

VILLAGE OF SUMMIT
Summit, Wisconsin

**Basic Financial Statements
And Supplementary Information**

Year Ended December 31, 2017

VILLAGE OF SUMMIT

Summit, Wisconsin

Year Ended December 31, 2017

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Independent Auditors' Report

To the Village Board
Village of Summit
Summit, 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 Summit, Wisconsin ("Village"), as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Summit, Wisconsin, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity 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 management's discussion and analysis and required supplementary information on pages 3 through 13 and 55 through 57 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.

Other Information

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

Rielly, Penner + Benton LLP

May 25, 2018
Milwaukee, Wisconsin

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

(UNAUDITED)

As management of the Village of Summit, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Village's year ended December 31, 2017. The Village of Summit was incorporated by the State of Wisconsin from the remaining Town of Summit on July 29, 2010. The Town implemented the provisions of Governmental Accounting Standards Board Statement 34 effective for the Town on January 1, 2005. The Village of Summit has continued these standards and continued to implement additional GASB recommendations as identified by the Village's Audit firm.

A. Financial Highlights

The assets of the Village of Summit exceeded its liabilities at the close of the most recent fiscal year by \$12,474,028, an increase of over \$859,704 from 2016. The increase came in part by reducing the Summit Utility District #2 debt and continued collection of the Amended Final Special Assessment Resolution in Summit Utility District #2. The Silver Lake Utility District completed debt service payments for the sanitary sewer system in 2016.

The Village of Summit includes GASB 54 fund balance reporting descriptions as part of the Financial Statements. This information provides a clearer fund balance classification that can be more consistently applied. This reporting policy uses fund balance classifications in a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in government funds. The categories include Non-spendable, Restricted, Committed, Assigned and Unassigned. Page 33 of the Notes to Financial Statements further describes these classifications.

As of the close of the current fiscal year, Summit's Governmental Funds reported ending fund balances of \$9,188,840, an increase of \$6,399,361. Of this ending fund balance, approximately 16.88% of this total amount (or \$1,550,808) represents monies available for spending at the government's discretion (Unassigned or Committed Funds). At year-end, management had committed \$702,772 from these monies for specific purposes.

At the end of the current fiscal year the Unassigned fund balance for the general fund was \$848,376, or 25.81% of total general fund expenditures. The Village's total debt responsibility increased by \$11,363,415. Borrowing by the Village of Summit for capital projects in 2017 caused the general obligation debt for governmental activities to rise by \$12,003,415 while business-type debt decreased by \$640,000. Liabilities for compensated absences decreased by \$14,107. During 2017, the Village Board approved purchase of land and construction for a new Village Hall, Department of Public Works and Police Department. During May 2017 \$6,000,000 was borrowed from the Board of Commissioners of Public Lands for a 5-year term to finance the construction of the new facilities. In December 2017 the Village Board approved general obligation refunding bonds totaling \$6,255,000 for a 20-year term. The \$6,000,000 borrowed from the Board of Commissioners of Public Lands will be repaid off in January 2018 from the proceeds of the long-term borrowing.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Summit'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 required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

B. Overview of the Financial Statements (continued)

B.1. Government-wide Financial Statements

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

The *statement of net position* presents information on all of the Village of Summit'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 an improving or deteriorating financial position for the Village. Since 2007, the total assets for the community have increased by \$13,583,252, to \$38,054,454. This value exists in spite of ongoing depreciation of the Village's utility system infrastructure. The net position of the Village has increased from \$6,177,047 in 2007 to \$12,474,028 at the end of 2017.

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

Both of the government-wide financial statements distinguish functions of the Village of Summit 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 Summit include general government, public safety, public works, leisure activities, health and human services. Beginning in 2012 the Village also provided stormwater and flood hazard mitigation activities in the Genesee Lakes Utility District. The business-type activities of the Village include Silver Lake Utility District and Summit Utility District #2, wherein the Village provides District administrative, billing, and limited property maintenance services.

B.2. 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 Summit, 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 two categories: governmental funds and enterprise funds. Within each of these classes there are also identified major and non-major funds. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

Overview of the Financial Statements (continued)

B.2. Fund Financial Statements (continued)

Governmental Funds

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

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

The Village of Summit maintains three major 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 which is considered to be a major fund. Data from the five other governmental funds are combined into a single, aggregated presentation and listed as non-major governmental funds. These six funds include the Land Acquisition and Capital Improvements, Impact Fees, Genesee Lakes Utility District, Summit Utility District #3 and Cemetery Funds. Individual fund data for each of these non-major government funds is provided in the form of *combining statements* on pages 58 - 59 of this report.

The Village of Summit adopts an annual appropriated budget for the entire general fund and various other funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village of Summit maintains two proprietary funds. The proprietary fund financial statements provide separate information for the Silver Lake Utility District and Summit Utility District #2, which are considered to be major *enterprise funds* of the Village of Summit.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Summit's own programs. The Village maintains a Tax Roll Fund for this purpose. The accounting used for fiduciary funds is much like that used for governmental funds.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

Overview of the Financial Statements (continued)

B.3. 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 24-54 of this report.

B.4. Supplementary information

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 58 and 59 of this report.

C. Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Summit, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$12,474,028 at the close of the most current fiscal year, as presented in the following table. This is an increase of \$6,308,373 since December 31, 2007 and reflects a commitment on the part of the Village to reduce the long-term liabilities.

This reduction in long-term liabilities occurred during a time of tremendous change in the community. In 2007 the Town of Summit had just completed the installation of the Silver Lake sanitary sewer system. In 2009 the Town of Summit completed boundary agreements with seven of the nine adjacent communities. In 2010 the Town was approved by the State of Wisconsin for incorporation into the Village of Summit – losing over two square miles of developed territory and valuation. In 2012 the Village Board adopted and began to implement a rolling five-year Capital Improvement Plan. In 2013 the Summit Utility District #2 completed a major refinancing for their long-term debt, partially financed by the Village of Summit. In 2017, the Village purchased vacant lands and began construction of new facilities to replace the aging and deficient buildings that currently housed the Administrative offices, Police Department and Department of Public Works.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

C. Government-Wide Financial Analysis (continued)

Village of Summit Net Position
December 31, 2017 and December 31, 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$12,812,965	\$5,105,092	\$ 3,543,944	\$ 2,414,094	\$ 16,356,909	\$ 7,519,186
Capital assets	10,288,275	4,998,525	11,409,270	11,704,404	21,697,545	16,702,929
Total assets	\$23,101,240	\$10,103,617	\$14,953,214	\$14,118,498	\$38,054,454	\$24,222,115
Deferred Outflows	\$754,248	\$945,829	---	---	\$754,248	\$945,829
Current and other liabilities	\$7,812,856	\$599,894	\$ 932,780	\$ 1,055,035	\$ 8,745,636	\$ 1,654,929
Net pension liability	86,576	169,756	---	---	86,576	169,756
Long-term liabilities	6,835,158	799,013	6,625,690	7,175,000	13,460,848	7,974,013
Total liabilities	\$14,734,590	\$1,568,663	\$7,558,470	\$8,230,035	\$22,293,060	\$9,798,698
Deferred inflows	\$2,657,667	\$2,385,604	\$1,383,947	\$1,369,318	\$4,041,614	\$3,754,922
Net position:						
Net investment in capital assets	\$4,335,082	\$4,047,355	\$ 4,128,580	\$ 3,771,970	\$ 8,463,662	\$ 7,819,325
Restricted	383,270	858,208	---	---	383,270	858,208
Unrestricted	1,744,879	2,189,616	1,882,217	747,175	3,627,096	2,936,791
Total net position	\$6,463,231	\$7,095,179	\$ 6,010,797	\$ 4,519,145	\$ 12,474,028	\$ 11,614,324

The Village of Summit uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
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C. Government-wide Financial Analysis (continued)

C.1. Governmental activities

Governmental activities decreased the Village of Summit's net position by \$631,948, while business-type activities increased net position by \$1,491,652. Major reasons for this change are noted below:

Village of Summit's Changes in Net Position
For the Years ending December 31, 2017 and December 31, 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 1,191,895	\$ 1,325,191	\$ 844,957	\$ 799,893	\$ 2,036,852	\$ 2,125,084
Operating grants and contributions	293,851	295,064	---	---	293,851	295,064
Capital grants and contributions	2,000	---	1,183,645	16,852	1,185,645	16,852
General Revenues:						
Property taxes - general	1,293,412	1,260,258	349,463	364,368	1,642,875	1,624,626
Property taxes debt service	303,837	286,852	---	---	303,837	286,852
Other taxes	150,627	174,257	---	---	150,627	174,257
Intergovernmental	151,190	153,724	---	---	151,190	153,724
Investment income	37,728	10,874	11,002	11,324	48,730	22,198
Gain (Loss) on retirement of capital assets	5,231	10,462	---	(96,626)	5,231	(86,164)
Miscellaneous	9,636	45,910	2,168	---	11,804	45,910
Total revenues	3,439,407	3,562,592	2,391,235	1,095,811	5,830,642	4,658,403
Expenses:						
General government	819,797	708,372	---	---	819,797	708,372
Public safety	2,032,513	1,521,775	---	---	2,032,513	1,521,775
Public works	936,839	1,043,936	---	---	936,839	1,043,936
Culture, education and recreation	31,777	34,553	---	---	31,777	34,553
Health and human services	32,880	33,397	---	---	32,880	33,397
Interest and fiscal charges	217,549	23,569	---	---	217,549	23,569
Utility Districts	---	---	899,583	907,192	899,583	907,192
Total expenses	4,071,355	3,365,602	899,583	907,192	4,970,938	4,272,794
Change in net position	(631,948)	196,990	1,491,652	188,619	859,704	385,609
Net Position – Jan. 1	7,095,179	6,898,189	4,519,145	4,330,526	11,614,324	11,228,715
Net Position – Dec. 31	\$ 6,463,231	\$ 7,095,179	\$ 6,010,797	\$ 4,519,145	\$ 12,474,028	\$ 11,614,324

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

C. Government-wide Financial Analysis (continued)

C.2. Business-type activities

Business-type activities continued to improve in 2017 with an increase of \$1,491,652 in net position.

The Summit Utility District #2 functions to collect and transport sewage to the Del-Hart Treatment Plant in the City of Delafield. The operating revenue for Summit Utility District #2 during the current fiscal year was \$712,640, generated by monthly charges for service. This is an increase of \$176,708 from 2012 and \$251,799 more than collected during 2007. Operating expenses for the current fiscal year increased to \$571,644, \$48,566 more than 2015 and \$4,844 more than 2016. The depreciation of the utility assets continued to affect the District. The District shows gradual improvement in position because of the 2013 refinancing and maintenance of recommended service rates.

The Silver Lake Utility District contracted with the City of Oconomowoc in 2005 for the installation of sanitary sewer through the entire District. This work was completed on January 6, 2006 and the system continues to be operated by the City of Oconomowoc. As such, all operating revenue goes directly for treatment charges. Expenses for the District included administrative costs totaling \$33,002 during the current fiscal year. In November 2011 the Silver Lake Utility Commission adopted a 10-year Financial Management Plan. The District continues to use this plan for service rate changes. The Net Position in the Silver Lake Utility District at the end of 2017 totals \$1,641,456.

D. Financial Analysis of the Government's Funds

Summit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

D.1. Government funds

The focus of the Summit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the community's financing requirements. In particular, assigned and unassigned fund balances 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 of Summit's governmental funds reported combined ending fund balances of \$9,188,840, an increase of \$6,399,361 in comparison with the prior year. As noted in Section E2, the result of borrowing for the new Village facilities was a significant factor in this increase.

Of the \$9,188,840 ending fund balance, approximately 6.54% of this total amount (\$848,036) constitutes *Unassigned monies* available for spending at the government's discretion. The Village Board has committed \$702,772 for Facility Improvements. \$35,000 remains in long-term advance receivables representing monies forwarded to the Summit Utility District #2. The remainder of the fund balance is restricted for work the following items: 1) continuing care in the Summit Cemetery (\$277,943), 2) a variety of other parkland acquisition and development uses (\$3,040), 3) Genesee Lakes Utility District (\$34,513), 4) Capital projects (\$1,130,937), 5) payments as allowed by Wisconsin Statutes ("Impact Fees" \$25,098) or, 6) Debt service (\$6,094,971).

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

D. Financial Analysis of the Government's Funds (continued)

D.2. Proprietary funds

The Village of Summit's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

User charge rates for Summit Utility District #2 have been charged since completion of the system in 2002. All of the developed properties in the district were connected and served as of December 31, 2007. The 2004 and 2008 District audits identified on-going concerns over the long-term financing of the District. After incorporation, the Summit Village Board and District Commissioners completed a Financial Management Plan in November 2011 that extends through 2027. The Commission completed a refinancing of the District's long-term debt in May of 2012. The Commission also adopted an amended Final Special Assessment Resolution on January 3, 2013. The Commission continues to use the 2011 Plan and updates this information on an annual basis. Copies of this Plan are available from the Village Administrator.

The Silver Lake Utility District completed installation of the sanitary sewer on January 6, 2006. All of the developed properties in the district were connected and served as of December 31, 2011. The District Commissioners completed a financial analysis in the spring of 2006 and refinanced the project into a 10-year general obligation note in September 2006. This District was also part of the 2011 Financial Management Plan for the Village. Based on this Plan the commission adopted a single increase in the annual tax assessment in November 2012 to stabilize the long-term funding of this District. In 2016 the Village approved a short-term funds transfer to cover the remaining debt service, this was paid off in full in December 2017. Copies of this financial management plan are available from the Village Administrator.

E. Capital Asset and Debt Administration

E.1. Capital Assets

The Village of Summit inherited all of the assets and liabilities of the Town of Summit when the State of Wisconsin approved incorporation on July 29, 2010. This inheritance included all of the Town's prior investment in capital assets for its governmental and business-type activities. As of December 31, 2017, these investments amount to \$21,697,545, an increase of \$4,994,616 (net of accumulated depreciation). The governmental-type investment in capital assets includes land, land improvements, buildings, machinery and equipment and street infrastructure. Major capital asset changes during the current fiscal year include the construction in process for a new Village Hall, purchase of one police squad and one highway department vehicle, construction is process for a columbarium and several minor items. The Village's governmental activities capital assets, net of depreciation, total \$10,288,275; this is \$5,289,750 more than December 31, 2016.

The business-type investment in capital assets includes land, land improvements, buildings, machinery and equipment, and sanitary sewer infrastructure. The Village's business activities capital assets, net of depreciation, totals \$11,409,270 - this is \$295,134 less than December 31, 2016.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
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E. Capital Asset and Debt Administration (continued)

Village of Summit - Capital Assets (net of accumulated depreciation)
December 31, 2017 and December 31, 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land (not being depreciated)	\$ 1,594,282	\$ 1,076,620	\$ 92,861	\$ 92,861	\$ 1,687,143	\$ 1,169,481
Construction in Progress	4,958,825	45,807	---	---	4,958,825	45,807
Buildings	337,023	355,071	1,371,698	1,411,458	1,708,721	1,766,529
Vehicles and Equipment	544,561	590,789	402,220	443,623	946,781	1,034,412
Infrastructure	2,853,584	2,930,238	---	---	2,853,584	2,930,238
Sewer system and services	---	---	7,961,974	8,121,444	7,961,970	8,121,444
Investment in City of Oconomowoc treatment plant	---	---	1,580,517	1,635,018	1,580,517	1,635,018
Total	\$ 10,288,275	\$ 4,998,525	\$ 11,409,270	\$ 11,704,404	\$ 21,697,545	\$ 16,702,929

Additional information on the Village's capital assets can be found in Note 3(E).

Additional information on the Village's capital assets for Business-Type Activities can be found in the separate Financial Statements for the Summit Utility District #2, Note 4 of the report.

E.2. Long-term debt

At the end of the current fiscal year, the Village of Summit had total debt outstanding of \$20,254,906. Of this amount, \$20,139,310 comprises debt backed by the full faith and credit of the government. The remainder of the Village's governmental activities debt (\$115,596) represents accumulated sick pay benefits for current, full-time police officers. The Village Board voted in November 2013, to convert to a Paid-Time-Off policy for non-represented employees. This policy change froze the growth in vested compensated absences for these employees and changed the future hourly benefit into an annual obligation. The Village Board approved a 3-year agreement with the Summit Police Association on November 3, 2015 that did not change the accumulated sick leave policy for existing full-time officers.

The Village's total debt increased by \$11,355,452 during the current fiscal year. The increase in debt results from capital projects loans for construction of the new Village hall, Police Department, Department of Public Works and repayment of Utility District #2.

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation of taxable property within the Village's jurisdiction. The current debt limitation for the Village of Summit is \$49,366,320 which is significantly in excess of the Village's outstanding general obligation debt. The Village's current debt includes approximately 40.80% of the overall statutory amount available.

Additional information on the Village of Summit's long-term debt can be found in note 3(F).

