\$ 1,703,372	\$ 6,018,341
Capital assets	4,747,420	3,700,503	8,447,923
Total Assets	9,062,389	5,403,875	14,466,264
Deferred outflows related to pensions	616,812	98,452	715,264
Total Deferred Outflows of Resources	616,812	98,452	715,264
Current liabilities	115,131	199,679	314,810
Noncurrent liabilities outstanding	3,677,835	417,773	4,095,608
Total Liabilities	3,792,966	617,452	4,410,418
Unearned property taxes	2,512,122	-	2,512,122
Deferred inflows related to pensions	231,229	34,320	265,549
Total Deferred Inflows of Resources	2,743,351	34,320	2,777,671
Net Position:			
Net investment in capital assets	2,021,220	3,299,038	5,320,258
Restricted	439,485	45,515	485,000
Unrestricted	682,179	1,506,002	2,188,181
Total Net Position	\$ 3,142,884	\$ 4,850,555	\$ 7,993,439

A restricted portion of the Village's net position (8% in 2017 and 6% in 2016) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,534,180 and \$2,188,181 for 2017 and 2016 respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of both the 2017 and 2016 years, the Village is able to report positive balances in all three categories of net position. The Village's total net position increased by \$729,842 during the current fiscal year.

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

Analysis of the Village's Operations - The following schedule highlights the Village's revenues and expenses for the fiscal years ended December 31, 2017 and 2016. The table utilizes the full accrual method of accounting. The table below demonstrates that governmental activities increased by \$613,219 and business-type activities increased the Village's net position by \$116,623 in 2017.

Village of Butler's Changes in Net Position						
	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 394,064	\$ 395,066	\$ 1,728,443	\$ 1,717,130	\$ 2,122,507	\$ 2,112,196
Operating Grants and Contributions	156,331	180,667	-	-	156,331	180,667
Capital Grants and Contributions	-	-	-	-	-	-
General revenues						
Property Tax For						
General Purposes	1,475,055	1,519,736	-	-	1,475,055	1,519,736
Tax Increment Financing	671,919	500,202	-	-	671,919	500,202
Debt Service	365,149	280,039	-	-	365,149	280,039
Equipment	-	-	-	-	-	-
Intergovernmental revenues not restricted to specific programs	135,002	69,994	-	-	135,002	69,994
Investment earnings	23,046	11,127	5,589	3,467	28,635	14,594
Other	16,412	54,742	-	-	16,412	54,742
Transfers	36,595	37,220	(36,595)	(37,220)	-	-
Total Revenues and transfers	3,273,573	3,048,793	1,697,437	1,683,377	4,971,010	4,732,170
Expenses:						
General government	732,471	758,867	-	-	732,471	758,867
Public safety	1,109,410	1,016,549	-	-	1,109,410	1,016,549
Public works	404,922	471,158	-	-	404,922	471,158
Health and sanitation	103,121	102,752	-	-	103,121	102,752
Community development	7,830	7,650	-	-	7,830	7,650
Library, parks and recreation	182,793	178,610	-	-	182,793	178,610
Interest and fiscal charges	119,807	155,677	-	-	119,807	155,677
Sewer Service	-	-	870,187	912,947	870,187	912,947
Water	-	-	485,626	417,535	485,626	417,535
Storm Water	-	-	225,001	201,917	225,001	201,917
Total expenses	2,660,354	2,691,263	1,580,814	1,532,399	4,241,168	4,223,662
Change in net position	613,219	357,530	116,623	150,978	729,842	508,508
Net position – beginning	3,142,884	2,785,354	4,850,555	4,699,577	7,993,439	7,484,931
Net position – ending	\$ 3,756,103	\$ 3,142,884	\$ 4,967,178	\$ 4,850,555	\$ 8,723,281	\$ 7,993,439

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

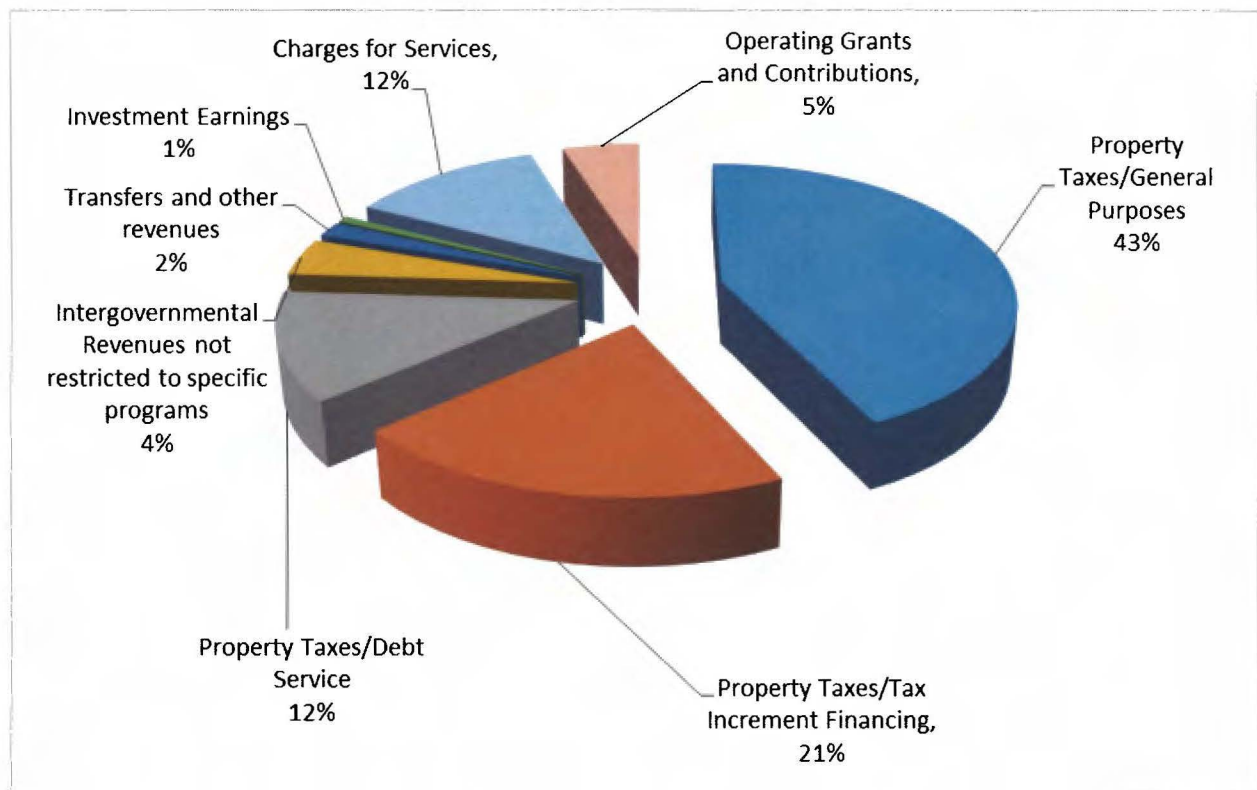
Governmental Activities

The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put net costs that must be covered by local taxes or other general revenue or transfers.

