

VILLAGE OF HARTLAND

Hartland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

VILLAGE OF HARTLAND

TABLE OF CONTENTS As of and for the Year Ended December 31, 2014

	<u>Page</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 15
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17 – 18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19 – 20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	22 – 23
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position – Proprietary Funds	25 – 26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28 – 29
Statement of Assets and Liabilities – Fiduciary Fund	30
Index to Notes to Financial Statements	31
Notes to the Financial Statements	32 – 65

VILLAGE OF HARTLAND

TABLE OF CONTENTS As of and for the Year Ended December 31, 2014

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP) – General Fund	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – TIF Fund	67
Notes to Required Supplementary Information	68
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds – Combining Balance Sheet	69 – 70
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71 – 72
Statement of Cash Flows – Component Unit	73
Summary of Long-Term Debt	74
Comparative Schedule of Taxes and Valuation Data	75

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Hartland
Hartland, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Hartland, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village of Hartland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Village Board
Village of Hartland

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Hartland, Wisconsin, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



Milwaukee, Wisconsin
May 18, 2015

Village of Hartland
2014 Management's Discussion and Analysis
(Unaudited)

The management of the Village of Hartland offers this narrative overview and analysis of the Village of Hartland's financial activities for the fiscal year ended December 31, 2014. Readers of these financial statements are encouraged to consider the information presented here in conjunction with the additional information presented on the following pages.

The Village of Hartland is a community of approximately 9,141 residents located in Waukesha County, Wisconsin about 20 miles west of Milwaukee. The Village of Hartland has benefited from this location. There is easy access to major transportation routes and many residents commute to work in Waukesha, Milwaukee, Madison and other surrounding communities. Additionally, the ease of access provides opportunities for local businesses by providing quick and simple transportation for inbound and outbound goods and products.

The Village of Hartland is a progressive community with a commitment to maintaining assets through an aggressive capital projects program.

Overview of the Financial Statements

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

Financial Highlights

- ❖ The assets and deferred outflows of resources of the Village of Hartland exceeded its liabilities and deferred inflows of resources at the close of 2014 by \$36,675,530 (net position). Of this amount, \$9,425,677 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors. Nearly all of the remaining balance of the net position (\$27,046,426) represents assets of the Village like roads, utility lines and buildings, net of any related debt. Shown on page 16 of this report.
- ❖ As shown on pages 17 to 18 of this report, the Village of Hartland's total net position decreased by \$138,241 from \$36,813,771 in 2013 to \$36,675,530 in 2014. The funds comprising Governmental Activities realized a \$347,190 decrease in net position. The funds comprising Business-type Activities realized a \$208,949 increase in net position. All governmental funds, major and non-major, except two (TIF and Developers Fund) had a positive fund balance.
- ❖ As of the close of 2014, the Village of Hartland's governmental funds reported combined ending funding balances of \$8,137,082. This is a decrease of \$1,068,319 in comparison with the prior year's balance of \$9,205,401. The decrease was primarily due to budgeted capital projects completed in 2014. Shown on pages 19 to 24 of this report.
- ❖ During 2014, a general obligation note was issued for \$38,831 from Waukesha County for the Trunked Radio program. This note has a zero percent interest rate and is payable in annual installments until 2022. Current capital projects were funded by a borrowing in 2012 to fund the 2013 and 2014 capital projects budgeted.
- ❖ 22% (\$1,758,297) of the Village's governmental fund balance, which includes all activities of the Village except the Water and Sewer Utilities, is available for spending at the Village's discretion (unassigned). The amount available is currently being offset, or reduced, by

Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

obligations in the TIF Districts and a temporary shortfall in the developers fund. 52% (\$4,278,535) of the fund balance is assigned by the Village for specific purposes. 16% of the fund balance is Restricted or Committed by the Village or statutes to be spent for specific purposes. The remaining 10% of fund balance is considered nonspendable as it relates to non-current receivables and prepayments. Shown on pages 19 and 20 of this report.

- ❖ When considered as a gross figure (not reduced by the TIF or developer escrow fund obligations), the General Fund unassigned fund balance totals \$2,408,640. This is equal to 36% of the operating budget for the general fund revenues. This amount has been allowed to grow so that it may be used to mitigate potential sudden negative impacts that may be experienced from time to time or to address singular unforeseen needs. When considered net of the offset for TIF and the Developers Fund, the \$1,758,297 in unassigned fund balance referenced above is about 26% of the general fund operating revenues. Shown on pages 19 and 20 of this report.
- ❖ The Village of Hartland's total debt related to governmental activities had principal payments of \$800,000 during 2014. Total general obligation debt for the business-type activities had principal payments of \$130,000. Debt is shown on page 22 for Village debt payments and page 26 for Water and Sewer Utility outstanding balances. Long term obligation (debt) payment information is also contained on pages 53 through 56 of this report.

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide a broad overview of the Village of Hartland's finances in a manner similar to private sector business. The government-wide financial statements can be found on pages 16 through 18 of this report.

The **statement of net position** (Page 16) presents information on all of the Village of Hartland's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Hartland is improving or deteriorating. In the last several years (2009 – 2014), these figures have remained relatively steady.

The **statement of activities** (Pages 17 and 18) presents information showing how the Village of Hartland's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Therefore, 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, earned but unused vacation leave, and earned but unused comp time).

Both of the government-wide financial statements distinguish functions of the Village of Hartland 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 Hartland include general government, public safety, public works, environmental services, cemetery, library, parks and recreation. The governmental activities of the Village also include the Hartland Business Improvement District, which is a component unit of the Village. In 2007, the Hartland Business Improvement District (BID) was created by the Village of Hartland at the request of property and business owners in Village Center to provide focused services and economic assistance in the downtown consistent with state statutes. The Village assists by managing the BID's revenues, expenses and audit process via a separate fund. The business type activities of the Village of Hartland include the Water Utility and the Sewer Utility.

Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

In the government-wide financial statements the Village of Hartland is known as the **primary government**. The Water Utility and the Sewer Utility are designated as **business activities**. Although legally separate, they function for all practical purposes as departments of the Village of Hartland and have been included as an integral part of this financial statement.

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 Hartland, 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 of Hartland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – pages 19 to 24. *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 the readers may better understand the long term impact of the Village of Hartland's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Hartland maintains twelve individual governmental funds. These funds include: General Fund, Capital Projects, Corporate Reserve, Debt Service, Refuse, TIF, Special Library, Special Assessment, Impact Fee, CIT, MIU and Developers. The Village of Hartland participates in and manages the accounts for the Critical Incident Team (CIT) Fund and the Major Investigations Unit (MIU) Fund. These two entities are mutual agreement police operations among area police departments pursuant to Wisconsin Statutes §66.30, §66.305 and §66.315. The two units are funded by budgeted transfers from participating jurisdictions and the finances are managed by the Village of Hartland. In each case the expenses are what is necessary to operate the teams and are a function of the number of times they are called and the type of training they need.

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, TIF special revenue fund, debt service fund, Village projects fund and corporate reserve fund. All of these funds are considered to be major funds. Individual fund data for the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Hartland adopts an annual appropriated budget for all major funds and most of the nonmajor funds as required by state statute. Budgetary comparison statements have been provided for the general fund and the TIF special revenue fund as part of the required supplementary information on pages 66 and 67.

There are two funds that are not budgeted: (1) the Library fund that records donations to the Library and expenses the purchases from these donations; (2) the Village reviews and reconciles the Developers fund which comprises development projects that will be reimbursed by developers.

Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

Proprietary funds – pages 25 to 29. The Village of Hartland maintains three *Proprietary funds*. Proprietary funds are used to report *business-type activities* in the government-wide financial statements. The Village of Hartland uses enterprise funds (a type of proprietary fund) to account for its Water Utility and Sewer Utility.

The Village of Hartland also maintains an internal service fund (a second type of proprietary fund) to account for dental self insurance activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Water Utility and the Sewer Utility, both of which are considered to be major funds of the Village of Hartland.

Fiduciary funds – page 30. 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 Hartland's own programs. The fiduciary fund maintained by the Village of Hartland is the Trust and Agency Fund which records the tax roll and tax collections made by the Village for other taxing jurisdictions within the Village of Hartland. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the financial statements – pages 32 to 65. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – pages 69 to 75. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In recent years, the net position of the Village has increased and decreased annually based on the particulars of a given fiscal year. In the last five years, the total assets/net position of the Village has decreased by 3.42% (\$1.25 million) to \$36,675,530. This is due, primarily, to the intentional and judicial use of funds and reservations on hand to partially mitigate the impact of project costs on the taxpayers.

In the case of the Village of Hartland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,675,530 at the close of 2014. By far, the largest portion of the Village of Hartland's net position (74 percent) is found in net investment of capital assets which is capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Hartland uses these capital assets to provide services to citizens; consequently, these **assets are not available** for future spending. Although the Village of Hartland's net investment in 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 Hartland
2014 Management's Discussion and Analysis (cont.)
(Unaudited)

Following is a chart of the net position of the Village of Hartland. We are presenting the financial statements in this reporting model with a comparison to the prior year.

VILLAGE OF HARTLAND NET POSITION						
	<i>Governmental Activities</i>		<i>Business Type Activities</i>		<i>Total</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	\$ 14,843,640	\$ 15,961,320	\$ 5,641,928	\$ 6,265,060	\$ 20,485,568	\$ 22,226,380
Capital Assets	<u>25,324,618</u>	<u>25,251,539</u>	<u>15,213,968</u>	<u>15,051,363</u>	<u>40,538,586</u>	<u>40,302,902</u>
TOTAL ASSETS	<u>40,168,258</u>	<u>41,212,859</u>	<u>20,855,896</u>	<u>21,316,423</u>	<u>61,024,154</u>	<u>62,529,282</u>
DEFERRED OUTFLOWS OF RESOURCES						
Refunding loss	<u>169,486</u>	<u>194,160</u>	<u>42,848</u>	<u>47,133</u>	<u>212,334</u>	<u>241,293</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>169,486</u>	<u>194,160</u>	<u>42,848</u>	<u>47,133</u>	<u>212,334</u>	<u>241,293</u>
LIABILITIES						
Long-term liabilities outstanding	12,868,582	13,545,021	4,966,291	5,360,515	17,834,873	18,905,536
Current and other liabilities	<u>628,198</u>	<u>650,658</u>	<u>443,969</u>	<u>723,506</u>	<u>1,072,167</u>	<u>1,374,164</u>
TOTAL LIABILITIES	<u>13,496,780</u>	<u>14,195,679</u>	<u>5,410,260</u>	<u>6,084,021</u>	<u>18,907,040</u>	<u>20,279,700</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	<u>5,653,918</u>	<u>5,677,104</u>	<u>-</u>	<u>-</u>	<u>5,653,918</u>	<u>5,677,104</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,653,918</u>	<u>5,677,104</u>	<u>-</u>	<u>-</u>	<u>5,653,918</u>	<u>5,677,104</u>
NET POSITION						
Net investment in capital assets	14,010,464	14,586,876	13,035,962	13,448,373	27,046,426	28,035,249
Restricted	203,427	334,257	-	-	203,427	334,257
Unrestricted	<u>6,973,155</u>	<u>6,613,103</u>	<u>2,452,522</u>	<u>1,831,162</u>	<u>9,425,677</u>	<u>8,444,265</u>
TOTAL NET POSITION	<u>\$ 21,187,046</u>	<u>\$ 21,534,236</u>	<u>\$ 15,488,484</u>	<u>\$ 15,279,535</u>	<u>\$ 36,675,530</u>	<u>\$ 36,813,771</u>

Village of Hartland
2014 Management's Discussion and Analysis (cont.)
(Unaudited)

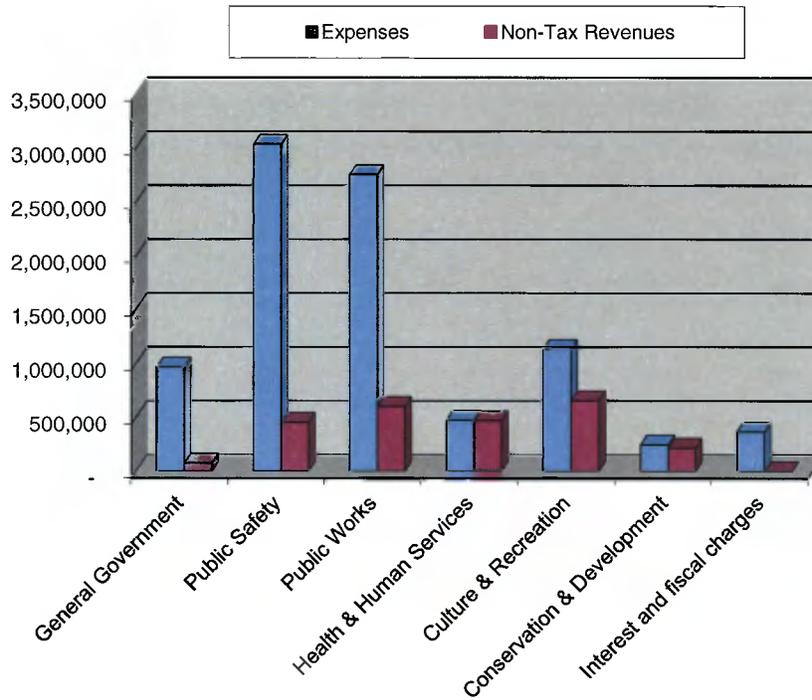
Following is a chart of the net position of the Village of Hartland. We are presenting the financial statements in this reporting model with a comparison to the prior year.

