



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants



VILLAGE OF OSCEOLA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2016

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VILLAGE OF OSCEOLA, WISCONSIN

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 28, 2017

To the Village Board
Village of Osceola
Osceola, Wisconsin

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Osceola, Wisconsin, as of and for the year ended December 31, 2016, which collectively comprise the Village's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Osceola, Wisconsin, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Osceola, Wisconsin's basic financial statements as a whole. The Other Supplemental Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

**VILLAGE OF OSCEOLA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016**

As management of the Village of Osceola, we offer readers of the Village of Osceola financial statements this narrative overview and analysis of the financial activities of the Village of Osceola for the fiscal year ended December 31, 2016. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor’s Report at the front of this report and the Village’s financial statements, which immediately follow this section.

Using This Report

This report presents financial activity of the Village as a whole (government-wide) in the Statement of Net Position and the Statement of Activities. These statements provide a roll-up of financial information with governmental and business type activities each reported in a single column. The report also includes financial statements for significant (major) funds that provide more detail than the government-wide statements. More detailed statements are also provided for the business type activities. Where combined information has been presented, later statements will provide combining information. Budgetary information is provided for operating governmental funds. Fiduciary (trust and agency) activities are not included in the government-wide statement. Statements of net position, for these activities are separately included in the report. The notes to the financial statements are an integral part of this report. This report also contains supplemental information related to the financial activity of the Village.

Village of Osceola Government-Wide Statements

Government-wide statements provide information on the financial status and activities of the Village as a whole. These statements are prepared using the accrual basis of accounting, which is similar basis as private business accounting. Government-wide statement (Statement of Net Position and Statement of Activities) are presented in two groups:

Governmental Activities – The governmental activities of the Village of Osceola include general government, public safety, public works, health and human services, culture and recreation, and conservation and development. These activities are primarily supported by taxes, intergovernmental revenues, licenses & permits, fines & forfeitures, and charges for general governmental services.

Business-Type Activities – The business type activities are those which are mainly supported by charges to customers for services. The business-type activities of the Village of Osceola include the Osceola Sewer Utility and the Osceola Water Utility.

Statement of Net Position:

This statement provides information on all assets, deferred outflows, liabilities and deferred inflows of the Village. The statement presents, separately, a roll up of all Governmental activities and Business-Type activities. The difference between assets, deferred outflows, liabilities and deferred inflows, net position, is one way to measure the financial status of the Village. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Osceola is improving or deteriorating.

**Summary of Statement of Net Position
December 31, 2016
(In thousands \$)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 3,759	\$ 3,390	\$ 478	\$ 605	\$ 4,237	\$ 3,995
Capital Assets	16,196	16,532	15,604	16,032	31,800	32,564
Total Assets	19,955	19,922	16,082	16,637	36,037	36,559
Deferred Outflows of Resources	553	165	70	25	623	190
Total Assets and Deferred Outflows	20,508	20,087	16,152	16,662	36,660	36,749
Long-Term Liabilities Outstanding	4,553	4,576	7,068	7,664	11,621	12,240
Other Liabilities	694	894	210	190	904	1,084
Total Liabilities	5,247	5,470	7,278	7,854	12,525	13,324
Deferred Inflows of Resources	2,323	2,017	72	53	2,395	2,070
Net Position	12,938	12,600	8,802	8,755	21,740	21,355
Net Investment in Capital Assets	12,013	12,217	8,695	8,521	20,708	20,738
Restricted	564	100	508	495	1,072	595
Unrestricted	361	283	(401)	(261)	(40)	22
Total Net Position	\$ 12,938	\$ 12,600	\$ 8,802	\$ 8,755	\$ 21,740	\$ 21,355

The majority of capital assets of governmental activities are infrastructure assets (land, buildings, machinery and equipment, infrastructure, etc.). The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in 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. An additional portion of the Village's net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position represents funds available to provide services to the community.

There were no substantive changes in the total net position from the previous year.

Statement of Activities:

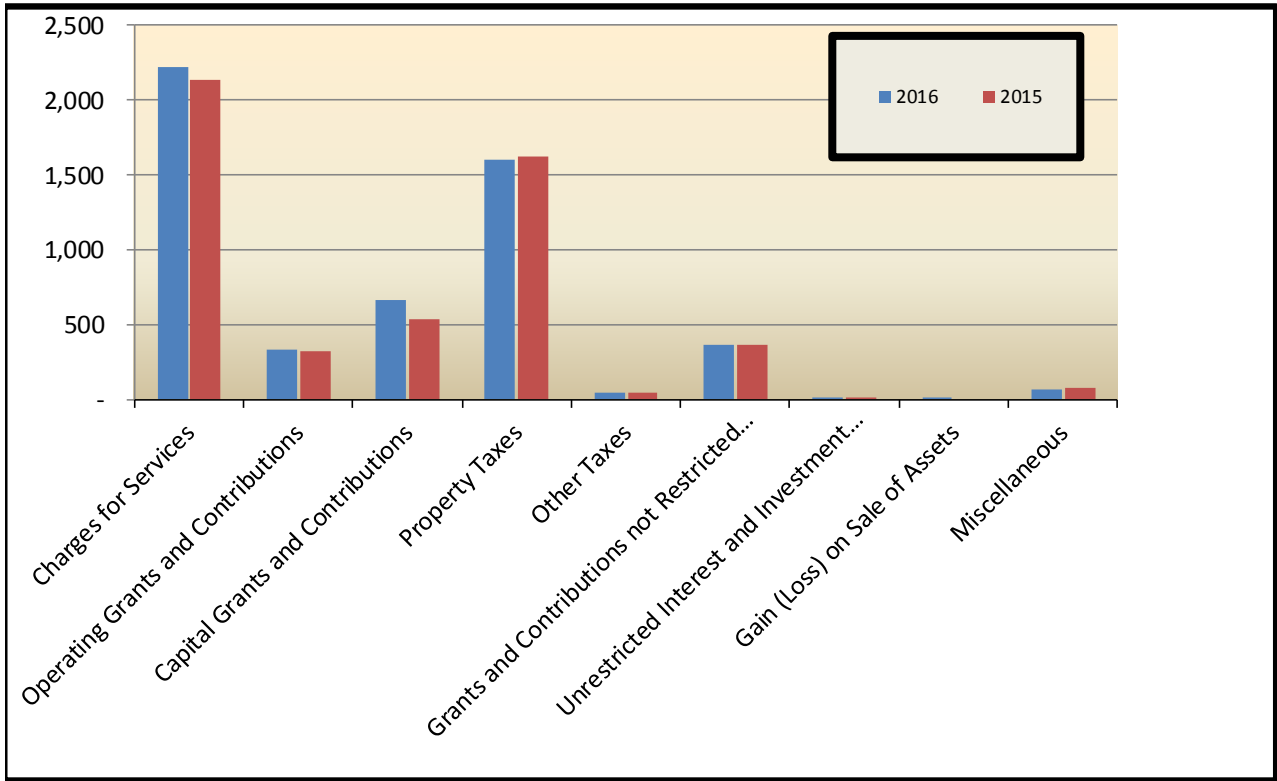
This statement presents the operations of the Village by function, program revenues supporting each function and general revenues which support all functions, by governmental and business-type activities. The following table provides a summary of the Village's operating results and their impact on net position.

Summary of Revenues, Expenses and Change in Net Position
For the Years Ended December 31, 2016 and 2015
(In thousands \$)

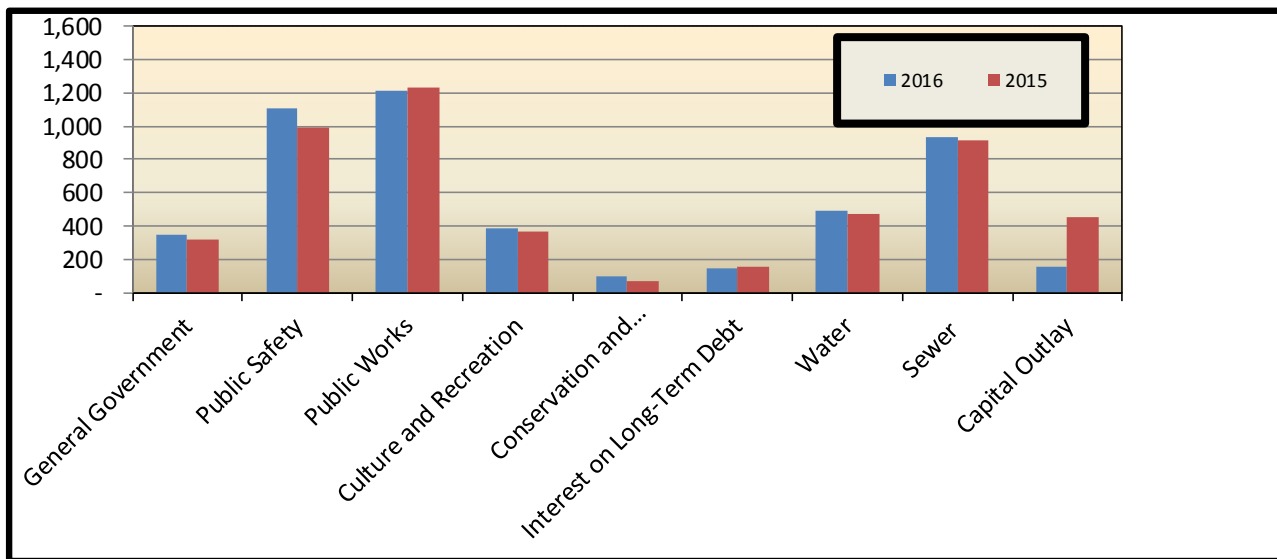
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services and fees, fines and costs	\$ 635	\$ 587	\$1,585	\$1,548	\$ 2,220	\$ 2,135
Operating grants and contributions	328	320	-	-	328	320
Capital grants and contributions	647	200	16	341	663	541
General Revenues:						
Property taxes	1,602	1,624	-	-	1,602	1,624
Other taxes	46	41	-	-	46	41
Grants and contributions not restricted to specific programs	363	370	-	-	363	370
Unrestricted Interest and Investment Income	1	1	2	4	3	5
Gain (loss) on sale of assets	8	-	(3)	-	5	-
Miscellaneous	63	74	7	6	70	80
Total Revenues	\$ 3,693	\$ 3,217	\$1,607	\$1,899	\$ 5,300	\$ 5,116
Expenses:						
General Government	\$ 346	\$ 319	\$ -	\$ -	\$ 346	\$ 319
Public Safety	1,106	996	-	-	1,106	996
Public Works	1,217	1,227	-	-	1,217	1,227
Culture and Recreation	389	365	-	-	389	365
Conservation and Development	98	68	-	-	98	68
Interest on Long-Term Debt	148	158	-	-	148	158
Capital Outlay	153	451	-	-	153	451
Water	-	-	492	471	492	471
Sewer	-	-	933	918	933	918
Total Expenses	3,457	3,584	1,425	1,389	4,882	4,973
<i>Special Item</i> - bad debt expense on special assessments	-	-	-	(67)	-	(67)
Change in Net Position before Transfers	236	(367)	182	443	418	76
Transfers	102	140	(135)	(167)	(33)	(27)
Change in Net Position	338	(227)	47	276	385	49
Net Position - January 1	12,600	12,827	8,755	8,479	21,355	21,306
Net Position - December 31	\$12,938	\$12,600	\$8,802	\$8,755	\$21,740	\$21,355

The net position increased in the Governmental Activities and increased in the Business-Type Activities. The increase in governmental net position was related to increased property sales and a decrease in capital outlay expenses offset by an increase in public safety expenses. The increase in the business-type activities was related to the decrease in the write-off of special assessments. The other components were comparable between years as shown on the following charts.