Programs	Total Cost of Services 2017	Total Cost of Services 2016	Net (Expense) of Services 2017	Net (Expense) of Services 2016
General government	\$ 732,471	\$ 758,867	\$ (619,871)	\$ (645,037)
Public safety	1,109,410	1,016,549	(868,197)	(777,925)
Public works	404,922	471,158	(267,934)	(309,871)
Health and sanitation	103,121	102,752	(77,906)	(77,878)
Community development	7,830	7,650	(7,830)	(7,650)
Library, parks and recreation	182,793	178,610	(148,414)	(141,492)
Interest on long-term debt	119,807	155,677	(119,807)	(155,677)
	<u>\$ 2,660,354</u>	<u>\$ 2,691,263</u>	<u>\$ (2,109,959)</u>	<u>\$ (2,115,530)</u>

Net cost of services is 79% of total cost of services in 2017 and 79% in 2016. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

The graph below shows the 2017 percentage of the total governmental activities revenues allocated by each revenue type.

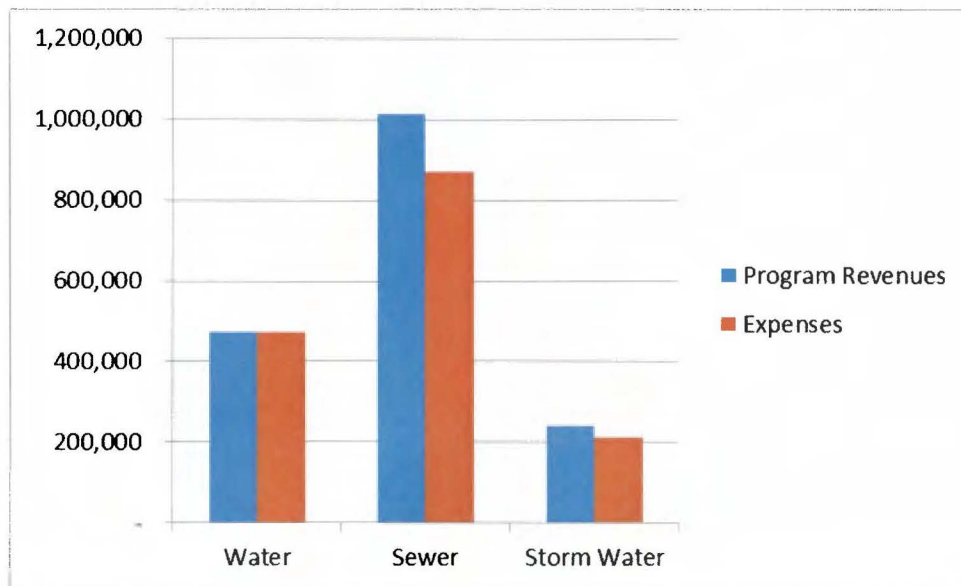


Village of Butler, Wisconsin
Management Discussion and Analysis
As of and for the year ended December 31, 2017
(unaudited)

Business-Type Activities

Total Business-type activities' charges for service revenues for the years ending December 31, 2017 and 2016 were \$1,728,443 and \$1,717,130, respectively. The Business-type activities increased the Village of Butler's net position by \$116,623 in 2017 and increased the Village of Butler's net position by \$150,978 in 2016.

The graph below shows the relationship between the 2017 revenues and expenses for the Village of Butler Sewer Service, Water and Storm Water Utilities.



Village of Butler, Wisconsin
Management Discussion and Analysis
As of and for the year ended December 31, 2017
(unaudited)

Financial Analysis of the Government's Funds

As noted earlier, the Village of Butler uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This section will discuss major developments within the Village's governmental funds and proprietary funds.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds – General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Funds – reported a combined ending fund balance of \$1,936,606, an increase of \$259,884 in comparison with the prior year. Approximately 28% of this total amount (\$532,682) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Village. During 2017, the General Fund balance increased by \$80,215. At the end of the year, the unassigned fund balance of the General Fund was \$532,682 while total fund balance was \$676,997. As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total general fund expenditures and transfers.

Fund balance in the Debt Service Fund decreased by \$2,133 during 2017. Fund balance in the Tax Increment Financing District increased \$248,255 during 2017. Fund balance in the Community Development Authority Fund decreased by \$11,522 during 2017. Fund balance in the Equipment Fund decreased by \$81,907 during 2017. Fund balance in the Borrowed Money Fund increased \$26,976 during 2017.

Proprietary funds. The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Sewer Service Utility at the end of the year amounted to \$985,014, the Water Utility totaled \$1,829,973 and for the Storm Water Utility the total net position was \$2,152,191. Total change in net position for the Water, Storm Water and Sewer Service Utilities were a decrease of \$48,161, and an increase of \$19,438, \$145,346, respectively.

General Fund Budgetary Highlights.

- The total original and final revenue and transfer budget was \$2,177,965 and actual revenues and transfers on a budgetary non-GAAP basis were \$2,193,443.
- In total, the General Fund had an increase in fund balance of \$80,215 because of unanticipated revenues during the year and spending less than budgeted amounts in several functional areas.

Capital Assets and Debt Administration

Capital Assets. The Village of Butler's investment in capital assets for its governmental and business-type activities as of December 31, 2017 and 2016 amounted to \$8.96 million and \$8.45 million, respectively (net of accumulated depreciation/amortization). The Village's investment in capital assets includes land, buildings and improvements, equipment, intangibles and infrastructure.

Village of Butler, Wisconsin
Management Discussion and Analysis
As of and for the year ended December 31, 2017
(unaudited)

Village of Butler
Capital Assets at Year-end
Net of Accumulated Depreciation

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Land	\$ 344,080	\$ 344,080	\$ 18,293	\$ 18,293	\$ 362,373	\$ 362,373
Land Improvements	390,777	390,777	-	-	390,777	390,777
Buildings	2,500,100	2,496,329	167,093	159,551	2,667,193	2,655,880
Machinery & Equipment	2,339,654	2,331,540	142,027	138,256	2,481,681	2,469,796
Infrastructure	2,209,458	1,819,014	-	-	2,209,458	1,819,014
Intangibles	44,826	44,826	-	-	44,826	44,826
Water Distribution System	-	-	2,314,919	1,956,379	2,314,919	1,956,379
Storm Water Systems	-	-	3,366,570	3,349,438	3,366,570	3,349,438
Sewer Collection System	-	-	943,284	943,284	943,284	943,284
Accumulated depreciation	(2,922,324)	(2,679,146)	(2,895,470)	(2,864,698)	(5,817,794)	(5,543,844)
	<u>\$ 4,906,571</u>	<u>\$ 4,747,420</u>	<u>\$ 4,056,716</u>	<u>\$ 3,700,503</u>	<u>\$ 8,963,287</u>	<u>\$ 8,447,923</u>

Additional information on the Village's capital assets can be found in Note IV D. on pages 39 through 41 of this report.

Village of Butler, Wisconsin

Management Discussion and Analysis As of and for the year ended December 31, 2017 (unaudited)

Long-term debt - As of December 31, 2017 the Village of Butler governmental activities had general obligation bonds and notes, bond anticipation notes and Community Development Lease Revenue Bonds outstanding totaling \$3,174,389. The Village of Butler has business-type activities notes payable totaling \$295,000. In the current year, the Village paid \$698,122 in principal and \$100,067 in interest on outstanding governmental activities debt. Business-Type Activities paid \$105,000 in principal and \$20,787 in interest on outstanding debt in the current year.