VILLAGE OF HARTLAND'S CHANGES IN NET POSITION								
For the year ending December 31								
	Governmental Activities		Business Type Activity - Water Utility		Business Type Activity - Sewer Utility		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues								
<i>Program Revenues</i>								
Charges for services	\$ 1,513,310	\$ 1,333,183	\$ 1,269,892	\$ 1,255,524	\$ 1,381,491	\$ 1,287,077	\$ 4,164,693	\$ 3,875,784
Oper grants and contributions	911,969	877,024	-	-	-	-	911,969	877,024
Capital grants and contributions	51,269	359,230	-	74,841	481,639	-	532,908	434,071
<i>General Revenues</i>								
Property Taxes	5,195,251	5,150,838	-	-	-	-	5,195,251	5,150,838
Inter governmental revenues not restricted to specific programs	527,799	636,567	-	-	-	-	527,799	636,567
Investment income	41,176	55,995	4,138	7,439	79,457	86,836	124,771	150,270
Miscellaneous	151,343	170,269	-	-	-	-	151,343	170,269
Gain on disposal of assets	3,798	1,493	-	-	-	-	3,798	1,493
Transfers	230,844	234,504	(223,593)	(227,447)	(7,251)	(7,057)	-	-
Total Revenues	8,626,759	8,819,103	1,050,437	1,110,357	1,935,336	1,366,856	11,612,532	11,296,316
Expenses								
<i>Primary Government</i>								
General government	966,802	866,203	-	-	-	-	966,802	866,203
Public Safety	3,034,108	3,009,638	-	-	-	-	3,034,108	3,009,638
Public Works	2,752,074	2,489,605	-	-	-	-	2,752,074	2,489,605
Health & Sanitation	475,145	458,410	-	-	-	-	475,145	458,410
Culture & Recreation	1,132,113	1,106,848	-	-	-	-	1,132,113	1,106,848
Conservation & Development	246,651	194,952	-	-	-	-	246,651	194,952
Interest & fiscal charges	367,056	727,241	53,375	87,466	78,088	85,802	498,519	900,509
<i>Business Type Activities</i>								
Water Utility	-	-	1,150,452	1,040,246	-	-	1,150,452	1,040,246
Sewer Utility	-	-	-	-	1,494,909	1,424,424	1,494,909	1,424,424
Total Expenses	8,973,949	8,852,897	1,203,827	1,127,712	1,572,997	1,510,226	11,750,773	11,490,835
Change in Net Position	(347,190)	(33,794)	(153,390)	(17,355)	362,339	(143,370)	(138,241)	(194,519)
TOTAL NET POSITION - JAN 1	21,534,236	21,568,030	9,986,264	10,003,619	5,293,271	5,436,641	36,813,771	37,008,290
TOTAL NET POSITION - DEC 31	\$ 21,187,046	\$ 21,534,236	\$ 9,832,874	\$ 9,986,264	\$ 5,655,610	\$ 5,293,271	\$ 36,675,530	\$ 36,813,771

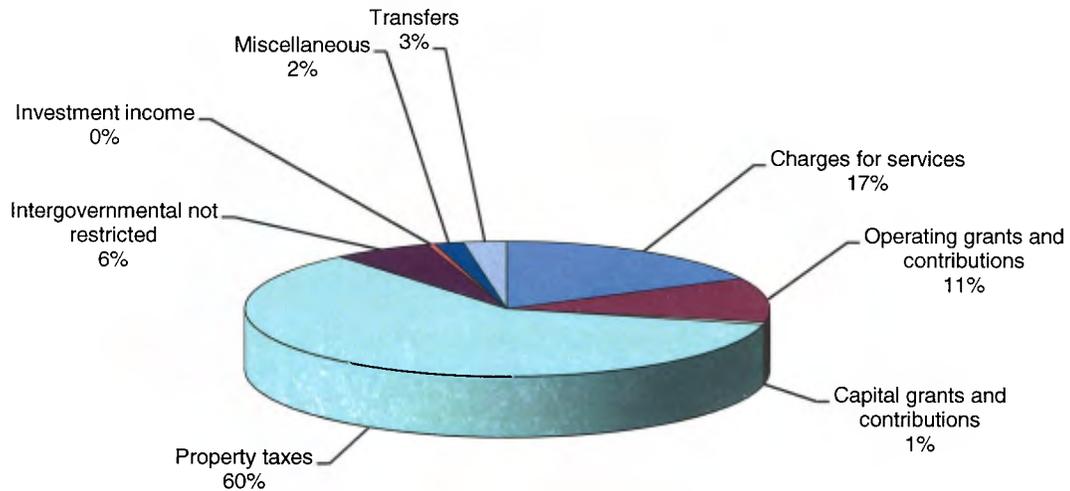
Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

Expenses & Program Revenues - Governmental Activities



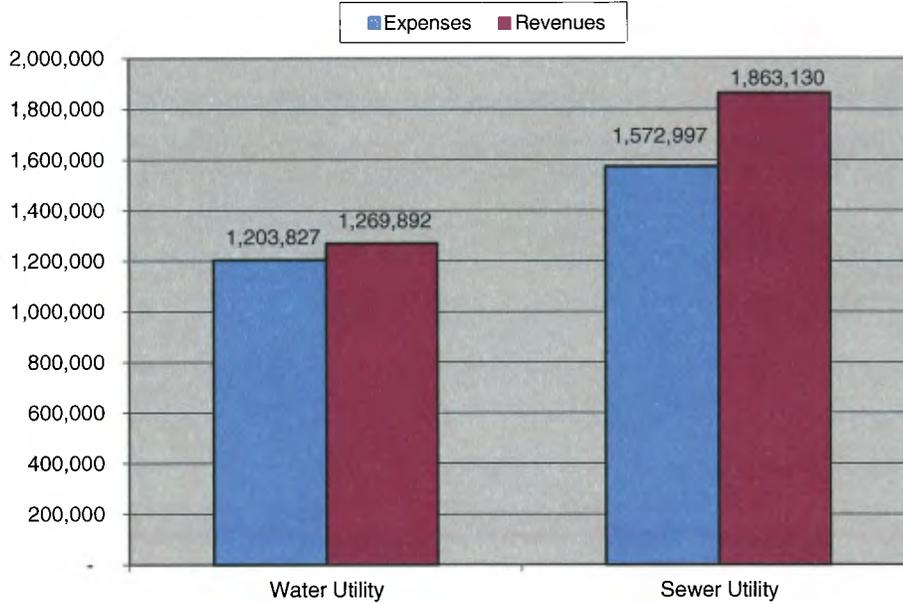
Program & General Revenues by Source - Governmental Activities



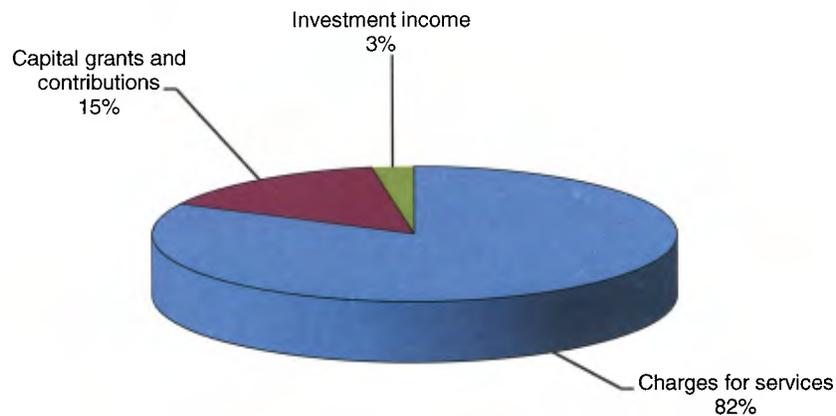
Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

Expenses & Program Revenues - Business-Type Activities



Revenues by Source - Business-type Activities



Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

General Budgetary Highlights

The General Fund posted an actual excess of revenues and other financing sources over expenditures and other financing uses of \$395,328. The Village of Hartland's 2014 operating budget received 104.7% of its budgeted revenues and spent 98.5% of its budgeted expenses. Even though our investment interest was under budget \$5,425 and our miscellaneous revenues were under budget \$15,809 there was still a positive balance recorded due to other circumstances on the revenue side:

- Grant revenue was \$88,570 more than budgeted in 2014.
- Permits were \$99,005 more than budgeted in 2014.
- Ambulance billings were \$69,538 more than budgeted in 2014.

On the expenditure side, all departments worked diligently to stay within the annual budget as there was constant monitoring of expenditures throughout the year. There were only three instances where operating expenditures were over budget. The three areas over budget were public works which was \$58,908 over budget due to a significant increase in snow removal costs and an increase in salary and pay grade adjustments; conservation and development, which was over budget \$52,013 due to inspection costs related to the work generated by the additional permits; and capital outlay, which was over budget \$21,224 due mainly to the Village portion of the Chimney Swift Roost Structure. The other operating accounts came in under budget to make our overall expenses approximately 1.5% below budget.

The Village of Hartland's budget for the proprietary funds is not adopted on a full accrual basis but is accounted for on a full accrual basis; therefore, the budgetary comparisons discussed below compare the actual results on a budgetary basis. In regards to the Village of Hartland's proprietary funds:

- Total revenues for the water utility were at 108% while expenses came in at 116% of budget resulting in an anticipated loss. In the past, the use of unrestricted net position had allowed the operation to continue without a rate increase since 1988. A rate increase application was prepared and submitted at the beginning of 2009 as the water utility had a negative rate of return from 2006-2008. Ultimately, a smaller rate increase was implemented and has been followed by incremental annual increases. The rate for 2014 has been in effect since December 16, 2013. During 2014, a simplified rate case was submitted to the Public Service Commission, which approved a 3.0% rate increase effective the first quarter of 2015.
- Total revenues for the Sewer Utility were 145% of budget and the expenses were at 116% of budget, resulting in a gain. The majority of the gain was due to the recognition of revenue on a capital contribution that was previously being held as a liability since the funds were potentially due to certain developers. These funds are no longer obligated and have now been designated for future improvements to the Sewer system for the north and northeast portion of the Village. At the end of 2014, the balance available for these improvements was \$473,141. The Sewer Utility budgets to pay \$17,000 annually into an account that has been designated for lift station rehabilitation and replacement. A maintenance schedule has been put in place. At the end of 2014 the balance available for lift station maintenance was \$243,011.
- Management has been concerned that the Sewer Utility would not be able to meet its operating expenses in future years. Interest rates started slowing down in 2007 and have stagnated through 2014. Therefore a 5% increase per year in the per-thousand-gallon rate to customers was implemented in 2002 through 2008. This practice was re-implemented in 2013 and during the 2015 budget process, the Sewer Utility rate was increased an additional 5% effective December 2015. The financial health of the Sewer Utility will continue to be evaluated on a yearly basis.

