

VILLAGE OF HARTLAND

Hartland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

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VILLAGE OF HARTLAND

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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, 2012, 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, 2012 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.

Emphasis of Matter

As discussed in Note 1, the Village of Hartland adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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.

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 as listed in the table of contents are fairly stated in all material respects, in relation to the basic financial statements as a whole.



Milwaukee, Wisconsin
May 6, 2013

Village of Hartland
2012 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, 2012. 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 9,118 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.

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 of the Village of Hartland exceeded its liabilities at the close of 2012 by \$37,008,290 (net position). Of this amount, \$8,116,603 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors. Shown on page 16 of this report.
- ❖ The Village of Hartland's total net position increased by \$557,056. As of the close of 2012, the Village of Hartland's governmental funds reported combined ending funding balances of \$10,380,672. This is a decrease of \$906,294 in comparison with the prior year's balance of \$11,286,966. The decrease was primarily due to budgeted capital projects completed in 2012. Shown on pages 17 to 20 of this report.
- ❖ The Village issued \$6,080,000 in general obligation bonds to finance future capital project expenditures for the Village, the Water Utility and the Sewer Utility and to refund two outstanding debt issues for the Village and the Water Utility. These bonds are payable each year from 2013 through 2032 with interest rates ranging from 2% to 3%. There were two borrowings in 2010 to help fund the 2011 and 2012 capital projects budgeted.
- ❖ Interest rates that had started declining at the end of 2008 have continued declining through 2012. In 2008, accounts at the Wisconsin Local Government Investment Pool earned an annual average interest rate of 2.46%, while the average interest rate in 2012 was 0.16%. Even with this decrease, additional tax equivalent received allowed our general fund revenue budget to come in at 101.6% of budget.

Village of Hartland

2012 Management's Discussion and Analysis (cont.) (Unaudited)

- ❖ Approximately 12% (\$1,217,571) 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). This amount is currently being offset or reduced by obligations in the TIF Districts. Approximately 42% (\$4,325,939) of the fund balance is assigned by the Village for specific purposes. Approximately 38% of the fund balance is Restricted or Committed by the Village or statutes to be spent for specific purposes. The remaining 8% of fund balance is considered nonspendable as it relates to non-current receivables, cemetery perpetual care and prepayments. Shown on pages 19 and 20 of this report.
- ❖ When considered separately, the General Fund unassigned fund balance totals \$1,871,786. This is equal to 30% 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. Shown on pages 19 and 20 of this report.
- ❖ The Village of Hartland's total debt related to governmental activities had payments of \$2,125,000 during 2012. This amount is \$1.57 million more than was budgeted because of the refinancing of general obligation bonds originally issued in 2006. Total general obligation debt for the business-type activities had principal payments of \$438,780. This amount is \$335,000 more than was budgeted because of the refinancing of general obligation bonds originally issued in 2006. The repayment of the refunded or refinanced debt shows as an expense for the Village portion of the debt and as a reduction to liability for the Water Utility portion of the debt. Shown on pages 22 to 23 for Village portion and pages 25 and 26 for Water utility portion.

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 liabilities, with the difference between the two 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.

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 business type activities of the Village of Hartland include the Water Utility and the Sewer Utility.

Village of Hartland

2012 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. The basic governmental fund financial statements can be found on pages 19 to 24 of this report.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so 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. In 2007, a fund was set up to handle the accounting for the revenues and expenses of the Hartland Business Improvement District (BID). The district was created by the Village of Hartland at the request of property and business owners in Village Center consistent with state statutes. The Village assists by managing the BID's accounts payable and audit process. The Village of Hartland also participates in and manages the accounts for the Critical Incident Team Fund and the Major Incident Unit Fund. These two entities are mutual agreement police operations pursuant to Wisconsin Statutes §66.30, §66.305 and §66.315. The two units are funded by budgeted transfers from participating jurisdictions. 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 68 and 69.

Village of Hartland

2012 Management's Discussion and Analysis (cont.) (Unaudited)

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 Developers fund that monitors Village projects that will be reimbursed by developers.

Proprietary funds. The Village of Hartland maintains two *Proprietary funds*. Proprietary funds are used to report *business-type activities* in the government-wide financial statements. The Village of Hartland uses enterprise funds to account for its Water Utility and Sewer Utility.

The Village of Hartland also maintains an internal service 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. The basic proprietary fund financial statements can be found on pages 25 through 29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial 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. The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 66 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 71 through 77 of this report following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Hartland, assets exceeded liabilities by \$37,008,290 at the close of 2012. By far, the largest portion of the Village of Hartland's net position (77 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
2012 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>	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	17,233,133	17,904,775	7,367,691	5,833,656	24,600,824	23,738,431
Capital Assets	<u>24,602,969</u>	<u>21,289,496</u>	<u>15,012,931</u>	<u>15,272,089</u>	<u>39,615,900</u>	<u>36,561,585</u>
TOTAL ASSETS	<u>41,836,102</u>	<u>39,194,271</u>	<u>22,380,622</u>	<u>21,105,745</u>	<u>64,216,724</u>	<u>60,300,016</u>
LIABILITIES						
Long-term liabilities outstanding	13,999,198	12,252,687	6,275,861	4,645,700	20,275,059	16,898,387
Current and other liabilities	<u>6,268,874</u>	<u>6,240,209</u>	<u>664,501</u>	<u>710,186</u>	<u>6,933,375</u>	<u>6,950,395</u>
TOTAL LIABILITIES	<u>20,268,072</u>	<u>18,492,896</u>	<u>6,940,362</u>	<u>5,355,886</u>	<u>27,208,434</u>	<u>23,848,782</u>
NET POSITION						
Net investment in capital assets	14,450,634	14,000,492	13,935,055	14,087,202	28,385,689	28,087,694
Restricted	505,998	487,783	-	-	505,998	487,783
Unrestricted	<u>6,611,398</u>	<u>6,213,100</u>	<u>1,505,205</u>	<u>1,662,657</u>	<u>8,116,603</u>	<u>7,875,757</u>
TOTAL NET POSITION	<u>21,568,030</u>	<u>20,701,375</u>	<u>15,440,260</u>	<u>15,749,859</u>	<u>37,008,290</u>	<u>36,451,234</u>