Village of Butler's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
General Obligations Bonds & Notes	\$ 2,349,388	\$ 2,367,510	\$ 955,000	\$ 400,000	\$ 3,304,388	\$ 2,767,510
CDA Lease Revenue Bonds	825,000	1,080,000	-	-	825,000	1,080,000
Total	\$ 3,174,388	\$ 3,447,510	\$ 955,000	\$ 400,000	\$ 4,129,388	\$ 3,847,510

Additional information about the Village's long-term debt can be found in Note IV F. on pages 43 through 47 of the financial statements.

Economic Factors

The following economic factors are noteworthy:

- The equalized value of the Village of Butler increased by \$1,289,500 in 2018 due to economic redevelopment.
- The tax levy for local purposes (exclusive of tax increment financing) in year 2018 is \$1,863,491 compared to the prior year levy of \$1,840,204.
- The Village of Butler's 2018 budget qualified the Village to receive the Expenditure Restraint Shared Revenue payment; as it did in 2016 and 2017.
- General Fund Balances have increased to 25% of general fund expenditures.

Requests for information

This financial report is designed to provide a general overview of the Village of Butler's finances for all those with an interest in the government's finances. Readers having question about any of the information in this report or needing additional information should contact Village Administrator, Village of Butler, 12621 W. Hampton Avenue, Butler, WI 53007, call 262-783-2525 or e-mail kchadwick@butlerwi.gov.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BUTLER

STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business- type Activities	Totals
ASSETS			
Cash and investments			
Unrestricted	\$ 3,031,812	\$ 1,580,836	\$ 4,612,648
Restricted	-	45,898	45,898
Receivables	1,660,401	303,185	1,963,586
Inventories	-	12,853	12,853
Prepaid items	15,982	3,861	19,843
Internal balances	(50,382)	50,382	-
Capital assets			
Land	344,080	18,293	362,373
Property and equipment (net)	4,562,491	4,038,423	8,600,914
Total Assets	<u>9,564,384</u>	<u>6,053,731</u>	<u>15,618,115</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>444,512</u>	<u>67,612</u>	<u>512,124</u>
LIABILITIES			
Accounts payable and other liabilities	144,008	136,083	280,091
Accrued interest payable	36,185	10,806	46,991
Noncurrent liabilities			
Net pension liability	55,114	9,586	64,700
Due within one year	621,530	106,756	728,286
Due in more than one year	2,694,879	865,650	3,560,529
Total Liabilities	<u>3,551,716</u>	<u>1,128,881</u>	<u>4,680,597</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	2,521,797	-	2,521,797
Deferred inflows related to pensions	179,280	25,284	204,564
Total Deferred Inflows	<u>2,701,077</u>	<u>25,284</u>	<u>2,726,361</u>
NET POSITION			
Net investment in capital assets	2,373,150	3,084,310	5,457,460
Restricted for debt service	21,800	-	21,800
Restricted for equipment replacement	-	45,898	45,898
Restricted for tax incremental district purposes	663,943	-	663,943
Unrestricted	697,210	1,836,970	2,534,180
TOTAL NET POSITION	<u>\$ 3,756,103</u>	<u>\$ 4,967,178</u>	<u>\$ 8,723,281</u>

See accompanying notes to the financial statements.

VILLAGE OF BUTLER

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities							
General government	\$ 732,471	\$ 112,600	\$ -	\$ -	\$ (619,871)	\$ -	\$ (619,871)
Public safety	1,109,410	229,131	12,082	-	(868,197)	-	(868,197)
Health and sanitation	103,121	17,954	7,261	-	(77,906)	-	(77,906)
Public works	404,922	-	136,988	-	(267,934)	-	(267,934)
Library, parks and recreation	182,793	34,379	-	-	(148,414)	-	(148,414)
Community development	7,830	-	-	-	(7,830)	-	(7,830)
Interest and fiscal charges	119,807	-	-	-	(119,807)	-	(119,807)
Total Governmental Activities	<u>2,660,354</u>	<u>394,064</u>	<u>156,331</u>	<u>-</u>	<u>(2,109,959)</u>	<u>-</u>	<u>(2,109,959)</u>
Business-type activities							
Water Utility	485,626	473,271	-	-	-	(12,355)	(12,355)
Sewer Service	870,187	1,012,592	-	-	-	142,405	142,405
Storm Water	225,001	242,580	-	-	-	17,579	17,579
Total Business-type Activities	<u>1,580,814</u>	<u>1,728,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,629</u>	<u>147,629</u>
TOTALS	<u>\$ 4,241,168</u>	<u>\$ 2,122,507</u>	<u>\$ 156,331</u>	<u>\$ -</u>	<u>(2,109,959)</u>	<u>147,629</u>	<u>(1,962,330)</u>
General revenues							
Taxes:							
Property taxes levied for general purposes					1,475,055	-	1,475,055
Property taxes levied for tax increment financing					671,919	-	671,919
Property taxes levied for debt service					365,149	-	365,149
Intergovernmental revenues not restricted to specific programs					135,002	-	135,002
Investment income					23,046	5,589	28,635
Other					16,412	-	16,412
Transfers					<u>36,595</u>	<u>(36,595)</u>	<u>-</u>
Total General Revenues and Transfers					<u>2,723,178</u>	<u>(31,006)</u>	<u>2,692,172</u>
CHANGE IN NET POSITION					613,219	116,623	729,842
NET POSITION - Beginning of Year					<u>3,142,884</u>	<u>4,850,555</u>	<u>7,993,439</u>
NET POSITION - END OF YEAR					<u>\$ 3,756,103</u>	<u>\$ 4,967,178</u>	<u>\$ 8,723,281</u>

See accompanying notes to the financial statements.

VILLAGE OF BUTLER

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	Special Revenue			Capital Projects Funds			Total
	General	Tax Increment Financing District	Debt Service	Community Development Authority	Equipment	Borrowed Money	Governmental Funds
ASSETS							
Cash and investments	\$ 1,225,629	\$ 929,243	\$ 215,784	\$ 78,675	\$ 208,689	\$ 373,792	\$ 3,031,812
Receivables							
Taxes	876,754	393,006	233,734	-	62,908	-	1,566,402
Accounts	86,738	-	-	-	-	-	86,738
Special assessments	7,261	-	-	-	-	-	7,261
Prepaid items	15,982	-	-	-	-	-	15,982
TOTAL ASSETS	\$ 2,212,364	\$ 1,322,249	\$ 449,518	\$ 78,675	\$ 271,597	\$ 373,792	\$ 4,708,195
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 24,155	\$ -	\$ -	\$ 7,500	\$ -	\$ 73,574	\$ 105,229
Accrued liabilities	38,779	-	-	-	-	-	38,779
Due to other funds	50,382	-	-	-	-	-	50,382
Total Liabilities	113,316	-	-	7,500	-	73,574	194,390
Deferred Inflows of Resources							
Unearned revenues	1,366,649	658,306	391,533	-	105,309	-	2,521,797
Unavailable revenues	55,402	-	-	-	-	-	55,402
Total Deferred Inflows of Resources	1,422,051	658,306	391,533	-	105,309	-	2,577,199
Fund Balances							
Nonspendable	42,282	-	-	-	-	-	42,282
Restricted	-	663,943	57,985	-	-	300,218	1,022,146
Committed	47,439	-	-	71,175	166,288	-	284,902
Assigned	54,594	-	-	-	-	-	54,594
Unassigned	532,682	-	-	-	-	-	532,682
Total Fund Balances	676,997	663,943	57,985	71,175	166,288	300,218	1,936,606
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,212,364	\$ 1,322,249	\$ 449,518	\$ 78,675	\$ 271,597	\$ 373,792	

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. See Note II.A.

Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements

but are recognized as revenue when earned in the government-wide statements.

The net pension liability does not relate to current financial resources and is not reported in the governmental funds.

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

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

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

4,906,571

55,402

(55,114)

444,512

(179,280)

(3,352,594)

NET POSITION OF GOVERNMENTAL FUNDS

See accompanying notes to the financial statements.

\$ 3,756,103

VILLAGE OF BUTLER

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

	Special Revenue			Capital Projects Funds			Total Governmental Funds
	General	Tax Increment Financing District	Debt Service	Community Development Authority	Equipment	Borrowed Money	
REVENUES							
Taxes	\$ 1,475,055	\$ 671,919	\$ 365,149	\$ -	\$ -	\$ -	\$ 2,512,123
Intergovernmental	278,242	-	-	10,746	2,345	-	291,333
Licenses and permits	85,568	-	-	-	-	-	85,568
Fines, forfeitures and penalties	104,014	-	-	-	-	-	104,014
Public charges for services	118,395	-	-	-	-	-	118,395
Investment income	7,095	6,802	441	562	2,080	7,831	24,811
Interdepartmental revenues	78,000	-	-	-	-	-	78,000
Miscellaneous revenue	14,314	-	-	-	-	-	14,314
Total Revenues	2,160,683	678,721	365,590	11,308	4,425	7,831	3,228,558
EXPENDITURES							
Current							
General government	666,922	-	-	-	-	-	666,922
Public safety	945,314	-	-	-	-	-	945,314
Public works	266,798	-	-	-	-	-	266,798
Health and sanitation	103,121	-	-	-	-	-	103,121
Library, parks and recreation	150,241	-	-	-	-	-	150,241
Capital Outlay	-	-	-	7,830	86,332	395,633	489,795
Debt Service							
Principal retirement	-	-	698,122	-	-	-	698,122
Interest and fiscal charges	-	-	100,067	-	-	21,760	121,827
Total Expenditures	2,132,396	-	798,189	7,830	86,332	417,393	3,442,140
Excess (deficiency) of revenues over expenditures	28,287	678,721	(432,599)	3,478	(81,907)	(409,562)	(213,582)
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	333	-	-	-	-	-	333
Debt issued	-	-	-	-	-	425,000	425,000
Premium on debt issued	-	-	-	-	-	11,538	11,538
Transfers in	51,595	-	430,466	-	-	-	482,061
Transfers out	-	(430,466)	-	(15,000)	-	-	(445,466)
Total Other Financing Sources (Uses)	51,928	(430,466)	430,466	(15,000)	-	436,538	473,466
Net Changes Fund Balances	80,215	248,255	(2,133)	(11,522)	(81,907)	26,976	259,884
FUND BALANCES - Beginning of Year	596,782	415,688	60,118	82,697	248,195	273,242	1,676,722
FUND BALANCES - END OF YEAR	\$ 676,997	\$ 663,943	\$ 57,985	\$ 71,175	\$ 166,288	\$ 300,218	\$ 1,936,606

VILLAGE OF BUTLER

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	\$ 259,884
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide statements	489,795
Less: Certain items reported as capital outlay not capitalized	(46,387)
Depreciation/amortization is reported in the government-wide statements	(284,257)
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.	
	8,087
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.	
Principal repaid	698,122
Debt issued	(425,000)
Premium on debt issued	(11,538)
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position these are deferred and reported as additions 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.	
Amortization	1,884
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	(11,916)
Net pension liability (asset)	54,760
Deferred outflows of resources related to pensions	(172,300)
Deferred inflows of resources related to pensions	51,949
Accrued interest on debt	136
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 613,219

See accompanying notes to the financial statements.

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

	Business-type Activities - Enterprise Funds			
	Water Utility	Storm Water Utility	Sewer Service Utility	Totals
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 854,788	\$ 267,864	\$ 458,184	\$ 1,580,836
Accounts receivable	75,906	45,615	181,664	303,185
Due from other funds	13,794	5,712	30,876	50,382
Prepaid items	1,300	1,261	1,300	3,861
Inventories	12,853	-	-	12,853
Total Current Assets	<u>958,641</u>	<u>320,452</u>	<u>672,024</u>	<u>1,951,117</u>
NONCURRENT ASSETS				
Restricted assets				
Cash and investments	-	-	45,898	45,898
Capital Assets				
Land	18,293	-	-	18,293
Property and equipment	2,550,502	3,394,923	988,469	6,933,894
Less: Accumulated depreciation	(998,871)	(1,260,540)	(636,060)	(2,895,471)
Total Noncurrent Assets	<u>1,569,924</u>	<u>2,134,383</u>	<u>398,307</u>	<u>4,102,614</u>
TOTAL ASSETS	<u>2,528,565</u>	<u>2,454,835</u>	<u>1,070,331</u>	<u>6,053,731</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>19,580</u>	<u>22,196</u>	<u>25,836</u>	<u>67,612</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	23,996	14,310	97,777	136,083
Accrued interest payable	8,708	2,098	-	10,806
Current portion of general obligation debt	26,476	80,280	-	106,756
Total Current Liabilities	<u>59,180</u>	<u>96,688</u>	<u>97,777</u>	<u>253,645</u>
NONCURRENT LIABILITIES				
Net pension liability	2,961	3,346	3,279	9,586
General obligation debt	649,593	216,057	-	865,650
Total Noncurrent Liabilities	<u>652,554</u>	<u>219,403</u>	<u>3,279</u>	<u>875,236</u>
Total Liabilities	<u>711,734</u>	<u>316,091</u>	<u>101,056</u>	<u>1,128,881</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>6,438</u>	<u>8,749</u>	<u>10,097</u>	<u>25,284</u>
NET POSITION				
Net investment in capital assets	893,855	1,838,046	352,409	3,084,310
Restricted for equipment replacement	-	-	45,898	45,898
Unrestricted	936,118	314,145	586,707	1,836,970
TOTAL NET POSITION	<u>\$ 1,829,973</u>	<u>\$ 2,152,191</u>	<u>\$ 985,014</u>	<u>\$ 4,967,178</u>