Village of Hartland
2014 Management's Discussion and Analysis (cont.)
(Unaudited)

As previously noted, interest rates started to decline at the end of 2007 and that trend continued through 2014. The Local Government Investment Pool (LGIP) yielded an average annual interest rate of 0.09%. The Village continues to evaluate safe investment options and currently has \$3,666,393 with a local bank as a money market account. They are paying interest at 7 basis points higher than the LGIP is paying (0.16%). A different local bank also has \$17,546,527 of the Village's money that they secure with daily repurchase agreements that are collateralized deposits backed by United States government securities. They are paying interest at 16 basis points higher than the LGIP is paying (0.25%).

Capital Assets

The capital assets of the Village of Hartland are managed through a five year capital improvement plan for both governmental and business-type activities. Projects in the capital improvement plan include the purchase or improvement of land for Village purposes and construction or major improvement to buildings, park facilities, streets, street lighting, tree planting, sidewalks, curb and gutter, storm sewers, sanitary sewer facilities and water facilities. The majority of activities included in the capital improvement plan are generally funded by borrowing for up to three years worth of projects at a time. The Village of Hartland maintains records related to all of its capital facilities in either our award-winning geographical information system (GIS) database or a fixed asset program. The computerization of these records has improved the availability and quality of our records system, which has streamlined the planning process and made it easier to manage these assets.

The Trustees and staff of the Village of Hartland continue to spend a great deal of time working with the Village's financial consultants, Ehlers and Associates, to create a long-term financial management plan that supports our five year capital plan for infrastructure improvements.

The Village of Hartland maintains a Corporate Reserve Fund that funds the purchase of the equipment portion of our capital assets. A vehicle and equipment schedule is maintained showing date purchased, cost, estimated year of replacement, and the estimated replacement cost. A repayment schedule over the life of the item purchased is also charted. Those repayments, which are currently based on the vehicle purchase cost not the future replacement cost, become an expense in the departmental budgets every year and fund the purchase of replacement vehicles and equipment in future years. The general fund does not pay interest on the repayments to the corporate reserve fund. If the utilities borrow from this fund, they are charged an interest rate that is ¼% lower than would be available through a state trust fund loan.

Significant additions in the capital assets of the governmental activities include:

- Bark River shoreline restoration, Nixon Drive and Renson Drive storm sewer and other storm assets at a cost of \$216,532.
- Various street and pathway repaving projects in accordance with our paving schedule. The amount for 2014 was \$902,883 for Hartbrook Drive, Penbrook Way, Crystal Drive, Shelly Lane, Badger Drive, Eagle Pass, Marquette Road, Forseth Drive, Rustic Lane and Glenowen Drive.
- A new police truck was purchased for \$34,073.
- New Fire Department radios were purchased for \$43,526.

Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

- New restroom facilities at Centennial Park for \$160,000.
- A new DPW Administration vehicle for \$26,945, a DPW mower for \$20,805 and rehabilitation of several DPW trucks in service for \$14,700.
- New carpeting in the administrative offices for \$7,400.
- A new Fine Arts Center roof for \$6,860.
- The new Chimney Swift Roost contributed by the Village and Chimney Swift group for \$82,784.

In 2014, the Village took into public ownership the former Lutheran Cemetery on W. Capitol Drive adjacent to the existing Village cemetery. While the cemetery does not have significant value as an asset and has not been included in the financial statements as an entry, it will generate future expenses for the Village and its taxpayers.

In the business type activities, the utility replaced the Church Street, Nixon Avenue and Renson Road. watermains, hydrants and services for \$746,255. The utility also purchased meters for \$39,969. The remaining utility assets (\$54,755) were for hydrant, lift station and SCADA upgrades.

The Village of Hartland is proud to be able to continue the aggressive maintenance of our infrastructure. More information is provided on the Village's capital assets activity for the year on pages 49 through 51 of the financial statements.

Long-term Debt

At the end of 2014, the Village bond rating was Aa2, which was in place when the Village executed the most recent borrowing in December of 2013. We are very proud that a community our size is able to attain this rating. This rating recognizes our strong financial position, stable tax base and moderate debt burden.

At the end of 2014, the total amount of general obligation outstanding debt was \$14,423,831. This is equal to less than 1.2% of the Village of Hartland's 2014 equalized value. State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation. Based on the Village's 2014 equalized value of \$1,167,590,600 the Village of Hartland's allowable indebtedness is \$58,379,530 (5% of the equalized value). At the end of 2014, the Village has used less than twenty-five percent of its allowable indebtedness. This debt amount is comprised of \$14,423,831 of general obligation bonds. As discussed previously, the only new debt issue for 2014 was general obligation debt in relation to the trunked radio agreement with Waukesha County.

Eighty-five percent of the Village's overall debt is related to governmental activities. The Water Utility owes fourteen percent of the debt and the Sewer Utility owes less than one percent of the debt. The 2012 borrowing was for Penbrook Way, Maple Avenue, Nixon Avenue, Renson Road and Church Street water improvements and Crystal Dr. sewer improvements.

In 2005, the Sewer Utility also partnered with the City of Delafield Sewer Utility to obtain a Clean Water Fund Loan for the Delafield-Hartland Waste Water Pollution Control Commission (Del-Hart). Del-Hart is the paying agent on this revenue bond because the sewer treatment revenues are funding the principal and interest payments. The balance of revenue bonds outstanding at December 31, 2014 is \$2,691,648.

More information on the Village of Hartland's long-term debt can be found on pages 53 through 56.

Village of Hartland

2014 Management's Discussion and Analysis (cont.) (Unaudited)

Economic Factors

The Village of Hartland is not immune to the stresses in the economy. Management remains cognizant of what are likely permanent changes to the "normal" practices. While the Village remains strong, the financial resources of the Village have been impacted by these overall changes in the economy. In the years that lead up to 2008, property values and community growth steadily increased. With the change in the economy, the Village, like many other municipalities, began to see decline, which continued to 2013. Through January of 2013, the Village's equalized value decreased by approximately 11%. However, home prices stabilized and began to rise in the Village. In 2014, the Village's equalized value increased about 3.4% but remains below the pre-2008 figures. The Village approved two residential subdivisions in 2014 and is in the process of considering two other significant developments; one is completely residential in nature while a second is a mixed use development in the downtown. Additionally, the Village continues to see growth in the commercial sector. Several of the Village's industrial businesses have need for growth and are seeking that growth in their existing Hartland locations. Improvements are nearly complete at one of these locations and additional projects are in the approval process. These factors continue to suggest an improving forecast. Despite the difficulties of the last few years, the Village of Hartland weathered the downturn in the way management expected; by taking care of our infrastructure; maintaining a careful and deliberate approach to financial management; and maintaining our healthy reserves. In difficult times, our reserves add strength to our financial position. We expect it to remain strong even with future modest increases or decreases in our tax base growth.

In 2008, the Village of Hartland created a new downtown redevelopment tax incremental financing district or TIF #4. The timing of the new district was challenging and its size was almost immediately reduced (2011) to mitigate the value loss it experienced. While it has recovered some, 2014 was the sixth possible year to calculate an increment, but, despite a significant redevelopment on E. Capitol Drive, other properties have lost value and there was no positive value on which to calculate an increment. Needless to say, this TIF District has grown more slowly than previous TIF districts of the Village due to the overall changes to the economy. The Village is considering options related to downtown development and its downtown TIF District (#4). The Village is considering a further reduction in the size of TIF #4 to improve its economic viability and is considering creation of a new TIF district to support the proposed downtown mixed use development. The reduced TIF #4 is expected to generate positive increment, which will assist in paying down the loans issued to the developer of the district's major building renovation.

The Village's economic development activities in the downtown continue to complement the Business Improvement District which was formed under Wisconsin Statutes section 66.1110 (1)(f)(4) at the end of 2006 by an active group of downtown business people. The Business Improvement District works to enhance the aesthetics and commercial atmosphere in the Village and, consequently, increase business activity. A director is employed by the BID and office space, a web site and newsletter are maintained. The BID continues to operate a number of grant and loan programs and other activities to improve the Downtown including installation of directional signs, support of downtown activities, and provision of educational opportunities for businesses. Through its various loans and grants to downtown businesses and property owners who want to make a better street presence or otherwise improve their buildings, the BID has leveraged significant private investment in the downtown. The Business Improvement District is a public/private partnership in which property and business owners elect to make a collective contribution to the maintenance, development and promotion of their commercial district. The Village of Hartland assists in this effort by making matching grants to eligible property owners.

In 2011, the Village of Hartland created TIF #5 for rehabilitation of a blighted area south of Cardinal Lane near Highway 83. TIF #5 allowed the redevelopment of the property in a manner which provided a higher and better use of the property and to better serve the neighborhood within which TIF #5 is located. The area has been redeveloped with a restaurant with drive through facilities as well as roadway improvements. The 2013 incremental value of \$365,700 netted a tax increment

Village of Hartland
2014 Management's Discussion and Analysis (cont.)
(Unaudited)

payment of \$7,026 in the 2014 fiscal year. The 2014 increment value, after final construction and adjustments for previous unrecorded value, is approximately \$1,350,000, which will generate a tax increment payment of more than \$20,000. The final increment value will be approximately \$1 million in 2015. Payments made on the increment are used to help pay down loans made to the developer of the project as an incentive.

Earlier in this Discussion and Analysis, it was noted that one of the budget overruns related to a Village contribution to the construction of the Chimney Swift Tower on the Cottonwood Wayside property. This asset to the Village, which has a full value of more than \$82,000, was constructed primarily through private contributions including significant contribution of time and resources from the companies that constructed the Tower. Additionally, private funds to cover half of the out-of-pocket costs were acquired by the student group from Hartland Lakeside School District that spearheaded the project. They continue to raise funds in support of this project.

Requests for Information

This financial report is designed to provide a general overview of the Village of Hartland's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Village of Hartland Finance Director, 210 Cottonwood Avenue, Hartland, WI 53029.