**Total Revenues for all Activities by Source
For the Years Ended December 31, 2016 and 2015**



**Total Expenditures for all Activities by Use
For the Years Ended December 31, 2016 and 2015**



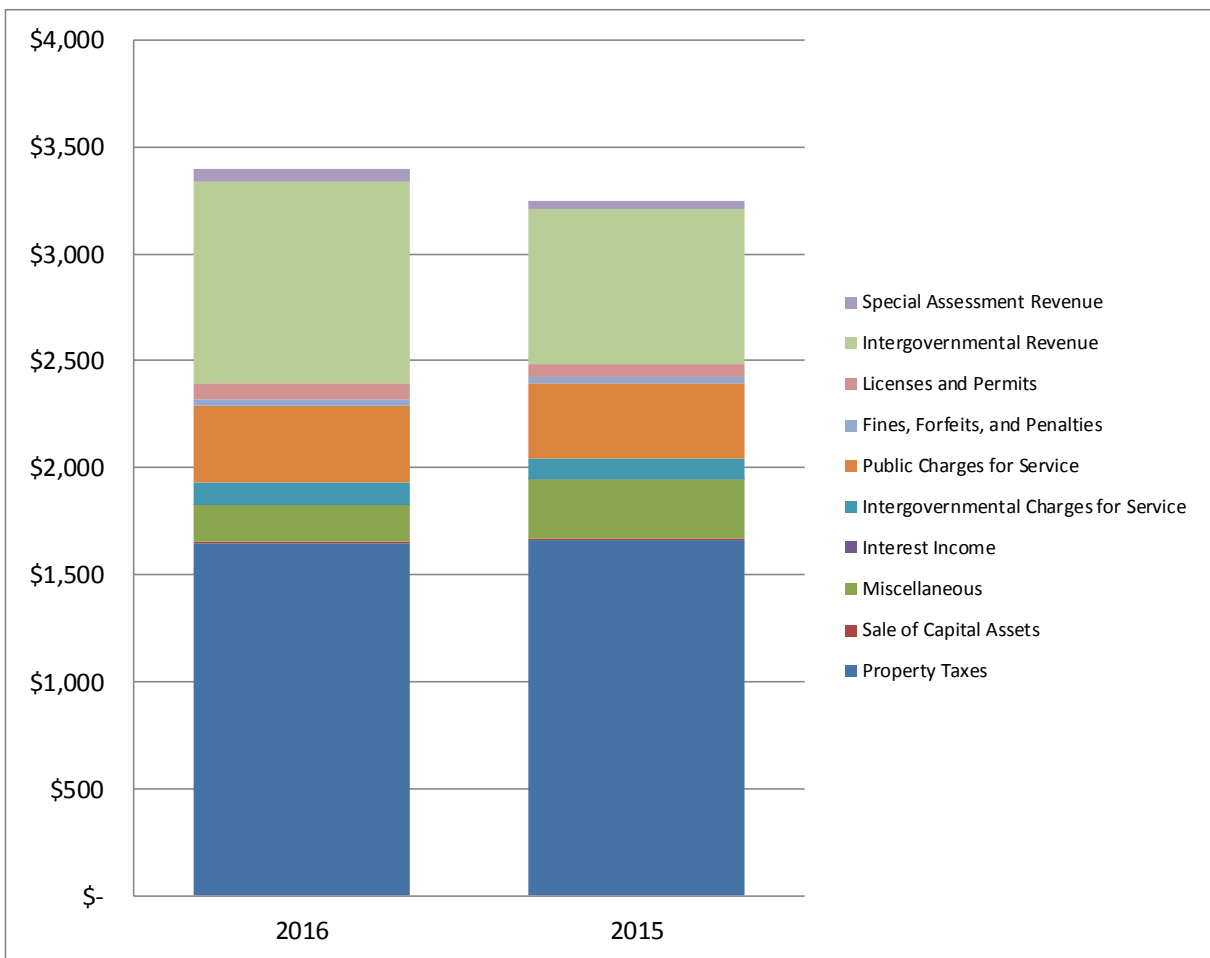
Revenue and Expense Highlights:

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

As of December 31, 2016, the Village’s governmental funds reported combined ending fund balances of \$477,215, an increase of \$458,353 from the prior year. In 2016 revenues increased by \$153,938. Revenues impacting the increase were the intergovernmental revenues increased by \$216,639 reduced by a decrease in miscellaneous revenues of \$103,555. Expenses impacting the increase includes less capital expenditures and net debt service payments which decreased in 2016. The fund balance in the General Fund increased by \$6,878 in 2016.

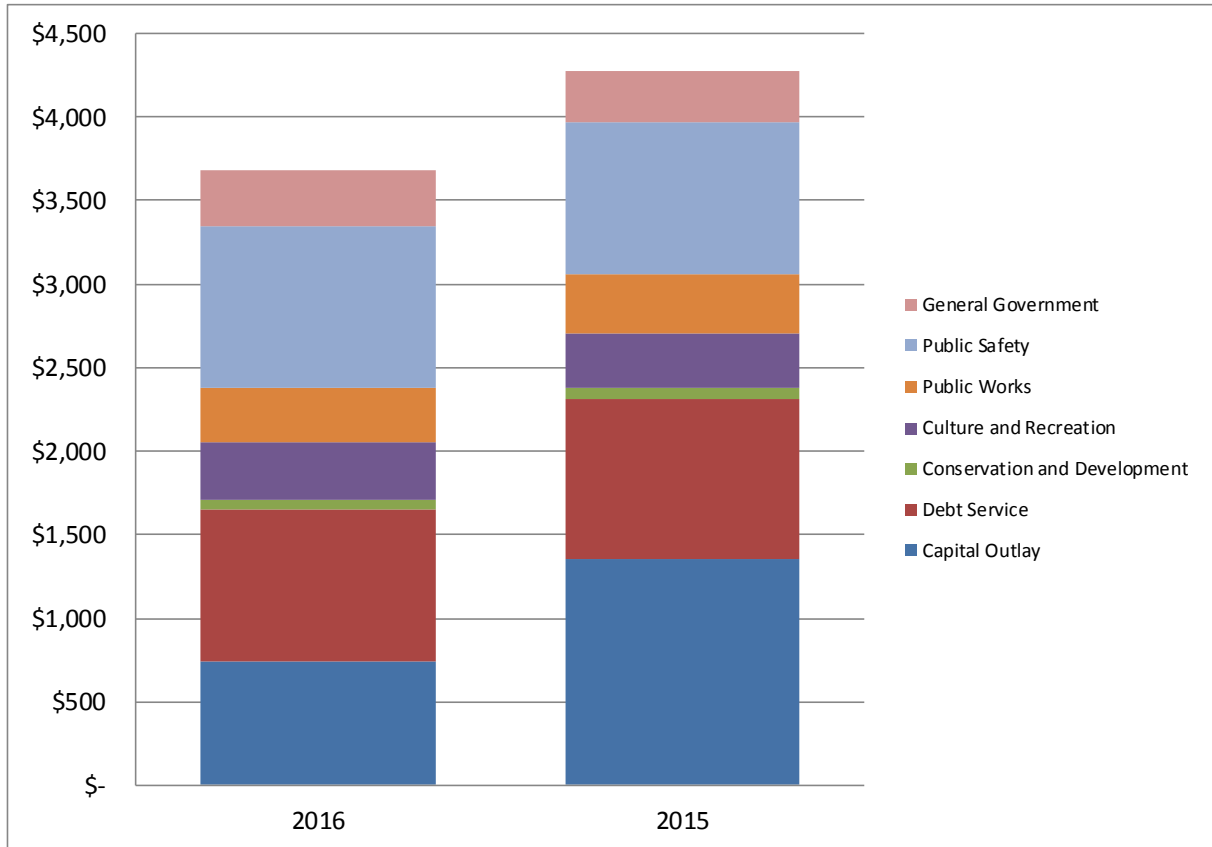
The following charts provide a comparison between 2016 and 2015 Revenues and Expenditures in the Governmental Funds.

**Total Revenues for Governmental Funds
For the Years Ended December 31, 2016 and 2015
(In thousands \$)**



Overall expenditures from the Governmental Funds decreased by \$597,066, largely due to a decrease in capital outlay (\$605,311) and debt service expense (\$59,305). These decreases were offset by increases in spending in the other functional areas. In 2016, the largest portion of governmental expenditures was for public safety (\$971,269), public works (\$319,140), capital outlay (\$744,704) and debt service (\$902,167). These total \$2,937,280 and comprise 79.8% of total governmental fund expenditures.

**Total Expenditures for Governmental Funds
For the Years Ended December 31, 2016 and 2015
(In thousands \$)**



Proprietary funds. The Village of Osceola’s proprietary funds are the utilities that provide charge-based services and are accounted for similar to a private business.

The Net Position within the proprietary funds increased from \$8,755,109 to \$8,802,165 in 2016. The largest component of the increase included a reduction of transfers out (\$31,111). Transfers were made to the General Fund by both Water and Sewer in 2015 for operational expenses. An increases in operating revenues of \$49,804 and a decrease in non-operating expenses of \$17,968 were offset by an increase in total operating expenses of \$49,804. In 2016 the Water Utility operating revenues were flat and operating expenses increased by \$25,020. The increase in expenses is related to pension expense, tax expense, engineering fees, equipment maintenance and chemicals.

Sewer utility operating revenues increased by \$31,999 and Sewer Utility operating expenses increased by \$24,784. The increase in sewer operating expenses was related to an increase in the cost of chemicals, pension expense, engineering, water and sewer expense and equipment maintenance.

Proprietary Construction Activities

Infrastructure improvements completed in 2016 includes the following projects listed below:

Water Utility Improvements

- There were no water additions other than meters in 2016.

Sewer Utility Improvements

- Osceola Heights Phase 1 Mains along Ridge Road (\$158,947)
- Replacement of scum pump (\$4,330)
- Lift station in the Industrial Park (\$53,868)

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the Village. Within the General Fund, revenues exceeded expenditures by \$6,878. The original budget provided for a \$431,534 decrease in fund balance. Actual expenditures (excluding transfer out) were \$89,963 more than the amended budget. The functional areas that exceeded budgeted expenditures were the following:

<u>DEPARTMENT</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
General Government	\$294,869	\$290,600	\$ 4,269
Public Safety	959,426	913,667	45,759
Public Works	260,408	237,584	22,824
Culture, Recreation and Education	87,577	70,745	16,832
Conservation and Development	19,444	19,165	279

The increased costs by functional area are the result of the following:

General Government: Administration wages were higher than the budget.

Public Safety: Part-time police wages, police over-time and shift differential, IT support, small tools, equipment maintenance and inspection fees exceeded the budget.

Public Works: Increases in hospital and dental insurance, unemployment, special services and equipment maintenance had an impact on public works exceeding the budget.

Culture, Recreation and Education: Expenses that exceeded the budget include parks maintenance, hospital & dental insurance, water & sewer utilities and ground maintenance.

Conservation and Development: Increased costs for health and dental insurance caused this function to exceed the budget.

At the end of the current year, unassigned fund balance of the general fund was \$416,713. As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total 2017 budgeted fund expenditures and transfers out. Total unassigned fund balance represents 24.34% of the 2017 budgeted expenditures; however, there were no excess funds to allocate to the Levy Stabilization Fund.

Capital Assets

The Village of Osceola has implemented all provisions of GASB Statement No. 34. This includes the capitalization of infrastructure assets (roads, bridges, and signalization) which had not been previously reported as assets. The Village of Osceola has reported over \$51.4 million in capital assets (before depreciation). Additions to these Capital Assets totaled \$1,388,274 in 2016. The following table provides a summary of the Capital Assets of the Village.

**Capital Assets at December 31
(Net of Depreciation)
(In thousands \$)**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,911	\$ 4,784	\$ 37	\$ 37	\$ 4,948	\$ 4,821
Infrastructure in Progress	83	493	-	-	83	493
Construction in Progress	209	198	13	172	222	370
Buildings, Improvements & Equipment	4,504	4,380	6,686	6,637	11,190	11,017
Infrastructure	19,558	18,771	15,407	15,238	34,965	34,009
Total Capital Assets	29,265	28,626	22,143	22,084	51,408	50,710
Less: Accumulated Depreciation	13,069	12,094	6,539	6,052	19,608	18,146
Net Investment in Capital Assets	\$ 16,196	\$ 16,532	\$ 15,604	\$ 16,032	\$ 31,800	\$ 32,564

Long-Term Debt

The Village had \$11,448,003 of long-term debt outstanding at December 31, 2016 as compared to \$12,167,222 at December 31, 2015. The following table is a summary of the Village's long-term debt.