Village of Hartland

2012 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

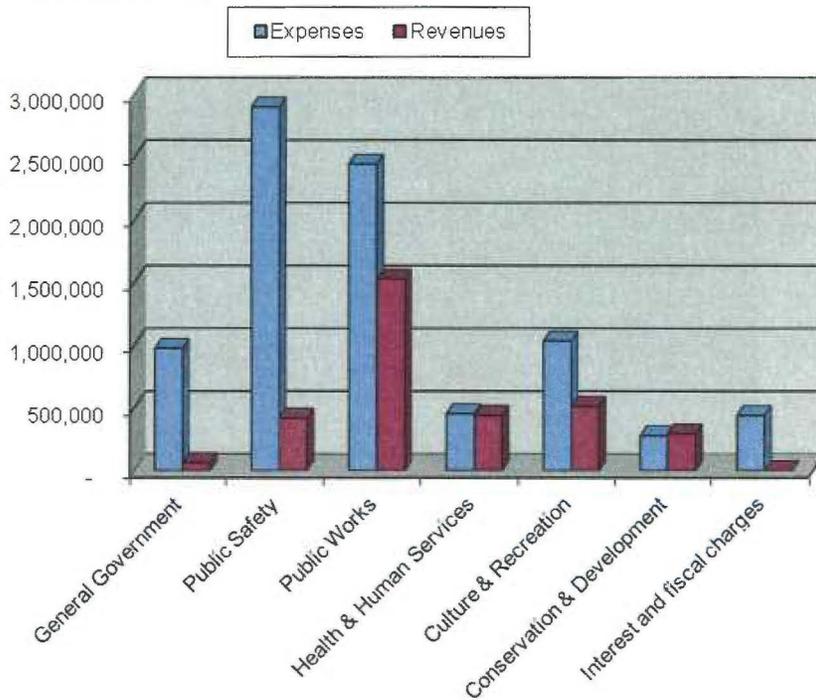
For the year ending December 31

	<i>Governmental Activities</i>		<i>Business Type Activity - Water Utility</i>		<i>Business Type Activity - Sewer Utility</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues								
<i>Program Revenues</i>								
Charges for services	1,293,126	1,197,782	1,345,192	1,225,104	1,225,194	1,224,357	3,863,512	3,647,243
Oper grants and contributions	959,043	1,100,225	-	-	-	-	959,043	1,100,225
Capital grants and contributions	996,346	45,301	-	-	-	-	996,346	45,301
<i>General Revenues</i>								
Property Taxes	5,062,305	4,976,827	-	-	-	-	5,062,305	4,976,827
Inter governmental revenues not restricted to specific programs	554,408	592,243	-	-	-	-	554,408	592,243
Investment income	99,574	80,893	5,530	5,753	93,668	100,810	198,772	187,456
Miscellaneous	147,682	147,748	-	-	-	-	147,682	147,748
Gain on disposal of assets	36,028	12,298	31,914	-	-	-	67,942	12,298
Transfers	<u>219,683</u>	<u>211,728</u>	<u>(213,024)</u>	<u>(205,964)</u>	<u>(6,659)</u>	<u>(5,764)</u>	-	-
Total Revenues	9,368,195	8,365,045	1,169,612	1,024,893	1,312,203	1,319,403	11,850,010	10,709,341
Expenses								
<i>Primary Government</i>								
General government	970,943	843,091	-	-	-	-	970,943	843,091
Public Safety	2,895,209	2,859,644	-	-	-	-	2,895,209	2,859,644
Public Works	2,441,244	2,486,137	-	-	-	-	2,441,244	2,486,137
Health & Sanitation	450,800	434,088	-	-	-	-	450,800	434,088
Culture & Recreation	1,029,913	1,011,013	-	-	-	-	1,029,913	1,011,013
Conservation & Development	275,750	152,168	-	-	-	-	275,750	152,168
Interest & fiscal charges	437,681	473,348	38,606	45,540	88,430	98,667	564,717	617,555
<i>Business Type Activities</i>								
Water Utility	-	-	1,184,973	1,071,474	-	-	1,184,973	1,071,474
Sewer Utility	-	-	-	-	<u>1,479,405</u>	<u>1,466,574</u>	<u>1,479,405</u>	<u>1,466,574</u>
Total Expenses	8,501,540	8,259,489	1,223,579	1,117,014	1,567,835	1,565,241	11,292,954	10,941,744
Change in Net Position	866,655	105,556	(53,967)	(92,121)	(255,632)	(245,838)	557,056	(232,403)
TOTAL NET POSITION - JAN 1	<u>20,701,375</u>	<u>20,595,819</u>	<u>10,057,586</u>	<u>10,149,707</u>	<u>5,692,273</u>	<u>5,938,111</u>	<u>36,451,234</u>	<u>36,683,637</u>
TOTAL NET POSITION - DEC 31	<u>\$ 21,568,030</u>	<u>\$ 20,701,375</u>	<u>\$ 10,003,619</u>	<u>\$ 10,057,586</u>	<u>\$ 5,436,641</u>	<u>\$ 5,692,273</u>	<u>\$ 37,008,290</u>	<u>\$ 36,451,234</u>

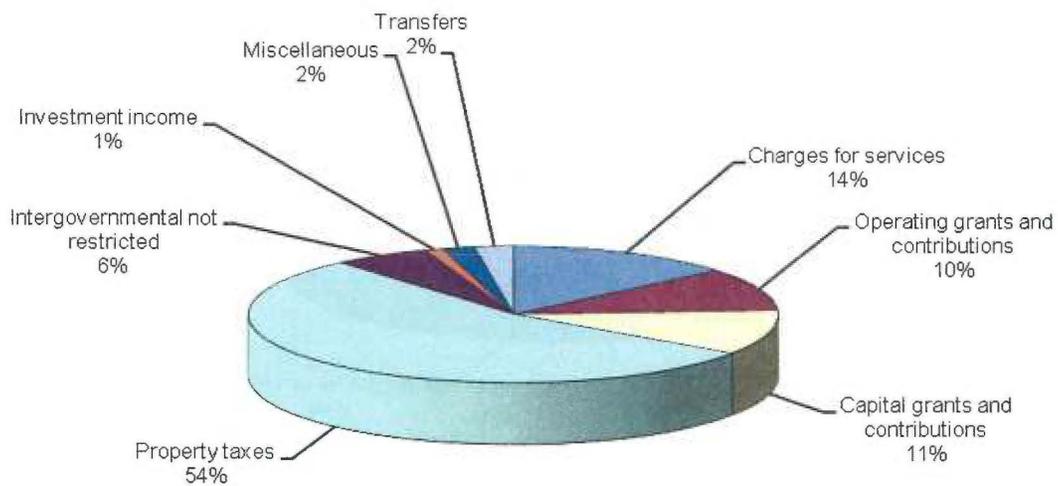
Village of Hartland

2012 Management's Discussion and Analysis (cont.) (Unaudited)

Expenses & Program Revenues - Governmental Activities



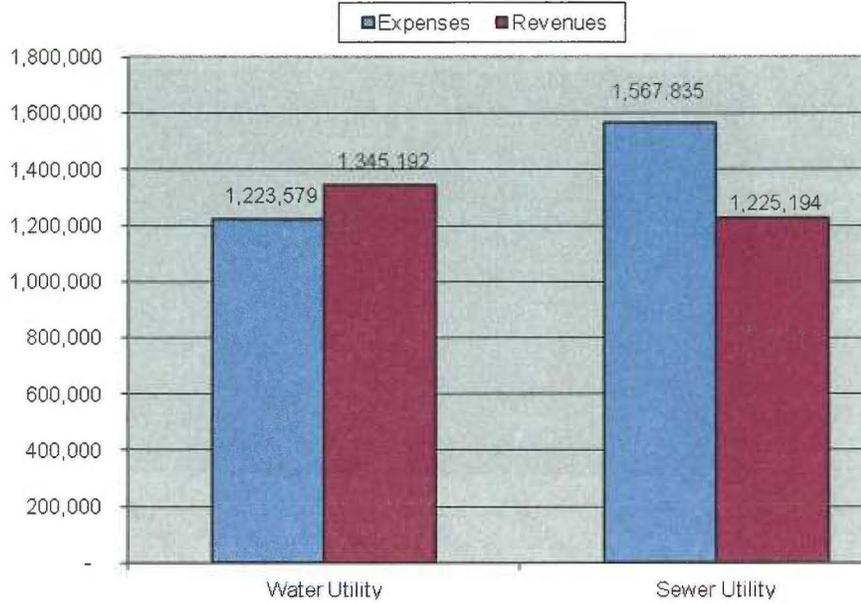
Program & General Revenues by Source - Governmental Activities



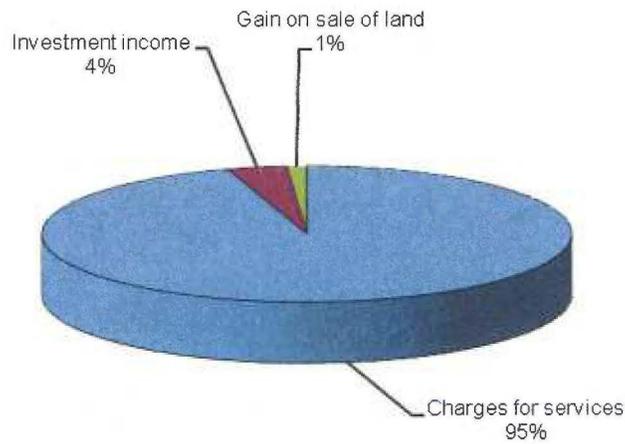
Village of Hartland

2012 Management's Discussion and Analysis (cont.)
(Unaudited)

Expenses & Program Revenues - Business-Type Activities



Revenues by Source - Business-type Activities



Village of Hartland
2012 Management's Discussion and Analysis (cont.)
(Unaudited)

General Budgetary Highlights

The General Fund posted an excess of revenues and other financing sources over expenditures and other financing uses of \$170,966. The Village of Hartland's 2012 operating budget received 101.5% of its budgeted revenues and spent 96.3% of its budgeted expenses. Even though our investment interest was under budget \$31,010, our fines and forfeitures were under budget \$9,415, and our miscellaneous revenues were under budget \$27,632 there was still a positive balance recorded due to other circumstances on the revenue side:

- Permit revenue received was \$45,340 more than was budgeted in 2012.
- Ambulance billings were \$31,289 more than budgeted in 2012.

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 fire protection was \$934 over budget due to some unanticipated vehicle maintenance done on the ambulances and conservation, development was over \$22,822 due to inspection costs for the additional permits and capital outlay was \$514 over budget. The other operating accounts came in under budget to make our overall expenses 4% below budget.

The funds comprising Governmental Activities realized an \$866,655 increase in net position. All governmental funds, major and non-major, except one had a positive fund balance.

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 89% of budget. In the past, the use of unrestricted net position has 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. The rate for 2012 has been in effect since June 20, 2009. During 2012, a simplified rate case was submitted to the Public Service Commission and they approved a 3.2% rate increase effective the first quarter of 2013.

Village of Hartland

2012 Management's Discussion and Analysis (cont.) (Unaudited)

- The sewer utility had sales that came in at 95% of budget. Total revenues for the sewer utility were 86% of budget and the expenses were at 95% of budget. The sewer utility budgets to pay \$15,000 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 2012 the balance available for lift station maintenance was \$209,011.
- 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 continued through 2012. Therefore a 5% increase per year in the per thousand gallon rate to customers was implemented in 2002 through 2008. During the 2013 budget process, the Sewer Utility rate was increased an additional 5% effective 2013. The financial health of the sewer utility will continue to be evaluated on a yearly basis.

As previously noted, interest rates started to decline at the end of 2007 and that trend continued through 2012. The Local Government Investment Pool (LGIP) yielded an average annual interest rate of 0.16%. The Village continues to evaluate safe investment options and currently has \$3,650,000 with a local bank as a money market account. They are paying interest at 16 basis points higher than the LGIP is paying (0.32%). A different local bank also has \$19,300,000 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 24 basis points higher than the LGIP is paying (0.40%).

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.

Village of Hartland
2012 Management's Discussion and Analysis (cont.)
(Unaudited)

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 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. The sewer is the only utility paying back a loan at this time.

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

- Bark River Park shoreline restoration, E. Capitol Drive storm sewer and other storm assets at a cost of \$155,649.
- Various street and pathway repaving projects in accordance with our aggressive paving schedule. The amount for 2012 was \$741,934 and the Village accepted the Campus Drive in the amount of \$996,455 as a contributed asset.
- A new mower and tractor were purchased for \$54,561 to assist with park maintenance.
- A new public works dump truck and trailer were purchased for \$169,707.
- Two new squad cars were purchased and outfitted for \$45,338.
- Replacement playground equipment was added at Nixon Park for \$23,062.
- The Village also completed several building projects in 2012. The Library addition for \$2,659,209, Fire Department classroom addition for \$216,023, Police Garage addition for \$344,977 and Community Center entrance remodel for \$43,182.