VILLAGE OF HARTLAND

STATEMENT OF NET POSITION As of December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Business Improvement District
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and investments	\$ 8,573,089	\$ 2,235,267	\$ 10,808,356	\$ 31,167
Receivables (net)				
Taxes	5,631,128	35,721	5,666,849	70,000
Accounts	131,314	590,042	721,356	-
Special assessments	-	6,267	6,267	-
Delinquent personal property taxes	3,108	-	3,108	-
Loans	350,101	-	350,101	-
Inventories and prepaid items	11,700	16,857	28,557	-
Property held for resale	143,200	-	143,200	-
Restricted assets				
Cash and investments	-	53,789	53,789	-
Accrued interest	-	12,337	12,337	-
Loans	-	2,691,648	2,691,648	-
Capital assets (net of accumulated depreciation)				
Land	612,637	22,291	634,928	-
Construction in progress	16,075	3,713	19,788	-
Other capital assets, net of depreciation	24,695,906	15,187,964	39,883,870	-
Total Assets	<u>40,168,258</u>	<u>20,855,896</u>	<u>61,024,154</u>	<u>101,167</u>
DEFERRED OUTFLOWS OF RESOURCES				
Refunding loss	169,486	42,848	212,334	-
Total Deferred Outflows of Resources	<u>169,486</u>	<u>42,848</u>	<u>212,334</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 429,086	\$ 419,110	\$ 848,196	\$ 712
Accrued interest payable	77,397	24,859	102,256	-
Deposits	121,078	-	121,078	-
Due to other governmental units	637	-	637	-
Noncurrent liabilities				
Due within one year	769,260	392,660	1,161,920	-
Due in more than one year	<u>12,099,322</u>	<u>4,573,631</u>	<u>16,672,953</u>	<u>-</u>
Total Liabilities	<u>13,496,780</u>	<u>5,410,260</u>	<u>18,907,040</u>	<u>712</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	5,653,918	-	5,653,918	70,000
Total Deferred Inflows of Resources	<u>5,653,918</u>	<u>-</u>	<u>5,653,918</u>	<u>70,000</u>
NET POSITION				
Net investment in capital assets	14,010,464	13,035,962	27,046,426	-
Restricted for				
Library	68,125	-	68,125	-
Impact fees	61,515	-	61,515	-
EMS Act 102	4,964	-	4,964	-
Debt service	68,823	-	68,823	-
Unrestricted	<u>6,973,155</u>	<u>2,452,522</u>	<u>9,425,677</u>	<u>30,455</u>
TOTAL NET POSITION	<u>\$ 21,187,046</u>	<u>\$ 15,488,484</u>	<u>\$ 36,675,530</u>	<u>\$ 30,455</u>

VILLAGE OF HARTLAND

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 966,802	\$ 76,556	\$ -	\$ -
Public safety	3,034,108	397,069	57,262	-
Public works	2,752,074	30,855	571,636	-
Health and human services	475,145	469,234	-	-
Culture, education and recreation	1,132,113	321,702	283,071	51,269
Conservation and development	246,651	217,894	-	-
Interest and fiscal charges	<u>367,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>8,973,949</u>	<u>1,513,310</u>	<u>911,969</u>	<u>51,269</u>
Business-type Activities				
Water Utility	1,203,827	1,269,892	-	-
Sewer Utility	<u>1,572,997</u>	<u>1,381,491</u>	<u>-</u>	<u>481,639</u>
Total Business-type Activities	<u>2,776,824</u>	<u>2,651,383</u>	<u>-</u>	<u>481,639</u>
Total Primary Government	<u>\$ 11,750,773</u>	<u>\$ 4,164,693</u>	<u>\$ 911,969</u>	<u>\$ 532,908</u>
Component Unit				
Business improvement district	<u>\$ 77,726</u>	<u>\$ -</u>	<u>\$ 14,740</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income				
Miscellaneous				
Gain on disposal of assets				
Total General Revenues				
Transfers				
Change in net position				
NET POSITION - Beginning of Year				
NET POSITION - END OF YEAR				

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental	Business-type		Business
Activities	Activites	Totals	Improvement
			District
\$ (890,246)	\$ -	\$ (890,246)	\$ -
(2,579,777)	-	(2,579,777)	-
(2,149,583)	-	(2,149,583)	-
(5,911)	-	(5,911)	-
(476,071)	-	(476,071)	-
(28,757)	-	(28,757)	-
(367,056)	-	(367,056)	-
<u>(6,497,401)</u>	<u>-</u>	<u>(6,497,401)</u>	<u>-</u>
-	66,065	66,065	-
-	<u>290,133</u>	<u>290,133</u>	-
-	<u>356,198</u>	<u>356,198</u>	-
<u>(6,497,401)</u>	<u>356,198</u>	<u>(6,141,203)</u>	<u>-</u>
-	-	-	(62,986)
4,147,257	-	4,147,257	-
1,047,994	-	1,047,994	-
-	-	-	70,000
527,799	-	527,799	-
41,176	83,595	124,771	-
151,343	-	151,343	-
3,798	-	3,798	-
<u>5,919,367</u>	<u>83,595</u>	<u>6,002,962</u>	<u>70,000</u>
<u>230,844</u>	<u>(230,844)</u>	<u>-</u>	<u>-</u>
(347,190)	208,949	(138,241)	7,014
<u>21,534,236</u>	<u>15,279,535</u>	<u>36,813,771</u>	<u>23,441</u>
<u>\$ 21,187,046</u>	<u>\$ 15,488,484</u>	<u>\$ 36,675,530</u>	<u>\$ 30,455</u>

VILLAGE OF HARTLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	Special Revenue Fund			Capital Projects Fund
	General	TIF	Debt Service	Village Projects
ASSETS				
Assets				
Cash and investments	\$ 4,237,700	\$ -	\$ 146,220	\$ 2,386,589
Receivables				
Taxes	4,184,794	20,261	1,036,603	-
Delinquent personal property tax	3,108	-	-	-
Accounts	131,314	-	-	-
Loans	-	350,101	-	-
Due from other funds	777,330	-	-	-
Inventories and prepayments	11,700	-	-	-
Property held for resale	-	143,200	-	-
Total Assets	<u>\$ 9,345,946</u>	<u>\$ 513,562</u>	<u>\$ 1,182,823</u>	<u>\$ 2,386,589</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 255,164	\$ -	\$ -	\$ 68,641
Accrued liabilities	34,500	-	-	-
Due to other governments	637	-	-	-
Due to other funds	-	759,276	-	-
Deposits	121,078	-	-	-
Total Liabilities	<u>411,379</u>	<u>759,276</u>	<u>-</u>	<u>68,641</u>
Deferred Inflows of Resources				
Unearned revenues	4,207,584	20,261	1,036,603	-
Unavailable revenues	-	350,101	-	-
Total Deferred Inflows of Resources	<u>4,207,584</u>	<u>370,362</u>	<u>1,036,603</u>	<u>-</u>
Fund Balances (Deficits)				
Nonspendable	792,138	-	-	-
Restricted	4,964	-	146,220	985,265
Committed	-	-	-	-
Assigned	1,521,241	-	-	1,332,683
Unassigned (Deficits)	2,408,640	(616,076)	-	-
Total Fund Balances (Deficits)	<u>4,726,983</u>	<u>(616,076)</u>	<u>146,220</u>	<u>2,317,948</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 9,345,946</u>	<u>\$ 513,562</u>	<u>\$ 1,182,823</u>	<u>\$ 2,386,589</u>

<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Corporate Reserve		
\$ 1,428,303	\$ 212,054	\$ 8,410,866
-	389,470	5,631,128
-	-	3,108
-	-	131,314
-	-	350,101
-	-	777,330
-	-	11,700
-	-	143,200
<u>\$ 1,428,303</u>	<u>\$ 601,524</u>	<u>\$ 15,458,747</u>
\$ 3,692	\$ 56,604	\$ 384,101
-	-	34,500
-	-	637
-	18,054	777,330
-	-	121,078
<u>3,692</u>	<u>74,658</u>	<u>1,317,646</u>
-	389,470	5,653,918
-	-	350,101
-	<u>389,470</u>	<u>6,004,019</u>
-	-	792,138
-	129,640	1,266,089
-	42,023	42,023
1,424,611	-	4,278,535
-	(34,267)	1,758,297
<u>1,424,611</u>	<u>137,396</u>	<u>8,137,082</u>
<u>\$ 1,428,303</u>	<u>\$ 601,524</u>	<u>\$ 15,458,747</u>

VILLAGE OF HARTLAND

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2014

Total Fund Balances - Governmental Funds	\$ 8,137,082
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	
Land	612,637
Construction in progress	16,075
Other capital assets	38,826,998
Less: Accumulated depreciation	(14,131,092)
Special assessments and loans not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements	350,101
Internal service funds are reported in the statement of net position as governmental activities	151,738
Some deferred outflows of resources and liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds and notes payable (including accounting loss on refunding, debt discount, and premiums)	(12,299,419)
Compensated absences	(399,677)
Accrued interest payable	<u>(77,397)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,187,046</u>

VILLAGE OF HARTLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	Special Revenue Fund			Capital Projects Fund
	General	TIF	Debt Service	Village Projects
REVENUES				
Taxes	\$ 4,147,257	\$ 6,320	\$ 1,047,994	\$ -
Intergovernmental	1,347,292	1,992	-	-
Licenses and permits	301,480	-	-	-
Fines, forfeitures and penalties	74,865	-	-	-
Public charges for services	629,560	-	-	-
Public improvement revenues	-	8,530	-	-
Interdepartmental revenue	57,806	-	-	-
Investment income	14,884	6,000	1,029	8,515
Miscellaneous revenues	94,500	-	-	-
Total Revenues	<u>6,667,644</u>	<u>22,842</u>	<u>1,049,023</u>	<u>8,515</u>
EXPENDITURES				
Current				
General government	891,724	2,200	-	-
Police	2,267,289	-	-	-
Fire protection	536,628	-	-	-
Public works	1,391,227	-	-	-
Health and human services	13,071	-	-	-
Library	683,079	-	-	-
Parks	286,582	-	-	-
Conservation and development	134,223	449	-	14,740
Capital Outlay	79,888	-	-	1,488,474
Debt Service				
Principal	-	-	800,000	-
Interest and fiscal charges	-	-	361,659	-
Total Expenditures	<u>6,283,711</u>	<u>2,649</u>	<u>1,161,659</u>	<u>1,503,214</u>
Excess (deficiency) of revenues over expenditures	<u>383,933</u>	<u>20,193</u>	<u>(112,636)</u>	<u>(1,494,699)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	6,875	-	-	-
Debt issued	-	-	-	38,831
Transfers in	230,844	-	52,555	-
Transfers out	(226,324)	-	-	-
Total Other Financing Sources (Uses)	<u>11,395</u>	<u>-</u>	<u>52,555</u>	<u>38,831</u>
Net Change in Fund Balances	395,328	20,193	(60,081)	(1,455,868)
FUND BALANCES (DEFICITS) - Beginning of Year	<u>4,331,655</u>	<u>(636,269)</u>	<u>206,301</u>	<u>3,773,816</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 4,726,983</u>	<u>\$ (616,076)</u>	<u>\$ 146,220</u>	<u>\$ 2,317,948</u>

Capital Projects Fund	Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ 5,201,571
-	39,000	1,388,284
-	-	301,480
-	-	74,865
-	549,035	1,178,595
-	6,177	14,707
-	-	57,806
3,507	1,064	34,999
-	-	94,500
<u>3,507</u>	<u>595,276</u>	<u>8,346,807</u>
-	-	893,924
-	43,482	2,310,771
-	-	536,628
-	-	1,391,227
-	465,158	478,229
-	9,565	692,644
-	-	286,582
-	-	149,412
149,695	78,357	1,796,414
-	-	800,000
-	-	361,659
<u>149,695</u>	<u>596,562</u>	<u>9,697,490</u>
<u>(146,188)</u>	<u>(1,286)</u>	<u>(1,350,683)</u>
5,814	-	12,689
-	-	38,831
226,324	-	509,723
-	(52,555)	(278,879)
<u>232,138</u>	<u>(52,555)</u>	<u>282,364</u>
85,950	(53,841)	(1,068,319)
<u>1,338,661</u>	<u>191,237</u>	<u>9,205,401</u>
<u>\$ 1,424,611</u>	<u>\$ 137,396</u>	<u>\$ 8,137,082</u>

VILLAGE OF HARTLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$ (1,068,319)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets are capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	1,796,414
Some items reported as capital outlay were not capitalized	(265,787)
Some items are capitalized from non-capital outlay accounts	9,149
Depreciation is reported in the government-wide statements	(1,358,484)
Net book value of assets retired	(159,482)
Contributed capital assets are reported as revenues in the government-wide financial statements.	51,269
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(14,850)
Debt issued provides current financial resources to governmental funds, but but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(38,831)
Principal repaid	800,000
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as other additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Amortization	(9,642)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(99,762)
Accrued interest on debt	4,245
Internal service funds are used by management to charge self insurance costs to individual funds. The increase in net position of the internal service fund reported with governmental activities.	<u>6,890</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (347,190)</u>