Long-Term Debt December 31 (In thousands \$)

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Debt:						
Bonds and Notes	\$ 3,793	\$ 3,832	\$ 2,588	\$ 2,740	\$ 6,381	\$ 6,572
Mortgage Revenue Bonds	-	-	4,480	4,923	4,480	4,923
Land Contract Payable	97	97	-	-	97	97
Lease Revenue Bonds	490	575	-	-	490	575
	\$ 4,380	\$ 4,504	\$ 7,068	\$ 7,663	\$ 11,448	\$ 12,167

The Village is rated by Moody's Investors Service as an A-2 for its general obligation debt. Additional information on the Village's long-term debt can be found in Note 6 on pages 34 through 40 of this report.

ECONOMIC FACTORS and 2017 BUDGET and RATES

The 2017 budget was developed based on a "steady state" to reflect inflation with only minor modification to operations and programs. General Fund revenues for 2017 are budgeted at \$1,713,635, which is a \$18,852 increase from the 2016 amended budget. General Fund expenditures for 2017 are budgeted at \$1,712,044, which is a \$19,283 increase from the 2016 amended budget.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village of Osceola's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village Administrator of the Village of Osceola, 310 Chieftain St. P.O. Box 217, Osceola, Wisconsin, 54020-217. The phone number is (715) 294-3498.

**Village of Osceola
Osceola, Wisconsin**

**Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-type Activities	Primary Government
ASSETS			
Current Assets:			
Cash and Investments	\$ 593,120	\$ 8,550	\$ 601,670
Taxes receivable	1,687,312	-	1,687,312
Delinquent taxes	38,977	-	38,977
Current special assessments and charges	262,128	-	262,128
Accounts receivable	69,641	286,146	355,787
Other accounts receivable	7,079	1,500	8,579
Due from Other Governmental Agencies	15,563	71,014	86,577
Internal Balances	230,827	(230,827)	-
Inventories	-	10,495	10,495
Prepaid Expenses	26,304	51	26,355
Total Current Assets	2,930,951	146,929	3,077,880
Noncurrent Assets:			
Restricted Assets			
Cash and Cash Equivalents	197,500	328,103	525,603
Other Assets			
Special Assessments due in the Future	140,833	-	140,833
Long-term loans receivable	418,700	-	418,700
Land Held for Resale	70,682	-	70,682
Investment in Biosolids	-	2,515	2,515
Capital Assets			
Land, Improvements, and Construction in Progress	5,202,596	50,307	5,252,903
Other Capital Assets, net of depreciation	10,993,355	15,554,218	26,547,573
Net Capital Assets	16,195,951	15,604,525	31,800,476
Total Noncurrent Assets	17,023,666	15,935,143	32,958,809
Total Assets	19,954,617	16,082,072	36,036,689
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	553,663	69,762	623,425
Total Deferred Outflows of Resources	553,663	69,762	623,425
Total Assets and Deferred Outflows of Resources	\$ 20,508,280	\$ 16,151,834	\$ 36,660,114
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 162,865	\$ 171,890	\$ 334,755
Accrued Interest	31,467	24,378	55,845
Short-Term Debt	500,000	-	500,000
Current Portion of Long-Term Liabilities			
Bonds and Notes payable	950,938	923,163	1,874,101
Compensated absences	14,126	1,052	15,178
Total Current Liabilities	1,659,396	1,120,483	2,779,879
Noncurrent Liabilities			
Long-Term Liabilities			
Due in more than one year			
Bonds and Notes payable	3,429,509	6,144,393	9,573,902
Compensated Absences	60,397	-	60,397
Net Pension Liability	97,986	12,346	110,332
Total Noncurrent Liabilities	3,587,892	6,156,739	9,744,631
Total Liabilities	5,247,288	7,277,222	12,524,510
DEFERRED INFLOWS OF RESOURCES			
Other Deferred Revenues	2,116,858	-	2,116,858
Pension	206,209	25,982	232,191
Regulatory Credit	-	46,465	46,465
Total Deferred Inflows of Resources	2,323,067	72,447	2,395,514
NET POSITION			
Net Investment in Capital Assets	12,013,004	8,695,298	20,708,302
Restricted for:			
Special Revenue	85,509	-	85,509
Capital Projects	478,454	15,700	494,154
Debt Service	-	239,794	239,794
Other projects	-	252,077	252,077
Unrestricted	360,958	(400,704)	(39,746)
Total Net Position	12,937,925	8,802,165	21,740,090
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 20,508,280	\$ 16,151,834	\$ 36,660,114

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Activities
For the Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>
Primary government							
Governmental Activities							
General Government	\$ 345,942	\$ 140,302	\$ -	\$ -	\$ (205,640)		\$ (205,640)
Public Safety	1,105,938	374,575	34,694	-	(696,669)		(696,669)
Public Works	1,216,492	79,195	161,106	107,451	(868,740)		(868,740)
Culture and Recreation	389,350	15,964	127,635	4,400	(241,351)		(241,351)
Conservation and Development	98,362	-	4,634	-	(93,728)		(93,728)
Interest on Long-term debt	147,632	-	-	-	(147,632)		(147,632)
Capital Outlay	152,947	25,123	-	535,433	407,609		407,609
Total governmental activities	<u>3,456,663</u>	<u>635,159</u>	<u>328,069</u>	<u>647,284</u>	<u>(1,846,151)</u>		<u>(1,846,151)</u>
Business-type activities							
Water	492,226	546,593	-	4,200	-	58,567	58,567
Sewer	933,031	1,038,463	-	11,500	-	116,932	116,932
Total business-type activities	<u>1,425,257</u>	<u>1,585,056</u>	<u>-</u>	<u>15,700</u>	<u>-</u>	<u>175,499</u>	<u>175,499</u>
Total primary government	<u>\$ 4,881,920</u>	<u>\$ 2,220,215</u>	<u>\$ 328,069</u>	<u>\$ 662,984</u>	<u>(1,846,151)</u>	<u>175,499</u>	<u>(1,670,652)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,168,164	-	1,168,164
Property taxes, levied for debt service					433,556	-	433,556
Other taxes					24,428	-	24,428
Room taxes					21,769	-	21,769
Grants and contributions not restricted to specific programs					362,510	-	362,510
Unrestricted investment earnings					1,468	2,634	4,102
Miscellaneous					62,580	6,638	69,218
<i>Special item</i> - gain (loss) on sale/retirement of asset(s)					7,914	(2,247)	5,667
Transfers					135,468	(135,468)	-
Total general revenues, special items, and transfers					<u>2,217,857</u>	<u>(128,443)</u>	<u>2,089,414</u>
Net transfers to fiduciary fund					<u>(33,728)</u>	<u>-</u>	<u>(33,728)</u>
Change in net position					337,978	47,056	385,034
Net position - beginning					12,599,947	8,755,109	21,355,056
Net position - ending					<u>\$ 12,937,925</u>	<u>\$ 8,802,165</u>	<u>\$ 21,740,090</u>

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Balance Sheet
Governmental Funds
December 31, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 2/RDA</u>	<u>Capital Projects</u>	<u>TIF 1</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 126,834	\$ 21,315	\$ 335,441	\$ 198	\$ 2,000	\$ 107,332	\$ 593,120
Receivables:							
Taxes	525,812	448,325	358,860	-	354,315	-	1,687,312
Delinquent Personal Property Taxes	38,977	-	-	-	-	-	38,977
Special Assessments	233,292	-	-	28,836	-	-	262,128
Accounts	20,991	-	-	28,255	-	20,395	69,641
Loans	-	-	164,045	254,655	-	-	418,700
Other	-	-	-	-	-	7,079	7,079
Prepaid Expenses	20,227	-	-	6,041	-	36	26,304
Due from Other Funds	315,055	-	-	100	-	21	315,176
Due from Other Governments	6,273	-	-	9,290	-	-	15,563
Restricted Cash	-	-	197,500	-	-	-	197,500
Special Assessments due in the Future	-	-	-	140,833	-	-	140,833
Advances Receivable	230,827	-	-	77,297	-	-	308,124
Total Assets	<u>\$ 1,518,288</u>	<u>\$ 469,640</u>	<u>\$ 1,055,846</u>	<u>\$ 545,505</u>	<u>\$ 356,315</u>	<u>\$ 134,863</u>	<u>\$ 4,080,457</u>
LIABILITIES							
Liabilities:							
Accounts Payable	\$ 59,547	\$ -	\$ 8,250	\$ 59,674	\$ 2,000	\$ 20,476	\$ 149,947
Accrued Liabilities	12,918	-	-	-	-	-	12,918
Short-Term Debt	-	97,000	-	403,000	-	-	500,000
Due to Other Funds	21	-	-	313,041	-	2,114	315,176
Short-Term Compensated Absences	13,219	-	-	-	-	907	14,126
Advances Payable	-	-	77,297	-	-	-	77,297
Total Liabilities	<u>85,705</u>	<u>97,000</u>	<u>85,547</u>	<u>775,715</u>	<u>2,000</u>	<u>23,497</u>	<u>1,069,464</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows - Loans Receivable	-	-	-	266,797	-	-	266,797
Deferred Inflows - Grants Receivable	-	-	-	9,290	-	-	9,290
Deferred Inflows of Resources - Special Assessments	764,816	448,325	522,905	140,833	354,315	26,497	2,257,691
Total Deferred Inflows of Resources	<u>764,816</u>	<u>448,325</u>	<u>522,905</u>	<u>416,920</u>	<u>354,315</u>	<u>26,497</u>	<u>2,533,778</u>
FUND BALANCES (DEFICITS)							
Nonspendable	251,054	-	-	-	-	-	251,054
Restricted	-	-	447,394	-	-	85,509	532,903
Unassigned	416,713	(75,685)	-	(647,130)	-	(640)	(306,742)
Total Fund Balances (Deficits)	<u>667,767</u>	<u>(75,685)</u>	<u>447,394</u>	<u>(647,130)</u>	<u>-</u>	<u>84,869</u>	<u>477,215</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 1,518,288</u>	<u>\$ 469,640</u>	<u>\$ 1,055,846</u>	<u>\$ 545,505</u>	<u>\$ 356,315</u>	<u>\$ 134,863</u>	<u>\$ 4,080,457</u>

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016**

Total fund balance, governmental funds	\$	477,215
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
		16,266,633
<p>Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities.</p>		
Deferred outflows of resources - pension		553,663
<p>Deferred inflows are reported in the fund financial statement, but are already recognized as earned in the Statement of Net Position.</p>		
Deferred inflows of resources - pension		(206,209)
Special Assessments		140,833
TAP Grant		9,290
Lot sale and reimbursements		266,797
<p>Some liabilities, (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
Accrued Interest	\$	(31,467)
Bond and Notes Payable Due Within One Year		(950,938)
Bond and Notes Payable Due In More Than One Year		(3,429,509)
Net Pension Liability		(97,986)
Compensated Absences		(60,397)
		(4,570,297)
Net Position of Governmental Activities in the Statement of Net Position	\$	12,937,925