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
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F. Economic Factors and Other Budget Notes

The final budget of the Village's general fund contained revenues and other financing sources of \$3,030,077 and expenditures and other financing uses of \$3,976,536. There were no amendments to the budget during the year. Actual results for the year show expenditures exceeding revenues and other financing sources by \$719,029, which is \$47,430 better than budgeted.

The Village Assessor reported the current assessed value of the Village at \$987,326,400, a market increase of about \$43 million compared to 2014 values. After the major recession of 2009-2011, the Village finally saw fairly stable property values return in 2015. They have contracted with Grota Appraisals to complete a maintenance-level appraisal for the next three years (2016-18).

The Village of Summit tax rate for 2017 was \$2.7310 per \$1,000 of assessed value (mil rate). The significant increase from 2016 resulted from the Village's decision to apply the Western Lakes Fire District capital expenses as part of the levy as well as the 1st payment towards the new debt in the levy. The 2017 budgeted tax levy for Village services increased by \$600,980 from 2016. The vast majority of increase in expenses comes from a \$228,130 increase in debt service for the Village. This debt service results from a policy by the Village Board to borrow for capital expenditures and payment of the new village facilities debt, rather than fund out of the annual levy.

The Village has a full time Village Clerk/Treasurer, Village Deputy Treasurer/Deputy Clerk and Village Administrator. Staff in these positions are required to monitor revenues and control expenses to prevent exceeding the various departments' expenditures established by the budget, the Clerk/Treasurer insures proper capital funding for the future and that the Village's capital investments are protected and future maintenance and replacement cost are minimized.

As part of the 2011 financial planning the Village Board and staff developed a 5-year Capital Improvement Plan program. During 2017 the Board and staff updated this Plan for 2018 - 2022, including possible expenditures for utility district sewer repairs, park improvements, road repairs and upgrades, vehicle and equipment replacement. The Village also added the costs for new Village facilities. The Village Board used this tool as part of the 2018 budgeting process to determine both funding sources and expenditures. The Village's 2018 adopted budget was approved November 7, 2017 following a public hearing that same evening.

During 2017 the Village began construction of new administrative, Police Department and public works facilities. These facilities are being built on property purchased by the Village in 2017. The overall project costs of approximately \$7 million will be funded by a combination of approximately \$1,220,000 in Facility Improvement Fund monies and \$91,552 in Police "Impact Fee" monies currently in the Village, short-term capital debt financed by the Wisconsin Local Government Investment Program and then long-term GO Bonds for the 20-year notes. The Village anticipates selling the existing facilities at 2911 N Dousman Road during 2018 and applying those proceeds (estimated at \$430,000) to offset the new facilities costs.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2017

G. Requests for Information

This financial report is designed to provide a general overview of the Village of Summit's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

Debra Michael, WCMC
Village Administrator-Clerk/Treasurer
37100 Delafield Road
Summit, Wisconsin 53066

(262) 567-2757
clerk@summitvillage.org

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets:			
Cash and investments	\$ 11,560,070	\$ 784,837	\$ 12,344,907
Taxes and special charges receivable	1,102,976	482,324	1,585,300
Accounts receivable	73,786	174,812	248,598
Internal balances	41,003	(41,003)	—
Prepaid expenses	35,130	—	35,130
Special assessments receivable	—	2,080,028	2,080,028
Restricted Assets:			
Connection charges receivable	—	62,946	62,946
Capital Assets:			
Land and construction in progress	6,553,107	92,861	6,645,968
Other capital assets, net of accumulated depreciation	3,735,168	11,316,409	15,051,577
Total assets	23,101,240	14,953,214	38,054,454
Deferred Outflows of Resources:			
Deferred outflows related to pensions	754,248	—	754,248
Liabilities:			
Accounts payable	1,258,093	190,662	1,448,755
Accrued wages and benefits	62,501	—	62,501
Accrued interest	133,999	24,172	158,171
Earnest money	10,000	—	10,000
Liabilities payable from restricted assets:			
Connection charges payable	—	62,946	62,946
Net pension liability	86,576	—	86,576
Accrued compensated absences	115,596	—	115,596
Bonds and notes - due within one year	6,343,582	655,000	6,998,582
Waukesha County note - due within one year	4,681	—	4,681
Bonds and notes - due in more than one year	6,601,858	6,520,000	13,121,858
Waukesha County note - due in more than one year	14,189	—	14,189
Unamortized debt premium	103,515	105,690	209,205
Total liabilities	14,734,590	7,558,470	22,293,060
Deferred Inflows of Resources:			
Special assessment revenue	—	1,034,482	1,034,482
Deferred inflows related to pensions	364,136	—	364,136
Tax roll revenue	2,293,531	349,465	2,642,996
Total deferred inflows of resources	2,657,667	1,383,947	4,041,614
Net Position:			
Net investment in capital assets	4,335,082	4,128,580	8,463,662
Restricted for:			
Debt service	24,971	—	24,971
Capital projects	16,305	—	16,305
Cemetery fund	277,943	—	277,943
Other	64,051	—	64,051
Unrestricted	1,744,879	1,882,217	3,627,096
Total net position	\$ 6,463,231	\$ 6,010,797	\$ 12,474,028

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Activities

For the Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 819,797	\$ 119,575	\$ 27,829	\$ ---	\$ (672,393)	\$ ---	\$ (672,393)
Public safety	2,032,513	557,923	59,759	2,000	(1,412,831)	---	(1,412,831)
Public works	936,839	435,770	206,263	---	(294,806)	---	(294,806)
Health and human services	32,880	23,150	---	---	(9,730)	---	(9,730)
Culture, education and recreation	31,777	55,477	---	---	23,700	---	23,700
Interest and fiscal charges	217,549	---	---	---	(217,549)	---	(217,549)
Total governmental activities	4,071,355	1,191,895	293,851	2,000	(2,583,609)	---	(2,583,609)
Business-type:							
Silver Lake Utility District	189,568	132,317	---	18,971	---	(38,280)	(38,280)
Summit Utility District No. 2	710,015	712,640	---	1,164,674	---	1,167,299	1,167,299
Total business-type activities	899,583	844,957	---	1,183,645	---	1,129,019	1,129,019
Total Primary Government	\$ 4,970,938	\$ 2,036,852	\$ 293,851	\$ 1,185,645	(2,583,609)	1,129,019	(1,454,590)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					1,293,412	349,463	1,642,875
Property taxes, levied for debt service					303,837	---	303,837
Other taxes					150,627	---	150,627
Intergovernmental revenues not restricted to specific programs					151,190	---	151,190
Interest income					37,728	11,002	48,730
Gain on retirement of capital assets					5,231	---	5,231
Gain on retirement of non-capital assets					4,011	---	4,011
Bad debt expense					---	(1,787)	(1,787)
Miscellaneous					5,625	3,955	9,580
Change in net position					(631,948)	1,491,652	859,704
Net position - beginning					7,095,179	4,519,145	11,614,324
Net position - ending					\$ 6,463,231	\$ 6,010,797	\$ 12,474,028

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 2,615,217	\$ 6,371,037	\$ 2,141,026	\$ 432,790	\$ 11,560,070
Receivables					
Taxes	818,838	255,169	---	28,969	1,102,976
Accounts	73,786	---	---	---	73,786
Due from other funds	133,052	---	---	34,513	167,565
Prepaid expenditures	35,130	---	---	---	35,130
Advance to Utility Districts	35,000	---	---	---	35,000
Total assets	<u>3,711,023</u>	<u>6,626,206</u>	<u>2,141,026</u>	<u>496,272</u>	<u>12,974,527</u>
Liabilities:					
Accounts payable	248,004	---	1,010,089	---	1,258,093
Accrued wages and benefits	62,501	---	---	---	62,501
Earnest money	10,000	---	---	---	10,000
Due to other funds	34,513	---	---	127,049	161,562
Total liabilities	<u>355,018</u>	<u>---</u>	<u>1,010,089</u>	<u>127,049</u>	<u>1,492,156</u>
Deferred Inflows of Resources:					
Tax roll revenue	1,733,327	531,235	---	28,969	2,293,531
Fund Balances (Deficit):					
Nonspendable	70,130	---	---	---	70,130
Restricted	1,400	6,094,971	1,130,937	340,594	7,567,902
Committed	702,772	---	---	---	702,772
Unassigned	848,376	---	---	(340)	848,036
Total fund balance	<u>\$ 1,622,678</u>	<u>\$ 6,094,971</u>	<u>\$ 1,130,937</u>	<u>\$ 340,254</u>	<u>\$ 9,188,840</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