VILLAGE OF BUTLER

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

	Business-type Activities - Enterprise Funds			
	Water Utility	Storm Water Utility	Sewer Service Utility	Totals
OPERATING REVENUES				
Charges for services	\$ 465,024	\$ 241,807	\$ 1,005,400	\$ 1,712,231
Other operating revenue	8,247	773	7,192	16,212
Total Operating Revenues	<u>473,271</u>	<u>242,580</u>	<u>1,012,592</u>	<u>1,728,443</u>
OPERATING EXPENSES				
Operation and maintenance	384,140	164,880	855,597	1,404,617
Depreciation	48,087	47,294	14,527	109,908
Taxes	5,408	-	-	5,408
Total Operating Expenses	<u>437,635</u>	<u>212,174</u>	<u>870,124</u>	<u>1,519,933</u>
Operating Income	<u>35,636</u>	<u>30,406</u>	<u>142,468</u>	<u>208,510</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	80	1,859	3,650	5,589
Interest expense	(49,525)	(12,955)	(63)	(62,543)
Amortization	1,534	128	-	1,662
Total Nonoperating Revenues (Expenses)	<u>(47,911)</u>	<u>(10,968)</u>	<u>3,587</u>	<u>(55,292)</u>
Income Before Transfers	<u>(12,275)</u>	<u>19,438</u>	<u>146,055</u>	<u>153,218</u>
TRANSFERS				
Transfers out	<u>(35,886)</u>	<u>-</u>	<u>(709)</u>	<u>(36,595)</u>
Change in Net Position	<u>(48,161)</u>	<u>19,438</u>	<u>145,346</u>	<u>116,623</u>
NET POSITION - Beginning of Year	<u>1,878,134</u>	<u>2,132,753</u>	<u>839,668</u>	<u>4,850,555</u>
NET POSITION - END OF YEAR	<u>\$ 1,829,973</u>	<u>\$ 2,152,191</u>	<u>\$ 985,014</u>	<u>\$ 4,967,178</u>

VILLAGE OF BUTLER

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2017

	Proprietary Fund Types			
	Enterprise Funds			
	Water Utility	Storm Water Utility	Sewer Service Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 475,734	\$ 237,847	\$ 1,090,611	\$ 1,804,192
Paid to vendors for goods and services	(313,798)	(91,158)	(870,940)	(1,275,896)
Paid to employees for services	(64,906)	(55,142)	(60,624)	(180,672)
Net Cash Flows from Operating Activities	97,030	91,547	159,047	347,624
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	80	1,859	3,650	5,589
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(35,886)	-	(709)	(36,595)
Principal paid on long-term debt	-	-	(25,000)	(25,000)
Interest paid on long-term debt	-	-	(375)	(375)
Net Cash Flows from Noncapital Financing Activities	(35,886)	-	(26,084)	(61,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from long-term debt, net	660,000	-	-	660,000
Premium on debt issued	17,603	-	-	17,603
Principal paid on long-term debt	-	(80,000)	-	(80,000)
Debt issuance costs	(33,792)	-	-	(33,792)
Interest paid on long-term debt	(7,025)	(13,388)	-	(20,413)
Acquisition and construction of capital assets	(441,474)	(23,278)	(3,771)	(468,523)
Net Cash Flows from Capital and Related Financing Activities	195,312	(116,666)	(3,771)	74,875
Net Change in Cash and Cash Equivalents	256,536	(23,260)	132,842	366,118
CASH AND CASH EQUIVALENTS - Beginning of Year	598,252	291,124	371,240	1,260,616
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 854,788	\$ 267,864	\$ 504,082	\$ 1,626,734
CASH AND CASH EQUIVALENTS - END OF YEAR				
Unrestricted	\$ 854,788	\$ 267,864	\$ 458,184	\$ 1,580,836
Restricted	-	-	45,898	45,898
	\$ 854,788	\$ 267,864	\$ 504,082	\$ 1,626,734
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 35,636	\$ 30,406	\$ 142,468	\$ 208,510
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation expense	48,087	47,294	14,527	109,908
Depreciation charged to other funds	2,402	-	-	2,402
Changes in assets, deferred outflows, deferred inflows and liabilities				
Accounts receivable	907	(7,434)	75,773	69,246
Due from other funds	1,556	2,701	2,246	6,503
Inventory	(4,577)	-	-	(4,577)
Prepaid items	514	394	395	1,303
Pension related amounts	4,695	5,838	4,549	15,082
Accounts payable	7,810	12,348	(80,911)	(60,753)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 97,030	\$ 91,547	\$ 159,047	\$ 347,624

See accompanying notes to the financial statements.

VILLAGE OF BUTLER

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2017

	<u>Agency Fund</u>
	Tax
	Collection
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 1,047,746
Taxes receivable	<u>1,502,115</u>
Total Assets	<u>\$ 2,549,861</u>
LIABILITIES	
Due to other governmental units	<u>\$ 2,549,861</u>

See accompanying notes to the financial statements.

VILLAGE OF BUTLER

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VILLAGE OF BUTLER

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 Butler ("Village"), 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 primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Blended Component Unit

The Community Development Authority of the Village of Butler (CDA) serves all the citizens of the government and is governed by a seven member board appointed by the Village Board. The Authority is reported as a major capital project fund. The Authority does not issue separate financial statements.

VILLAGE OF BUTLER

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

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the 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 BUTLER

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.
- Special Revenue Fund - Tax Increment Financing District - used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the 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 Projects Fund - Community Development Authority - 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.
- Capital Projects Fund - Equipment Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays.
- Capital Projects Fund - Borrowed Money Fund - used to account for and report financial resources that were borrowed or committed for road and infrastructure projects.

The Village reports the following major enterprise funds:

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

VILLAGE OF BUTLER

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.)

In addition, the Village reports the following fund types:

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 service, and storm water 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.

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.

VILLAGE OF BUTLER

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 (cont.)

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.

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

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 and fiduciary fund financial statements (other than agency funds) 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 Village's enterprise funds 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.

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.

VILLAGE OF BUTLER

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

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 maturing in three years or less.
- 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. The Village's investment policy addresses in general terms custodial credit risk, credit risk, and interest rate risk. At year end, the Village did not comply with the investment policy provision concerning the maximum limit of \$750,000 at any financial institution. At December 31, 2017, one financial institution held \$1.9 million, however, the entire balance was either insured or collateralized. Another institution held \$752,000 of which \$502,000 and was uninsured and uncollateralized. All funds throughout the year and at year end were invested in locally approved banks and the LGIP.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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.

VILLAGE OF BUTLER

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.)

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 IV. A. for further information.

2. Receivables

Property taxes are levied in November 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

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 and sewer 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.

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.

VILLAGE OF BUTLER

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.)

3. Inventories and 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. They are valued at cost based on FIFO, and charged to construction and/or operation and maintenance expense when used.

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 \$1,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 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.

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.

VILLAGE OF BUTLER

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.)

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	20-40 Years
Land Improvements	20 Years
Machinery and Equipment	5-20 Years
Utility System	15-100 Years
Infrastructure	20-75 Years
Intangibles	8 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.

7. Compensated Absences

The Village does not accrue accumulated vacation time, but rather expenses this cost as paid. Vacation time is not cumulative from year to year. Accumulated sick leave benefits are converted to a termination benefit and payable to employees upon retirement or death. Estimated future payments of accumulated termination benefits are recorded in the government-wide financial statements. There are no provisions to pay accumulated sick leave or termination benefits if an employee terminates (except in the case of death) prior to retirement age. The Village does not have a post-employment benefit plan.

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.

VILLAGE OF BUTLER

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.)

8. Long-Term Obligations (cont.)

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.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

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.

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."

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

VILLAGE OF BUTLER

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

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.
- 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 Administrator 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 10% of the current operating budget. The balance at year end was \$209,187, and is included in unassigned general fund fund balance.

VILLAGE OF BUTLER

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.)

See Note IV. G. for further information.

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, Storm Water and Sewer Service Funds

Rates for the water, storm water and sewer service utilities are based on rates approved on January 1, 2009 for water and January 1, 2016 for storm water and sewer service utilities.