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>TIF 2/RDA</u>	<u>Capital Projects</u>	<u>TIF 1</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property Taxes	\$ 520,884	\$ 433,556	\$ 304,754	\$ -	\$ 342,526	\$ -	\$ 1,601,720
Other Taxes	24,428	-	-	-	-	21,769	46,197
Special Assessment Revenue	-	-	-	60,676	-	-	60,676
Intergovernmental	544,337	-	5,480	271,489	12,827	107,300	941,433
License and Permits	64,737	-	-	10,350	-	-	75,087
Fines, Forfeits and Penalties	31,545	-	-	-	-	-	31,545
Public Charges for Services	271,995	-	-	400	-	82,544	354,939
Intergovernmental Charges for Service:	109,159	-	-	-	-	-	109,159
Interest Income	734	-	292	440	-	-	1,466
Miscellaneous Income	77,043	-	35,120	44,173	-	12,176	168,512
Total Revenues	<u>1,644,862</u>	<u>433,556</u>	<u>345,646</u>	<u>387,528</u>	<u>355,353</u>	<u>223,789</u>	<u>3,390,734</u>
EXPENDITURES							
Current:							
General Government	294,869	-	16,150	-	20,650	1,315	332,984
Public Safety	959,426	-	-	-	-	11,843	971,269
Public Works	260,408	-	-	-	-	58,732	319,140
Culture, Recreation and Education	87,577	-	-	-	-	257,544	345,121
Conservation and Development	19,444	-	36,836	-	-	9,370	65,650
Capital Outlay	-	-	-	736,565	-	8,139	744,704
Debt Service							
Principal Repayment	-	678,273	85,000	-	-	-	763,273
Interest Expense	-	108,954	15,680	5,609	-	-	130,243
Fiscal Charges	-	1,815	6,836	-	-	-	8,651
Total Expenditures	<u>1,621,724</u>	<u>789,042</u>	<u>160,502</u>	<u>742,174</u>	<u>20,650</u>	<u>346,943</u>	<u>3,681,035</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,138</u>	<u>(355,486)</u>	<u>185,144</u>	<u>(354,646)</u>	<u>334,703</u>	<u>(123,154)</u>	<u>(290,301)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Capital Assets	3,000	-	-	3,914	-	-	6,914
Proceeds from Long-Term Debt	-	-	640,000	-	-	-	640,000
Transfers In	144,468	279,801	334,703	-	-	135,000	893,972
Transfers Out	(163,728)	-	(243,297)	(36,504)	(334,703)	(14,000)	(792,232)
Total Other Financing Sources and Uses	<u>(16,260)</u>	<u>279,801</u>	<u>731,406</u>	<u>(32,590)</u>	<u>(334,703)</u>	<u>121,000</u>	<u>748,654</u>
Net Change Fund Balances	6,878	(75,685)	916,550	(387,236)	-	(2,154)	458,353
Fund Balances - Beginning	660,889	-	(469,156)	(259,894)	-	87,023	18,862
Fund Balances (Deficits) - Ending	<u>\$ 667,767</u>	<u>\$ (75,685)</u>	<u>\$ 447,394</u>	<u>\$ (647,130)</u>	<u>\$ -</u>	<u>\$ 84,869</u>	<u>\$ 477,215</u>

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**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, 2016**

Net change in fund balances - total governmental funds: \$ 458,353

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ 602,897	
Depreciation	<u>(1,031,271)</u>	(428,374)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

	19,163
TAP grant	9,290
Lot sale and reimbursements for damages	266,797

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. \$2,117,761 is the amount of principal repayments less proceeds from long-term debt of \$1,315,000 represents the net activity in 2015.

Principal Repayments	\$ 763,273	
Proceeds of Long-Term Debt	<u>640,000</u>	123,273

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Adjustment for increase in accrued interest	(8,737)
Adjustment for decrease in compensated absences	398
Change is use from land to economic development expense	(32,323)
Rounding	2

Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan	<u>(69,864)</u>
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Change in net position of governmental activities	<u><u>\$ 337,978</u></u>
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See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Proprietary Funds		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 380	\$ 8,170	\$ 8,550
Receivables			
Accounts	70,328	215,818	286,146
Other	1,500	-	1,500
Due from Other Governments	-	71,014	71,014
Prepays	51	-	51
Inventories	7,630	2,865	10,495
Total Current Assets	79,889	297,867	377,756
Restricted Assets:			
Restricted Cash and Investments	233,212	94,891	328,103
Total Restricted Assets	233,212	94,891	328,103
Capital Assets:			
Land and Improvements	36,941	-	36,941
Construction Work in Progress	13,366	-	13,366
Other Capital Assets	8,568,648	13,524,110	22,092,758
Less Accumulated Depreciation	(2,496,191)	(4,042,349)	(6,538,540)
Net Capital Assets	6,122,764	9,481,761	15,604,525
Noncurrent Assets:			
Investment in Biosolids	-	2,515	2,515
Total Noncurrent Assets	-	2,515	2,515
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	33,416	36,346	69,762
Total Deferred Outflows of Resources	33,416	36,346	69,762
Total Assets	\$ 6,469,281	\$ 9,913,380	\$ 16,382,661

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Proprietary Funds		
	Water	Sewer	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 9,228	\$ 22,093	\$ 31,321
Accrued Liabilities	1,694	949	2,643
Taxes Accrued	137,926	-	137,926
Accrued Interest Payable	5,344	19,034	24,378
Compensated Absences	526	526	1,052
Current Portion of Long-Term Debt:			
Current Portion of Long-Term Bonds	480,168	442,995	923,163
Total Current Liabilities	634,886	485,597	1,120,483
Non-Current Liabilities:			
Long-Term Debt			
Bonds and Loans Payable	1,137,990	5,006,403	6,144,393
Total Long-Term Debt	1,137,990	5,006,403	6,144,393
Other Liabilities:			
Net Pension Liability	5,914	6,432	12,346
Advances Payable	138,506	92,321	230,827
Total Other Liabilities	144,420	98,753	243,173
Total Non-Current Liabilities	1,282,410	5,105,156	6,387,566
Total Liabilities	1,917,296	5,590,753	7,508,049
DEFERRED INFLOWS OF RESOURCES			
Regulatory Credit	46,465	-	46,465
Deferred Inflows of Resources - Pension	12,445	13,537	25,982
	58,910	13,537	72,447
NET POSITION			
Net Investment in Capital Assets	4,662,935	4,032,363	8,695,298
Restricted Assets	233,212	94,891	328,103
Unrestricted	(403,072)	181,836	(221,236)
Total Net Position	4,493,075	4,309,090	8,802,165
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,469,281	\$ 9,913,380	\$ 16,382,661

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016**

	Proprietary Funds		
	Water	Sewer	Total
REVENUES			
Charges for Services	\$ 536,869	\$ 1,020,086	\$ 1,556,955
Other Operating Revenues	4,524	18,377	22,901
Total Operating Revenues	<u>541,393</u>	<u>1,038,463</u>	<u>1,579,856</u>
OPERATING EXPENSES			
Operation and Maintenance	243,648	450,381	694,029
Depreciation	175,953	320,548	496,501
Taxes	6,006	1,934	7,940
Total Operating Expenses	<u>425,607</u>	<u>772,863</u>	<u>1,198,470</u>
Operating Income (Loss)	<u>115,786</u>	<u>265,600</u>	<u>381,386</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and Investment Revenue	2,434	200	2,634
Miscellaneous Non-Operating Revenue	11,838	-	11,838
Interest Expense	(66,119)	(160,168)	(226,287)
Debt Issuance Expense	(500)	-	(500)
Total Non-Operating Revenue (Expenses)	<u>(52,347)</u>	<u>(159,968)</u>	<u>(212,315)</u>
Income (Loss) Before Contributions and Transfer	<u>63,439</u>	<u>105,632</u>	<u>169,071</u>
Capital Contributions	4,200	11,500	15,700
Transfers Out	(135,468)	-	(135,468)
Gain (Loss) on Retirement of Assets	-	(2,247)	(2,247)
Change in Net Position	<u>(67,829)</u>	<u>114,885</u>	<u>47,056</u>
Total Net Position - Beginning	4,560,904	4,194,205	8,755,109
Total Net Position - Ending	<u>\$ 4,493,075</u>	<u>\$ 4,309,090</u>	<u>\$ 8,802,165</u>

See accompanying notes to the basic financial statements

Village of Osceola
Osceola, Wisconsin

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2016

	Water Utility	Sewer Utility	Totals 2016
<u>Cash Flows From Operating Activities:</u>			
Receipts from Customers	\$ 537,230	\$ 1,014,072	\$ 1,551,302
Receipts from Other Sources	57,894	26,105	83,999
Payments to Suppliers	(151,400)	(386,566)	(537,966)
Payments to Employees	(68,434)	(73,130)	(141,564)
Taxes Paid	(141,474)	(1,934)	(143,408)
Net Cash Provided (Used) by Operating Activities	<u>233,816</u>	<u>578,547</u>	<u>812,363</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Proceeds of special assessments	2,940	3,408	6,348
Acquisition and Construction of Plant Assets	(13,395)	(58,011)	(71,406)
Impact fees	-	11,500	11,500
Principal Payments on Long-Term Debt	(165,240)	(430,706)	(595,946)
Interest Paid	(67,141)	(161,785)	(228,926)
Capital Contributions	9,400	-	9,400
Net Cash Used for Capital and Related Financing Activities	<u>(233,436)</u>	<u>(635,594)</u>	<u>(869,030)</u>
<u>Cash Flows From Investing Activities:</u>			
Interest on Investments	2,434	200	2,634
Purchase of Non-Cash Equivalents	(233,212)	-	(233,212)
Sale of non-cash equivalents	230,778	159,908	390,686
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>160,108</u>	<u>160,108</u>
Net Increase (Decrease) in Cash and Equivalents	380	103,061	103,441
Cash and Equivalents - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Equivalents - End of Year	<u>\$ 380</u>	<u>\$ 103,061</u>	<u>\$ 103,441</u>
Reconciliation to Statement of Net Position			
Current Cash and Cash Equivalents	\$ 380	\$ 8,170	\$ 8,550
Restricted Cash and Investments	233,212	94,891	328,103
Less Non-Cash Equivalents	(233,212)	-	(233,212)
Cash and Equivalents - End of Year	<u>\$ 380</u>	<u>\$ 103,061</u>	<u>\$ 103,441</u>

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2016**

	Water Utility	Sewer Utility	Totals 2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 115,786	\$ 265,600	\$ 381,386
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Joint Meter	4,909	(4,909)	-
Tax Equivalent	(135,468)	-	(135,468)
Depreciation	175,953	320,548	496,501
Changes in Assets and Liabilities:			
Customer Accounts Receivable	157	(7,463)	(7,306)
Other Accounts Receivable	204	1,449	1,653
Due from/to Other Governmental Units	-	(2,473)	(2,473)
Due from/to other funds	53,370	10,201	63,571
Material & Supplies	880	-	880
Prepayments	(51)	-	(51)
Pension asset/liability	9,178	(4,258)	4,920
Accounts Payable	5,765	(194)	5,571
Accrued Liabilities	3,133	46	3,179
Net Cash Provided (Used) by Operating Activities	\$ 233,816	\$ 578,547	\$ 812,363

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Net Position
Fiduciary Funds
December 31, 2016**

	Library Restricted	Municipal Court/Forfeitures	Tax Agency	Total
ASSETS				
Cash and Cash Equivalents	\$ 22,010	\$ 5,350	\$ 559,654	\$ 587,014
Receivables:				
Taxes Receivable	-	-	1,678,100	1,678,100
Due from Other Governments	-	1,037	-	1,037
Total Receivables	-	1,044	1,678,100	1,679,144
TOTAL ASSETS	\$ 22,010	\$ 6,394	\$ 2,237,754	\$ 2,266,158
LIABILITIES				
Accounts Payable	\$ -	\$ 1,424	\$ -	\$ 1,424
Due to Other Governments	-	1,817	2,237,754	2,239,571
Total Liabilities	-	3,241	2,237,754	2,240,995
NET POSITION				
Held in Trust for Benefits and Other Purposes	22,010	3,153	-	25,163
TOTAL LIABILITIES AND NET POSITION	\$ 22,010	\$ 6,394	\$ 2,237,754	\$ 2,266,158

See accompanying notes to the basic financial statements

**Village of Osceola
Osceola, Wisconsin**

**Statement of Activities
Fiduciary Funds
For the Year Ended December 31, 2016**

	Municipal Court/Forfeitures
REVENUES	
Fines, Forfeits and Penalties	\$ 31,321
Public Charges for Services	15,426
Miscellaneous Income	640
Total Revenues	47,387
EXPENDITURES	
Current:	
General Government	81,894
Total Expenditures	81,894
Excess (Deficiency) of Revenues Over Expenditures	(34,507)
OTHER FINANCING SOURCES (USES)	
Transfers In	33,728
Total Other Financing Sources and Uses	33,728
SPECIAL ITEM	
Change in Net Position	(779)
Net Position - Beginning	3,932
Net Position - Ending	\$ 3,153

See accompanying notes to the basic financial statements.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Osceola, Wisconsin conform to U.S. generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

This report includes all of the funds of the Village of Osceola. The reporting entity for the Village consists of the primary government, organizations for which the primary government is financially accountable and 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide special 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.