December 31, 2017

Total fund balance of governmental funds		\$	9,188,840
Amounts reported for governmental activities in the government-wide statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.			
Land and construction in progress	\$	6,553,107	
Other capital assets net of accumulated depreciation		<u>3,735,168</u>	
			10,288,275
The Village's proportionate share of the net pension liability at the WRS is reported on the statement of net position, but is not reported in the governmental funds.			
			(86,576)
Deferred outflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.			
			754,248
Deferred inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.			
			(364,136)
Long-term debt and related items are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term debt and related items at year-end consist of:			
Bonds and notes payable		(12,964,310)	
Compensated absences payable - sick pay		(115,596)	
Unamortized premium		(103,515)	
Accrued interest payable on long-term bonds and notes		<u>(133,999)</u>	
			<u>(13,317,420)</u>
Total net position of governmental activities		\$	<u>6,463,231</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,419,456	\$ 303,837	\$ --	\$ 24,574	\$ 1,747,867
Operating grants and contributions:					
Intergovernmental	433,870	--	--	--	433,870
Other	13,171	--	--	--	13,171
Licenses and permits	173,356	--	--	--	173,356
Fines, forfeitures and penalties	53,484	--	--	--	53,484
Public charges for services	495,092	--	--	18,607	513,699
Intergovernmental charges for services	451,357	--	--	--	451,357
Interest income	25,950	--	6,276	5,502	37,728
Other revenues	5,638	--	--	--	5,638
Total revenues	<u>3,071,374</u>	<u>303,837</u>	<u>6,276</u>	<u>48,683</u>	<u>3,430,170</u>
Expenditures:					
Current:					
General government	559,230	--	224,155	--	783,385
Public safety	1,919,652	--	--	--	1,919,652
Public works	754,207	--	--	23,524	777,731
Health and human services	31,940	--	--	370	32,310
Culture, recreation and education	21,923	--	--	--	21,923
Capital outlay	--	--	5,495,427	25,370	5,520,797
Debt service:					
Principal	--	285,441	--	--	285,441
Interest and fiscal charges	--	101,977	--	--	101,977
Total expenditures	<u>3,286,952</u>	<u>387,418</u>	<u>5,719,582</u>	<u>49,264</u>	<u>9,443,216</u>
Deficit of revenues under expenditures	(215,578)	(83,581)	(5,713,306)	(581)	(6,013,046)
Other Financing Sources (Uses):					
Face value of bonds and notes issued	--	6,070,000	6,225,000	--	12,295,000
Premium on issuance of debt	--	103,971	--	--	103,971
Proceeds from sale of capital assets	9,425	--	--	--	9,425
Proceeds from sale of non-capital assets	4,011	--	--	--	4,011
Transfers in	5,356	4,581	584,116	--	594,053
Transfers out	(522,243)	--	--	(71,810)	(594,053)
Total other financing sources (uses)	<u>(503,451)</u>	<u>6,178,552</u>	<u>6,809,116</u>	<u>(71,810)</u>	<u>12,412,407</u>
Net change in fund balance	(719,029)	6,094,971	1,095,810	(72,391)	6,399,361
Fund Balance, beginning of year	<u>2,341,707</u>	<u>--</u>	<u>35,127</u>	<u>412,645</u>	<u>2,789,479</u>
Fund Balance, end of year	<u>\$ 1,622,678</u>	<u>\$ 6,094,971</u>	<u>\$ 1,130,937</u>	<u>\$ 340,254</u>	<u>\$ 9,188,840</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 6,399,361

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

Governmental funds report capital outlays as expenditures. In the government-wide statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation.

Capital outlay	\$ 5,520,797	
Depreciation expense	<u>(226,853)</u>	
		5,293,944

In the statement of activities, the net gain or loss on the sale or retirement of capital assets is reported. However, in the governmental funds, only the proceeds from the sale of capital assets provides a current financial resource to be reported. Therefore, the change in fund balance differs from the change in net assets by the cost of the assets sold or retired net of the accumulated depreciation on those assets.

(4,194)

Governmental funds report proceeds from the issuance of long-term debt as other financing sources, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt principal are expenditures in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets.

Proceeds from the issuance of debt		(12,295,000)
Principal payments on debt		285,441

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Pension Expense	(208,964)	
Village pension contributions	<u>102,904</u>	
		(106,060)

Interest on long-term debt in the governmental funds is reported as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest costs are reported as they accrue, regardless of when they are due.

(116,032)

Bond premiums are recorded as an other financing source in the governmental funds, but these are amortized over the life of the bonds in the statement of activities.

(103,971)

Amortization of premium from the issuance of debt reduces the balance of the respective item in the statement of net position. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

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Certain expenses do not require the use of current financial resources, and therefore, are not accrued in the governmental funds. These expenses are accrued in the government-wide statement of net assets and reported as expenses in the statement of activities.

Accrued compensated absences		<u>14,107</u>
------------------------------	--	---------------

Net change in net position \$ (631,948)

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities - Enterprise Funds		Total
	Summit Utility District No. 2	Silver Lake Utility District	
Assets:			
Current Assets:			
Cash and investments	\$ 719,020	\$ 65,817	\$ 784,837
Due from other utility districts	15,039	—	15,039
Receivables:			
Customer	156,132	18,680	174,812
Taxes	314,465	35,000	349,465
Special charges on the tax roll	125,978	6,881	132,859
Total current assets	<u>1,330,634</u>	<u>126,378</u>	<u>1,457,012</u>
Non-Current Assets:			
Special assessments receivable	1,757,521	322,507	2,080,028
Restricted assets:			
Connection charges receivable	—	62,946	62,946
Capital assets:			
Land	92,861	—	92,861
Capital assets being depreciated	13,409,983	2,180,025	15,590,008
Accumulated depreciation and amortization	(3,674,091)	(599,508)	(4,273,599)
Total non-current assets	<u>11,586,274</u>	<u>1,965,970</u>	<u>13,552,244</u>
Total assets	12,916,908	2,092,348	15,009,256
Liabilities:			
Current Liabilities:			
Accounts payable	24,954	13,178	38,132
Accrued interest	24,172	—	24,172
Due to Village	3,781	2,222	6,003
Due to other utility districts	—	15,039	15,039
Liabilities payable from restricted assets:			
Connection charges payable	—	62,946	62,946
Current portion of general obligation debt	655,000	—	655,000
Total current liabilities	<u>707,907</u>	<u>93,385</u>	<u>801,292</u>
Non-Current Liabilities:			
General obligation debt	6,520,000	—	6,520,000
Unamortized debt premium	105,690	—	105,690
Advance from Village	35,000	—	35,000
Due to other utilities	152,530	—	152,530
Total non-current liabilities	<u>6,813,220</u>	<u>—</u>	<u>6,813,220</u>
Total liabilities	7,521,127	93,385	7,614,512
Deferred inflows of resources:			
Special assessment revenue	711,975	322,507	1,034,482
Tax roll revenue	314,465	35,000	349,465
Total deferred inflows of resources	<u>1,026,440</u>	<u>357,507</u>	<u>1,383,947</u>
Net Position:			
Net investment in capital assets	2,548,063	1,580,517	4,128,580
Unrestricted	1,821,278	60,939	1,882,217
Total net position	<u>\$ 4,369,341</u>	<u>\$ 1,641,456</u>	<u>\$ 6,010,797</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Summit Utility District No. 2	Silver Lake Utility District	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues	\$ 712,640	\$ 132,317	\$ 844,957
Operating Expenses:			
Operation and maintenance	231,602	93,065	324,667
Administrative and general	99,409	33,002	132,411
Depreciation	240,633	—	240,633
Amortization	—	54,501	54,501
Total operating expenses	<u>571,644</u>	<u>180,568</u>	<u>752,212</u>
Net Operating Income (Loss)	140,996	(48,251)	92,745
Non-Operating Revenues (Expenses):			
Taxes	314,463	35,000	349,463
Interest income	925	139	1,064
Interest on special assessments	9,938	—	9,938
Miscellaneous revenues	3,915	40	3,955
Interest expense	(138,371)	(9,000)	(147,371)
Bad debt expense	(1,787)	—	(1,787)
Net non-operating revenues	<u>189,083</u>	<u>26,179</u>	<u>215,262</u>
Net Income before Contributions	330,079	(22,072)	308,007
Capital Contributions	<u>1,164,674</u>	<u>18,971</u>	<u>1,183,645</u>
Change in Net Position	1,494,753	(3,101)	1,491,652
Net Position - Beginning of year	<u>2,874,588</u>	<u>1,644,557</u>	<u>4,519,145</u>
Net Position - End of year	<u>\$ 4,369,341</u>	<u>\$ 1,641,456</u>	<u>\$ 6,010,797</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	<u>Summit Utility</u>	<u>Silver Lake</u>	<u>Total</u>
	<u>District No. 2</u>	<u>Utility District</u>	
Cash Flows From Operating Activities:			
Receipts from customers	\$ 715,722	\$ 139,041	\$ 854,763
Payments to suppliers	(366,692)	(123,125)	(489,817)
Internal activity - receipts from other funds	56	15,072	15,128
Net cash provided by operating activities	<u>349,086</u>	<u>30,988</u>	<u>380,074</u>
Cash Flows From Noncapital Financing Activities:			
Taxes received	314,463	28,119	342,582
Payments on advance from Village	---	(76,000)	(76,000)
Miscellaneous revenue received	---	40	40
Net cash provided (used) by noncapital financing activities	<u>314,463</u>	<u>(47,841)</u>	<u>266,622</u>
Cash Flows From Capital and Related Financing Activities:			
Special assessments received	703,590	26,504	730,094
Debt retired	(640,000)	---	(640,000)
Interest paid	(152,236)	(9,000)	(161,236)
Proceeds on disposal of assets	---	---	---
Net cash provided (used) by capital and related financing activities	<u>(88,646)</u>	<u>17,504</u>	<u>(71,142)</u>
Cash Flows From Investing Activities:			
Investment earnings	10,863	139	11,002
Net cash provided by investing activities	<u>10,863</u>	<u>139</u>	<u>11,002</u>
Net change in cash and equivalents	585,766	790	586,556
Cash and equivalents, beginning of year	<u>133,254</u>	<u>65,027</u>	<u>198,281</u>
Cash and equivalents, end of year	<u>\$ 719,020</u>	<u>\$ 65,817</u>	<u>\$ 784,837</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Operating Income (Loss)	\$ 140,996	\$ (48,251)	\$ 92,745
Miscellaneous revenue	3,915		3,915
Noncash items in operating income (loss):			
Depreciation	240,633	---	240,633
Amortization	---	54,501	54,501
Changes in assets and liabilities:			
Customer accounts receivable	(833)	6,724	5,891
Accounts payable	(21,307)	5,164	(16,143)
Due from Village	56	12,850	12,906
Due to other utilities	(14,374)	---	(14,374)
Net cash flows provided by operating activities	<u>\$ 349,086</u>	<u>\$ 30,988</u>	<u>\$ 380,074</u>
Non-cash capital activities:			
Special assessments assessed	<u>\$ 1,164,674</u>	<u>\$ 18,971</u>	<u>\$ 1,183,645</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Statement of Net Position - Fiduciary (Agency) Fund