VILLAGE OF HARTLAND

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Totals	Dental Insurance
ASSETS				
Current Assets				
Cash and investments	\$ 1,107,712	\$ 1,127,555	\$ 2,235,267	\$ 162,223
Receivables				
Accounts	281,702	308,340	590,042	-
Special assessments	-	6,267	6,267	-
Taxes	7,775	27,946	35,721	-
Inventories and prepayments	16,857	-	16,857	-
Restricted Assets				
Cash and investments	-	53,789	53,789	-
Accrued interest	-	12,337	12,337	-
Current portion of loan receivable	-	267,660	267,660	-
Total Current Assets	<u>1,414,046</u>	<u>1,803,894</u>	<u>3,217,940</u>	<u>162,223</u>
Noncurrent Assets				
Restricted Assets				
Noncurrent portion of loan receivable	-	2,423,988	2,423,988	-
Capital Assets				
Land	22,291	-	22,291	-
Construction in progress	-	3,713	3,713	-
Property and equipment	16,346,133	8,698,632	25,044,765	-
Accumulated depreciation	(5,673,941)	(4,182,860)	(9,856,801)	-
Total Noncurrent Assets	<u>10,694,483</u>	<u>6,943,473</u>	<u>17,637,956</u>	<u>-</u>
Total Assets	<u>12,108,529</u>	<u>8,747,367</u>	<u>20,855,896</u>	<u>162,223</u>
DEFERRED OUTFLOWS OF RESOURCES				
Refunding loss	42,848	-	42,848	-
Total Deferred Outflows of Resources	<u>42,848</u>	<u>-</u>	<u>42,848</u>	<u>-</u>

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal
				Service Fund
	Water Utility	Sewer Utility	Totals	Dental Insurance
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 39,397	\$ 283,276	\$ 322,673	\$ 10,485
Accrued liabilities	67,342	29,095	96,437	-
Accrued interest	12,121	401	12,522	-
Current portion of general obligation debt	120,000	5,000	125,000	-
Liabilities Payable from Restricted Assets				
Accrued interest	-	12,337	12,337	-
Current portion of revenue bonds	-	267,660	267,660	-
Total Current Liabilities	<u>238,860</u>	<u>597,769</u>	<u>836,629</u>	<u>10,485</u>
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt	2,079,643	70,000	2,149,643	-
Liabilities Payable from Restricted Assets				
Revenue bonds	-	2,423,988	2,423,988	-
Total Noncurrent Liabilities	<u>2,079,643</u>	<u>2,493,988</u>	<u>4,573,631</u>	<u>-</u>
Total Liabilities	<u>2,318,503</u>	<u>3,091,757</u>	<u>5,410,260</u>	<u>10,485</u>
NET POSITION				
Net investment in capital assets	8,537,688	4,498,274	13,035,962	-
Unrestricted net position	<u>1,295,186</u>	<u>1,157,336</u>	<u>2,452,522</u>	<u>151,738</u>
TOTAL NET POSITION	<u>\$ 9,832,874</u>	<u>\$ 5,655,610</u>	<u>\$ 15,488,484</u>	<u>\$ 151,738</u>

VILLAGE OF HARTLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Totals	Dental Insurance
OPERATING REVENUES				
Public charges for services	\$ 1,234,621	\$ 1,374,348	\$ 2,608,969	\$ -
Miscellaneous revenues	31,543	7,143	38,686	58,316
Total Operating Revenues	<u>1,266,164</u>	<u>1,381,491</u>	<u>2,647,655</u>	<u>58,316</u>
OPERATING EXPENSES				
Current				
Operation and maintenance	735,937	1,246,256	1,982,193	51,821
Depreciation expense	388,905	248,653	637,558	-
Taxes	25,610	-	25,610	-
Total Operating Expenses	<u>1,150,452</u>	<u>1,494,909</u>	<u>2,645,361</u>	<u>51,821</u>
Operating Income (Loss)	<u>115,712</u>	<u>(113,418)</u>	<u>2,294</u>	<u>6,495</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	4,138	79,457	83,595	395
Interest expense	(49,090)	(78,088)	(127,178)	-
Amortization	(557)	-	(557)	-
Total Nonoperating Revenues (Expenses)	<u>(45,509)</u>	<u>1,369</u>	<u>(44,140)</u>	<u>395</u>
Income (Loss) Before Transfers and Capital Contributions	<u>70,203</u>	<u>(112,049)</u>	<u>(41,846)</u>	<u>6,890</u>
TRANSFERS AND CONTRIBUTIONS				
Capital contributions	-	481,639	481,639	-
Transfers out	(223,593)	(7,251)	(230,844)	-
Total Transfers and Contributions	<u>(223,593)</u>	<u>474,388</u>	<u>250,795</u>	<u>-</u>
Change in Net Position	<u>(153,390)</u>	<u>362,339</u>	<u>208,949</u>	<u>6,890</u>
NET POSITION - Beginning of Year	<u>9,986,264</u>	<u>5,293,271</u>	<u>15,279,535</u>	<u>144,848</u>
NET POSITION - END OF YEAR	<u>\$ 9,832,874</u>	<u>\$ 5,655,610</u>	<u>\$ 15,488,484</u>	<u>\$ 151,738</u>

VILLAGE OF HARTLAND

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Totals	Dental Insurance
	Water Utility	Sewer Utility	Totals	Dental Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,259,589	\$ 1,362,945	\$ 2,622,534	\$ 58,316
Payments to vendors	(369,372)	(1,020,072)	(1,389,444)	-
Payments to employees	(350,393)	(140,867)	(491,260)	(46,862)
Payments to other funds	(39,112)	(18,694)	(57,806)	-
Net Cash Flows From Operating Activities	<u>500,712</u>	<u>183,312</u>	<u>684,024</u>	<u>11,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>4,138</u>	<u>3,463</u>	<u>7,601</u>	<u>395</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	<u>(223,593)</u>	<u>(7,251)</u>	<u>(230,844)</u>	<u>-</u>
Net Cash Flows From Noncapital Financing Activities	<u>(223,593)</u>	<u>(7,251)</u>	<u>(230,844)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(125,000)	(5,000)	(130,000)	-
Interest paid	(50,727)	(1,705)	(52,432)	-
Acquisition and construction of capital assets	(768,732)	(32,134)	(800,866)	-
Disposal of fixed assets	703	-	703	-
Payment of Del-Hart deposits	<u>-</u>	<u>134,509</u>	<u>134,509</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(943,756)</u>	<u>95,670</u>	<u>(848,086)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(662,499)	275,194	(387,305)	11,849
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,770,211</u>	<u>906,150</u>	<u>2,676,361</u>	<u>150,374</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,107,712</u>	<u>\$ 1,181,344</u>	<u>\$ 2,289,056</u>	<u>\$ 162,223</u>

	Business-type Activities - Enterprise Funds			Governmental
				Activities - Internal
	Water Utility	Sewer Utility	Totals	Service Fund
				Dental Insurance
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 115,712	\$ (113,418)	\$ 2,294	\$ 6,495
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	388,905	248,653	637,558	-
Depreciation charged to other funds	23,883	(23,883)	-	-
Amortization	557	-	557	-
Changes in assets and liabilities				
Accounts receivable	(6,575)	(18,546)	(25,121)	-
Inventory	(742)	-	(742)	-
Accounts payable	(40,764)	84,976	44,212	4,959
Accrued liabilities	19,736	5,530	25,266	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 500,712	\$ 183,312	\$ 684,024	\$ 11,454
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Change in Del-Hart loan payable/receivable	\$ -	\$ 260,496		\$ -
Interest expense on Del-Hart loan payable	\$ -	\$ 77,602		\$ -
Interest earned on Del-Hart loan receivable	\$ -	\$ 77,602		\$ -
Capital contribution	\$ -	\$ 481,639		\$ -

VILLAGE OF HARTLAND

**STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
As of December 31, 2014**

	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 11,016,330
Receivables	
Taxes	<u>4,518,222</u>
TOTAL ASSETS	<u>\$ 15,534,552</u>
LIABILITIES	
Due to other governments	<u>\$ 15,534,552</u>

VILLAGE OF HARTLAND

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE	Page
I. Summary of Significant Accounting Policies	32
A. Reporting Entity	32
B. Government-Wide and Fund Financial Statements	33
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	35
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	37
1. Deposits and Investments	37
2. Receivables	38
3. Inventories, Prepaid Items, and Property Held for Resale	39
4. Restricted Assets	40
5. Capital Assets	40
6. Deferred Outflows of Resources	41
7. Compensated Absences	41
8. Long-Term Obligations/Conduit Debt	41
9. Deferred Inflows of Resources	42
10. Equity Classifications	42
11. Basis for Existing Rates – Proprietary Funds	44
II. Stewardship, Compliance, and Accountability	44
A. Budgetary Information	44
B. Excess Expenditures over Appropriations	45
C. Deficit Balances	45
D. Limitations on the Village's Tax Levy	45
III. Detailed Notes on All Funds	46
A. Deposits and Investments	46
B. Receivables	47
C. Restricted Assets	48
D. Capital Assets	49
E. Interfund Receivables/Payables and Transfers	51
F. Long-Term Obligations	53
G. Lease Disclosures	56
H. Net Position/Fund Balances (Deficits)	57
I. Component Unit	61
IV. Other Information	62
A. Employees' Retirement System	62
B. Risk Management	63
C. Commitments and Contingencies	64
D. Effect of New Accounting Standards on Current-Period Financial Statements	65
E. Joint Ventures	65

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the Village of Hartland. The reporting entity for the Village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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

Discretely Presented Component Unit

Hartland Business Improvement District

The government-wide financial statements include the Hartland Business Improvement District ("BID") as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the Village board. Wisconsin Statutes provide for circumstances whereby the Village can impose its will on the BID, and also create a potential financial benefit to or burden on the Village. See Note III.H. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2014. The BID does not issue separate financial statements.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the Village are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

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

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

Fund Financial Statements (cont.)

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 governmental funds:

- General Fund – accounts for the Village’s primary operating activities. It is used to account for and report all financial resources not accounted for and reported in another fund.
- Special Revenue Fund – TIF Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of TIF related costs.
- Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs.
- Capital Projects Fund – Village Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for long-term borrowing and other resources to be used for capital improvement projects.
- Capital Projects Fund – Corporate Reserve Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for major capital equipment.

The Village reports the following major proprietary funds:

- Water Utility – accounts for operations of the water system.
- Sewer Utility – accounts for operations of the sanitary sewer system.

The Village reports the following non-major governmental funds:

- Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than major capital projects).
 - Refuse and Garbage Collection
 - Special Library
 - Criminal Investigation Task Force
 - Special Assessment
 - Impact Fees
 - Major Incident Task Force

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

Fund Financial Statements (cont.)

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Developers

In addition, the Village reports the following fund types:

Internal Service Fund - used to account for the financing of goods and services provided by one department to other departments of the Village, or to other governmental units, on a cost-reimbursement basis.

Dental Insurance Fund

Agency Fund - 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 Collection Fund

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's Water and Sewer Utilities and the General Fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled to the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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

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

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

The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility and Sewer Utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

1. Deposits and Investments

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

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

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

1. Deposits and Investments (cont.)

The Village has adopted an investment policy. The policy addresses credit risk by limiting investments to savings accounts, checking accounts, Wisconsin local government investment pool, certificates of deposit and any other investment authorized by Wisconsin State Statutes and by ensuring funds are insured or fully collateralized. The policy addresses interest rate risk by investing operating funds in shorter term securities, money market mutual funds, repurchase and sweep agreements or similar investment pools and keeping maturities of investments under 5 years and structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. The policy addresses custodial credit risk by ensuring funds are insured or fully collateralized. The Village is in compliance with their policy.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these financial statements.

See Note III.A. for further information.