Redevelopment Authority

This report includes the Redevelopment Authority (the Authority) as a blended component unit. The Authority is a legally separate organization. The board of the Authority is appointed by the board of the Village of Osceola. The Authority meets the criteria of a component unit of the Village. The Authority was included as a blended component unit because it provides services exclusively, or almost exclusively, to the Village. See Note 15 for further details.

The Housing Authority of the Village of Osceola

Management of the Village has determined that the Housing Authority of the Village of Osceola (the "Housing Authority") is excluded as a component unit. The Housing Authority is a legally separate organization and appointments to the Housing Authority are approved by the Village Board; however, since the Village cannot impose its will on the Housing Authority and there is no material benefit to, or burden on, the Village, the Housing Authority does not meet the criteria for inclusion in the reporting entity. Financial statements for the Housing Authority may be obtained from:

Housing Authority of Osceola
602 3rd Avenue
Osceola, WI 52501

Component Units

The School District of Osceola is excluded from the reporting entity. The financial statements exclude the accounts of the above named school district because the school district has a separately elected governing body, is legally separate and fiscally independent.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements are basic financial statements required for all governmental units. The Statement of Net Position and the Statement of Activities are the two required statements. Both statements are prepared on the full accrual basis. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental fund financial statements.

All funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the standard concentrates on major funds versus non-major funds.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

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

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) **B. Government-Wide and Fund Financial Statements (Continued)**

Fund Financial Statements (Continued)

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

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

Major Governmental Funds

The Village reports the following major governmental funds:

General Fund – accounts for the Village’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs other than TID or proprietary debt.

General Capital Projects Fund – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed from proprietary funds.

Tax Incremental Financing District No. 2 (TID No. 2)/RDA fund.

Tax Incremental Financing District No. 1 (TID No. 1).

Transactions of the Village’s tax incremental districts are accounted for in capital projects funds and considered major funds. The Village’s Redevelopment Authority, a blended component unit, accounts for its transactions in the TIF 2 fund.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) **B. Government-Wide and Fund Financial Statements (Continued)** **Major Proprietary Funds**

The Village reports the following major proprietary funds:

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

Non-Major Governmental Funds

The Village reports the following non-major governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects). These are legally restricted to expenditures for specific purposes.

Community Trust Police	Library Act 150
Police Canine	Library Building, Book, Operating
Fire Community Trust	Insurance Reserve
Airport Fund	Urban Forestry Grant
Room Tax	Law Enforcement Grants
CDBG	

Fiduciary Funds

In addition, the Village reports the following fiduciary fund types:

Permanent Trust Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the specific program. The Library restricted activity is accounted for as a permanent 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.

The following agency funds are included in these financial statements:

Tax Agency Fund
Municipal Court/Forfeitures Fund

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

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures/expense are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 deferred outflows of resources, and liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of inter-fund 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 various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. 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 sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held for collection by the county are reported as receivables and non-spendable fund balance in the general fund.

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

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

- 1. Summary of Significant Accounting Policies (Continued)**
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Fund Financial Statements (Continued)

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

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating 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 and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of financial statements in conformity with U.S. 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) Cash and Cash Equivalents/Investments

The Village has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the Village's individual major funds, and in the aggregate for non-major and agency funds.

All deposits of the Village are made in board designated official depositories and are secured as required by State Statute. The Village may designate, as an official depository, any bank or savings association. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

1) Cash and Cash Equivalents/Investments (Continued)

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices.

See Footnote 2 for additional information

2) Proprietary Cash and Equivalents

For purposes of the proprietary fund statement of cash flows, the Village considers all highly liquid investments, with a maturity of less than three months, when purchased, to be cash equivalents. This consists of current cash and investments. Cash reserves in the amount of \$233,212 for the water are not considered cash equivalents since they consist of CDs with maturity dates greater than three months.

3) Taxes Receivable

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Real property taxes are payable on or before January 31, can be paid in two equal installments with the first installment payable on or before January 31 and the second installment payable on or before July 31. Personal property taxes and special assessments, special charges and special taxes placed on the tax roll are payable in full on or before January 31. The Village Clerk/Treasurer collects taxes for all purposes on properties within the Village through January. Settlement with other taxing entities is made on or about February 15. All uncollected items on the current tax roll, except delinquent personal property taxes, are turned over to the Polk County Treasurer for collection in February. In August, the County pays the Village in full all outstanding real estate taxes due. The Village retains the responsibility for collection of delinquent personal property taxes.

Property tax calendar – 2016 tax roll

Lien date and levy date	December, 2016
Tax Bills mailed	December, 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October, 2019

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

4) Allowance for Uncollectible Accounts

General fund accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year-end. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for delinquent water and sewer billings because the utilities have the right by law to place delinquent bills on tax roll.

5) Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments not subject to collection are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. Special assessments of proprietary funds are recorded as non-operating revenue at the time of assessment, if subject to collection. Special assessments, those not subject to collection, are recorded as another deferred inflow of resources until such time as they are subject to collection.

Uncollected installments placed on prior year tax rolls are held for collection by Polk County and are remitted to the Village upon collection by the County. These delinquent installments are financed by the general fund.

6) Inventories and Prepaid Items

Inventories

Inventories of proprietary funds are valued at cost using the first-in/first-out method and are charged as expenses or capitalized when used. Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not material.

Prepaid

In the government funds, the State of Wisconsin prepaid medical transportation reimbursement of \$4,634 was paid directly to the Osceola Area Ambulance in November 2016/2017. The Village has set up a prepaid expense for this payment that is for 2017 EMS services. The Village will adjust their 2017 payment to Osceola Area Ambulance.

In addition, the Village prepaid health, life and dental insurance for the service period of 1/1/2017 through 1/31/2017.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) D. Assets, Liabilities, and Net Position or Equity (Continued)

7) Restricted Cash

Restricted assets consisted of debt reserves and construction reserves relating to the utility mortgage revenue bonds. Proprietary fund restricted cash totaled \$328,103. This included debt reserves of \$233,212 for water utility revenue bonds and \$94,891 for sewer equipment replacement. The TIF2/RDA fund, a capital projects fund, had \$197,500 in restricted cash. \$197,500 is reserved for debt service on its lease revenue bonds.

8) Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets including infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. The Village has retroactively reported all infrastructure acquired by its governmental fund types.

General Fixed Assets – Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund from which the disbursements are made. Interest incurred during construction is not capitalized.

Depreciation on governmental fixed assets is calculated using straight-line depreciation based on the estimated useful life of assets. The estimated useful life of assets is determined by industry standards as recommended by GASB.

Proprietary Fund Fixed Assets – Assets in the proprietary fund are capitalized at cost or fair value at date of contribution or acquisition. Normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related assets. Net interest costs incurred for long-term debt issued for construction purposes are capitalized during the period of construction. Net interest cost consists of interest expense on long-term debt proceeds. No interest was capitalized in 2016.

Depreciation is charged over the estimated service life of the assets using the straight-line method. Annual depreciation charges are determined using the average utility plant in service and rates ranging from 1.3% to 26.7% for the water utility and rates ranging from 1.0% to 10.0%, depending on the various classes of property, in the respective utilities.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) **D. Assets, Liabilities, and Net Position or Equity (Continued)**

9) Capital Contributions-Proprietary Funds

Contributions in aid of construction represent amounts received from customers for construction and the value of property (plant) contributed to the utilities. These amounts are not subject to repayment and are reported as additions to net position on the Statement of Revenues, Expenses and Changes in Net Position.

10) Debt Issuance Costs

In both the governmental funds and the government-wide and proprietary fund type financial statements, debt issuance costs are recognized as expenditures in the current period.

11) Compensated Absences

Vacation is granted in varying amounts dependent on length of service. A maximum of five days may be carried over into the next vacation year, provided the employee gives notice to the administration prior to December 1 of the current year. The Village accrued \$15,178 in vacation as of December 31, 2016. This is recorded as a fund liability in the general fund of \$13,219, in the Library ACT 150 fund of \$907 and the proprietary funds of \$1,052.

All full-time employees are eligible for ten days of sick leave for each 12 months of employment. One half (1/2) of all accrued sick days (up to 90 days) shall, at the time of retirement, be converted to dollar value and used to pay future health insurance premiums.

The remaining employee's accrued unused sick leave amounted to \$60,397 at December 31, 2016. The payments for compensated absences will be made at rates in effect when the benefits are used. The accumulated vacation and sick liabilities at December 31, 2016 are determined on the basis of current salary rates.

12) Pensions

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

Accounting Changes – The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68 and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplemental Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

13) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position which applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

14) 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.

All short-term and long-term obligations expected to be financed from proprietary fund type operations are accounted for as fund liabilities.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as “Other Financing Sources” in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure of the debt service fund in the year in which the debt matures or is repaid, whichever is earlier. Conduit debt obligations, such as industrial revenue bonds (IRBS), approved for business enterprises, do not constitute debt of the Village. Accordingly, the bonds are not recorded in the Village’s financial statements.

15) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results may differ from those estimates

16) Claims and Judgments

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

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Position or Equity (Continued)

17) Equity and Net Position 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.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued) D. Assets, Liabilities, and Net Position or Equity (Continued)

17) Equity and Net Position Classifications (Continued)

Fund Financial Statements – Governmental Funds – Fund Balance

In the fund financial statements, governmental fund balance is presented in five possible categories:

Non-spendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the Board or a body or official of which the Board has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs

The Village Board established a fund balance policy on January 25, 2011. The policy was amended on November 29, 2011. Key components of the policy are:

- Strive to maintain a general fund balance equal or above 30% of budgeted general fund expenditures.
- Any excess shall be allocated each year by the Village Board.

At 12/31/2016, the general fund unassigned fund balance of \$416,713 represents 24.3% of the 2017 budgeted expenditures. There were no excess funds to allocate to the Levy Stabilization Fund, the General Capital Fund, and Unassigned General Fund Balance. See Note 9 for the allocations.

E. Utility Rates – Proprietary Funds

The Village of Osceola Sewer Utility operates under service rules which are established by the Village Board. The Water Utility operates under service rules, which are established by the Public Service Commission of Wisconsin. Water rate charges are regulated by the Public Service Commission. Billings are made to customers on a quarterly basis for water and sewer service

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)

F. Income Taxes

The Village of Osceola water, sewer and storm water utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

G. Stewardship, Compliance, and Accountability

1) Budgetary Information

Budgets

The Village's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. Budgetary expenditure control is exercised at the individual account level.

Budget amounts include appropriations authorized in the original budget, any board approved amendments, appropriations of restricted resources received for funding specific expenditures and designated portions of the beginning balance of the general fund's equity expected to finance expenditures of the current fiscal year. Unused appropriations lapse at year-end unless specifically carried over for financing subsequent year expenditures.

Operating budgets are adopted each year for the general fund. The original budget was adopted on December 13, 2016.

2) Excess Expenditures Over Appropriations

The Village controls expenditures at the department level. A comparison of 2016 expenditures to budget can be found on Page 54.

H. Tax Incremental Financing Districts

The Village has two Tax Incremental Districts (TIDS). The transactions of the Districts are shown in the Capital Projects Fund. TID's are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the Village can recover its project costs in designated Districts of the Village. Those costs are recovered through tax increments, which are placed on the tax rolls.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies (Continued)

I. PSC Regulatory Credit

In 2004, the Public Service Commission of Wisconsin required regulated utilities to create a regulatory credit account. The amount of the credit was equal to the estimated accumulated depreciation on contributed utility plant as of December 31, 2003. The credit has the effect of reducing the rate base used by the Commission in approving user rates charged by the utilities. The credit is reported as a deferred inflow on the statement of net position. The credit is being amortized to non-operating income over a period of 20 years. As of December 31, 2016, the balance was \$46,465.