In the business type activities, the utility replaced the Maple Avenue watermain for \$284,772. The utility also had a SCADA (control system) equipment upgrade for \$24,413. The remaining utility assets were for hydrant and meter replacements.

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 2012, the Village bond rating was Aa2, which was in place when the Village executed the most recent borrowing in November of 2012. 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.

Village of Hartland
2012 Management's Discussion and Analysis (cont.)
(Unaudited)

At the end of 2012, the total amount of general obligation outstanding debt was \$16,834,512. This is equal to less than 1.5 percent of the Village of Hartland's 2012 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 2012 equalized value of \$1,129,849,800 the Village of Hartland's allowable indebtedness is \$56,492,490 (5% of the equalized value). At the end of 2012 the Village has used less than thirty percent of its allowable indebtedness. This debt amount is comprised of \$16,240,000 of general obligation bonds and \$594,512 in promissory notes. As discussed previously, there was \$6,080,000 of general obligation and refunding bond debt issued to finance future capital project expenditures such as road improvements, Water and Sewer Utility improvements, to refund the majority of general obligation bonds issued in 2006 and to refund both 2009 general obligation promissory notes.

Eighty-two percent of the Village's overall debt is related to governmental activities. The Water Utility owes seventeen percent of the debt and the Sewer Utility owes one percent of the debt. Part of the 2006 borrowing was for costs incurred to build Well #6 and the 2009 borrowing was for costs associated with replacement of watermain on several roads in 2008 and 2009. The 2012 borrowing was for Penbrook Way, Maple Ave., Nixon Ave, Renson Rd. and Church St. water improvements and Crystal Dr. sewer improvements.

In 2003, the Sewer Utility received an advance from the Water Utility to pay for 2003 sewer capital projects. The amount of the advance was \$127,000. The balance owed on this advance is \$12,700, which will be paid off in 2013.

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, 2012 is \$3,205,668.

More information on the Village of Hartland's long-term debt can be found on pages 54 through 57.

Economic Factors

The Village of Hartland is not immune to the stresses in the economy. Management is aware of a large number of foreclosures in our community. Diminished interest income impacts the manner in which we budget. In 2006 our equalized value increased 14.8%. In 2012, the equalized value decreased by 3.75%. Management expects the Village of Hartland to weather this downturn by continuing to do what we have always done: take care of our infrastructure; maintain a careful and deliberate approach to financial management; and maintain our healthy reserves. Even in these 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. 2012 was the fourth possible year to calculate an increment, but there was no value to calculate an increment. This TIF District will grow more slowly than the previous TIF of the Village due to overall changes to the economy. The increment will grow as downtown redevelopment projects occur. At this point, there is no debt associated with this new district.

Village of Hartland
2012 Management's Discussion and Analysis (cont.)
(Unaudited)

The downtown redevelopment TIF #4 continues 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. This District will enhance the aesthetics and commercial atmosphere in the Village and, consequently, increase business activity. This will promote orderly development in the Village and increase property tax base. 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 programs and activities to improve the Downtown including installation of various directional signs and various loans and grants to downtown businesses who want to make a better street presence or otherwise improve their buildings. This 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 it is located. The area has been redeveloped with a restaurant with drive through facilities and there is currently \$420,500 of increment value associated with TIF #5.

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

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VILLAGE OF HARTLAND

STATEMENT OF NET POSITION
As of December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Business Improvement District
ASSETS				
Cash and investments	\$ 10,820,947	\$ 1,531,861	\$ 12,352,808	\$ 28,589
Receivables (net)				
Taxes	5,605,784	34,144	5,639,928	70,000
Accounts	71,629	565,874	637,503	-
Special assessments	3,408	8,244	11,652	-
Delinquent personal property taxes	3,672	-	3,672	-
Loans	364,951	-	364,951	-
Accrued interest	642	14,693	15,335	-
Inventories and prepaid items	36,288	14,889	51,177	-
Property held for resale	143,200	-	143,200	-
Other assets	182,612	30,106	212,718	-
Restricted assets				
Cash and investments	-	1,962,212	1,962,212	-
Loans	-	3,205,668	3,205,668	-
Capital assets (net of accumulated depreciation)				
Land	612,637	22,291	634,928	-
Construction in progress	68,083	-	68,083	-
Other capital assets, net of depreciation	23,922,249	14,990,640	38,912,889	-
Total Assets	<u>\$ 41,836,102</u>	<u>\$ 22,380,622</u>	<u>\$ 64,216,724</u>	<u>\$ 98,589</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 473,226	\$ 144,304	\$ 617,530	\$ -
Accrued interest payable	82,353	39,443	121,796	-
Unearned revenue	5,607,295	-	5,607,295	70,000
Deposits	106,000	480,754	586,754	-
Noncurrent liabilities				
Due within one year	809,993	963,036	1,773,029	-
Due in more than one year	13,189,205	5,312,825	18,502,030	-
Total Liabilities	<u>20,268,072</u>	<u>6,940,362</u>	<u>27,208,434</u>	<u>70,000</u>
NET POSITION				
Net investment in capital assets	14,450,634	13,935,055	28,385,689	-
Restricted for				
Library	75,257	-	75,257	-
Impact fees	100,632	-	100,632	-
EMS Act 102	1,026	-	1,026	-
Special assessments	50,356	-	50,356	-
Developer fund	13,618	-	13,618	-
Debt service	206,486	-	206,486	-
Perpetual care	58,623	-	58,623	-
Unrestricted	<u>6,611,398</u>	<u>1,505,205</u>	<u>8,116,603</u>	<u>28,589</u>
TOTAL NET POSITION	<u>\$ 21,568,030</u>	<u>\$ 15,440,260</u>	<u>\$ 37,008,290</u>	<u>\$ 28,589</u>

VILLAGE OF HARTLAND

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs			
Primary Government			
Governmental Activities			
General government	\$ 970,943	\$ 63,510	\$ -
Public safety	2,895,209	364,427	52,643
Public works	2,441,244	10,874	518,918
Health and human services	450,800	438,977	-
Culture, education and recreation	1,029,913	263,989	247,482
Conservation and development	275,750	151,349	140,000
Interest and fiscal charges	437,681	-	-
Total Governmental Activities	8,501,540	1,293,126	959,043
Business-type Activities			
Water Utility	1,223,579	1,345,192	-
Sewer Utility	1,567,835	1,225,194	-
Total Business-type Activities	2,791,414	2,570,386	-
Total Primary Government	\$ 11,292,954	\$ 3,863,512	\$ 959,043
Component Unit			
Business improvement district	\$ 100,978	\$ -	\$ 18,613
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 Activities	Business-type Activites	Totals	Business Improvement District
\$ (907,433)	\$ -	\$ (907,433)	\$ -
(2,478,139)	-	(2,478,139)	-
(915,106)	-	(915,106)	-
(11,823)	-	(11,823)	-
(518,442)	-	(518,442)	-
15,599	-	15,599	-
(437,681)	-	(437,681)	-
<u>(5,253,025)</u>	<u>-</u>	<u>(5,253,025)</u>	<u>-</u>
-	121,613	121,613	-
-	(342,641)	(342,641)	-
-	(221,028)	(221,028)	-
<u>(5,253,025)</u>	<u>(221,028)</u>	<u>(5,474,053)</u>	<u>-</u>
-	-	-	(82,365)
\$ 4,121,610	\$ -	\$ 4,121,610	\$ -
940,695	-	940,695	-
-	-	-	70,000
554,408	-	554,408	-
99,574	99,198	198,772	-
147,682	31,914	179,596	2,930
36,028	-	36,028	-
<u>5,899,997</u>	<u>131,112</u>	<u>6,031,109</u>	<u>72,930</u>
<u>219,683</u>	<u>(219,683)</u>	<u>-</u>	<u>-</u>
866,655	(309,599)	557,056	(9,435)
<u>20,701,375</u>	<u>15,749,859</u>	<u>36,451,234</u>	<u>38,024</u>
<u>\$ 21,568,030</u>	<u>\$ 15,440,260</u>	<u>\$ 37,008,290</u>	<u>\$ 28,589</u>

See accompanying notes to financial statements.

VILLAGE OF HARTLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2012

	<u>Special Revenue Fund</u>			<u>Capital Projects Fund</u>
	<u>General</u>	<u>TIF</u>	<u>Debt Service</u>	<u>Village Projects</u>
ASSETS				
Cash and investments	\$ 3,540,115	\$ -	\$ 288,839	\$ 4,841,208
Receivables				
Taxes	4,095,817	7,026	1,047,994	-
Delinquent personal property tax	3,672	-	-	-
Accrued interest	642	-	-	-
Accounts	66,661	4,968	-	-
Special assessments	-	-	-	-
Loans	-	364,951	-	-
Due from other funds	802,383	-	-	-
Inventories and prepayments	4,200	-	-	32,088
Property held for resale	-	143,200	-	-
TOTAL ASSETS	<u>\$ 8,513,490</u>	<u>\$ 520,145</u>	<u>\$ 1,336,833</u>	<u>\$ 4,873,296</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 311,275	\$ -	\$ -	\$ 108,815
Accrued liabilities	5,198	-	-	-
Due to other funds	-	802,383	-	-
Deposits	106,000	-	-	-
Deferred revenues	4,095,817	371,977	1,047,994	-
Total Liabilities	<u>4,518,290</u>	<u>1,174,360</u>	<u>1,047,994</u>	<u>108,815</u>
Fund Balances (Deficits)				
Nonspendable	810,255	-	-	32,088
Restricted	59,649	-	288,839	3,379,736
Committed	-	-	-	-
Assigned	1,253,510	-	-	1,352,657
Unassigned	1,871,786	(654,215)	-	-
Total Fund Balances (Deficits)	<u>3,995,200</u>	<u>(654,215)</u>	<u>288,839</u>	<u>4,764,481</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 8,513,490</u>	<u>\$ 520,145</u>	<u>\$ 1,336,833</u>	<u>\$ 4,873,296</u>