2. Receivables

Property taxes are levied in November on the assessed value as of the prior January 1. In addition to property taxes for the Village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities – fiduciary fund.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar – 2014 tax roll:

Lien date and levy date	November 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax Sale – 2014 delinquent real estate taxes	October 2017

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$84,873 for ambulance billing. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable of the Water and Sewer Utilities has been made in the accompanying enterprise fund financial statements because those funds have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

3. Inventories, Prepaid Items, and Property Held for Resale

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on first in – first out method, and charged to construction or operation and maintenance expense when used.

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

The costs of purchasing properties and razing buildings were recorded as property held for resale in the fund financial statements. These properties are intended to be sold with the objective of future redevelopment. The balance of property held for resale represents the lower of cost or the estimated net realizable value.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements, 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 cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to capital asset accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from capital asset accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings and Building Improvements	20-40 Years
Machinery and Equipment	1-15 Years
Utility System	15-90 Years
Infrastructure	20-50 Years
Intangibles	5-20 Years

Fund Financial Statements

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

6. Deferred Outflows of Resources

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

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

7. Compensated Absences

Vacation time is cumulative from year to year to a maximum of 24 days. Sick leave benefits are cumulative up to a maximum of 150 days. There are no provisions for payment of accumulated sick leave benefit if employment is terminated. At retirement, a percentage of accumulated sick leave will be converted to health insurance benefits based on the employee's classification.

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2014 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/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 debts "plus any premiums" are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt (cont.)

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

The Village has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the Village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$2.65 million, made up of 1 issue.

9. Deferred Inflows of Resources

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

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. *Restricted net position*– Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position*– All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund balance is displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; (1) The Village has adopted a financial policy authorizing the Finance Director and/or Village Administrator to assign amounts for a specific purpose. (2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed or assigned for those purposes.

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

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

See Note III.H. for further information.

The Village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of at least 25% of total general fund annual revenues. The balance at year end was \$2,392,427 or 34.6%, and is included in unassigned general fund balance.

11. Basis for Existing Rates – Proprietary Funds

Water Utility

Rates for the water utility were established by the Wisconsin Public Service Commission. The rates for 2014 were effective December 16, 2013. Effective December 16, 2014 the water rates were increased 3.0% due to a simplified rate case increase.

Sewer Utility

The sewer utility revenues are based on rates established by the Village Board. The 2014 rates were effective December 16, 2013. Effective December 16, 2014 the sewer rates were increased 5.0% as part of the annual budget process.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund, certain special revenue funds, debt service and certain capital project funds. Budgets have not been formally adopted for the special library and developers funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Special Revenue Funds			
Special Assessment	\$ 52,453	\$ 52,555	\$ 102
Criminal Investigation Task Force	32,000	41,721	9,721
Major Incident Task Force	840	1,761	921
Capital Projects Fund			
Village Projects	1,487,336	1,503,214	15,878

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

C. DEFICIT BALANCES

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

The TIF fund has a deficit balance of \$616,076 at December 31, 2014. This deficit is anticipated to be funded by future tax increment revenues.

The Capital Projects Fund – Developers Fund has a deficit balance of \$34,267 at December 31, 2014. This deficit is anticipated to be funded by future developer payments to the Village.

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law limits the Village's future tax levies. Generally, the Village is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the Village's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The Village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2014 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Village's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 21,609,735	\$ 21,687,617	Custodial Credit
LGIP	299,357	299,357	Credit
Petty cash	550	-	Not Applicable
Total Cash and Investments	\$ 21,909,642	\$ 21,986,974	
Reconciliation to financial statements:			
Per statement of net position			
Unrestricted cash and investments	\$ 10,808,356		
Restricted cash and investments	53,789		
Component unit cash and investments	31,167		
Per statement of assets and liabilities –			
Fiduciary Funds	11,016,330		
Total Cash and Investments	\$ 21,909,642		

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

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

The Village maintains collateral agreements with its banks. At December 31, 2014, the banks had pledged various government securities in the amount of \$17,546,527 to secure the Village's deposits.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2014, \$17,546,527 of the Village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institution	<u>\$ 17,546,527</u>
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Credit Risk

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

As of December 31, 2014, the Village's investments held in the Local Government Investment Pool were not rated.

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for delinquent personal property taxes of \$3,108 and loans of \$350,101.

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

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

B. RECEIVABLES (cont.)

	Unearned	Unavailable	Total
Property taxes receivable for subsequent year	\$ 5,241,658	\$ -	\$ 5,241,658
TIF Loans receivable not yet due	-	350,101	350,101
Chimney Swift Loan receivable for subsequent year	22,790	-	22,790
Charges for service - refuse and garbage collection	389,470	-	389,470
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 5,653,918	 \$ 350,101	 \$ 6,004,019
 Unearned revenue included in deferred inflows	 \$ 5,653,918		
Unavailable revenue included in deferred inflows	350,101		
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 6,004,019		

The TIF loans receivable of \$350,101 consist of development loans to be payable from future tax increment revenue from the TIF fund. If there is not sufficient tax increment revenue generated in a given year, loan payments are required to be paid by the developers involved.

Currently, the sewer utility has a loan receivable due from the Delafield-Hartland Water Pollution Control Commission (DHWPC) in relation to the issuance of Clean Water Fund Revenue Bonds in 2005. The loan receivable balance at December 31, 2014 is \$2,691,648. See Note III.F. for additional information on the corresponding debt.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

	Restricted Assets	Reason for Restriction
	Sewer Utility	
Cash and Investments	\$ 53,789	Restricted for utility projects
Accrued Interest	12,337	Restricted for payment of loan
Loan Receivable	2,691,648	Restricted for payment of loan
Total Restricted Assets	\$ 2,757,774	

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 612,637	\$ -	\$ -	\$ 612,637
Construction in progress	37,448	16,075	37,448	16,075
Total Capital Assets Not Being Depreciated/Amortized	650,085	16,075	37,448	628,712
Capital assets being depreciated/amortized				
Buildings	7,270,648	265,989	9,852	7,526,785
Machinery and equipment	5,136,558	140,051	37,063	5,239,546
Intangibles	-	86,963	-	86,963
Roads	14,128,915	792,948	483,725	14,438,138
Other infrastructure	2,755,203	109,935	56,690	2,808,448
Storm sewers	8,172,735	216,532	3,292	8,385,975
Street lighting	341,143	-	-	341,143
Total Capital Assets Being Depreciated/Amortized	37,805,202	1,612,418	590,622	38,826,998
Less: Accumulated depreciation/amortization for				
Buildings	(2,476,274)	(186,983)	(8,610)	(2,654,647)
Machinery and equipment	(2,512,452)	(348,461)	(34,381)	(2,826,532)
Intangibles	-	(9,663)	-	(9,663)
Roads	(4,635,367)	(576,629)	(329,568)	(4,882,428)
Other infrastructure	(1,447,988)	(78,954)	(56,690)	(1,470,252)
Storm sewers	(2,001,190)	(140,737)	(1,891)	(2,140,036)
Street lighting	(130,477)	(17,057)	-	(147,534)
Total Accumulated Depreciation/Amortization	(13,203,748)	(1,358,484)	(431,140)	(14,131,092)
Net Capital Assets Being Depreciated/Amortized	24,601,454	253,934	159,482	24,695,906
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	\$ 25,251,539	\$ 270,009	\$ 196,930	\$ 25,324,618

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 59,925
Police	61,900
Fire and ambulance	92,514
Public works, which includes the depreciation of roads, storm sewers and street lighting	992,473
Library	98,008
Parks and recreation	<u>53,664</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,358,484</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 22,291	\$ -	\$ -	\$ 22,291
Construction in progress	<u>40,113</u>	<u>3,713</u>	<u>40,113</u>	<u>3,713</u>
Total Capital Assets Not Being Depreciated	<u>62,404</u>	<u>3,713</u>	<u>40,113</u>	<u>26,004</u>
Capital assets being depreciated				
Buildings and improvements	777,018	-	-	777,018
Machinery and equipment	1,205,598	38,594	-	1,244,192
Water distribution system	13,978,425	786,224	68,316	14,696,333
Sewer collection system	<u>8,321,255</u>	<u>12,448</u>	<u>6,481</u>	<u>8,327,222</u>
Total Capital Assets Being Depreciated	<u>24,282,296</u>	<u>837,266</u>	<u>74,797</u>	<u>25,044,765</u>
Less: Accumulated depreciation for				
Buildings and improvements	(278,502)	(23,462)	-	(301,964)
Machinery and equipment	(1,021,093)	(130,432)	-	(1,151,525)
Water distribution system	(4,203,059)	(279,688)	(67,613)	(4,415,134)
Sewer collection system	<u>(3,790,683)</u>	<u>(203,976)</u>	<u>(6,481)</u>	<u>(3,988,178)</u>
Total Accumulated Depreciation	<u>(9,293,337)</u>	<u>(637,558)</u>	<u>(74,094)</u>	<u>(9,856,801)</u>
Net Capital Assets Being Depreciated	<u>14,988,959</u>	<u>199,708</u>	<u>703</u>	<u>15,187,964</u>
Business-type Activities				
Capital Assets, Net of Depreciation	<u>\$ 15,051,363</u>	<u>\$ 203,421</u>	<u>\$ 40,816</u>	<u>\$ 15,213,968</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 388,905
Sewer	<u>248,653</u>
Total Business-Type Activities	
Depreciation Expense	<u>\$ 637,558</u>

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Special Revenue - TIF	\$ 759,276	\$ 759,276
General Fund	Capital Projects Fund - Developers	<u>18,054</u>	18,054
Subtotal - Fund financial statements		777,330	
Less: Fund eliminations		<u>(777,330)</u>	
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ -</u>	

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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Enterprise Fund - Water Utility	\$ 223,593	Payment of tax equivalent.
General Fund	Enterprise Fund - Sewer Utility	7,251	Payment of tax equivalent.
Debt Service Fund	Special Revenue - Special Assessment	52,555	Provide funding for current debt service.
Capital Projects - Corporate Reserve	General Fund	<u>226,324</u>	Provide financing for the purchase of equipment.
Subtotal - Fund financial statements		509,723	
Less: Fund eliminations		<u>(278,879)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 230,844</u>	
<u>Entity Transferred To</u>	<u>Entity Transferred From</u>		
Governmental Activities	Business-Type Activities	<u>\$ 230,844</u>	

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

For the statement of activities, interfund transfers within governmental or business type activities are netted and eliminated.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 12,970,000	\$ 38,831	\$ 800,000	\$ 12,208,831	\$ 699,854
Add/(Subtract) Deferred Amounts For (DiscOUNTS)/Premiums	275,106	-	15,032	260,074	-
Sub-total	13,245,106	38,831	815,032	12,468,905	699,854
Other Liabilities					
Compensated absences	299,915	429,930	330,168	399,677	69,406
Total Governmental Activities					
Long-Term Liabilities	\$ 13,545,021	\$ 468,761	\$ 1,145,200	\$ 12,868,582	\$ 769,260
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,345,000	\$ -	\$ 130,000	\$ 2,215,000	\$ 125,000
Revenue Bonds Payable	2,952,144	-	260,496	2,691,648	267,660
Add/(Subtract) Deferred Amounts For (DiscOUNTS)/Premiums	63,371	-	3,728	59,643	-
Total Business-type Activities	5,360,515	-	394,224	4,966,291	392,660
Long-Term Liabilities	\$ 5,360,515	\$ -	\$ 394,224	\$ 4,966,291	\$ 392,660