J. Inter-fund Transactions

Inter-fund transactions are accounted for as follows:

The water utility is charged a tax equivalent due the general fund. Charges for the tax equivalent are recorded as operating transfers in the general fund and water utility. In 2016, the transfer was \$135,468.

The water and sewer utilities provide basic services to the general fund. Charges for fire protection, sanitation and basic services are recorded as expenditures in the general fund.

The sewer utility pays an annual meter use charge to the water utility in accordance with requirements of the Public Service Commission. The annual charge is recorded as an operating expense of the sewer utility and as a reduction of various operating expenses and as operating revenue of the water utility based on the components of the charge.

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

K. Advances to Other Funds

Non-current portions of long-term inter-fund loan receivables are reported as advances and are offset equally by a fund balance non-spendable account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. The Village's General Fund advanced \$138,506 to the Water Fund and \$93,321 to the Sewer Fund in 2016. The 12/31/2016 balance for the Water Fund is \$138,506 and \$93,321 for the Sewer Fund. No repayment schedules have been established.

L. Limitations on the Village Tax Levy

As part of Wisconsin's Act 25 (2005), legislation was passed that limits the Village's future tax levies. Generally, the Village is limited to its prior tax levy dollar amount, increased by the percentage change in the Village's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

2. Cash and Equivalents/Investments

Cash for all Village funds is pooled for investment purposes. At December 31, 2016, the cash and investments consist of the following:

Petty Cash/Cash on Hand	\$ 1,700
Deposits with Financial Institutions	<u>1,712,587</u>
Total Cash and Investments	<u>\$1,714,287</u>

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 601,670
Restricted Cash and Investments	525,603
Fiduciary Funds:	
Cash and Investments	<u>587,014</u>
Total Cash and Investments	<u>\$1,714,287</u>

Investments Authorized by Wisconsin Statutes

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

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Village, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority, and the Wisconsin Aerospace Authority.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

2. Cash and Equivalents/Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates.

The Village has \$255,222 in certificates of deposit. \$15,000 of the library certificates of deposit have maturities of 60 months and the remaining \$7,010 of library certificates of deposit have a maturity of 12 months. The principal amount of the certificates of deposit are restricted and only the interest from the certificates of deposit are available for use by the library for their operations.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Village would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The Village does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings deposit accounts and \$250,000 for demand deposit accounts. Bank accounts and the local government investment pool 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 be significant to individual organizations. The Village has a collateral agreement with the local bank whereby collateral is pledged by the institution in an agent bank's name for amounts above the FDIC and State Deposit Guarantee Fund. As of 12/31/2016, the value of pledged collateral was \$1,056,052.

As of December 31, 2016, \$471,361 of the Village's deposits with financial institutions in excess of federal and state depository insurance limits were exposed to custodial credit risk as follows:

Uninsured and collateralized	<u>\$ 471,361</u>
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3. Loans Receivable

The Village's TIF #2 has a loan receivable of \$160,000 from MDI Limited Partnership #108. The loan was made in 2007 and is to be repaid December 31, 2037 at an interest rate of .25%. This loan was to assist with the development of the Osceola Village Apartments located at 550 Chieftain Streets, Osceola. The total loan receivable with accrued interest is \$164,045 as of December 31, 2016.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

4. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 4,784,059	\$ 126,691	\$ -	\$ 4,910,750
Infrastructure in process	492,875	52,701	462,175	83,401
Construction in process	198,459	9,986	-	208,445
Total Non-depreciable Capital Assets	5,475,393	189,378	462,175	5,202,596
Capital Assets Being Depreciated:				
Buildings, Improvements and Equipment	4,379,708	181,015	56,510	4,504,213
Infrastructure	18,770,572	787,342	-	19,557,914
Total Capital Assets Being Depreciated	23,150,280	968,357	56,510	24,062,127
Total Capital Assets	28,625,673	1,157,735	518,685	29,264,723
Less: Accumulated Depreciation	12,094,011	1,031,271	56,510	13,068,772
Capital Assets Net of Depreciation	\$16,531,662	\$ 126,464	\$ 462,175	\$16,195,951

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental Activities	
General Government	\$ 8,810
Public Safety	88,059
Public Works	897,520
Culture, Recreation and Education	36,882
	\$ 1,031,271

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

4. Capital Assets (Continued)

Capital asset activity in the business-type activities for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
Business Type Activities				
Non-depreciable Capital Assets:				
Land	\$ 36,941	\$ -	\$ -	\$ 36,941
Construction in process	172,047	266	158,947	13,366
Total Non-depreciable Capital Assets	208,988	266	158,947	50,307
Capital Assets Being Depreciated:				
Buildings and Equipment	6,637,343	58,198	9,348	6,686,193
Infrastructure	15,238,030	172,075	3,540	15,406,565
Total Capital Assets Being Depreciated:	21,875,373	230,273	12,888	22,092,758
Total Capital Assets	22,084,361	230,539	171,835	22,143,065
Less: Accumulated Depreciation	6,052,493	496,501	10,454	6,538,540
Capital Assets Net of Depreciation	\$16,031,868	\$(265,962)	\$ 161,381	\$ 15,604,525

Depreciation expense was charged to functions of the business-type activities as follows:

Business Type Activities	
Water Utility	\$ 180,862
Sewer Utility	315,639
Total Business-Type Activities Depreciation Expense	\$ 496,501

5. Inter-fund Activity

Inter-fund Receivables/Payables

There were inter-fund receivables/payables as of 12/31/2016 as follows:

Receivable Fund	Payable Fund	Amount
General	Police K-9	\$ 1,990
General	Airport	24
General	Capital Projects	313,041
Library	General	21
Capital Projects	CDBG	100
		\$315,176

The receivables/payables were for short-term cash flow purposes in the above funds and financed by the General Fund. These were not set up for repayment.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

5. Inter-fund Activity (Continued)

Inter-Fund Advances and Internal Balances per Government-Wide Statements of Net Position

Receivable Fund	Payable Fund	Amount
General	Water	\$ 138,506
General	Sewer	92,321
Capital Projects	TIF #2/RDA	77,297
Total Governmental Advances		\$ 308,124
Total Interfund Receivables and Advances		\$ 623,300
Less: Interfund Eliminations		(392,473)
Internal Balance per Government-Wide Statements		\$ 230,827

The advance from Capital Projects to TIF #2 is for TIF eligible expenses incurred in 2013 and 2014 that were not reimbursed by the TIF. The advances to the Water and Sewer funds were for cash flow purposes in 2015 and 2016.

Inter-fund Transfers

The following is a schedule of inter-fund transfers as of 12/31/2016:

Transfer From	Transfer To	Amount	Purpose
General	Library Act 150	\$ 125,000	Operations
General	Airport	5,000	Operations
General	Municipal Court/Forfeitures	33,728	Operations
Police	General	5,000	Operations
Room Tax	General	4,000	Operations
Insurance Reserve	Airport	5,000	Insurance Deductible
Capital Projects	Debt Service	36,504	Debt payments
TIF #1	TIF #2	334,703	Increment sharing
TIF #2	Debt Service	243,297	Debt payments
Water	General	135,468	Tax equivalent
Transfers In per Governmental and Fiduciary Statements		\$ 927,700	
Less: Governmental Interfund Eliminations		(792,232)	
Transfers per Government-Wide Statements - Business-Type Activities		\$ 135,468	

The water utility transferred \$135,468 to the general fund for the tax equivalent. This is also regarded as a transfer from business-type activities to governmental activities. All other transfers were eliminated on the government-wide statements.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

6. Long-Term Obligations

All general obligation notes and bonds payable are backed by the full faith and credit of the municipality. Governmental activities notes and bonds will be retired by future property tax levies. Proprietary fund debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies. The following is a summary of long-term debt transactions of the Village for the year ended December 31, 2016:

	<u>Balance 1/1/16</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/16</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 3,831,920	\$ 640,000	\$ 678,273	\$ 3,793,647	\$ 749,138
Total Governmental GO Debt	<u>3,831,920</u>	<u>640,000</u>	<u>678,273</u>	<u>3,793,647</u>	<u>749,138</u>
Total Land Contract Payable	96,800	-	-	96,800	96,800
Total Lease Revenue Bonds - TIF/RDA	<u>575,000</u>	<u>-</u>	<u>85,000</u>	<u>490,000</u>	<u>105,000</u>
Total Governmental Long-Term Debt	<u>\$ 4,503,720</u>	<u>\$ 640,000</u>	<u>\$ 763,273</u>	<u>\$ 4,380,447</u>	<u>\$ 950,938</u>
Business-Type Activities					
General Obligation Debt	\$ 2,740,645	\$ -	\$ 152,950	\$ 2,587,695	\$ 472,695
Mortgage Revenue Bonds	<u>4,922,857</u>	<u>-</u>	<u>442,996</u>	<u>4,479,861</u>	<u>450,468</u>
Total Business-Type Activities	<u>7,663,502</u>	<u>-</u>	<u>595,946</u>	<u>7,067,556</u>	<u>923,163</u>
Total Long-Term Debt	<u>\$ 12,167,222</u>	<u>\$ 640,000</u>	<u>\$ 1,359,219</u>	<u>\$ 11,448,003</u>	<u>\$ 1,874,101</u>

Governmental activities general obligation long-term debt issues outstanding at December 31, 2016 consists of:

<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	<u>Current Portion</u>
\$ 550,000	1/8/2007	1/8/2017	2.00%	\$ 15,129	\$ 15,129
\$ 2,055,000	9/2/2011	12/1/2021	2.00% - 3.00%	1,145,000	200,000
\$ 260,000	12/5/2011	3/1/2021	4.00%	130,000	26,000
\$ 1,090,000	9/4/2012	9/1/2022	2.00%	650,000	115,000
\$ 142,595	12/29/2014	12/29/2019	3.45%	88,518	28,009
\$ 1,315,000	11/3/2015	12/1/2023	2.00% - 3.00%	1,125,000	205,000
\$ 640,000	12/20/2016	8/15/2020	1.65%	<u>640,000</u>	<u>160,000</u>
Total Governmental General Obligation Debt				<u>\$3,793,647</u>	<u>\$ 749,138</u>

Debt Refinancing

In 2016, the Village issued GO Bonds of \$640,000. The Village issued the GO Bonds for the purpose of paying off the land contract and to finance TIF #2 projects.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

6. Long-Term Obligations (Continued)

Scheduled annual requirements for retirement of governmental general obligation debt outstanding at December 31, 2016 are summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 749,138	\$ 86,368	\$ 835,506
2018	750,475	72,045	822,520
2019	767,034	54,375	821,409
2020	701,000	36,332	737,332
2021	326,000	17,620	343,620
2022	265,000	11,350	276,350
2023	235,000	7,050	242,050
	<u>\$3,793,647</u>	<u>\$285,140</u>	<u>\$4,078,787</u>

The general obligation debt payable listed above includes \$1,536,877 in general obligation debt payable from the tax incremental district funds. These are expected to be retired from accumulated revenues therein as discussed in Note 11. Wisconsin Statutes restrict general obligation debt to 5% of the equalized value of all property in the Village. At December 31, 2016, the Village's debt limit was as follows:

Equalized Value 12/31/2016	\$ 175,612,500
Percent Limit	<u>5%</u>
General Obligation Debt Limit	8,780,625
Debt Subject to Limit	<u>6,381,342</u>
Available Debt Margin	<u>\$ 2,399,283</u>

Land Contract Payable

The Village signed a land contract in 2014 for the purchase of two lots totaling 16 acres. 12 acres are being held for resale and the remaining 4 acres are for Village use. The individual debt issue components are summarized below:

<u>Original Amount</u>	<u>Date of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>12/31/16 Balance</u>	<u>Current Portion</u>
\$100,000	4/4/2014	4/4/2018	3.00% - 3.20%	\$96,800	\$96,800
				<u>\$96,800</u>	<u>\$96,800</u>

Scheduled annual requirements to repay the land contract outstanding at December 31, 2016 are summarized below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$96,800	\$ 6,000	\$102,800
	<u>\$96,800</u>	<u>\$ 6,000</u>	<u>\$102,800</u>

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

6. Long-Term Obligations (Continued)

Lease Revenue Bonds

The Village's Redevelopment Authority (RDA) issued lease revenue bonds in 2003. The lease revenue bonds do not count towards the Village's general obligation debt limit. However, the Village is required to pay the debt if sufficient lease revenues are not available. The Village intends on paying the lease payments from tax incremental financing revenues. The individual debt issue components are summarized below.