Capital Projects Fund	Nonmajor Governmental Funds	Totals
Corporate Reserve		
\$ 1,719,772	\$ 303,967	\$ 10,693,901
-	454,947	5,605,784
-	-	3,672
-	-	642
-	-	71,629
-	3,408	3,408
-	-	364,951
-	-	802,383
-	-	36,288
-	-	143,200
<u>\$ 1,719,772</u>	<u>\$ 762,322</u>	<u>\$ 17,725,858</u>
\$ -	\$ 37,372	\$ 457,462
-	-	5,198
-	-	802,383
-	-	106,000
-	458,355	5,974,143
-	<u>495,727</u>	<u>7,345,186</u>
-	-	842,343
-	239,863	3,968,087
-	26,732	26,732
1,719,772	-	4,325,939
-	-	1,217,571
<u>1,719,772</u>	<u>266,595</u>	<u>10,380,672</u>
<u>\$ 1,719,772</u>	<u>\$ 762,322</u>	<u>\$ 17,725,858</u>

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VILLAGE OF HARTLAND

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2012

Total Fund Balances - Governmental Funds	\$ 10,380,672
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	68,083
Other Capital Assets	36,295,729
Less: Accumulated depreciation	(12,373,480)
Special assessments and loans not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements	366,848
Internal service funds are reported in the statement of net position as governmental activities	116,480
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds and notes payable (including accounting loss on refunding, debt discounts, and premiums)	(13,714,685)
Compensated absences	(284,513)
Accrued interest payable	(82,353)
Unamortized debt issue costs	<u>182,612</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,568,030</u>

VILLAGE OF HARTLAND

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

For the Year Ended December 31, 2012

	Special Revenue Fund			Capital Projects Fund
	General	TIF	Debt Service	Village Projects
REVENUES				
Taxes	\$ 4,121,610	\$ -	\$ 940,695	\$ -
Intergovernmental	1,254,535	5,245	75,646	-
Licenses and permits	231,075	-	-	-
Fines, forfeitures and penalties	74,585	-	-	-
Public charges for services	547,727	-	-	-
Public improvement revenues	-	1,163	-	-
Interdepartmental revenue	54,630	-	-	-
Investment income	19,461	3,806	2,033	16,619
Miscellaneous revenues	90,855	-	-	-
Total Revenues	<u>6,394,478</u>	<u>10,214</u>	<u>1,018,374</u>	<u>16,619</u>
EXPENDITURES				
Current				
General government	926,680	-	-	-
Police	2,157,701	-	-	-
Fire protection	524,214	-	-	-
Public works	1,252,712	-	-	-
Health and human services	15,581	-	-	-
Library	665,434	-	-	-
Parks	282,293	-	-	-
Conservation and development	94,092	140,557	-	18,613
Capital Outlay	83,084	-	-	3,456,945
Debt Service				
Principal	-	-	675,000	-
Interest and fiscal charges	-	-	431,150	-
Debt issuance costs	-	-	30,433	37,551
Total Expenditures	<u>6,001,791</u>	<u>140,557</u>	<u>1,136,583</u>	<u>3,513,109</u>
Excess (deficiency) of revenues over expenditures	<u>392,687</u>	<u>(130,343)</u>	<u>(118,209)</u>	<u>(3,496,490)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	500	-	-	-
Debt issued	-	-	1,545,155	2,234,845
Premium on long-term debt issued	-	-	120,402	75,251
Payment to escrow agent	-	-	(1,570,208)	-
Transfers in	219,683	-	14,010	-
Transfers out	(441,904)	-	-	-
Total Other Financing Sources (Uses)	<u>(221,721)</u>	<u>-</u>	<u>109,359</u>	<u>2,310,096</u>
Net Change in Fund Balances	170,966	(130,343)	(8,850)	(1,186,394)
FUND BALANCES (DEFICITS) - Beginning of Year	<u>3,824,234</u>	<u>(523,872)</u>	<u>297,689</u>	<u>5,950,875</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 3,995,200</u>	<u>\$ (654,215)</u>	<u>\$ 288,839</u>	<u>\$ 4,764,481</u>

Capital Projects Fund	Nonmajor Governmental	Totals
Corporate Reserve	Funds	
\$ -	\$ -	\$ 5,062,305
-	25,167	1,360,593
-	-	231,075
-	-	74,585
-	454,794	1,002,521
-	52,463	53,626
-	-	54,630
5,490	1,872	49,281
-	-	90,855
<u>5,490</u>	<u>534,296</u>	<u>7,979,471</u>
-	-	926,680
-	15,716	2,173,417
-	-	524,214
-	5,771	1,258,483
-	438,439	454,020
-	5,768	671,202
-	6,500	288,793
-	-	253,262
267,397	15,290	3,822,716
-	-	675,000
-	-	431,150
-	-	67,984
<u>267,397</u>	<u>487,484</u>	<u>11,546,921</u>
<u>(261,907)</u>	<u>46,812</u>	<u>(3,567,450)</u>
35,528	-	36,028
-	-	3,780,000
-	-	195,653
-	-	(1,570,208)
441,904	-	675,597
-	(14,010)	(455,914)
<u>477,432</u>	<u>(14,010)</u>	<u>2,661,156</u>
215,525	32,802	(906,294)
<u>1,504,247</u>	<u>233,793</u>	<u>11,286,966</u>
<u>\$ 1,719,772</u>	<u>\$ 266,595</u>	<u>\$ 10,380,672</u>

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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, 2012

Net change in fund balances - total governmental funds	\$ (906,294)
--	--------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	3,822,716
Some items reported as capital outlay were not capitalized	(192,431)
Some items are capitalized from non-capital outlay accounts	5,318
Depreciation is reported in the government-wide statements	(1,150,179)
Net book value of assets retired	(168,406)

Contributed capital assets are reported as revenues in the government-wide financial statements.	996,455
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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.	136,558
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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	(3,780,000)
Principal repaid	675,000
Payment to escrow agent	1,570,208

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other assets 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.	
Issuance costs	67,984
Premium on long-term debt issued	(195,653)
Amortization	(25,066)

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	(17,207)
Accrued interest on debt	18,535

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.	
	9,117

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>866,655</u>
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VILLAGE OF HARTLAND

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
ASSETS				
Current Assets				
Cash and investments	\$ 787,537	\$ 744,324	\$ 1,531,861	\$ 127,046
Receivables				
Accounts	266,987	298,887	565,874	-
Special assessments	-	8,244	8,244	-
Taxes	16,171	17,973	34,144	-
Accrued interest	-	14,693	14,693	-
Current portion of advance to other funds	12,700	-	12,700	-
Inventories and prepayments	14,889	-	14,889	-
Restricted Assets				
Cash and investments	1,103,629	88,233	1,191,862	-
Current portion of loan receivable	-	253,524	253,524	-
Total Current Assets	<u>2,201,913</u>	<u>1,425,878</u>	<u>3,627,791</u>	<u>127,046</u>
Noncurrent Assets				
Restricted Assets				
Cash and investments	770,350	-	770,350	-
Noncurrent portion of loan receivable	-	2,952,144	2,952,144	-
Capital Assets				
Land	22,291	-	22,291	-
Property and equipment	15,053,938	8,674,382	23,728,320	-
Accumulated depreciation	(4,997,236)	(3,740,444)	(8,737,680)	-
Other Assets				
Other debits	30,106	-	30,106	-
Total Noncurrent Assets	<u>10,879,449</u>	<u>7,886,082</u>	<u>18,765,531</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,081,362</u>	<u>\$ 9,311,960</u>	<u>\$ 22,393,322</u>	<u>\$ 127,046</u>

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 22,074	\$ 52,962	\$ 75,036	\$ 10,566
Accrued liabilities	45,955	23,313	69,268	-
Accrued interest	24,521	14,922	39,443	-
Current portion of general obligation debt	704,512	5,000	709,512	-
Current portion of advances from other funds	-	12,700	12,700	-
Liabilities Payable from Restricted Assets				
Current portion of revenue bonds	-	253,524	253,524	-
Total Current Liabilities	<u>797,062</u>	<u>362,421</u>	<u>1,159,483</u>	<u>10,566</u>
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt	2,280,681	80,000	2,360,681	-
Revenue bonds	-	2,952,144	2,952,144	-
Other Liabilities				
Construction deposits	-	480,754	480,754	-
Total Noncurrent Liabilities	<u>2,280,681</u>	<u>3,512,898</u>	<u>5,793,579</u>	<u>-</u>
Total Liabilities	<u>3,077,743</u>	<u>3,875,319</u>	<u>6,953,062</u>	<u>10,566</u>
NET POSITION				
Net investment in capital assets	8,997,884	4,937,171	13,935,055	-
Unrestricted net position	<u>1,005,735</u>	<u>499,470</u>	<u>1,505,205</u>	<u>116,480</u>
TOTAL NET POSITION	<u>\$ 10,003,619</u>	<u>\$ 5,436,641</u>	<u>\$ 15,440,260</u>	<u>\$ 116,480</u>

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VILLAGE OF HARTLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2012