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5% of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2014, was \$58,379,530. Total general obligation debt outstanding at year end was \$14,423,831.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Type/Series	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2014
<u>Governmental Activities</u>					
General Obligation Bonds					
2006	3/1/06	2/1/25	3.5-4.1%	\$ 2,700,000	\$ 275,000
2009	2/3/09	2/1/29	2.0-4.12	3,125,000	2,575,000
2010	12/1/10	12/1/17	0.8-2.0	1,840,000	975,000
2012	11/14/12	10/1/32	2.0-3.0	3,780,000	3,535,000
2013	12/05/13	6/1/30	2.5-3.3	4,935,000	4,810,000
2014	11/10/14	2/15/22	0.0	38,831	<u>38,831</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 12,208,831</u>
<u>Business-type Activities</u>					
General Obligation Bonds					
2006	3/1/06	2/1/25	3.5-4.1%	650,000	100,000
2012	11/14/12	10/1/31	2.0-3.0	2,300,000	<u>2,115,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 2,215,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt			Business-type Activities General Obligation Debt		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 699,854	\$ 344,753	\$ 1,044,607	\$ 125,000	\$ 49,027	\$ 174,027
2016	784,854	328,677	1,113,531	135,000	46,062	181,062
2017	769,854	310,834	1,080,688	135,000	42,682	177,682
2018	754,854	290,103	1,044,957	135,000	40,026	175,026
2019	739,854	270,071	1,009,925	135,000	37,326	172,326
2020 - 2024	4,049,561	1,002,331	5,051,892	735,000	134,481	869,481
2025 - 2029	3,615,000	408,703	4,023,703	585,000	60,381	645,381
2030 - 2032	<u>795,000</u>	<u>26,258</u>	<u>821,258</u>	<u>230,000</u>	<u>7,993</u>	<u>237,993</u>
Totals	<u>\$ 12,208,831</u>	<u>\$ 2,981,730</u>	<u>\$ 15,190,561</u>	<u>\$ 2,215,000</u>	<u>\$ 417,978</u>	<u>\$ 2,632,978</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Bond Debt

The Village has issued Clean Water Fund Revenue Bonds in the amount of \$5,000,000 for expansion and upgrade of the sewerage treatment facility owned and operated by the Delafield-Hartland Water Pollution Control Commission (DHWPC). The proceeds of the bonds have been loaned to the DHWPCC. The loan receivable between the Village and DHWPCC is equal to the related debt service requirements. The total principal and interest remaining to be paid on the bonds is \$3,038,113. Principal and interest paid on the debt during the year was \$338,099.

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2014</u>
Revenue Bonds 2003	6/11/03	5/1/23	2.75%	\$ 5,000,000	<u>\$ 2,691,648</u>

Principal and interest to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Bond Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 267,660	\$ 70,340	\$ 338,000
2016	275,021	62,878	337,899
2017	282,584	55,211	337,795
2018	290,355	47,333	337,688
2019	298,338	39,239	337,577
2020 - 2023	<u>1,277,690</u>	<u>71,464</u>	<u>1,349,154</u>
Totals	<u>\$ 2,691,648</u>	<u>\$ 346,465</u>	<u>\$ 3,038,113</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

F. LONG-TERM OBLIGATIONS (cont.)

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Village defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village's financial statements. At December 31, 2014, \$1,785,000 of bonds outstanding are considered defeased. The bonds are callable on February 1, 2015.

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.

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

G. LEASE DISCLOSURES

The Village has no material leases as lessee or lessor.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

H. NET POSITION/FUND BALANCES (DEFICITS)

Net position reported on the government wide statement of net position at December 31, 2014 includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 612,637
Construction in progress	16,075
Capital assets, net of accumulated depreciation/amortization	24,695,906
Less: capital related long-term debt outstanding	(12,208,831)
Plus: unspent capital related debt proceeds	985,265
Plus: unamortized deferred amount on refunding	169,486
Less: unamortized premium/discount	<u>(260,074)</u>
Total Net Investment in Capital Assets	<u>14,010,464</u>
Restricted for:	
Library	68,125
Impact fees	61,515
EMS Act 102	4,964
Debt Service	<u>68,823</u>
Total Restricted	<u>203,427</u>
Unrestricted	<u>6,973,155</u>
Total Governmental Activities Net Position	<u>\$ 21,187,046</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

H. NET POSITION/FUND BALANCES (DEFICITS) (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2014, include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 11,700
Non-current receivables	<u>780,438</u>
Total	<u>\$ 792,138</u>
Restricted	
Major Funds	
General Fund	
EMS Act 102	<u>\$ 4,964</u>
Debt Service Fund	<u>\$ 146,220</u>
Capital Projects Fund - Village Projects - Unspent bond proceeds	<u>\$ 985,265</u>
Non-Major Funds	
Special Revenue Funds	
Special Library Fund	<u>\$ 68,125</u>
Impact Fees Fund	<u>\$ 61,515</u>
Committed	
Non-Major Funds	
Special Revenue Funds	
Refuse and Garbage Collection Fund	<u>\$ 19,176</u>
Criminal Investigation Task Force Fund	<u>\$ 12,734</u>
Major Incident Task Force Fund	<u>\$ 10,113</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

H. NET POSITION/FUND BALANCES (DEFICITS) (cont.)

Governmental Funds (cont.)

Assigned		
Major Funds		
General Fund		
Future asset purchases	\$	571,531
Future assessment		166,200
Comprehensive planning		74,622
GIS system		69,821
Employee benefits		496,205
Recreation and celebrations		23,301
Municipal donations		4,861
Fine arts		7,505
Heritage Grant		100
Police armored vest		9,009
Police speed trailer		2,282
Cemetary perpetual care		74,877
Ambulance donations		<u>20,927</u>
Total	\$	<u>1,521,241</u>
Assigned		
Major Funds		
Capital Projects Funds		
Village Projects		
Boardwalk	\$	149,031
Future development		955,906
Community center development		50,000
Library development		50,843
Future road projects		70,720
Fees in lieu of dedication		<u>56,183</u>
Total	\$	<u>1,332,683</u>
Corporate Reserve	\$	<u>1,424,611</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

Unassigned (Deficit)

Major Funds

General Fund	\$ 2,408,640
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Special Revenue Fund - TIF	\$ (616,076)
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Non-Major Fund

Capital Projects Fund - Developers	\$ (34,267)
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Total Governmental Fund Balances	\$ 8,137,082
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Business-Type Activities

Net Investment in Capital Assets

Land	\$ 22,291
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Construction in progress	3,713
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Other Capital assets, net of accumulated depreciation	15,187,964
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Less: Capital related long-term debt outstanding	(2,215,000)
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Add: unspent debt proceeds	53,789
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Add: unamortized amount on refunding	42,848
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Less: unamortized premium	(59,643)
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Total Net Investment in Capital Assets	13,035,962
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Unrestricted	2,452,522
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Total Net Position	\$ 15,488,484
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VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

I. COMPONENT UNIT

This report contains the Hartland Business Improvement District (BID), which is included as a component unit. Financial information is presented as a discrete column in the statement of assets and statement of activities.

In addition to the basic financial statements and the preceding notes to the financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The BID follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the BID's deposits was \$31,167 and is part of the Village's commingled cash. See Note III.A.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible Village employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.31%
Protective without Social Security	7.00%	13.91%

The payroll for Village employees covered by the system for the year ended December 31, 2014 was \$3,224,004; the employer's total payroll was \$3,476,784. The total required contribution for the year ended December 31, 2014 was \$498,129 or 15.45% of covered payroll. Of this amount, \$272,449 or 54.7% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2013 and 2012 were \$498,557 and \$437,281, respectively, equal to the required contributions for each year.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. 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 employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2014 there was no pension related debt for the Village.

B. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The Village purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees. However, risks related to dental care of its employees are accounted for and financed by the Village in an internal service fund.

Self Insurance

For dental claims, the uninsured risk of loss is \$1,500 per incident and \$1,500 in aggregate for a policy year. All funds of the Village participate in the risk management program. Amounts payable to the internal service fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses.

All funds of the Village participate in the risk management programs. Amounts payable to the Dental fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$151,738 was assigned for that reserve at year end, and is included in unreserved net position of the internal service fund.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The Village does not allocate overhead costs or other non-incremental costs to the claims liability.

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 10,566	\$ 5,526
Current year claims and changes in estimates	29,419	49,269
Claim payments	<u>(34,459)</u>	<u>(44,310)</u>
Unpaid Claims – End of Year	<u>\$ 5,526</u>	<u>\$ 10,485</u>

C. COMMITMENTS AND CONTINGENCIES

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

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

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

Construction Commitments

As of December 31, 2014, the Village had approximately \$139,000 in outstanding construction commitments. This construction is for the 2014 road paving projects, Centennial Park restrooms, and the Bark River Streambank Stabilization project.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (cont.)

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

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

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 71, *Pension – Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB No. 68*

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

E. JOINT VENTURES

Delafield-Hartland Water Pollution Control Commission

The Delafield-Hartland Water Pollution Control Commission (Commission) was created for the purpose of providing sewage collection, treatment and distribution services. The Commission was created in 1971 by ordinances adopted by the City of Delafield and the Village of Hartland. Each municipality appoints 4 members to the commission. The Commission issued sewer revenue bonds in September 1978 (refinanced in 1992) for the purpose of constructing wastewater treatment facilities. The Commission issues separate financial statements and copies can be obtained by writing to them.

The Commission has entered into service contracts with the City of Delafield and the Villages of Hartland and Nashotah to treat wastewater. The contract requires monthly user charges based on the number of Domestic User Equivalents (DUE's) connected to the system. The municipalities are also required to pay connection charges for new customers added to the system. The Village of Hartland sewer utility accrued \$822,988 in user charges for the year ended December 31, 2014. As of December 31, 2014, the Village has a liability accrued of \$177,889 for connection fees. See Note III.E. regarding Village debt obligations related to the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF HARTLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON - GAAP)
 GENERAL FUND
 For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 4,147,257	\$ 4,147,257	\$ -
Intergovernmental	1,273,798	1,362,368	88,570
Licenses and permits	183,000	301,480	118,480
Fines, forfeitures and penalties	74,500	74,865	365
Public charges for services	483,600	586,159	102,559
Interdepartmental revenue	53,000	57,806	4,806
Investment income	20,000	14,575	(5,425)
Miscellaneous revenues	109,585	93,776	(15,809)
Total Revenues	<u>6,344,740</u>	<u>6,638,286</u>	<u>293,546</u>
EXPENDITURES			
Current			
General government	1,022,700	865,978	156,722
Police	2,273,103	2,246,597	26,506
Fire protection	563,678	535,425	28,253
Public works	1,332,319	1,391,227	(58,908)
Health and human services	17,502	13,071	4,431
Library	688,690	683,079	5,611
Parks	295,050	286,582	8,468
Conservation and development	82,210	134,223	(52,013)
Capital Outlay	63,664	84,888	(21,224)
Total Expenditure	<u>6,338,916</u>	<u>6,241,070</u>	<u>97,846</u>
Excess of revenues over expenditures	<u>5,824</u>	<u>397,216</u>	<u>391,392</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	500	6,875	6,375
Transfers in	220,000	230,844	10,844
Transfers out	(226,324)	(226,324)	-
Total Other Financing Sources (Uses)	<u>(5,824)</u>	<u>11,395</u>	<u>17,219</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>408,611</u>	<u>\$ 408,611</u>
Adjustment to Generally Accepted Accounting Principles Basis			
Appropriations credited to designated funds		17,000	
Revenue credited to designated funds		29,358	
Expenditures charged to designated funds		<u>(59,641)</u>	
Net change in fund balances - GAAP		395,328	
FUND BALANCES - Beginning of Year		<u>4,331,655</u>	
FUND BALANCES - END OF YEAR		<u>\$ 4,726,983</u>	

VILLAGE OF HARTLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL TIF FUND

For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 7,000	\$ 6,320	\$ (680)
Intergovernmental	2,000	1,992	(8)
Public improvement revenues	7,850	8,530	680
Investment income	6,000	6,000	-
Total Revenues	22,850	22,842	(8)
EXPENDITURES			
Current			
General government	500	2,200	(1,700)
Conservation and development	2,150	449	1,701
Total Expenditures	2,650	2,649	1
Excess of revenues over expenditures	\$ 20,200	20,193	\$ (7)
FUND BALANCES (DEFICIT) - Beginning of Year		(636,269)	
FUND BALANCES (DEFICIT) - END OF YEAR		\$ (616,076)	

VILLAGE OF HARTLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2014

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C., except actual (non-GAAP) revenues and expenditures do not reflect certain transactions of designated funds.