<u>Original Amount</u>	<u>Date of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>12/31/16 Balance</u>	<u>Current Portion</u>
\$ 1,975,000	12/1/2011	12/1/2018	1.000% - 3.100%	\$ 490,000	\$ 105,000
				<u>\$ 490,000</u>	<u>\$ 105,000</u>

Scheduled annual requirements to repay the lease revenue bonds payable outstanding at December 31, 2016 are summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 105,000	\$13,810	\$118,810
2018	125,000	11,185	136,185
2019	125,000	7,810	132,810
2020	135,000	4,185	139,185
	<u>\$ 490,000</u>	<u>\$36,990</u>	<u>\$526,990</u>

Business-Type Activities

General Obligation Debt

The water and sewer funds had the following general obligation debt outstanding:

<u>Utility</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	<u>Current Portion</u>
Water	\$ 500,000	6/27/2007	12/1/2017	4.75%	\$ 337,695	\$ 337,695
Sewer	95,000	9/2/2011	6/1/2021	2.00% - 3.00%	50,000	10,000
Sewer	2,480,000	12/17/2013	12/1/2028	2.00% - 4.00%	2,200,000	125,000
Total General Obligation Debt					<u>\$ 2,587,695</u>	<u>\$ 472,695</u>

The 2007 water loan of \$500,000 was scheduled for a final payment on December 1, 2017; however, the Village has negotiated a new loan structure to be implemented in 2017 to extend the repayment terms on the remaining principal of \$337,695 for another 5 years. This loan will be amortized for 10 years with a balloon payment at 5 years with annual principal and interest payments of \$40,000. The interest rate will be 2.85%.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

6. Long-Term Obligations (Continued)

Business-Type Activities (Continued)

General Obligation Debt (Continued)

Scheduled annual requirements for retirement of the water and sewer general obligation debt outstanding at December 31, 2016 are summarized as follows:

<u>Year</u>	<u>Water</u>		<u>Sewer</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 337,695	\$ 16,040	\$ 135,000	\$ 78,750	\$ 567,485
2018	-	-	135,000	75,950	210,950
2019	-	-	140,000	73,150	213,150
2020	-	-	145,000	68,950	213,950
2021	-	-	150,000	64,600	214,600
2022-2026	-	-	935,000	243,450	1,178,450
2027-2028	-	-	610,000	36,800	646,800
	<u>\$ 337,695</u>	<u>\$ 16,040</u>	<u>\$ 2,250,000</u>	<u>\$ 641,650</u>	<u>\$ 3,245,385</u>

Mortgage Revenue Bonds

Outstanding mortgage revenue bonds for the water and sewer utility totaled \$4,479,861 on December 31, 2016. There are a number of limitations and restrictions contained in the bond ordinances. The Village believes it is in compliance with all significant restrictions and limitations associated with the water revenue bonds. The Village's full faith and credit do not back mortgage revenue bonds which are instead backed only by the assets and revenues of the water and sewer utilities (proprietary funds). Individual debt issues outstanding at December 31, 2016 and annual requirements for their retirement are shown below:

<u>Utility</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	<u>Current Portion</u>
Water	\$ 430,000	12/1/2005	12/1/2023	5.00%	\$ 380,000	\$ 5,000
Water	149,437	10/28/2009	5/1/2029	2.67%	107,903	7,053
Water	1,280,000	9/2/2011	12/1/2021	2.00% - 3.40%	685,000	130,000
Water	108,400	7/11/2013	12/1/2028	1.70%	107,560	420
Sewer	6,122,000	8/24/2005	5/1/2025	2.43%	3,051,358	307,415
Sewer	149,200	7/11/2013	12/1/2028	1.70%	148,040	580
Total Mortgage Revenue Bonds					<u>\$ 4,479,861</u>	<u>\$ 450,468</u>

VILLAGE OF OSCEOLA

Notes to Financial Statements
December 31, 2016

6. Long-Term Obligations (Continued)

Mortgage Revenue Bonds (Continued)

Scheduled annual requirements for retirement of mortgage revenue bond obligation debt outstanding at December 31, 2016 are summarized as follows:

<u>Year</u>	<u>Water</u>		<u>Sewer</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 142,473	\$ 45,101	\$ 307,995	\$ 72,901	\$ 568,470
2018	142,661	40,753	315,463	65,333	564,210
2019	152,854	36,399	323,111	57,582	569,946
2020	153,053	31,741	330,945	49,642	565,381
2021	158,256	26,728	338,970	41,510	565,464
2022-2026	399,532	42,341	1,440,674	83,134	1,965,681
2027-2029	131,634	4,666	142,240	4,826	283,366
	<u>\$1,280,463</u>	<u>\$227,729</u>	<u>\$3,199,398</u>	<u>\$374,928</u>	<u>\$5,082,518</u>

VILLAGE OF OSCEOLA

Notes to Financial Statements
December 31, 2016

6. Long-Term Obligations (Continued)

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the revenue bonds:

Insurance

The utilities are 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. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year. Expiration for the following policies is January 1, 2017.

The utilities are covered under the following insurance policies at December 31, 2016:

Type	Coverage
Commercial General Liability	
Each occurrence	\$ 2,000,000
Damage to rented premises	300,000
Medical expense	10,000
Personal and advertising injury	2,000,000
General aggregate	2,000,000
Products/completed operations aggregate	2,000,000
Employee Benefits Liability	1,000,000
Business Auto Declarations	
Liability	2,000,000
Excess Umbrella Liability	3,000,000
Workers' Compensation and Employers' Liability	
Accident- each accident	1,000,000
Disease-each employee	1,000,000
Policy limit - disease	1,000,000

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

6. Long-Term Obligations (Continued)

Debt Coverage – Water and Sewer

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service of the bonds for water and 1.10 times for sewer. The coverage requirement was met for water and sewer:

	Water	Sewer
GROSS REVENUES		
Charges for Services	\$ 536,869	\$ 1,020,086
Other Operating Revenues	4,524	18,377
Impact Fees	4,200	11,500
Interest revenue	2,434	200
Total Operating Revenues	548,027	1,050,163
OPERATING EXPENSES		
Operation and Maintenance	243,648	450,381
Taxes	6,006	1,934
Total Operating Expenses	249,654	452,315
Net revenues	298,373	597,848
Highest Combined debt service - all bonds	204,794	380,896
Coverage Ratio	125%	110%
Net Revenues required	\$ 255,993	\$ 418,986
Coverage ratio is met for water and for sewer	\$ 42,380	\$ 178,862

Number of Customers – Water

The utility has the following number of customers and billed volumes for 2016:

	Water	
	Customers	Sales (00 cf)
Residential	839	3,783,476
Commercial	112	2,544,461
Industrial	25	1,285,460
Public Authority	30	1,075,030
Multi Family	50	975,300
	1,056	9,663,727

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

7. Conduit Debt Obligations

From time to time the Village has provided Industrial Revenue Bonds to provide financial assistance for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector served by the bond issuance. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Village helped provide Industrial Revenue Bonds for \$2,000,000 in 1997. The aggregate amount of Industrial Revenue Bonds outstanding for any prior issues is undetermined. The Village also issued Industrial Revenue Bonds of \$2,800,000 in 1999. The Village also approved an Industrial Revenue Bond in 2006 for \$1,500,000. This is for a local business.

The Village authorized \$8 million in Hospital Revenue Bonds in 2007. The proceeds were transferred to Ladd Memorial Hospital, Inc. (hereafter "Hospital") and used for the construction of hospital facilities. These bonds do not constitute an obligation of the Village.

8. Deferred Inflows of Resources

Deferred inflows of resources recorded by the Village at December 31, 2016 totaled \$2,533,778 in the governmental fund financials and \$2,323,067 in the Statement of Net Position Governmental Activities. The Proprietary Funds Deferred Inflows of Resources was \$72,447 for both the fund financials and the government-wide financials. The detail is outlined below for the governmental funds:

	General Fund	TIF #2/ RDA	Capital Projects Fund	TIF #1	Debt Service	Special Revenue Fund
Property Taxes 2016 Tax Roll	\$ 525,812	\$358,860	\$ -	\$354,315	\$448,325	\$ -
Prepaid Rent	-	-	-	-	-	26,497
Special Assessments	-	-	140,833	-	-	-
Special Charges	239,004	-	-	-	-	-
Grant Reimbursement Receivable	-	-	9,290	-	-	-
Pension	-	-	-	-	-	-
Loan Receivable	-	164,045	266,797	-	-	-
Total Deferred Inflows of Resources per Fund Financials	\$ 764,816	\$522,905	\$ 416,920	\$354,315	\$448,325	\$ 26,497
Government-wide adjustment for:						
Special Assessments	-	-	(140,833)	-	-	-
Loans Receivable	-	-	(266,797)	-	-	-
Grant Receivable	-	-	(9,290)	-	-	-
Deferred Inflows - Pension	206,209	-	-	-	-	-
Total Deferred Inflows of Resources per Government Wide Statement of Net Position	\$ 971,025	\$522,905	\$ -	\$354,315	\$448,325	\$ 26,497

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

9. Fund Balance and Net Position

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

	Nonspendable	Restricted	Unassigned	Total
<u>General Fund</u>				
Advance receivable	\$ 230,827	\$ -	\$ -	\$ 230,827
Prepaid expenses	20,227	-	-	20,227
Unassigned	-	-	416,713	416,713
Subtotal General Fund	\$ 251,054	\$ -	\$ 416,713	\$ 667,767
<u>Debt Service Fund</u>				
Deficit fund balance	\$ -	-	\$ (75,685)	\$ (75,685)
Subtotal Debt Service Fund	\$ -	\$ -	\$ (75,685)	\$ (75,685)
<u>TIF 2/RDA</u>				
TIF expenses and debt service	\$ -	\$ 447,394	\$ -	\$ 447,394
Subtotal TIF 2/RDA	\$ -	\$ 447,394	\$ -	\$ 447,394
<u>Capital Projects Funds</u>				
Deficit fund balance	\$ -	\$ -	\$ (647,130)	\$ (647,130)
Subtotal Capital Projects Fund	\$ -	\$ -	\$ (647,130)	\$ (647,130)
<u>Non-Major Funds</u>				
Community Trust Police	\$ -	\$ 1,456	\$ -	\$ 1,456
Law Enforcement Grants	-	151	-	151
Police Canine	-	-	(640)	(640)
Library ACT 150	-	1,303	-	1,303
Library Building Book Operating	-	7,367	-	7,367
Fire Community Trust	-	7,890	-	7,890
Urban Forestry Grant	-	2,421	-	2,421
Airport	-	11,068	-	11,068
Room Tax Fund	-	29,406	-	29,406
Insurance Reserve	-	24,447	-	24,447
Subtotal Non-Major Governmental Funds	\$ -	\$ 85,509	\$ (640)	\$ 84,869
GRAND TOTAL ALL FUNDS	\$ 251,054	\$ 532,903	\$ (306,742)	\$ 477,215

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

9. Fund Balance and Net Position (Continued)

Deficit Fund Balances

The following funds have a deficit fund balance:

Fund	Deficit Fund Balance
Debt Service	\$ 75,685
Capital Projects	\$ 647,130
Police Canine	\$ 640

The Village will address these deficits in conjunction with the 2018 budget process. The Capital Projects deficit is anticipated to be reimbursed through a 2017 debt issue. The other deficits will be addressed in 2018.