VILLAGE OF BUTLER

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

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	344,080
Land improvements		390,777
Buildings		2,500,100
Machinery and equipment		2,339,654
Infrastructure		2,209,458
Intangibles		44,826
Less: Accumulated depreciation/amortization		<u>(2,922,324)</u>
Combined Adjustment for Capital Assets	\$	<u>4,906,571</u>

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

Bonds and notes payable	\$	3,174,388
Compensated absences		109,187
Accrued interest		36,185
Unamortized debt premium and discount		<u>32,834</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>3,352,594</u>

VILLAGE OF BUTLER

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

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general, debt service, tax incremental financing district, borrowed money fund and capital projects funds. A budget has not been formally adopted for the community development authority fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Capital Projects Fund - Equipment Fund	\$ 85,400	\$ 86,332	\$ 932

The Village controls expenditures at the function 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. 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 BUTLER

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

NOTE IV - 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	\$ 2,694,255	\$ 2,704,985	Custodial Credit
LGIP	3,011,779	3,011,752	Credit
Petty cash	258	-	N/A
Total Deposits and Investments	<u>\$ 5,706,292</u>	<u>\$ 5,716,737</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 4,612,648		
Restricted cash and investments	45,898		
Per statement of assets and liabilities -			
agency fund	<u>1,047,746</u>		
Total Deposits and Investments	<u>\$ 5,706,292</u>		

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 not 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.

VILLAGE OF BUTLER

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2017, \$766,211 of the Village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	501,836
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the Village's name		<u>264,375</u>
Total	\$	<u><u>766,211</u></u>

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 except for \$17,059 of ambulance receivables, \$9,241 of delinquent personal property taxes and \$7,261 of special assessments.

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:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 2,521,797	\$ -
Special assessments not yet due	-	7,261
Police citations receivable	<u>-</u>	<u>48,141</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u><u>\$ 2,521,797</u></u>	<u><u>\$ 55,402</u></u>

VILLAGE OF BUTLER

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

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2017:

	Restricted Assets
Equipment replacement account	\$ 45,898

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	\$ 344,080	\$ -	\$ -	\$ 344,080
Total Capital Assets Not Being Depreciated/Amortized	344,080	-	-	344,080
Capital assets being depreciated/amortized				
Land Improvements	390,777	-	-	390,777
Buildings	2,496,329	3,771	-	2,500,100
Machinery and equipment	2,331,540	49,193	41,079	2,339,654
Infrastructure	1,819,014	390,444	-	2,209,458
Intangibles	44,826	-	-	44,826
Total Capital Assets Being Depreciated/Amortized	7,082,486	443,408	41,079	7,484,815
Total Capital Assets	7,426,566	443,408	41,079	7,828,895

VILLAGE OF BUTLER

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation/amortization for				
Land Improvements	(280,614)	(11,112)	-	(291,726)
Buildings	(639,883)	(59,716)	-	(699,599)
Machinery and equipment	(1,408,953)	(140,295)	41,079	(1,508,169)
Infrastructure	(332,887)	(67,530)	-	(400,417)
Intangibles	(16,809)	(5,604)	-	(22,413)
Total Accumulated Depreciation/Amortization	(2,679,146)	(284,257)	41,079	(2,922,324)
Net Capital Assets Being Depreciated/Amortized	4,403,340	159,151	-	4,562,491
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	<u>\$ 4,747,420</u>	<u>\$ 159,151</u>	<u>\$ -</u>	<u>\$ 4,906,571</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 43,067
Public safety	104,217
Public works	109,371
Library, parks and recreation	27,602
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 284,257</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciation				
Land	\$ 18,293	\$ -	\$ -	\$ 18,293
Total Capital Assets Not Being Depreciation	18,293	-	-	18,293
Capital assets being depreciated				
Buildings and improvements	159,551	7,542	-	167,093
Machinery and equipment	138,256	3,771	-	142,027
Water distribution system	1,956,379	437,703	79,163	2,314,919
Storm water system	3,349,438	19,508	2,375	3,366,571
Sewer collection system	943,284	-	-	943,284

VILLAGE OF BUTLER

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities (cont.)				
Capital assets being depreciation (cont.)				
Total Capital Assets Being Depreciated	<u>6,546,908</u>	<u>468,524</u>	<u>81,538</u>	<u>6,933,894</u>
Total Capital Assets	<u>6,565,201</u>	<u>468,524</u>	<u>81,538</u>	<u>6,952,187</u>
Less: Accumulated depreciation for				
Buildings and improvements	(127,790)	(4,408)	-	(132,198)
Machinery and equipment	(73,523)	(9,547)	-	(83,070)
Water distribution system	(837,507)	(39,595)	79,163	(797,939)
Storm water system	(1,212,795)	(46,183)	2,375	(1,256,603)
Sewer collection system	<u>(613,083)</u>	<u>(12,578)</u>	<u>-</u>	<u>(625,661)</u>
Total Accumulated Depreciation	<u>(2,864,698)</u>	<u>(112,311)</u>	<u>81,538</u>	<u>(2,895,471)</u>
Net Capital Assets Being Depreciated	<u>3,682,210</u>	<u>356,213</u>	<u>-</u>	<u>4,038,423</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,700,503</u>	<u>\$ 356,213</u>	<u>\$ -</u>	<u>\$ 4,056,716</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 14,527
Water	48,087
Storm	<u>47,294</u>
Total Business-type Activities Depreciation Expense	<u>\$ 109,908</u>

Depreciation expense is different from additions because of joint metering.

VILLAGE OF BUTLER

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

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Water Utility	General Fund	\$ 13,794
Sewer Service Utility	General Fund	30,876
Storm Water Utility	General Fund	<u>5,712</u>
Total		<u>\$ 50,382</u>

All amounts are due within one year.

The primary reason for the above interfund amounts relates to a time lag between the dates the transactions are recorded and the dates payments are made between funds.

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

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Debt Service Fund	Special Revenue - TIF		
Water Utility	District Fund	\$ 430,466	Debt service
General Fund	Sewer Utility	709	Shared meter cost
	Water Utility	36,595	Tax equivalent
General Fund	Capital Projects - Community Development Authority	<u>15,000</u>	Fund administrative expenses
Total - Fund Financial Statements		482,770	
Less: Fund eliminations		<u>(446,175)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 36,595</u>	

VILLAGE OF BUTLER

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

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers (cont.)

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.

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	\$ 2,367,510	\$ 425,000	\$ 443,122	\$ 2,349,388	\$ 333,683
Revenue bonds	1,080,000	-	255,000	825,000	275,000
(Discounts)/Premiums	23,180	11,538	1,884	32,834	2,331
Sub-totals	<u>3,470,690</u>	<u>436,538</u>	<u>700,006</u>	<u>3,207,222</u>	<u>611,014</u>
Other Liabilities					
Net pension liability	109,874	-	54,760	55,114	-
Compensated absences	97,271	12,792	876	109,187	10,516
Total Other Liabilities	<u>207,145</u>	<u>12,792</u>	<u>55,636</u>	<u>164,301</u>	<u>10,516</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,677,835</u>	<u>\$ 449,330</u>	<u>\$ 755,642</u>	<u>\$ 3,371,523</u>	<u>\$ 621,530</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 400,000	\$ 660,000	\$ 105,000	\$ 955,000	\$ 105,000
(Discounts)/Premiums	1,465	17,603	1,662	17,406	1,756
Sub-totals	<u>401,465</u>	<u>677,603</u>	<u>106,662</u>	<u>972,406</u>	<u>106,756</u>
Other Liabilities					
Net pension liability	16,308	-	6,722	9,586	-
Total Other Liabilities	<u>16,308</u>	<u>-</u>	<u>6,722</u>	<u>9,586</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 417,773</u>	<u>\$ 677,603</u>	<u>\$ 113,384</u>	<u>\$ 981,992</u>	<u>\$ 106,756</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 \$12,675,635. Total general obligation debt outstanding at year end was \$3,304,388.