December 31, 2017

		<u>Tax Roll Fund</u>
Assets:		
Cash and investments	\$	6,994,745
Taxes receivable		<u>5,982,962</u>
Total assets	\$	<u><u>12,977,707</u></u>
Liabilities:		
Due to other governmental units	\$	<u><u>12,977,707</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Summit, Wisconsin conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. Financial Reporting Entity

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

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

The Village has included in its financial statements the following entities, which are not considered separate entities with corporate powers:

Community Development Authority

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

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

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

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

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- 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 and 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 funds:

Major Governmental Fund

- General Fund – The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial transactions except those legally or administratively required to be accounted for in another fund.
- Capital Projects Fund – This fund accounts for the acquisition or construction of capital assets that are financed with general obligation debt.
- Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs (other than debt accounted for in the Proprietary Funds).

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

Major Enterprise Funds

- Silver Lake Utility District Fund – This Fund accounts for operations of the sanitary sewer system.
- Summit Utility District No. 2 Fund – This Fund accounts for operations of the sanitary sewer system.

The Village reports the following non-major funds:

- Special Revenue Funds – are used to account for revenues requiring separate accounting because of legal or regulatory provisions, and consist of the following individual funds:

Land Acquisition and Public Improvements Fund
Impact Fees Funds
Genesee Lakes Utility District Fund
Summit Utility District #3 Fund

- Permanent Funds – are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Cemetery Fund

In addition, the Village reports the following fund types:

Agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Roll 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 or exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. 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 sewer and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 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 the expendable available financial resources.

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held by the county are reported as receivable and deferred inflows of resources.

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

The Village reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements, deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

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 allow the accrual basis of accounting, and do not have a measurement focus.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

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 proprietary 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 of 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purpose of the statement of net position and for 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 in Village funds is restricted by Wisconsin state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less
- 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, or by the University of Wisconsin Hospitals and Clinics Authority
- Bonds or securities issued or guaranteed by the federal government
- The Local Government Investment Pool
- Any security maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options
- Repurchase agreements with public depositories, with certain conditions

The Village has adopted an investment policy. That policy follows the state statute for allowable investments.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Position or Fund Balance (continued)

Cash and Investments (continued)

The Village may deposit funds in authorized banks, the Wisconsin Local Government Investment Pool and Wisconsin Investment Trust without restriction of amounts. The Village may deposit funds in savings and loan associations and credit unions up to \$500,000. Deposits in authorized banks may be limited to \$500,000 upon the determination of the Investment Officer of the Village that circumstances exist regarding the viability of the bank.

The Village's investment policy does not address other types of risks.

The Village has adopted GASB Statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

The Village categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Village has no investments that are measured at fair value. The local government investment pool ("LGIP") is valued at amortized cost, and the certificate of deposit ("CD") is valued at cost plus accrued interest.

Receivables

In the government-wide statements, receivables consist of all revenues earned or to which the Village is otherwise entitled and has not yet received.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as intergovernmental grants and aids and other similar revenues since they are usually both measurable and available. Receivables collectible, but not available, are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Management has determined that no allowance is necessary at December 31, 2017. No provision for uncollectible accounts receivable has been made for the enterprise funds because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Receivables (continued)

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments as well as the local and vocational school districts. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and as due to other taxing units on the statement of net position – fiduciary (agency) fund. Taxes are levied in December on the assessed value as of the prior January 1.

Property Tax Calendar – 2017 Tax Roll:

Lien 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 due in full	January 31, 2018
Tax sale by County - 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, therefore no allowance is considered necessary.

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.

Restricted Assets

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical costs if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but GASB No. 34 does not require the Village to retroactively report all major general infrastructure assets. The Village has not retroactively reported all infrastructure acquired by its governmental fund types prior to implementation of GASB 34.

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 funds proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	50 years
Machinery and Equipment	5 - 25 years
Infrastructure	50 - 65 years
Utility System	33 - 80 years
Investment in City of Oconomowoc treatment plant	40 years

Fund Financial Statements

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Compensated Absences

The Village does not accrue vacation or paid time off, but rather expenses these costs as paid. Paid time off is not cumulative from year to year for highway and office employees, but at the end of each calendar year, the Village will contribute up to 40 hours of unused paid time off to employees' 401(a) account. Accumulated sick leave benefits up to a maximum of 120 days are payable upon retirement for police employees. There are no provisions for payment of accumulated sick leave benefits if employment is terminated prior to retirement. Accumulated benefits are recorded as expenditures in the fund statements in the year used. Due to the long-term nature of the accumulated sick leave benefits, the governmental fund statements do not report this liability. The accumulated paid time off is recorded as long-term debt in the government-wide financial statements.

Long-term Obligations and Conduit Debt

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt and premiums on issuance are reported as other financing sources. Premiums (Discounts) on issuance are reported as other financing sources (uses). Payments of principal and interest, losses on debt refunding, as well as costs of issuance are reported as expenditures.

For the government-wide statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refunding are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as a liability/asset on the statement of net position. The balance at year end for gains/losses, is shown as a deferred outflow of resources or deferred inflow of resources on the statement of net position. The accounting for proprietary fund obligations is the same in the fund financial statements as it is in the government-wide financial statements.

The Village, under the authority of the Community Development Authority, has permitted the issuance of Redevelopment Revenue Bonds ("RRB") for a privately-owned company within the Village limits. The Village has no obligation for the RRBs in the event of default by the borrowers. Accordingly, no liability for the bonds is included in the Village's financial statements. The aggregate amount of these conduit obligations outstanding as of December 31, 2017 was \$12,060,000.

Claims and Judgments

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (continued)

G. Subsequent Events (continued)

See footnote 4D for commitment entered into subsequent to year end.

Subsequent to year end, the Village closed on the sale of the old Village Hall building. See Note 4H for additional information regarding the sale.

2. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At December 31, 2017, the following fund had a deficit fund balance:

Fund	Amount
Summit Utility District #3	\$ 340

The deficit will be financed through tax levies in future periods.