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

Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the function level of expenditure.

S U P P L E M E N T A R Y I N F O R M A T I O N

VILLAGE OF HARTLAND

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
As of December 31, 2014

	Special Revenue Funds			
	Refuse and Garbage Collection	Special Assessment	Special Library	Impact Fees
ASSETS				
Cash and investments	\$ 57,996	\$ -	\$ 68,125	\$ 61,515
Receivables				
Taxes	389,470	-	-	-
TOTAL ASSETS	<u>\$ 447,466</u>	<u>\$ -</u>	<u>\$ 68,125</u>	<u>\$ 61,515</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 38,820	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred inflows of resources				
Unearned revenues	389,470	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>428,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)				
Restricted	-	-	68,125	61,515
Committed	19,176	-	-	-
Unassigned (Deficits)	-	-	-	-
Total Fund Balances (Deficits)	<u>19,176</u>	<u>-</u>	<u>68,125</u>	<u>61,515</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 447,466</u>	<u>\$ -</u>	<u>\$ 68,125</u>	<u>\$ 61,515</u>

Special Revenue Funds		Capital Projects Fund	
Criminal Investigation Task Force	Major Incident Task Force	Developers	Totals
\$ 14,305	\$ 10,113	\$ -	\$ 212,054
-	-	-	389,470
<u>\$ 14,305</u>	<u>\$ 10,113</u>	<u>\$ -</u>	<u>\$ 601,524</u>
\$ 1,571	\$ -	\$ 16,213	\$ 56,604
-	-	18,054	18,054
-	-	-	389,470
<u>1,571</u>	<u>-</u>	<u>34,267</u>	<u>464,128</u>
-	-	-	129,640
12,734	10,113	-	42,023
-	-	(34,267)	(34,267)
<u>12,734</u>	<u>10,113</u>	<u>(34,267)</u>	<u>137,396</u>
<u>\$ 14,305</u>	<u>\$ 10,113</u>	<u>\$ -</u>	<u>\$ 601,524</u>

VILLAGE OF HARTLAND

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 For the Year Ended December 31, 2014

	Special Revenue Funds			
	Refuse and Garbage Collection	Special Assessment	Special Library	Impact Fees
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Public charges for services	469,234	-	-	55,162
Public improvement revenues	-	-	6,177	-
Investment income	641	132	181	110
Total Revenues	469,875	132	6,358	55,272
EXPENDITURES				
Current				
Police	-	-	-	-
Health and human services	465,158	-	-	-
Library	-	-	9,565	-
Capital Outlay	-	-	-	1,527
Total Expenditure	465,158	-	9,565	1,527
Excess (deficiency) of revenues over expenditures	4,717	132	(3,207)	53,745
OTHER FINANCING USES				
Transfers out	-	(52,555)	-	-
Net Change in Fund Balances	4,717	(52,423)	(3,207)	53,745
FUND BALANCES - Beginning of Year	14,459	52,423	71,332	7,770
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 19,176	\$ -	\$ 68,125	\$ 61,515

Special Revenue Funds		Capital Projects Fund	
Criminal Investigation Task Force	Major Incident Task Force	Developers	Totals
\$ 39,000	\$ -	\$ -	\$ 39,000
-	-	24,639	549,035
-	-	-	6,177
-	-	-	1,064
<u>39,000</u>	<u>-</u>	<u>24,639</u>	<u>595,276</u>
41,721	1,761	-	43,482
-	-	-	465,158
-	-	-	9,565
-	-	76,830	78,357
<u>41,721</u>	<u>1,761</u>	<u>76,830</u>	<u>596,562</u>
<u>(2,721)</u>	<u>(1,761)</u>	<u>(52,191)</u>	<u>(1,286)</u>
-	-	-	(52,555)
(2,721)	(1,761)	(52,191)	(53,841)
<u>15,455</u>	<u>11,874</u>	<u>17,924</u>	<u>191,237</u>
<u>\$ 12,734</u>	<u>\$ 10,113</u>	<u>\$ (34,267)</u>	<u>\$ 137,396</u>

VILLAGE OF HARTLAND
STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2014

	<u>Business Improvement District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors	\$ (62,677)
Payments to employees	<u>(20,780)</u>
Net Cash Flows From Operating Activities	<u>(83,457)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes levied	70,000
Contribution from municipality	<u>14,740</u>
Net Cash Flows From Noncapital Financing Activities	<u>84,740</u>
Net Change in Cash and Cash Equivalents	1,283
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>29,884</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 31,167</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (77,726)
Changes in assets and liabilities	
Accounts payable	<u>(5,731)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (83,457)</u>

VILLAGE OF HARTLAND

SUMMARY OF LONG-TERM DEBT
As of December 31, 2014

Governmental Activities	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance		Additions	Payments	Balance Outstanding 12/31/2014	Interest Paid	Principal Due 2015
						Outstanding 12/31/2013	Outstanding 12/31/2014					
General Obligation Bonds	03/01/06	3.5-4.1	02/1/07-25	6/1 & 12/1	\$ 2,700,000	\$ 475,000	\$ -	\$ -	\$ 200,000	\$ 275,000	\$ 14,427	\$ 100,000
	02/03/09	2.0-4.12	02/1/10-29	2/1 & 8/1	3,125,000	2,675,000	-	-	100,000	2,575,000	98,256	75,000
	12/01/10	0.8-2.0	12/1/11-17	6/1 & 12/1	1,840,000	1,255,000	-	-	280,000	975,000	20,010	310,000
	11/14/12	2.0-3.0	10/1/13-32	4/1 & 10/1	3,780,000	3,630,000	-	-	95,000	3,535,000	80,334	85,000
	12/05/13	3.0-3.33	06/1/14-30	6/1 & 12/1	4,935,000	4,935,000	-	-	125,000	4,810,000	147,583	125,000
	11/10/14	0.00	2/15/15-22	2/15	38,831	-	38,831	-	-	38,831	-	4,854
TOTAL GENERAL OBLIGATION BONDS						\$ 12,970,000	\$ -	\$ 38,831	\$ 800,000	\$ 12,208,831	\$ 360,610	\$ 699,854

ANNUAL PRINCIPAL AND INTEREST PAYMENTS
TO MATURITY ON LONG-TERM DEBT

Year	Principal		Interest		Total		Balance Outstanding		
	Principal	Interest	Principal	Interest	Principal	Interest	Outstanding	Outstanding	
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,208,831	\$ 12,208,831	
2015	699,854	344,753	1,044,607	11,508,977	1,044,607	11,508,977	11,508,977	11,508,977	
2016	784,854	328,677	1,113,531	10,724,123	1,113,531	10,724,123	10,724,123	10,724,123	
2017	769,854	310,834	1,080,688	9,954,269	1,080,688	9,954,269	9,954,269	9,954,269	
2018	754,854	290,103	1,044,957	9,199,415	1,044,957	9,199,415	9,199,415	9,199,415	
2019	739,854	270,071	1,009,925	8,459,561	1,009,925	8,459,561	8,459,561	8,459,561	
2020	814,854	249,728	1,064,582	7,644,707	1,064,582	7,644,707	7,644,707	7,644,707	
2021	824,854	223,627	1,048,481	6,819,853	1,048,481	6,819,853	6,819,853	6,819,853	
2022	809,853	198,146	1,007,999	6,010,000	1,007,999	6,010,000	6,010,000	6,010,000	
2023	775,000	176,509	951,509	5,235,000	951,509	5,235,000	5,235,000	5,235,000	
2024	825,000	154,321	979,321	4,410,000	979,321	4,410,000	4,410,000	4,410,000	
2025	820,000	130,290	950,290	3,590,000	950,290	3,590,000	3,590,000	3,590,000	
2026	710,000	104,953	814,953	2,880,000	814,953	2,880,000	2,880,000	2,880,000	
2027	710,000	81,377	791,377	2,170,000	791,377	2,170,000	2,170,000	2,170,000	
2028	705,000	57,662	762,662	1,465,000	762,662	1,465,000	1,465,000	1,465,000	
2029	670,000	34,421	704,421	795,000	704,421	795,000	795,000	795,000	
2030	510,000	15,926	525,926	285,000	525,926	285,000	285,000	285,000	
2031	135,000	6,769	141,769	150,000	141,769	150,000	150,000	150,000	
2032	150,000	3,563	153,563	-	153,563	-	-	-	
TOTAL						\$ 12,208,831	\$ 2,981,730	\$ 15,190,561	\$ 15,190,561

VILLAGE OF HARTLAND

COMPARATIVE SCHEDULE OF TAXES AND VALUATION DATA
2010- 2014 Tax Rolls

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
STATE TAXES	\$ 200,728	\$ 199,231	\$ 191,742	\$ 191,668	\$ 198,147
COUNTY TAXES	<u>2,330,397</u>	<u>2,360,690</u>	<u>2,377,621</u>	<u>2,421,651</u>	<u>2,427,115</u>
LOCAL TAXES					
Village property taxes	4,976,827	5,009,674	5,143,812	5,195,250	5,221,227
Omitted taxes	-	-	52,632	-	-
Tax Increment District taxes	-	-	7,026	6,320	20,261
Total Local Taxes	<u>4,976,827</u>	<u>5,009,674</u>	<u>5,203,470</u>	<u>5,201,570</u>	<u>5,241,488</u>
SCHOOL TAXES					
Swallow School District	1,568,581	1,590,299	1,632,530	1,713,700	1,752,457
Merton Community School District	193	191	194	185	190
School District of Hartland - Lakeside School	5,605,762	5,532,095	5,660,834	5,646,939	5,894,352
Lake Country School District	988,624	966,404	790,354	796,067	779,966
Arrowhead Union High School District	4,204,060	4,097,198	4,139,292	3,950,449	4,028,523
Waukesha County Technical College	1,458,996	1,469,086	1,468,955	1,485,500	453,801
Total School Taxes	<u>13,826,216</u>	<u>13,655,273</u>	<u>13,692,159</u>	<u>13,592,840</u>	<u>12,909,289</u>
Total General Property Taxes	<u>21,334,168</u>	<u>21,224,868</u>	<u>21,464,992</u>	<u>21,407,729</u>	<u>20,776,039</u>
SPECIAL ASSESSMENTS AND SPECIAL CHARGES					
Refuse removal	426,650	438,075	453,050	468,125	389,470
BID District	70,000	70,000	70,000	70,000	70,000
Other	5,163	4,006	3,480	1,528	1,644
Total Special Assessments and Special Charges	<u>501,813</u>	<u>512,081</u>	<u>526,530</u>	<u>539,653</u>	<u>461,114</u>
DELINQUENT UTILITY CHARGES					
Water Utility	5,740	12,887	16,171	9,092	7,775
Sewer Fund	6,150	12,103	16,391	8,871	26,472
Total Delinquent Utility Charges	<u>11,890</u>	<u>24,990</u>	<u>32,562</u>	<u>17,963</u>	<u>34,247</u>
TOTAL TAX ROLL	\$ <u>21,847,871</u>	\$ <u>21,761,939</u>	\$ <u>22,024,084</u>	\$ <u>21,965,345</u>	\$ <u>21,271,400</u>
ASSESSED VALUATION	\$ <u>1,177,770,800</u>	\$ <u>1,176,415,000</u>	\$ <u>1,119,757,300</u>	\$ <u>1,178,545,500</u>	\$ <u>1,165,405,100</u>
EQUALIZED VALUATION	\$ <u>1,182,801,000</u>	\$ <u>1,173,978,700</u>	\$ <u>1,129,849,800</u>	\$ <u>1,129,413,700</u>	\$ <u>1,167,590,600</u>
RATIO OF ASSESSMENT	<u>99.57%</u>	<u>100.21%</u>	<u>99.11%</u>	<u>104.35%</u>	<u>99.81%</u>

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