VILLAGE OF BUTLER

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

NOTE IV - 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
State Trust Fund Loan	01/08/05	03/15/24	5.25%	\$ 189,007	\$ 92,132
General Obligation Refunding Bond	03/29/12	04/1/19	0.50 - 1.6	1,600,000	490,000
General Obligation Promissory Notes	3/26/13	4/1/22	0.75 - 1.6	470,000	375,000
General Obligation Promissory Note	11/3/14	2/15/22	0.00	19,609	12,256
General Obligation Refunding Bond	2/9/16	2/9/36	3.00	995,000	955,000
General Obligation Corporate Purpose Bonds	3/30/17	2/1/37	3.00	425,000	425,000
Total Governmental Activities - General Obligation Debt					<u>\$ 2,349,388</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
General Obligation Refunding Bonds	01/26/10	11/01/20	1.25-4.00%	\$ 845,000	\$ 255,000
General Obligation Refunding Bonds	02/9/16	02/9/36	3.00	65,000	40,000
General Obligation Corporate Purpose Bonds	3/30/17	2/1/37	3.00	660,000	660,000
Total Business-type Activities - General Obligation Debt					<u>\$ 955,000</u>

VILLAGE OF BUTLER

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

NOTE IV - 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	\$ 333,683	\$ 58,151	\$ 105,000	\$ 31,313
2019	339,272	51,950	110,000	27,763
2020	184,883	46,609	115,000	23,825
2021	190,546	42,201	65,000	18,875
2022	191,234	37,474	30,000	17,450
2023-2027	364,770	143,254	150,000	73,750
2028-2032	385,000	87,363	175,000	49,200
2033-2037	360,000	24,594	205,000	18,238
Totals	<u>\$ 2,349,388</u>	<u>\$ 491,596</u>	<u>\$ 955,000</u>	<u>\$ 260,414</u>

Revenue Debt

Governmental activities revenue bonds are payable from revenues derived from Community Development Authority.

The Village has pledged future Community Development Authority (CDA) lease revenues, net of specified operating expenses, to repay revenue bonds issued in the CDA. Proceeds from the bonds provided financing for the CDA. The bonds are payable solely from the CDA's revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require 44.08% of net revenues. The total principal and interest remaining to be paid on the bonds is \$893,200. Principal and interest paid for the current year and total customer net revenues were \$299,231 and \$675,397, respectively.

VILLAGE OF BUTLER

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

In March 1999, the Community Development Authority of the Village of Butler (CDA) issued \$3.05 million Community Development Revenue Bonds. In 2007 the CDA refunded a portion of the 1999 issue with \$2.345 million Community Development Lease Revenue Refunding Bonds. All of the bonds were issued by the Authority, pursuant to Section 66.431 of the Wisconsin Statutes, for the purpose of refinancing outstanding Village or Authority obligations and various improvements associated with the Village's Tax Increment District No. 1. The bonds do not constitute any indebtedness of the Village of Butler. The bonds are not general obligations of the Authority and do not constitute indebtedness within any constitutional or statutory limitation or provision. The bonds are payable only out of revenues and income derived by the Authority pursuant to the terms of a lease agreement between the Authority and the Village.

In conjunction with the issuance of the bonds, the Authority and the Village entered into a lease agreement amounting to \$3.05 million. The lease generally provides for payments by the Village to the Authority in amounts sufficient to pay the principal and interest payments on the bonds as they come due. It is the Village's intent to annually budget the rental payments under the lease, and finance such payments with tax increments generated by the Tax Increment District No. 1. If the increment is insufficient to make payments under the lease, the Village expects and anticipates that it will appropriate funds from other available revenues to fund any such shortfall.

The Village of Butler Community Development Authority is part of the primary government for financial reporting purposes and is reported as a blended component unit. Consequently, the Authority's debt and assets are reported as part of the Village's debt and assets. Accordingly, the Village has reported the debt issue in its government-wide financial statements. Debt service activity is reported in the Village's Debt Service Fund. Lease arrangements between the Village and the Authority are equal to the related debt service requirements and have been eliminated for government-wide financial statement reporting purposes.

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

Governmental Activities Revenue Debt

Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
Community Development Lease Revenue Refunding Bonds	02/14/07	09/1/20	3.50-4.15%	\$ 2,345,000	\$ 825,000
Total Governmental Activities - Revenue Debt					\$ 825,000

VILLAGE OF BUTLER

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Revenue Debt	
	Principal	Interest
2018	\$ 275,000	\$ 34,031
2019	275,000	22,756
2020	275,000	11,413
Totals	<u>\$ 825,000</u>	<u>\$ 68,200</u>

Other Debt Information

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Village believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

G. 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	\$ 344,080
Other capital assets, net of accumulated depreciation/amortization	4,562,491
Less: Long-term debt outstanding	(3,174,388)
Plus: Unspent capital related debt proceeds	300,218
Plus: Noncapital debt proceeds	373,583
Plus: Unamortized debt discount	1,415
Less: Unamortized debt premium	(34,249)
Total Net Investment in Capital Assets	<u>2,373,150</u>

Restricted

Restricted for debt service	21,800
Restricted for tax incremental district purposes	663,943
Total Restricted	<u>685,743</u>

VILLAGE OF BUTLER

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

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Unrestricted	<u>697,210</u>
Total Governmental Activities Net Position	<u>\$ 3,756,103</u>

Governmental Funds

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

Nonspendable	
Major Fund	
General Fund	
Delinquent personal property taxes	\$ 9,241
Prepaid items	15,982
Ambulance fees receivable - noncurrent	<u>17,059</u>
Total	<u>\$ 42,282</u>

VILLAGE OF BUTLER

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

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

Restricted

Major Funds

Special Revenue Fund	
Tax Increment Financing District	\$ 663,943
Debt Service Fund	
Debt Service purposes	57,985
Capital Projects Fund	
Borrowed Money Fund - unspent proceeds	<u>300,218</u>

Total	<u>\$ 1,022,146</u>
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Committed

Major Funds

General Fund	
Committed for Community Service	\$ 47,439
Capital Projects Funds	
Equipment Fund	166,288
Community Development Authority	<u>71,175</u>

Total	<u>\$ 284,902</u>
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Assigned

Major Fund

General Fund	
Unfunded compensated absences	<u>\$ 54,594</u>

Unassigned

Major Fund

General fund	<u>\$ 532,682</u>
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VILLAGE OF BUTLER

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

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

G. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 18,293
Other capital assets, net of accumulated depreciation	4,038,423
Less: Long-term debt outstanding	(955,000)
Plus: Unamortized debt discount	504
Less: Unamortized debt premium	(17,910)
Total Net Investment in Capital Assets	<u>3,084,310</u>
 Restricted	
Equipment replacement	<u>45,898</u>
Total Restricted	<u>45,898</u>
 Unrestricted	<u>1,836,970</u>
 Total Business-type Activities Net Position	<u>\$ 4,967,178</u>

NOTE V - 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.