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
OPERATING REVENUES				
Public charges for services	\$ 1,311,157	\$ 1,219,212	\$ 2,530,369	\$ -
Miscellaneous revenues	34,035	5,982	40,017	61,887
Total Operating Revenues	<u>1,345,192</u>	<u>1,225,194</u>	<u>2,570,386</u>	<u>61,887</u>
OPERATING EXPENSES				
Operation and maintenance	794,193	1,233,437	2,027,630	53,210
Depreciation expense	366,773	245,968	612,741	-
Taxes	24,007	-	24,007	-
Total Operating Expenses	<u>1,184,973</u>	<u>1,479,405</u>	<u>2,664,378</u>	<u>53,210</u>
Operating Income (Loss)	<u>160,219</u>	<u>(254,211)</u>	<u>(93,992)</u>	<u>8,677</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	5,530	93,668	99,198	440
Gain on sale of land	31,914	-	31,914	-
Interest expense	(38,606)	(88,430)	(127,036)	-
Total Nonoperating Revenues (Expenses)	<u>(1,162)</u>	<u>5,238</u>	<u>4,076</u>	<u>440</u>
Income (Loss) Before Transfers	<u>159,057</u>	<u>(248,973)</u>	<u>(89,916)</u>	<u>9,117</u>
TRANSFERS				
Transfers out	(213,024)	(6,659)	(219,683)	-
Total Transfers	<u>(213,024)</u>	<u>(6,659)</u>	<u>(219,683)</u>	<u>-</u>
Change in Net Position	(53,967)	(255,632)	(309,599)	9,117
NET POSITION - Beginning of Year	<u>10,057,586</u>	<u>5,692,273</u>	<u>15,749,859</u>	<u>107,363</u>
NET POSITION - END OF YEAR	<u>\$ 10,003,619</u>	<u>\$ 5,436,641</u>	<u>\$ 15,440,260</u>	<u>\$ 116,480</u>

VILLAGE OF HARTLAND

STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPES For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,343,267	\$ 1,222,731	\$ 2,565,998	\$ 61,887
Payments to vendors	(423,474)	(1,108,101)	(1,531,575)	-
Payments to employees	(351,834)	(137,737)	(489,571)	(49,652)
Payments to other funds	(35,543)	(19,087)	(54,630)	-
Net Cash Flows From Operating Activities	532,416	(42,194)	490,222	12,235
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	5,530	3,989	9,519	440
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(213,024)	(6,659)	(219,683)	-
Advances to other funds	12,700	-	12,700	-
Net Cash Flows From Noncapital Financing Activities	(200,324)	(6,659)	(206,983)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Long-term debt issued	1,836,986	85,000	1,921,986	-
Debt issuance costs	(30,106)	-	(30,106)	-
Premium on long-term debt	67,099	-	67,099	-
Principal paid on long-term debt	(103,780)	-	(103,780)	-
Principal paid on capital related advance	-	(12,700)	(12,700)	-
Interest paid	(43,297)	2,216	(41,081)	-
Acquisition and construction of capital assets	(388,842)	-	(388,842)	-
Disposal of fixed assets	67,173	-	67,173	-
Payment of Del-Hart deposits	-	(14,717)	(14,717)	-
Net Cash Flows From Capital and Related Financing Activities	1,405,233	59,799	1,465,032	-
Net Change in Cash and Cash Equivalents	1,742,855	14,935	1,757,790	12,675
CASH AND CASH EQUIVALENTS - Beginning of Year	918,661	817,622	1,736,283	114,371
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,661,516	\$ 832,557	\$ 3,494,073	\$ 127,046

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 160,219	\$ (254,211)	\$ (93,992)	\$ 8,677
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	366,773	245,968	612,741	-
Depreciation charged to other funds	21,842	(21,842)	-	-
Changes in assets and liabilities				
Accounts receivable	(1,925)	(2,463)	(4,388)	-
Inventory	1,974	-	1,974	-
Accounts payable	(14,509)	(9,906)	(24,415)	3,558
Accrued liabilities	(1,958)	260	(1,698)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 532,416</u>	<u>\$ (42,194)</u>	<u>\$ 490,222</u>	<u>\$ 12,235</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt refunded by escrow agent	<u>\$ 378,014</u>	<u>\$ -</u>		<u>\$ -</u>
Change in Del-Hart loan payable/receivable	<u>\$ -</u>	<u>\$ 246,740</u>		<u>\$ -</u>
Interest expense on Del-Hart loan payable	<u>\$ -</u>	<u>\$ 91,549</u>		<u>\$ -</u>
Interest earned on Del-Hart loan receivable	<u>\$ -</u>	<u>\$ 91,549</u>		<u>\$ -</u>

VILLAGE OF HARTLAND

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of December 31, 2012

	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 10,929,120
Receivables	
Taxes	<u>5,332,402</u>
TOTAL ASSETS	<u>\$ 16,261,522</u>
LIABILITIES	
Due to other governments	<u>\$ 16,261,522</u>
TOTAL LIABILITIES	<u>\$ 16,261,522</u>

VILLAGE OF HARTLAND

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VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the 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, 2012. The BID does not issue separate financial statements.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In June 2011, the GASB issued statement No. 63 – *Financial Reporting of Deferred Outflows of Revenues, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The Village made the decision to implement this standard effective January 1, 2012.

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

Funds are organized as major funds or non-major funds within the governmental and proprietary 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, liabilities, 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

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

- 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.

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, 2012

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

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

Fund Financial Statements (cont.)

Capital Projects Funds – 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 Funds - 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 Funds - 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 unearned revenue. 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, 2012

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 revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the village is entitled to the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

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.

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, LIABILITIES, 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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The village has adopted an investment policy. The investment policy does not address interest rate risk or credit risk.

The policy addresses custodial credit risk by limiting bank balances to \$500,000; however, the village is not in compliance with this policy at certain times during the year due to the timing of tax collections and significant cash resources in relation to village expenses.

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, 2012, 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 deferred revenues and due to other taxing units on the accompanying balance sheet.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

2. Receivables (cont.)

Property tax calendar – 2012 tax roll:

Lien date and levy date	November 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax Sale – 2012 delinquent real estate taxes	October 2015

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$37,559 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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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. \$89,074 of capitalized interest was recorded 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 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	25-45 Years
Machinery and Equipment	3-25 Years
Utility System	15-90 Years
Infrastructure	20-50 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, 2012

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

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

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and in the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

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, 2012 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.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

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

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 \$3.3 million, made up of 2 issues.

9. Claims and Judgments

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 is 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. Refer to Note IV. C. on commitments and contingencies.

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 “invested in capital assets, net of related debt.”

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, 2012

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 equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the Village classifies governmental fund balance 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, 2012

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

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

10. Equity Classifications (cont.)

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 \$1,871,786 or 29.3%, 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 2012 were effective June 20, 2009. Effective December 16, 2012 the water rates were increased 3.2% due to a simplified rate case increase.

Sewer Utility

The sewer utility revenues are based on rates established by the Village Board. The 2012 rates were effective January 1, 2008. Effective December 16, 2012 the sewer rates were increased 5.0% as part of the annual budget process.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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.

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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Debt Service Fund	\$ 1,105,800	\$ 2,706,791	\$ 1,600,991
Capital Projects Fund Village Projects	\$ 1,788,793	\$ 3,513,109	\$ 1,724,316

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 \$654,215 at December 31, 2012. This deficit is anticipated to be funded by future tax increment revenues.

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that 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 for the 2012 levy collected in 2013 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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	\$ 4,073,339	\$ 4,343,249	Custodial Credit
Repurchase agreements	19,308,556	19,308,556	Credit, Concentration of Credit, Interest Rate Custodial Credit
LGIP	1,890,284	1,890,284	Credit
Petty cash	550	-	Not Applicable
Total Cash and Investments	<u>\$ 25,272,729</u>	<u>\$ 25,542,089</u>	

Reconciliation to financial statements:

Per statement of net position	
Unrestricted cash and investments	\$ 12,352,808
Restricted cash and investments	1,962,212
Component unit cash and investments	28,589
Per statement of net position –	
Fiduciary Funds	<u>10,929,120</u>
Total Cash and Investments	<u>\$ 25,272,729</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. 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 relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, 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, 2012, the banks had pledged various government securities in the amount of \$19,308,556 to secure the Village's deposits.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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, 2012, the village does not have any deposits exposed to custodial credit risk as uninsured or uncollateralized.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2012, \$19,308,556 of the village's investment balances were exposed to custodial credit risk as uninsured and collateral held by the pledging financial institution's agent not in the village's name.

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, 2012, the village's investments held in a repurchase agreement and the Local Government Investment Pool were not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2012, the village's investment in repurchase agreements accounted for 75.6% of the village's deposit and investment portfolio.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2012, the village's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		1-10	11-20	21-30
Repurchase agreements	<u>\$19,308,556</u>	<u>\$ 7,016,401</u>	<u>\$ 2,973,673</u>	<u>\$ 9,318,482</u>

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

B. RECEIVABLES

All receivables are expected to be collected within one year, except for delinquent personal property taxes of \$3,672, special assessments of \$5,305, and loans of \$364,951.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable for subsequent year	\$ -	\$ 5,150,837	\$ 5,150,837
Special assessments not yet due	1,897	3,408	5,305
Loans receivable not yet due	364,951	-	364,951
Charges for service - refuse and garbage collection	-	453,050	453,050
 Total Deferred Revenue for Governmental Funds	 <u>\$ 366,848</u>	 <u>\$ 5,607,295</u>	 <u>\$ 5,974,143</u>

The loans receivable of \$364,951 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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

B. RECEIVABLES (cont.)

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, 2012 is \$3,205,668. See Note III.E. for additional information on the corresponding debt.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

	Restricted Assets			
	Water Utility	Sewer Utility	Total	Reason for Restriction
Cash and Investments	\$ 1,873,979	\$ 88,233	\$ 1,962,212	Restricted for utility projects and state trust fund loan payoff
Loan Receivable	-	3,205,668	3,205,668	Restricted for payment of Loan
Total Restricted Assets	<u>\$ 1,873,979</u>	<u>\$ 3,293,901</u>	<u>\$ 5,167,880</u>	