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

Cash and equivalents and investments as shown on the Village's statement of net position are subject to the following risks:

	Cash	Investments	Total
Custodial Risk:			
Demand deposits	\$ 11,586,423	\$ ---	\$ 11,586,423
Custodial and Interest Risk:			
Certificate of deposit	---	373,326	373,326
Local Government Investment Pool (LGIP)	---	7,379,903	7,379,903
Total	\$ 11,586,423	\$ 7,753,229	\$ 19,339,652

The Village's cash and equivalents and investments are reported in the financial statements as follows:

Reconciliation to Financial Statements:

Cash and equivalents:

Per Statement of Net Position:

Cash and investments \$ 12,344,907

Per Statement of Net Position – Fiduciary (Agency) Fund:

Cash and investments 6,994,745

Total cash and investments \$ 19,339,652

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

A. Cash and Investments (continued)

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000. Deposits in each local and area bank and in the Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total coverage and other legal implications, recovery of material principal losses may be significant to individual governmental entities. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the SIF and is managed by the State of Wisconsin Investment Board. The LGIP 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 and carries investments at amortized cost for purposes of calculating income to participants. 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.

Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-finance/LGIP>.

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

Custodial Risk: Is the risk that, in the event of a financial institution failure, the Village's deposits and value of investments may not be returned to the Village. As of December 31, 2017, the custodial balance of the Village's cash and investments was \$19,422,146, of which \$2,104,652 was fully insured; \$7,201,097 was uninsured and uncollateralized. \$10,116,397 was collateralized with securities held by the pledging financial institution, but not in the Village's name. See note 1D for the Village's policy related to custodial risk.

Interest Rate Risk: Is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. Information regarding the exposure of the Village's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
LGIP	\$ 7,379,903	\$ 7,379,903	\$ ---
Certificates of deposit	373,326	260,316	113,010
Total	\$ 7,753,229	\$ 7,640,219	\$ 113,010

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

A. Cash and Investments (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of a type of investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Village's investment policy minimized credit risk by limiting investments to the safest type of securities.

B. Receivables

All of the receivables on the balance sheet – governmental funds are expected to be collected within one year.

Governmental funds report deferred inflows 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 available and cannot be used to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ <u>2,293,531</u>

At the end of the current fiscal year, the various components of deferred inflows in the proprietary funds relating to revenue applicable to future periods were as follows:

Property taxes receivable for subsequent year	\$ 349,465
Deferred special assessments	1,034,482
Total deferred inflows for proprietary funds	\$ <u>1,383,947</u>

C. Restricted Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Connection charges receivable	\$ <u>---</u>	\$ <u>62,946</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

D. Interfund Balances and Transfers

Internal Balances (Due to (from) other funds)

Balances due to and from other funds include interfund accounts receivable or payable for goods or services received or provided. Interfund balances are the result of timing differences and are settled on a monthly basis.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cemetery Fund	\$ 126,709
General Fund	Summit Utility District No. 2	3,781
General Fund	Summit Utility District No. 3	340
General Fund	Silver Lake Utility District	2,222
Genesee Lakes Utility District	General Fund	34,513

All amounts are due within one year. The principal purpose of these interfund balances is the allocation of commingled cash and investment balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to other funds consist of the following at December 31, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Summit Utility District No. 2	\$ 35,000

In a prior year, an advance was made to Summit Utility District No. 2 in order to maintain a positive cash flow. The advance is interest-free and is to be repaid no later than December 31, 2029.

During 2016 an advance of \$110,000 was made to Silver Lake Utility District in order to complete payment on long-term debt. During 2016, the District repaid \$34,000 to the Village. As of December 31, 2017, the District has repaid the entire advance, including \$9,000 in interest payments.

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

Depreciation was charged to governmental functions as follow:

General government	\$	22,635
Public safety		46,475
Public works		148,353
Culture and recreation		9,390
Total depreciation	\$	<u>226,853</u>

Business-type Activities

	<u>Balance January 1, 2017</u>	<u>Addition</u>	<u>Disposals</u>	<u>Balance December 31, 2017</u>
Nondepreciable capital assets:				
Land	\$ 92,861	\$ ---	\$ ---	\$ 92,861
Total nondepreciable capital assets	92,861	---	---	92,861
Depreciable capital assets:				
Buildings	1,987,978	---	---	1,987,978
Sewer system and services	10,379,704	---	---	10,379,704
Equipment	1,042,301	---	---	1,042,301
Investment in City of Oconomowoc treatment plant	2,180,025	---	---	2,180,025
Total depreciable capital assets	15,590,008	---	---	15,590,008
Accumulated depreciation/amortization	<u>(3,978,465)</u>	<u>(295,134)</u>	<u>---</u>	<u>(4,273,599)</u>
Net depreciable capital assets	<u>11,611,543</u>	<u>(295,134)</u>	<u>---</u>	<u>11,316,409</u>
Net total capital assets	<u>\$ 11,704,404</u>	<u>\$ (295,134)</u>	<u>\$ ---</u>	<u>\$ 11,409,270</u>

Depreciation/amortization was charged to business-type activities as follows:

Business-type Activities

Summit Utility District No. 2	\$	240,633
Silver Lake Utility District		54,501
Total depreciation/amortization	\$	<u>295,134</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation debt:					
General obligation bonds	\$ ---	\$ 6,070,000	\$ ---	\$ 6,070,000	\$ 85,000
State trust fund loans	931,301	6,225,000	(280,861)	6,875,440	6,258,582
Notes payable	23,450	---	(4,580)	18,870	4,681
Total General obligation debt	954,751	12,295,000	(285,441)	12,964,310	6,348,263
Other liabilities:					
Vested compensated absences	129,703	77,147	(91,254)	115,596	---
Total long-term obligations	\$ 1,076,491	\$ 12,372,147	\$ (376,695)	\$ 13,079,906	\$ 6,348,263
Business-type Activities:					
General obligation debt:					
General obligation bonds	\$ 7,815,000	\$ ---	\$ (640,000)	\$ 7,175,000	\$ 655,000

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village and will be retired by resources derived from various sources, including property tax levies, special assessments and impact fees. Details of general obligation debt are presented below:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
State trust fund loan	09/12/13	03/15/18	3.00%	\$ 150,000	\$ 39,756
State trust fund loan	08/20/15	03/15/20	3.00%	452,000	275,673
State trust fund loan	08/31/14	03/15/19	3.00%	253,000	74,428
Waukesha county note	11/06/14	02/15/22	0%	28,377	17,737
Waukesha county note	07/01/15	07/01/18	0%	3,201	1,133
State trust fund loan	08/09/16	03/15/21	2.50%	325,000	260,583
State trust fund loan	12/19/17	03/15/22	3.00%	225,000	225,000
State trust fund loan **	05/31/17	03/15/22	3.00%	6,000,000	6,000,000
General obligation bond	02/07/13	05/01/27	1.0-2.2%	9,495,000	7,175,000
General obligation bond	11/30/17	12/01/36	2.0-3.5%	6,070,000	6,070,000
Total general obligation debt					\$ 20,139,310
Government activity debt					\$ 12,964,3
Business-type activity debt					7,175
Total general obligation debt					\$ 20,1

** Subsequent to year end this loan was paid in full. The entire \$6,000,000 has been reflected on the statements as current and shown in the debt maturity schedule as fully due in 2018.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

General Obligation Debt (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. As of December 31, 2017, the Village has used 40.80% of the debt limit.

The following summarizes the debt limit calculation as of December 31, 2017:

Equalized Value January 1, 2017	\$	<u>987,326,400</u>
Debt limit (5% of equalized value)	\$	49,366,320
General Obligation Debt outstanding		<u>(20,139,310)</u>
Remaining Margin of Indebtedness Available	\$	<u>29,227,010</u>
Ratio of applicable general obligation debt to debt limit		<u>40.80 %</u>

Debt Maturities

Debt service requirements to maturity for long-term debt are as follows:

Governmental Activities:

Year	<u>General Obligation Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,348,263	\$ 286,754	\$ 6,635,017
2019	359,896	178,490	538,386
2020	369,849	167,961	537,810
2021	378,578	158,271	536,849
2022	382,724	150,357	533,081
2023-2027	1,675,000	629,963	2,304,963
2028-2032	1,845,000	395,122	2,240,122
2033-2037	<u>1,605,000</u>	<u>123,965</u>	<u>1,728,965</u>
Totals	\$ <u>12,964,310</u>	\$ <u>2,090,883</u>	\$ <u>15,055,193</u>

Business-type Activities:

Year	<u>General Obligation Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 655,000	\$ 139,285	\$ 794,285
2019	665,000	126,085	791,085
2020	680,000	112,635	792,635
2021	695,000	98,885	793,885
2022	710,000	84,835	794,835
2023-2027	<u>3,770,000</u>	<u>201,143</u>	<u>3,971,143</u>
Totals	\$ <u>7,175,000</u>	\$ <u>762,868</u>	\$ <u>7,937,868</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

Total Primary Government

Year	General Obligation Debt		
	Principal	Interest	Total
2018	\$ 7,003,263	\$ 426,039	\$ 7,429,302
2019	1,024,896	304,575	1,329,471
2020	1,049,849	280,596	1,330,445
2021	1,073,578	257,156	1,330,734
2022	1,092,724	235,192	1,327,916
2023-2027	5,445,000	831,106	6,276,106
2028-2032	1,845,000	395,122	2,240,122
2033-2037	1,605,000	123,965	1,728,965
Totals	\$ 20,139,310	\$ 2,853,751	\$ 22,993,061

Debt Premiums

Debt premiums are deferred and amortized using the straight-line method over the life of the debt issue in both the proprietary fund statements and the government-wide statements. The unamortized debt premiums are reported in the liability section, in both the proprietary fund statements and the government-wide statements.