VILLAGE OF BUTLER

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the 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:

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

VILLAGE OF BUTLER

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

NOTE V - 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 \$76,097 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 Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Village reported a liability of \$64,700 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension 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 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 0.00784969%, which was an increase of 0.00008453% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Village recognized pension expense of \$168,397.

VILLAGE OF BUTLER

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

NOTE V - 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	\$ 24,671	\$ 203,477
Changes in assumptions	67,647	-
Net differences between projected and actual earnings on pension plan investments	322,056	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,024	1,087
Employer contributions subsequent to the measurement date	87,726	-
Totals	<u>\$ 512,124</u>	<u>\$ 204,564</u>

\$87,726 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	\$ 154,509	\$ 65,232
2019	154,506	65,232
2020	125,835	65,232
2021	(10,563)	8,857
2022	111	11

VILLAGE OF BUTLER

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

NOTE V - 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:	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 BUTLER

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

NOTE V - 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

VILLAGE OF BUTLER

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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.

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

	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 liability (asset)	\$851,172	\$64,700	\$(540,919)

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 of \$19,390 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.

VILLAGE OF BUTLER

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

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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.

D. SUBSEQUENT EVENTS

On April 19, 2018 the Village borrowed \$1.09 million to finance street improvements. The debt bears interest rates ranging from 2.2 - 3.75%. The principal payments are due on February 1 of each year from 2020-2038. Interest is due semi-annually on February 1 and August 1.

E. 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 BUTLER

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 1,510,967	\$ 1,511,650	\$ 683
Intergovernmental	256,774	278,242	21,468
Licenses and permits	96,574	85,568	(11,006)
Fines, forfeitures and penalties	133,700	104,014	(29,686)
Public charges for services	83,640	104,927	21,287
Investment income	7,500	7,095	(405)
Interdepartmental revenues	78,000	78,000	-
Miscellaneous revenues	8,810	8,614	(196)
Total Revenues	<u>2,175,965</u>	<u>2,178,110</u>	<u>2,145</u>
Expenditures			
Current			
General government	682,190	666,922	15,268
Public safety	966,459	926,908	39,551
Public works	285,286	266,798	18,488
Health and sanitation	102,077	103,121	(1,044)
Library, parks and recreation	141,953	137,912	4,041
Total Expenditures	<u>2,177,965</u>	<u>2,101,661</u>	<u>76,304</u>
Excess of revenues over (under) expenditures	(2,000)	76,449	78,449
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	2,000	333	(1,667)
Transfer in	-	15,000	15,000
Total Other Financing Sources	<u>2,000</u>	<u>15,333</u>	<u>13,333</u>
Excess of revenues over (under) and other financing sources over expenditures and other financing sources - budgetary basis	<u>\$ -</u>	91,782	<u>\$ 91,782</u>
Adjustment to Generally Accepted Accounting Principles Basis			
Revenue credited to designated funds		19,168	
Expenditures charged to designated funds		<u>(30,735)</u>	
Net Change in Fund Balance		80,215	
FUND BALANCE - Beginning of Year		<u>596,782</u>	
FUND BALANCE - END OF YEAR		<u>\$ 676,997</u>	

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

VILLAGE OF BUTLER

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

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.00787827%	\$ (193,512)	\$ 838,206	23.09%	102.74%
12/31/15	0.00776516%	126,182	927,155	13.61%	98.20%
12/31/16	0.00784969%	64,700	924,216	7.00%	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	\$ 76,515	\$ 76,515	\$ -	\$ 927,155	8.25%
12/31/16	75,234	75,234	-	924,216	8.14%
12/31/17	87,726	87,726	-	953,656	9.20%

VILLAGE OF BUTLER

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 may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds Village 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.

SUPPLEMENTARY INFORMATION

VILLAGE OF BUTLER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 365,149	\$ 365,149	\$ -
Commercial revenues	500	441	(59)
Total Revenues	<u>365,649</u>	<u>365,590</u>	<u>(59)</u>
EXPENDITURES			
Debt Service			
Principal retirement	805,573	698,122	107,451
Interest and charges	109,305	100,067	9,238
Total Expenditures	<u>914,878</u>	<u>798,189</u>	<u>116,689</u>
Excess (deficiency) of revenues over expenditures	(549,229)	(432,599)	116,630
OTHER FINANCING SOURCES			
Transfers in	<u>549,229</u>	<u>430,466</u>	<u>(118,763)</u>
Net Changes in Fund Balances	<u>\$ -</u>	<u>(2,133)</u>	<u>\$ (2,133)</u>
FUND BALANCES - Beginning of Year		<u>60,118</u>	
FUND BALANCES - END OF YEAR		<u>\$ 57,985</u>	

OTHER INFORMATION

VILLAGE OF BUTLER

COMPARATIVE SCHEDULE OF TAXES AND VALUATION DATA 2013 - 2017 Tax Rolls

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
STATE TAXES	\$ <u>39,721</u>	\$ <u>41,431</u>	\$ <u>42,083</u>	\$ <u>42,816</u>	\$ <u>-</u>
COUNTY TAXES	<u>457,970</u>	<u>456,563</u>	<u>455,432</u>	<u>435,656</u>	<u>428,458</u>
TAX INCREMENTAL DISTRICT	<u>425,652</u>	<u>505,377</u>	<u>500,202</u>	<u>671,919</u>	<u>658,306</u>
LOCAL TAXES					
Village purposes	1,508,900	1,795,003	1,795,027	1,840,204	1,863,491
Local schools	2,304,374	2,249,457	2,265,394	2,115,962	2,040,500
Vocational school	<u>280,930</u>	<u>85,364</u>	<u>84,705</u>	<u>80,389</u>	<u>80,902</u>
Total General Property Taxes	<u>5,017,547</u>	<u>5,133,195</u>	<u>5,142,843</u>	<u>5,186,946</u>	<u>5,071,657</u>
Other	1,236	1,218	1,510	1,663	1,782
Delinquent utility charges	<u>51,016</u>	<u>40,414</u>	<u>50,971</u>	<u>56,885</u>	<u>50,382</u>
AGGREGATE AMOUNT OF TAX BILL	\$ <u>5,069,799</u>	\$ <u>5,174,827</u>	\$ <u>5,195,324</u>	\$ <u>5,245,494</u>	\$ <u>5,123,821</u>
ASSESSED VALUATION	\$ <u>243,104,370</u>	\$ <u>242,330,780</u>	\$ <u>242,632,580</u>	\$ <u>252,069,080</u>	\$ <u>253,535,810</u>
EQUALIZED VALUATION	\$ <u>234,060,400</u>	\$ <u>244,134,500</u>	\$ <u>247,977,500</u>	\$ <u>252,295,600</u>	\$ <u>253,512,700</u>
RATIO OF ASSESSMENT	<u>103.86%</u>	<u>99.26%</u>	<u>97.84%</u>	<u>99.91%</u>	<u>100.01%</u>