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 612,637	\$ -	\$ -	\$ 612,637
Construction in progress	932,293	68,083	932,293	68,083
Total Capital Assets Not Being Depreciated	1,544,930	68,083	932,293	680,720
Capital assets being depreciated				
Buildings	3,979,443	3,271,280	-	7,250,723
Machinery and equipment	4,046,846	324,116	167,461	4,203,501
Roads	12,424,041	1,738,389	431,194	13,731,236
Other infrastructure	2,695,887	6,834	-	2,702,721
Storm sewers	7,922,095	155,649	11,339	8,066,405
Street lighting	341,143	-	-	341,143
Total Capital Assets Being Depreciated	31,409,455	5,496,268	609,994	36,295,729
Less: Accumulated depreciation for				
Buildings	(2,179,908)	(110,596)	-	(2,290,504)
Machinery and equipment	(2,361,518)	(298,122)	(167,461)	(2,492,179)
Roads	(3,974,566)	(523,105)	(267,819)	(4,229,852)
Other infrastructure	(1,299,703)	(74,704)	-	(1,374,407)
Storm sewers	(1,752,831)	(126,595)	(6,308)	(1,873,118)
Street lighting	(96,363)	(17,057)	-	(113,420)
Total Accumulated Depreciation	(11,664,889)	(1,150,179)	(441,588)	(12,373,480)
Net Capital Assets Being Depreciated	19,744,566	4,346,089	168,406	23,922,249
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 21,289,496	\$ 4,414,172	\$ 1,100,699	\$ 24,602,969

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

C. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 49,451
Police	41,758
Fire and ambulance	99,455
Public works, which includes the depreciation of roads, storm sewers and street lighting	894,208
Library	37,487
Parks and recreation	<u>27,820</u>

Total Governmental Activities Depreciation Expense \$ 1,150,179

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 51,291	\$ -	\$ 29,000	\$ 22,291
Capital assets being depreciated				
Buildings and improvements	777,018	-	-	777,018
Machinery and equipment	1,157,982	24,413	-	1,182,395
Water distribution system	13,133,387	364,428	50,163	13,447,652
Sewer collection system	<u>8,321,255</u>	<u>-</u>	<u>-</u>	<u>8,321,255</u>
Total Capital Assets Being Depreciated	<u>23,389,642</u>	<u>388,841</u>	<u>50,163</u>	<u>23,728,320</u>
Less: Accumulated depreciation for				
Buildings and improvements	(231,579)	(23,461)	-	(255,040)
Machinery and equipment	(788,948)	(125,056)	-	(914,004)
Water distribution system	(3,765,347)	(260,367)	(43,905)	(3,981,809)
Sewer collection system	<u>(3,382,970)</u>	<u>(203,857)</u>	<u>-</u>	<u>(3,586,827)</u>
Total Accumulated Depreciation	<u>(8,168,844)</u>	<u>(612,741)</u>	<u>(43,905)</u>	<u>(8,737,680)</u>
Net Capital Assets Being Depreciated	<u>15,220,798</u>	<u>(223,900)</u>	<u>6,258</u>	<u>14,990,640</u>
Business-type Activities				
Capital Assets, Net of Depreciation	<u>\$ 15,272,089</u>	<u>\$ (223,900)</u>	<u>\$ 35,258</u>	<u>\$ 15,012,931</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

C. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 366,773
Sewer	<u>245,968</u>
Total Business-Type Activities	
Depreciation Expense	<u>\$ 612,741</u>

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 802,383	\$ 802,383
Less: Fund eliminations		<u>(802,383)</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, 2012

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

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Water Utility	Sewer Utility	\$ 12,700	\$ -
Less: Fund eliminations		(12,700)	
Total Interfund Advances		\$ -	

These interfund advances financed the purchase of capital assets for the Sewer Utility.

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

Following is a detailed repayment schedule:

Years	Principal	Interest	Total
2013	\$ 12,700	\$ 508	\$ 13,208

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 213,024	Payment of tax equivalent.
General Fund	Enterprise Fund - Sewer Utility	6,659	Payment of tax equivalent.
Capital Projects - Corporate Reserve	General Fund	441,904	Provide financing for the purchase of equipment.
Debt Service Fund	Special Revenue - Impact Fees	<u>14,010</u>	Provide funding for current debt service.
Subtotal - Fund financial statements		675,597	
Less: Fund eliminations		<u>(455,914)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 219,683</u>	
<u>Entity Transferred To</u>	<u>Entity Transferred From</u>		
Governmental Activities	Business-Type Activities	<u>\$ 219,683</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, 2012

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

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 12,125,000	\$ 3,780,000	\$ 2,125,000	\$ 13,780,000	\$ 775,000
Add/(Subtract) Deferred Amounts For					
Accounting (Loss) on Refunding	(76,443)	(155,132)	(12,741)	(218,834)	-
(Discounts)/Premiums	<u>(63,176)</u>	<u>195,653</u>	<u>(21,042)</u>	<u>153,519</u>	<u>-</u>
Sub-total	11,985,381	3,820,521	2,091,217	13,714,685	775,000
Other Liabilities					
Compensated absences	<u>267,306</u>	<u>308,406</u>	<u>291,199</u>	<u>284,513</u>	<u>34,993</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 12,252,687</u>	<u>\$ 4,128,927</u>	<u>\$ 2,382,416</u>	<u>\$ 13,999,198</u>	<u>\$ 809,993</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 1,193,292	\$ 2,300,000	\$ 438,780	\$ 3,054,512	\$ 709,512
Revenue Bonds Payable	3,452,408	-	246,740	3,205,668	253,524
Add/(Subtract) Deferred Amounts For					
Accounting (Loss) on Refunding	-	(51,418)	-	(51,418)	-
(Discounts)/Premiums	<u>-</u>	<u>67,099</u>	<u>-</u>	<u>67,099</u>	<u>-</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 4,645,700</u>	<u>\$ 2,315,681</u>	<u>\$ 685,520</u>	<u>\$ 6,275,861</u>	<u>\$ 963,036</u>

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, 2012, was \$56,492,490. Total general obligation debt outstanding at year end was \$16,834,512.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2012</u>
<u>Governmental Activities</u>					
General Obligation Bonds					
2006	3/1/06	2/1/25	3.5-4.1%	\$ 2,700,000	\$ 650,000
2009	2/3/09	2/1/29	2.0-4.12	3,125,000	2,800,000
2010	12/1/10	12/1/30	1.25-5.4	5,140,000	5,020,000
2010	12/1/10	12/1/17	0.8-2.0	1,840,000	1,530,000
2012	11/14/12	10/1/32	2.0-3.0	3,780,000	<u>3,780,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 13,780,000</u>
<u>Business-type Activities</u>					
General Obligation Promissory Notes					
2009	5/4/09	3/15/14	3.5%	\$ 433,284	\$ 317,102
2009	12/29/09	3/15/14	3.5	342,716	<u>277,410</u>
					<u>594,512</u>
General Obligation Bonds					
2006	3/1/06	2/1/25	3.5-4.1%	650,000	160,000
2012	11/14/12	10/1/31	2.0-3.0	2,300,000	<u>2,300,000</u>
					<u>2,460,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 3,054,512</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>			<u>Business-type Activities General Obligation Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 775,000	\$ 433,694	\$ 1,208,694	\$ 709,512	\$ 65,985	\$ 775,497
2014	815,000	426,909	1,241,909	130,000	51,875	181,875
2015	710,000	410,672	1,120,672	125,000	49,027	174,027
2016	790,000	395,796	1,185,796	135,000	46,062	181,062
2017	765,000	377,552	1,142,552	135,000	42,682	177,682
2018 - 2022	3,925,000	1,564,813	5,489,813	700,000	168,481	868,481
2023 - 2027	3,830,000	881,669	4,711,669	670,000	86,281	756,281
2028 - 2032	<u>2,170,000</u>	<u>182,653</u>	<u>2,352,653</u>	<u>450,000</u>	<u>25,445</u>	<u>475,445</u>
Totals	<u>\$ 13,780,000</u>	<u>\$ 4,673,758</u>	<u>\$ 18,453,758</u>	<u>\$ 3,054,512</u>	<u>\$ 535,838</u>	<u>\$ 3,590,350</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

E. 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 DHWPC. The loan receivable between the Village and DHWPC is equal to the related debt service requirements. The total principal and interest remaining to be paid on the bonds is \$3,714,405. Principal and interest paid on the debt during the year was \$338,288.

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2012</u>
Revenue Bonds 2003	6/11/03	5/1/23	2.75%	\$ 5,000,000	\$ <u>3,205,668</u>

Principal and interest to maturity are as follows:

<u>Years</u>	<u>Business-type Activities</u> <u>Revenue Bond Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 253,524	\$ 84,670	\$ 338,194
2014	260,496	77,602	338,098
2015	267,660	70,340	338,000
2016	275,021	62,878	337,899
2017	282,584	55,211	337,795
2018 - 2022	1,533,846	153,464	1,687,310
2023	<u>332,537</u>	<u>4,572</u>	<u>337,109</u>
Totals	<u>\$ 3,205,668</u>	<u>\$ 508,737</u>	<u>\$ 3,714,405</u>

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

E. LONG-TERM OBLIGATIONS (cont.)

Advance Refunding

On November 14, 2012, the Village issued \$6,080,000 in general obligation bonds with an average interest rate of 2.15% to advance refund \$1,785,000 of outstanding general obligation debt with an average interest rate of 3.95%. The net proceeds of \$1,948,222 (after payment of \$34,091 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds prior to the advance on refunding was \$2,411,845 from 2013 through 2025. The cash flow requirements on the refunding bonds are \$2,229,133 from 2013 through 2025. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$182,499.