Activity for the year ended December 31, 2017 is summarized as follows:

Governmental Activities:

	Balance January 1, 2017	Additions	Amortization	Balance December 31, 2017
Unamortized debt premium	\$ ---	\$ 103,971	\$ (456)	\$ 103,515

Business-type Activities:

	Balance January 1, 2017	Additions	Amortization	Balance December 31, 2017
Unamortized debt premium	\$ 117,434	\$ ---	\$ (11,744)	\$ 105,690

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

Debt Refundings

On November 30, 2017 the Village issued \$6,070,000 of General Obligation Bonds, which mature on December 1, 2036. Subsequent to year end, the Village paid an outstanding State Trust Fund loan with proceeds from the bond issue. The principal payments refinanced totaled \$6,000,000. As a result of the refunding, the Village increased its total future debt service requirements by \$1,486,063 which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of \$18,397.

As of December 31, 2017 the Village has no defeased debt outstanding.

Other Debt Information

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

G. Net Position and Fund Balances

Government-wide Financial Statement Net Position

Governmental Activities

Governmental net position consists of the following:

Net Investment in Capital Assets:

Land and construction in progress	\$ 6,553,107	
Other capital assets net of accumulated depreciation	3,735,168	
Less: related long-term debt	(5,849,678)	
Less: Unamortized premium related to debt	<u>(103,515)</u>	
Total Net Investment in Capital Assets		\$ 4,335,082

Restricted for:

Land acquisition	3,040	
Cemetery	277,943	
Genesee Lakes Utility District	34,513	
Capital projects	16,305	
AED Equipment	1,400	
Impact fees	25,098	
Debt service	<u>24,971</u>	
Total Restricted		383,270

Unrestricted 1,744,879

Total Governmental Net Position **\$ 6,463,231**

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Position and Fund Balances (continued)

Government-Wide Financial Statement Net Position (continued)

Business-type Activities

Business-type net position consists of the following:

Net Investment in Capital Assets:

Land	\$	92,861	
Other capital assets net of accumulated depreciation		11,316,409	
Less: related long-term debt, net of unamortized debt issuance costs		(7,175,000)	
Less: unamortized debt premium		<u>(105,690)</u>	
Net Investment in Capital Assets			\$ 4,128,580
Unrestricted			<u>1,882,217</u>
Total Business-type Net Position			\$ <u>6,010,797</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Position and Fund Balances (continued)

Fund Financial Statements

Governmental fund balances consist of the following:

Major Funds:

General Fund:

Nonspendable:

Advance to Utility Districts	\$	35,000	
Prepaid expenses		35,130	
		35,130	
Subtotal			70,130

Restricted:

AED equipment			1,400
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Committed:

Facility improvements			702,772
Unassigned			848,376

Total General Fund			\$ 1,622,678
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Debt Service Fund:

Restricted:

Debt Service			\$ 6,094,971
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Capital Projects Fund:

Restricted:

Capital projects			\$ 1,130,937
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Nonmajor Governmental Funds:

Restricted:

Land acquisition	\$	3,040	
Cemetery		277,943	
Impact fees		25,098	
Genesee Lakes Utility District		34,513	
		34,513	

Subtotal			\$ 340,594
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Unassigned			(340)
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Total nonmajor governmental funds			\$ 340,254
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VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes

A. Defined Benefit Pension Plan

Plan Description

The Wisconsin Retirement System (“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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

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

Vesting

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

Benefits Provided

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

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

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.

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.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Post-Retirement Adjustments (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

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

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, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as for 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 \$102,904 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.80%
Protective with Social Security	6.8%	10.80%
Protective without Social Security	6.8%	15.10%

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources

At December 31, 2017, the Village reported a liability of \$86,576 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 0.01050%, which was an increase of 0.00005% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Village recognized pension expense of \$208,964.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,012	\$ 272,273
Changes in assumptions	90,518	---
Net difference between projected and actual earnings on pension plan investments	516,307	85,361
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,077	6,502
Employer contributions subsequent to the measurement date	113,334	---
Total	\$ 754,248	\$ 364,136

The amount of \$113,334 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 related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 223,362	\$ (110,992)
2019	223,362	(110,992)
2020	186,879	(109,320)
2021	7,152	(32,832)
2022	159	---

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Actuarial Assumptions

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

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

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

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

Actuarial Assumptions

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.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2016 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5	37.0	4.2	1.4
Inflation Sensitive Assets	15.5	20.0	4.3	1.5
Real Estate	8.0	7.0	6.5	3.6
Private Equity/Debt	8.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.6	3.7
Total Core Fund	110.0	120.0	7.4	4.5
Variable Fund Asset Class				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0	30.0	8.5	5.6
Total Variable Fund	100.0	100.0	7.9	5.0

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

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

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Actuarial Assumptions (Continued)

Sensitivity of the Village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District'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 (asset) liability	\$1,138,958	\$ 86,576	\$ (723,807)

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>.

Payables to the pension plan at December 31, 2017 were \$17,584. This represents contributions earned as of December 31, 2017, but for which payment was not remitted to the pension plan until subsequent to year-end.

B. Risk Management

The Village is exposed to various risks of loss related to torts; theft of; damage to, or destruction of assets; and 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 are no significant reductions in coverage compared to the prior year.

C. Contingent Liabilities

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 of 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.

D. Commitments

During 2017 the Village entered into contracts for the construction of a new Village Hall. Total contracts entered into as of December 31, 2017 were \$6,332,599. Total payments made or accrued on these contracts as of December 31, 2017 were \$4,798,883. Total commitments at year end totaled \$1,533,716.

Subsequent to year end, the Village signed a contract for furniture for the new Village Hall. The total amount of this contract was \$76,067.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

D. Commitments (continued)

During 2017 the Village entered into an agreement to construct a columbarium on the cemetery property. Total estimated cost of construction is \$37,600. Total payments made or accrued on this agreement as of December 31, 2017 was \$18,800. Total commitments at year end totaled \$18,800.

E. Police Contract

Starting in 2011, the Village began providing police services to a local municipality. The Village received \$358,715 in the current year related to these services. In 2018, the services will provide \$366,248 in revenues for the Village.

F. Joint Ventures

Western Lakes Fire Department

By agreement dated February 16, 2017, the Western Lakes Fire Department ("WLFD") was created. The WLFD, which provides proper fire and emergency medical service protection for all persons and properties located within the District consistent with intergovernmental cooperation as authorized by 66.0301, Wis. Stats. Participants are the City of Oconomowoc, Village of Summit, Village of Dousman and Town of Ottawa. The WLFD is operated by a Joint Fire Board which govern the operations for the Fire District. The Fire Board shall be composed of seven voting members. Also established by the agreement is a Joint Fire Commission which shall function as the fire commission for the fire District.

The powers of the Joint Fire Board include executing all contracts and agreements and approving the bill list, initiate the audit process, communicate with member municipalities, sign checks and keep and accurate account in accordance with accounting principles generally accepted in the United States of America. The Fire Board will also submit a consolidated Fire District Budget to the municipalities no later than September 1.

Each participating municipality's annual financial contribution to the WLFD's operating budget shall be based on call volume prorated share of the population and equalized valuation of the municipality. Each municipalities annual financial contribution to the Fire District's capital budget shall be based on fixed percentage cost and the proportion of each municipalities percentage share of the operating budget. The Village accounts for its share of the operations of the WLFD in the General Fund. The Village's share of the 2017 operating budget was \$33,458. The Village made capital contributions totaling \$514,603 to WLFD during the year ended December 31, 2017.