CURRENT REFUNDING

On November 14, 2012, the Village issued \$6,080,000 in general obligation bonds with an average interest rate of 2.15% to current refund \$594,512 of outstanding general obligation promissory notes with an average interest rate of 3.5%. The net proceeds of \$611,129 (after payment of \$5,914 in underwriting fees, insurance and other issuance costs) will be used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded notes prior to the advance on refunding was \$633,452 from 2013 through 2014. The cash flow requirements on the refunding bonds are \$643,843 from 2013 through 2020. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$13,376.

CURRENT-YEAR DEFEASANCE OF DEBT

In 2012, 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, 2012, \$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.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LEASE DISCLOSURES

The village has no material leases as lessee or lessor.

G. NET POSITION/FUND BALANCES (DEFICITS)

Net position reported on the government wide statement of net position at December 31, 2012 includes the following:

Governmental Activities

Net Investment in Capital Assets

Land	\$	612,637
Construction in progress		68,083
Capital assets, net of accumulated depreciation		23,922,249
Less: capital related long-term debt outstanding		(13,780,000)
Plus: unspent capital related debt proceeds		3,379,736
Plus: unamortized issue costs, discount and deferred amount on refunding		443,582
Less: unamortized premium amount on refunding		(195,653)
Total Net Investment in Capital Assets		<u>14,450,634</u>

Restricted for:

Library		75,257
Impact fees		100,632
EMS Act 102		1,026
Special Assessment		50,356
Developers		13,618
Debt Service		206,486
Perpetual care		<u>58,623</u>
Total Restricted		<u>505,998</u>

Unrestricted

6,611,398

Total Governmental Activities Net Position \$ 21,568,030

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2012, include the following:

Nonspendable

Major Funds

General Fund

Prepaid items	\$ 4,200
Non-current receivables	<u>806,055</u>

Total	<u>\$ 810,255</u>
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Capital Projects Fund

Village Projects - Prepaid items	<u>\$ 32,088</u>
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Restricted

Major Funds

General Fund

EMS Act 102	\$ 1,026
Cemetary perpetual care	<u>58,623</u>

Total	<u>\$ 59,649</u>
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Debt Service Fund

	<u>\$ 288,839</u>
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Capital Projects Fund - Village Projects - Unspent bond proceeds

	<u>\$ 3,379,736</u>
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Non-Major Funds

Special Revenue Funds

Special Assessment Fund	<u>\$ 50,356</u>
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Special Library Fund	<u>\$ 75,257</u>
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Impact Fees Fund	<u>\$ 100,632</u>
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Capital Projects Fund

Developers Fund	<u>\$ 13,618</u>
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VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Governmental Funds (cont.)

Committed

Non-Major Funds

Special Revenue Funds

Refuse and Garbage Collection Fund	\$ 10,254
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Criminal Investigation Task Force Fund	\$ 9,860
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Major Incident Task Force Fund	\$ 6,618
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Assigned

Major Funds

General Fund

Future asset purchases	\$ 564,129
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Future assessment	139,700
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Comprehensive planning	74,622
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GIS system	69,821
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Employee benefits	355,212
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Recreation and celebrations	24,820
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Municipal donations	4,861
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Fine arts	7,100
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Heritage Grant	100
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Police armored vest	8,857
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Police speed trailer	2,282
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Asset forfeiture	301
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Ambulance donations	1,705
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Total	\$ 1,253,510
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VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

Assigned

Major Funds

Capital Projects Funds

Village Projects

Boardwalk	\$ 149,031
Future development	975,880
Community center development	50,000
Library development	50,843
Future road projects	70,720
Fees in lieu of dedication	<u>56,183</u>

Total \$ 1,352,657

Corporate Reserve \$ 1,719,772

Unassigned (Deficit)

Major Funds

General Fund \$ 1,871,786

Special Revenue Fund - TIF \$ (654,215)

Total Governmental Fund Balances \$ 10,380,672

Business-Type Activities

Net Investment in Capital Assets

Land	\$ 22,291
Other Capital assets, net of accumulated depreciation	14,990,640
Less: Capital related long-term debt outstanding	(3,054,512)
Add: unspent debt proceeds	1,962,212
Add: unamortized issuance costs and discount	81,523
Less: unamortized premium amount on refunding	<u>(67,099)</u>
Total Net Investment in Capital Assets	<u>13,935,055</u>

Unrestricted 1,505,205

Total Net Position \$ 15,440,260

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. 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 \$28,589 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, 2012

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible village employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). 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.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

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 the village are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for village employees covered by the system for the year ended December 31, 2012 was \$3,125,820; the employer's total payroll was \$3,341,443. The total required contribution for the year ended December 31, 2012 was \$437,281 or 13.99% of covered payroll. Of this amount, \$274,874 or 62.9% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$419,329 and \$399,996, 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, 2012

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 System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System 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, 2012 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. \$116,480 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, 2012

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	\$ 4,869	\$ 7,008
Current year claims and changes in estimates	54,606	50,456
Claim payments	<u>(52,467)</u>	<u>(46,898)</u>
Unpaid Claims – End of Year	<u>\$ 7,008</u>	<u>\$ 10,566</u>

C. COMMITMENTS AND CONTINGENCIES

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.

Funding for the operating budget of the village comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the village. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the village.

VILLAGE OF HARTLAND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV – OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*. 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 \$833,257 in user charges for the year ended December 31, 2012. As of December 31, 2012, the village has a liability accrued of \$17,356 for connection fees. See Note III.E. regarding village debt obligations related to the Commission.

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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, 2012

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 4,068,979	\$ 4,121,610	\$ 52,631
Intergovernmental	1,205,597	1,205,952	355
Licenses and permits	181,000	231,075	50,075
Fines, forfeitures and penalties	84,000	74,585	(9,415)
Public charges for services	471,180	534,869	63,689
Interdepartmental revenue	57,000	54,630	(2,370)
Investment income	50,000	18,990	(31,010)
Miscellaneous revenues	81,000	90,368	9,368
Total Revenues	<u>6,198,756</u>	<u>6,332,079</u>	<u>133,323</u>
EXPENDITURES			
Current			
General government	990,910	917,991	72,919
Police	2,198,166	2,139,676	58,490
Fire protection	523,280	524,214	(934)
Public works	1,319,900	1,252,712	67,188
Health and human services	16,902	15,581	1,321
Library	681,559	665,434	16,125
Parks	317,870	282,293	35,577
Conservation and development	71,270	94,092	(22,822)
Capital Outlay	104,070	104,584	(514)
Total Expenditure	<u>6,223,927</u>	<u>5,996,577</u>	<u>227,350</u>
Excess of revenues over expenditures	<u>(25,171)</u>	<u>335,502</u>	<u>360,673</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	500	500	-
Transfers in	210,000	219,683	9,683
Transfers out	<u>(222,329)</u>	<u>(441,904)</u>	<u>(219,575)</u>
Total Other Financing Sources (Uses)	<u>(11,829)</u>	<u>(221,721)</u>	<u>(209,892)</u>
Net Change in Fund Balances	<u>\$ (37,000)</u>	113,781	<u>\$ 150,781</u>
Adjustment to Generally Accepted Accounting Principles Basis			
Appropriations credited to designated funds		32,840	
Revenue credited to designated funds		62,399	
Expenditures charged to designated funds		<u>(38,054)</u>	
Net change in fund balances - GAAP		170,966	
FUND BALANCES - Beginning of Year		<u>3,824,234</u>	
FUND BALANCES - END OF YEAR		<u>\$ 3,995,200</u>	

VILLAGE OF HARTLAND

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

For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 7,000	\$ 5,245	\$ (1,755)
Public improvement revenues	-	1,163	1,163
Investment income	-	3,806	3,806
Total Revenues	7,000	10,214	3,214
EXPENDITURES			
Current			
General government	550	-	550
Conservation and development	149,000	140,557	8,443
Total Expenditures	149,550	140,557	8,993
Excess (deficiency) of revenues over expenditures	\$ (142,550)	(130,343)	\$ 12,207
FUND BALANCES (DEFICIT) - Beginning of Year		(523,872)	
FUND BALANCES (DEFECIT) - END OF YEAR		\$ (654,215)	

VILLAGE OF HARTLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2012

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified basis of accounting, except for exclusion of certain revenues and expenditures which have been accounted for in designated funds.