The Joint Fire Agreement shall remain in effect in perpetuity subject to the following: 1) All municipalities shall participate in the agreement for a minimum of seven years commencing March 2, 2017; 2) Any municipality wishing to withdraw may do so effective the end of any calendar year after 2023 by providing two years written notice; 3) By consent of all municipalities at any time.

G. Trail System Agreement

An agreement was entered into during 2017 between the Village of Summit and Lake Country Village, LLC. The developer of Lake Country Village will construct a paved trail system and related amenities along the trail system. The trail system shall be constructed by the developer of Lake Country Village and maintained in lieu of construction of a public park. The Village shall be responsible for collecting park impact fees at the time of building permit application for each lot within the Lake Country Village development. The parties have agreed that up to 50% of the collected park impact fees shall be reimbursed to the developer to off-set the costs to construct the trail system. At no time shall the amount reimbursed to developer exceed the actual costs to construct. As of December 31, 2017 no impact fees have been collected or reimbursed.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2017

4. Other Notes (continued)

H. Sell Agreement

On November 27, 2017 the Village accepted an offer to purchase the property located at 2911 North Dousman Road, known as the Village Hall for a price of \$430,000. The prospective purchaser has deposited \$10,000 earnest money with the Village. These funds are recorded as a liability to the Village. The seller agreed to pay the buyer a monthly lease fee in the amount of \$6,634 per month beginning January 8, 2018 until May 8, 2018. The seller further agreed to pay all real estate taxes, insurance, maintenance and utilities until May 8, 2018. On May 9, 2018 the closing took place on this property. The Village received proceeds, net of closing costs, in the amount of \$418,232.

5. Effect of New Accounting Standards on Financial Statements

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

- Statement No. 75, *Accounting and financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split Interest Agreements*
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*
- 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*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements.*

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SUMMIT
Summit, Wisconsin

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 1,413,317	\$ 1,413,317	\$ 1,419,456	\$ 6,139
Operating grants and contributions:				
Intergovernmental	456,303	456,303	433,870	(22,433)
Other	2,200	2,200	13,171	10,971
Licenses and permits	154,920	154,920	173,356	18,436
Fines, forfeitures and penalties	50,100	50,100	53,484	3,384
Public charges for services	472,980	472,980	495,092	22,112
Intergovernmental charges for services	453,357	453,357	451,357	(2,000)
Investment income	9,500	9,500	25,950	16,450
Other revenues	5,000	5,000	5,638	638
Total revenues	<u>3,017,677</u>	<u>3,017,677</u>	<u>3,071,374</u>	<u>53,697</u>
Expenditures:				
Current:				
General government	701,140	701,140	559,230	141,910
Public safety	1,436,957	1,436,957	1,919,652	(482,695)
Public works	836,794	836,794	754,207	82,587
Health and human services	34,044	34,044	31,940	2,104
Culture, recreation and education	37,826	37,826	21,923	15,903
Total expenditures	<u>3,046,761</u>	<u>3,046,761</u>	<u>3,286,952</u>	<u>(240,191)</u>
Deficiency of revenues under expenditures	(29,084)	(29,084)	(215,578)	(186,494)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	12,400	12,400	9,425	(2,975)
Proceeds from sale of non-capital assets	---	---	4,011	4,011
Transfer in	---	---	5,356	5,356
Transfer out	(749,775)	(749,775)	(522,243)	227,532
Total other financing sources (uses)	<u>(737,375)</u>	<u>(737,375)</u>	<u>(503,451)</u>	<u>233,924</u>
Net change in fund balance	(766,459)	(766,459)	(719,029)	47,430
Fund Balance - Beginning of Year	<u>2,341,707</u>	<u>2,341,707</u>	<u>2,341,707</u>	<u>---</u>
Fund Balance - End of Year	<u>\$ 1,575,248</u>	<u>\$ 1,575,248</u>	<u>\$ 1,622,678</u>	<u>\$ 47,430</u>

See independent auditors' report.

VILLAGE OF SUMMIT

Summit, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset (Liability)

For the Year Ended December 31, 2017

Wisconsin Retirement System
Last 10 Fiscal Years*

	Village's proportion of the net pension asset (liability)	Village's proportionate share of the net pension asset (liability)	Village's covered-employee payroll	Net pension asset (liability) as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
2017	0.0105%	\$ (86,576)	\$ 1,221,044	7.09%	99.12%
2016	0.0104%	(169,756)	1,156,076	14.68%	98.20%
2015	0.0110%	258,250	1,144,847	22.56%	102.74%

*The amounts presented for each fiscal year were determined as of the prior calendar-year end.

GASB Pronouncement 68 required the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Employer Contributions

For the Year Ended December 31, 2017

Wisconsin Retirement System
Last 10 Fiscal Years*

	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Village's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2017	\$ 102,904	\$ 102,904	\$ ---	\$ 1,221,044	8.43%
2016	98,911	98,911	---	1,156,076	8.56%
2015	102,782	102,782	---	1,144,847	8.98%

*The amounts presented for each fiscal year were determined as of the period calendar-year end.

GASB Pronouncement 68 required the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Required Supplementary Information
December 31, 2017

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund.

The Village adopted annual Governmental Fund Budgets for the General Fund, the Special Revenue Fund, the Debt Service Fund and the Capital Projects Funds. These budgets are adopted in accordance with State Statutes. All annual appropriations lapse at year-end except for certain non-lapsing funds specifically designated by the Board. Budgetary control is exercised at the individual fund level for each fund.

The budget amounts presented include any amendments made 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 Board action. There were no supplemental appropriations during the year.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were not material.

B. Excess Expenditures Over Appropriations

Department	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund:			
Public safety	\$ 1,436,957	\$ 1,919,652	\$ 482,695

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

The excess expenditures were funded by lower expenditures in other areas; an excess of actual revenues over budgeted; and transfers out less than anticipated.

C. Wisconsin Retirement System

There were no changes of benefit terms for any participating employer in WRS. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF SUMMIT
Summit, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds					Permanent Fund	Total Nonmajor Funds
	Land Acquisition and Capital Improvements	Impact Fees	Genesee Lakes Utility District	Summit Utility District #3	Cemetery Fund		
Assets:							
Cash and investments	\$ 3,040	\$ 25,098	\$ ---	\$ ---	\$ 404,652	\$ 432,790	
Receivables:							
Taxes	---	---	3,969	25,000	---	28,969	
Due from other funds	---	---	34,513	---	---	34,513	
Total Assets	3,040	25,098	38,482	25,000	404,652	496,272	
Liabilities:							
Due to other funds	---	---	---	340	126,709	127,049	
Deferred Inflows of Resources:							
Tax roll revenue	---	---	3,969	25,000	---	28,969	
Fund Balance (Deficit):							
Restricted	3,040	25,098	34,513	---	277,943	340,594	
Unassigned	---	---	---	(340)	---	(340)	
Total Fund Balance (Deficit)	\$ 3,040	\$ 25,098	\$ 34,513	\$ (340)	\$ 277,943	\$ 340,254	

See independent auditors' report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds					Permanent Fund	Total Nonmajor Funds
	Land Acquisition and Capital Improvements	Impact Fees	Genesee Lakes Utility District	Summit Utility District #3	Cemetery Fund		
Revenues:							
Taxes	---	\$ ---	3,969	20,605	---	\$ ---	24,574
Public charges for services	---	12,307	---	---	6,300	---	18,607
Interest income	---	146	---	---	5,356	---	5,502
Total revenues	---	12,453	3,969	20,605	11,656	---	48,683
Expenditures:							
Current:							
Public works	---	---	2,919	20,605	---	---	23,524
Health and human services	---	---	---	---	370	---	370
Capital outlay	---	6,570	---	---	18,800	---	25,370
Total Expenditures	---	6,570	2,919	20,605	19,170	---	49,264
Excess (deficiency) of revenues over (under) expenditures	---	5,883	1,050	---	(7,514)	---	(581)
Other Financing Sources (Uses):							
Transfers out	---	(66,454)	---	---	(5,356)	---	(71,810)
Total other financing sources (uses)	---	(66,454)	---	---	(5,356)	---	(71,810)
Net change in fund balance	---	(60,571)	1,050	---	(12,870)	---	(72,391)
Fund Balance (Deficit), beginning of year	3,040	85,669	33,463	(340)	290,813	---	412,645
Fund Balance (Deficit) - end of year	\$ 3,040	\$ 25,098	\$ 34,513	\$ (340)	\$ 277,943	\$ ---	\$ 340,254

See independent auditors' report.