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Fire Protection	\$ 523,280	\$ 524,214	\$ 934
Conservation and development	71,270	94,092	22,822
Capital Outlay	104,070	104,584	514
Transfers out	222,329	441,904	219,575

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, 2012

	Special Revenue Funds			
	Refuse and Garbage Collection	Special Assessment	Special Library	Impact Fees
ASSETS				
Cash and investments	\$ 47,027	\$ 50,356	\$ 75,257	\$ 100,632
Receivables				
Taxes	453,050	1,897	-	-
Special assessments	-	3,408	-	-
TOTAL ASSETS	<u>\$ 500,077</u>	<u>\$ 55,661</u>	<u>\$ 75,257</u>	<u>\$ 100,632</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 36,773	\$ -	\$ -	\$ -
Deferred revenues	453,050	5,305	-	-
Total Liabilities	<u>489,823</u>	<u>5,305</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	50,356	75,257	100,632
Committed	10,254	-	-	-
Total Fund Balances	<u>10,254</u>	<u>50,356</u>	<u>75,257</u>	<u>100,632</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 500,077</u>	<u>\$ 55,661</u>	<u>\$ 75,257</u>	<u>\$ 100,632</u>

Special Revenue Funds		Capital Projects Fund	
Criminal Investigation Task Force	Major Incident Task Force	Developers	Totals
\$ 10,459	\$ 6,618	\$ 13,618	\$ 303,967
-	-	-	454,947
-	-	-	3,408
<u>\$ 10,459</u>	<u>\$ 6,618</u>	<u>\$ 13,618</u>	<u>\$ 762,322</u>
\$ 599	\$ -	\$ -	\$ 37,372
-	-	-	458,355
<u>599</u>	<u>-</u>	<u>-</u>	<u>495,727</u>
-	-	13,618	239,863
9,860	6,618	-	26,732
<u>9,860</u>	<u>6,618</u>	<u>13,618</u>	<u>266,595</u>
<u>\$ 10,459</u>	<u>\$ 6,618</u>	<u>\$ 13,618</u>	<u>\$ 762,322</u>

VILLAGE OF HARTLAND

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 For the Year Ended December 31, 2012

	Special Revenue Funds			
	Refuse and Garbage Collection	Special Assessment	Special Library	Impact Fees
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Public charges for services	438,977	-	-	8,254
Public improvement revenues	-	2,170	50,293	-
Investment income	810	382	247	433
Total Revenues	439,787	2,552	50,540	8,687
EXPENDITURES				
Current				
Police	-	-	-	-
Public works	-	-	-	5,771
Health and human services	438,439	-	-	-
Library	-	-	5,768	-
Parks	-	-	-	6,500
Capital Outlay	-	-	-	-
Total Expenditure	438,439	-	5,768	12,271
Excess (deficiency) of revenues over expenditures	1,348	2,552	44,772	(3,584)
OTHER FINANCING USES				
Transfers out	-	-	-	(14,010)
Net Change in Fund Balances	1,348	2,552	44,772	(17,594)
FUND BALANCES - Beginning of Year	8,906	47,804	30,485	118,226
FUND BALANCES - END OF YEAR	\$ 10,254	\$ 50,356	\$ 75,257	\$ 100,632

Special Revenue Funds		Capital Projects Fund	
Criminal Investigation Task Force	Major Incident Task Force	Developers	Totals
\$ 17,667	\$ 7,500	\$ -	\$ 25,167
-	-	7,563	454,794
-	-	-	52,463
-	-	-	1,872
<u>17,667</u>	<u>7,500</u>	<u>7,563</u>	<u>534,296</u>
13,376	2,340	-	15,716
-	-	-	5,771
-	-	-	438,439
-	-	-	5,768
-	-	-	6,500
-	-	15,290	15,290
<u>13,376</u>	<u>2,340</u>	<u>15,290</u>	<u>487,484</u>
<u>4,291</u>	<u>5,160</u>	<u>(7,727)</u>	<u>46,812</u>
-	-	-	(14,010)
4,291	5,160	(7,727)	32,802
<u>5,569</u>	<u>1,458</u>	<u>21,345</u>	<u>233,793</u>
<u>\$ 9,860</u>	<u>\$ 6,618</u>	<u>\$ 13,618</u>	<u>\$ 266,595</u>

VILLAGE OF HARTLAND

**STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2012**

	<u>Business Improvement District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 72,930
Payments to vendors	<u>(102,964)</u>
Net Cash Flows From Operating Activities	<u>(30,034)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution from municipality	<u>18,613</u>
Net Change in Cash and Cash Equivalents	(11,421)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>40,010</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 28,589</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (28,048)
Changes in assets and liabilities	
Accounts payable	<u>(1,986)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (30,034)</u>

VILLAGE OF HARTLAND

SUMMARY OF LONG-TERM DEBT

As of December 31, 2012

<u>Governmental Activities</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance Outstanding 12/31/2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Outstanding 12/31/2012</u>	<u>Interest Paid</u>	<u>Principal Due 2013</u>
General Obligation Bonds	03/01/06	3.5-4.1	02/1/07-25	6/1 & 12/1	\$ 2,700,000	\$ 2,250,000	\$ -	\$ 1,600,000	\$ 650,000	\$ 84,288	\$ 175,000
	02/03/09	2.0-4.12	02/1/10-29	2/1 & 8/1	3,125,000	2,925,000	-	125,000	2,800,000	105,381	125,000
	12/01/10	1.25- 5.4	12/1/12-30	6/1 & 12/1	5,140,000	5,140,000	-	120,000	5,020,000	216,131	50,000
	12/01/10	0.8-2.0	12/1/11-17	6/1 & 12/1	1,840,000	1,810,000	-	280,000	1,530,000	25,000	275,000
	11/14/12	2.0-3.0	10/1/13-32	4/1 & 10/1	3,780,000	-	3,780,000	-	3,780,000	-	150,000
TOTAL GENERAL OBLIGATION BONDS						<u>\$ 12,125,000</u>	<u>\$ 3,780,000</u>	<u>\$ 2,125,000</u>	<u>\$ 13,780,000</u>	<u>\$ 430,800</u>	<u>\$ 775,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance Outstanding</u>
2012	\$ -	\$ -	\$ -	\$ 13,780,000
2013	775,000	433,694	1,208,694	13,005,000
2014	815,000	426,909	1,241,909	12,190,000
2015	710,000	410,672	1,120,672	11,480,000
2016	790,000	395,796	1,185,796	10,690,000
2017	765,000	377,552	1,142,552	9,925,000
2018	755,000	359,471	1,114,471	9,170,000
2019	740,000	338,778	1,078,778	8,430,000
2020	810,000	317,015	1,127,015	7,620,000
2021	820,000	289,415	1,109,415	6,800,000
2022	800,000	260,134	1,060,134	6,000,000
2023	770,000	234,246	1,004,246	5,230,000
2024	820,000	206,927	1,026,927	4,410,000
2025	820,000	177,103	997,103	3,590,000
2026	710,000	146,578	856,578	2,880,000
2027	710,000	116,815	826,815	2,170,000
2028	705,000	86,349	791,349	1,465,000
2029	670,000	55,984	725,984	795,000
2030	510,000	29,989	539,989	285,000
2031	135,000	6,769	141,769	150,000
2032	150,000	3,562	153,562	-
	<u>\$ 13,780,000</u>	<u>\$ 4,673,758</u>	<u>\$ 18,453,758</u>	

VILLAGE OF HARTLAND

COMPARATIVE SCHEDULE OF TAXES AND VALUATION DATA 2008 - 2012 Tax Rolls

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
STATE TAXES	\$ 214,485	\$ 210,256	\$ 200,728	\$ 199,231	\$ 191,742
COUNTY TAXES	<u>2,259,802</u>	<u>2,315,110</u>	<u>2,330,397</u>	<u>2,360,690</u>	<u>2,377,621</u>
LOCAL TAXES					
Village property taxes	4,652,220	4,831,871	4,976,827	5,009,674	5,143,812
Omitted taxes	-	-	-	-	52,632
Tax Increment District taxes	-	-	-	-	7,026
Total Local Taxes	<u>4,652,220</u>	<u>4,831,871</u>	<u>4,976,827</u>	<u>5,009,674</u>	<u>5,203,470</u>
SCHOOL TAXES					
Swallow School District	1,356,069	1,580,299	1,568,581	1,590,299	1,632,530
Merton Community School District	175	179	193	191	194
School District of Hartland -					
Lakeside School	5,205,021	5,746,601	5,605,762	5,532,095	5,660,834
Lake Country School District	1,019,874	1,017,672	988,624	966,404	790,354
Arrowhead Union High School District	3,839,223	4,083,962	4,204,060	4,097,198	4,139,292
Waukesha County Technical College	1,397,641	1,433,262	1,458,996	1,469,086	1,468,955
Total School Taxes	<u>12,818,003</u>	<u>13,861,975</u>	<u>13,826,216</u>	<u>13,655,273</u>	<u>13,692,159</u>
Total General Property Taxes	<u>19,944,510</u>	<u>21,219,212</u>	<u>21,334,168</u>	<u>21,224,868</u>	<u>21,464,992</u>
SPECIAL ASSESSMENTS AND SPECIAL CHARGES					
Refuse removal	382,520	395,700	426,650	438,075	453,050
BID District	70,000	70,001	70,000	70,000	70,000
Other	19,787	33,388	5,163	4,006	3,480
Total Special Assessments and Special Charges	<u>472,307</u>	<u>499,089</u>	<u>501,813</u>	<u>512,081</u>	<u>526,530</u>
DELINQUENT UTILITY CHARGES					
Water Utility	6,526	9,943	5,740	12,887	16,171
Sewer Fund	10,590	10,488	6,150	12,103	16,391
Total Delinquent Utility Charges	<u>17,116</u>	<u>20,431</u>	<u>11,890</u>	<u>24,990</u>	<u>32,562</u>
TOTAL TAX ROLL	<u>\$ 20,433,933</u>	<u>\$ 21,738,732</u>	<u>\$ 21,847,871</u>	<u>\$ 21,761,939</u>	<u>\$ 22,024,084</u>
ASSESSED VALUATION	<u>\$ 1,173,228,700</u>	<u>\$ 1,180,620,500</u>	<u>\$ 1,177,770,800</u>	<u>\$ 1,176,415,000</u>	<u>\$ 1,119,757,300</u>
EQUALIZED VALUATION	<u>\$ 1,263,861,200</u>	<u>\$ 1,238,943,000</u>	<u>\$ 1,182,801,000</u>	<u>\$ 1,173,978,700</u>	<u>\$ 1,129,849,800</u>
RATIO OF ASSESSMENT	<u>92.83%</u>	<u>95.29%</u>	<u>99.57%</u>	<u>100.21%</u>	<u>99.11%</u>