Net Investment in Capital Assets

Net investment in capital assets was as follows:

	Governmental Activities	Water	Sewer	Total Business-type Activities
Capital assets	\$ 16,195,951	\$ 6,122,764	\$ 9,481,761	\$ 15,604,525
less current portion of debt	(950,938)	(480,168)	(442,995)	(923,163)
less long-term debt	(3,429,509)	(1,137,990)	(5,006,403)	(6,144,393)
less capital short-term debt				-
less deferred regulatory credit	-	(46,465)	-	(46,465)
add debt not related to capital assets-				
debt reserve	197,500	204,794	-	204,794
	\$ 12,013,004	\$ 4,662,935	\$ 4,032,363	\$ 8,695,298

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

9. Fund Balance and Net Position (Continued)

The restricted net position as of December 31, 2016 consist of the following:

	Governmental Activities	Water	Sewer	Total Business-Type Activities
Restricted for:				
Debt Service - Redemption Fund	\$ -	\$ 20,937	\$ 218,857	\$ 239,794
Equipment Replacement	-	-	252,077	252,077
Water& Sewer Impact Fees	-	4,200	11,500	15,700
Capital Project Fund Impact fees	31,060	-	-	-
Capital Projects -TIF 2	447,394			
Non-Major Governmental Funds				
Community Trust Police	1,456	-	-	-
Law Enforcement Grants	151	-	-	-
Library ACT 150	1,303	-	-	-
Library Building Book Operating	7,367	-	-	-
Fire Community Trust	7,890	-	-	-
Urban Forestry	2,421	-	-	-
Airport	11,068	-	-	-
Room Tax	29,406	-	-	-
Insurance Reserve	24,447	-	-	-
	\$ 563,963	\$ 25,137	\$ 482,434	\$ 507,571

10. Agreement with Village of Dresser

The Village has entered into an agreement with the Village of Dresser to treat the wastewater effluent of the Village of Dresser at the Osceola wastewater treatment plant. An amendment to the agreement was put into effect on May 2, 2005 to reflect cost-sharing for the new treatment plant. The agreement requires quarterly payments by the Village of Dresser for its share of operation and maintenance expenses plus a depreciation charge associated with the treatment plant. The agreement became effective January 11, 1985. The amount chargeable to the Village of Dresser for its share of 2016 operation and maintenance expenses and depreciation charges was \$215,099.

The Village's sewer fund has a receivable from the Village of Dresser accrued for \$71,014 as of December 31, 2016. This is the fourth quarter bill. In addition, \$22,074 will be paid to the Village of Osceola as a result of the true-up.

In 2014 and 2015, the Village calculations for the true-up used the wrong flows. Recalculations for 2014 and 2015 result in an additional receivable due of \$20,965 and \$20,771 for 2014 and 2015, respectively.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

11. Tax Incremental Districts

The Village has created two tax incremental financing districts (TIDs) in accordance with Section 66.46 of the Wisconsin Statutes. The ordinance creating TID #1 was dated June 9, 1987. The ordinance creating TID #2 was dated July 27, 1992. The project plans, on file in the office of the Village Administrator, detail the proposed projects, the estimated years of construction or site acquisition and the estimated costs of the individual project components. Transactions of the tax incremental districts have been accounted for in separate capital projects funds. Project expenditures have been financed by proceeds from long-term borrowing and advances from the general-fund. The indebtedness is expected to be paid from the increase in property tax revenue which results from the increased valuation in the tax incremental districts. The following is a summary of the two districts' expenditures and revenues through December 31, 2016:

	TIF #1	TIF #2
Accumulated Project Expenditures:		
Construction and Administration	\$ 4,628,142	\$ 7,530,261
Interest on Debt and Debt Issuance Costs	830,659	2,887,346
Total Expenditures	\$ 5,458,801	\$ 10,417,607
Accumulated Project Revenues	5,458,801	8,821,124
Future Project Revenues Necessary to Recover Net Expenditures to Date	\$ -	\$ 1,596,483

The summary of transactions on the previous page is reconcilable to the fund balances in the TIF funds at December 31, 2016 as follows:

	TIF #1	TIF #2
Project Debt Obligation Outstanding at 12/31/2016	\$ -	\$ 2,026,877
Less: Unrecovered Expenditures Above	-	(1,596,483)
Plus: Transfer from General Fund	-	17,000
Ending Fund Balance 12/31/2016	\$ -	\$ 447,394

The Village's Tax Incremental Financing District #1 has been allocating positive increment to TIF #2. To date, the District has transferred \$2,986,148 to TIF #2, including \$304,754 in 2016.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

12. Wisconsin Retirement System

Plan description

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

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

Vesting

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

Benefits provided

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

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

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

The WRS also provides death and disability benefits for employees.

VILLAGE OF OSCEOLA

Notes to Financial Statements
December 31, 2016

12. Wisconsin Retirement System (Continued)

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

Contributions

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

During the reporting period, the WRS recognized \$60,874 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.49%
Protective without Social Security	6.6%	13.29%

VILLAGE OF OSCEOLA

Notes to Financial Statements
December 31, 2016

12.. Wisconsin Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Village of Osceola reported a liability of \$110,332 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village of Osceola's proportion of the net pension liability was based on the Village of Osceola's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Village of Osceola's proportion was 0.00678973%, which was an decrease of 0.00043596% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Village of Osceola recognized pension expense of \$137,029.

At December 31, 2016, the Village of Osceola reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (232,191)
Changes of assumptions	77,193	-
Net difference between projected and actual earnings on pension plan investments	451,730	-
Changes in proportion and difference between Village contributions and proportionate share of contributions	15,405	-
Village contributions subsequent to the measurement date	79,097	-
Total	<u>\$ 623,425</u>	<u>\$ (232,191)</u>

\$79,097 reported as deferred outflows related to pension resulting from the Village of Osceola's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

12. Wisconsin Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 146,183	\$ (56,191)
2018	146,183	(56,191)
2019	146,183	(56,191)
2020	121,649	(56,191)
2021	2,795	(7,428)

Actuarial assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

12. Wisconsin Retirement System (Continued) Long-term Expected Return on Plan Assets

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

Retirement Funds								
Asset Allocation Targets and Expected Returns								
As of December 31, 2015								
<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>		<u>Destination Target Asset Allocation %</u>		<u>Long-Term Expected Nominal Rate of Return %</u>		<u>Long-Term Expected Real Rate of Return %</u>	
U.S. Equities	27	%	23	%	7.6	%	4.7	%
International Equities	24.5		22		8.5		5.6	
Fixed Income	27.5		37		4.4		1.6	
Inflation Sensitive Assets	10		20		4.2		1.4	
Real Estate	7		7		6.5		3.6	
Private Equity/Debt	7		7		9.4		6.5	
Multi-Asset	4		4		6.7		3.8	
Total Core Fund	107	%	120	%	7.4	%	4.5	%
<u>Variable Fund Asset Class</u>								
U.S. Equities	70	%	70	%	7.6	%	4.7	%
International Equities	30		30		8.5		5.6	
Total Variable Fund	100	%	100	%	7.9	%	5.0	%
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%								
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations								

Single Discount Rate

A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF OSCEOLA

Notes to Financial Statements
December 31, 2016

12. Wisconsin Retirement System (Continued)

Sensitivity of the Village of Osceola’s proportionate share of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$ 773,869	\$ 110,332	\$ (407,903)

Pension plan fiduciary net position

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

Payables to the Pension Plan

At December 31, 2016, the Village had no outstanding amount of contributions due to the pension plan required for the year ended December 31, 2016.

13. Intergovernmental Agreements

Fire Protection

The Village of Osceola entered into a fire protection agreement with the Town of Farmington. The agreement specifies that the Village will provide fire protection service to the Township. The Town is required to reimburse the Village a sum equal to .75 mills based on the Town’s equalized value.

The Town reimbursed the Village \$109,159 in 2016.

EMS

The Village of Osceola, along with the Towns of Farmington, Osceola and Alden and the Village of Dresser, participate in the Osceola Area Ambulance Service Commission. The Commission provides EMS services to the respective communities. Each community appoints 2 members to the Board of Directors. Annual contributions by the Village are \$10.00 per resident. In 2016, the contribution was \$28,961 including pass-through of Act 102 monies from the state.

VILLAGE OF OSCEOLA

Notes to Financial Statements December 31, 2016

14. Related Parties

Osceola Industrial Development Corporation (OIDC)

The OIDC is a Wisconsin non-stock corporation with a seven member board of directors. The Village Administrator serves on the board. The following transactions were consummated between the Village and the OIDC.

- There are separate marketing agreements between the Village and the OIDC. As land in the industrial park is sold, the OIDC keeps the sale proceeds and pays the Village its cost of land. There were no sales transactions in 2016.

15. Redevelopment Authority

The Village, in 2001, created a redevelopment authority (“the authority”) pursuant to Wisconsin Statute Section 66.133. The Authority is a legally separate entity that is appointed by the Village Board. The intention of the Authority is to purchase, manage and finance public improvements associated with TIF #2. The Authority obtained financing (RDA lease revenue bonds) that was used to purchase TID #2 infrastructure from the Village and lease the infrastructure back to the Village. The Village has approved the following:

- A Cooperative Agreement between the Village and the Authority.
- A purchase agreement between the Village and the Authority.
- A lease of public improvements from the Authority to the Village.

16. Bio-Solids Joint Commission

The Village of Osceola, along with ten other communities, is a member of the West Central Wisconsin Bio-Solids Facility Commission. The Commission was created under Section 66.30 Wis. Stats. The purpose of the Commission is to create and operate a facility for disposal of Bio-Solids waste. The Village's share of costs for 2016 was \$132,703. Total 2016 costs of \$134,245 were offset by a 2015 credit of \$1,542.

17. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; worker’s compensation; and health care of its employees. All risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years.

18. Effect of New Accounting Standards on Current Period Financial Statements

The Government Accounting Standards Board (GASB) has approved GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When they become effective, application of these standards may restate portions of these financial statements.

VILLAGE OF OSCEOLA

**Notes to Financial Statements
December 31, 2016**

19. Short-Term Debt

At 12/31/2016 the following short-term debt is outstanding:

Fund	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Outstanding Debt
Debt Service Fund Short-Term Debt	\$97,000				\$ 97,000
Capital Projects Fund Short-Term Debt	403,000				403,000
Governmental Short-Term Debt	<u>\$500,000</u>	4/29/2016	5/1/2017	3.50%	<u>\$ 500,000</u>

The following is a summary of short-term debt transactions of the Village for the year ended December 31, 2016:

	Balance 1/1/2016	Issued	Retired	Balance 12/31/2016
Governmental Activities				
Capital Projects Fund Short-Term Debt	\$ 750,000	\$ 403,000	\$ 750,000	\$ 403,000
Debt Service Line of Credit	-	97,000		97,000
Total Short-Term Debt	<u>\$ 750,000</u>	<u>\$ 500,000</u>	<u>\$ 750,000</u>	<u>\$ 500,000</u>

20. Commitments and Contingencies

Commitments

TIF

The Village has two TIF districts. The Districts are subject to audits at several times including termination of the District. The Districts are subject to requests for reimbursement if expenditures are questioned. No provision for liability exists since management does not believe that there will be any material disallowances.

Capital Projects

The Village has \$259,083 in outstanding commitments for the following:

- Energy Saving Measures
- Contract for the design of Village Hall – This is part of an approved \$2.4 million referendum for a Village hall
- Contract for 4th Avenue/Kent Street Utilities

21. Subsequent Events

Subsequent to year-end the Village approved the following:

- Approved acquisition of the Fullerton property for \$900,000 and remodeling for \$72,000.
- Approved Issuance and Sale of \$900,000 GO Promissory Note.
- Authorized submission of EDA Public Works Application for Fab Lab in the amount of \$691,084 which the Village will match with 50% of the project cost. The Village share will be paid by the Mill Pond Learning Foundation.
- Approved the Loan Commitment letter for financing on 5 notes.
- Approved 3% increase in water rates effective October 1, 2017
- Approved total bid packages for the Osceola Fire Station and the Village Hall/Library/Discovery Center

REQUIRED SUPPLEMENTAL INFORMATION

**Village of Osceola
Osceola, Wisconsin**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (with Variances)
General Fund
For the year ended December 31, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 520,884	\$ 520,884	\$ 520,884	\$ -
Other Taxes	22,164	19,000	24,428	5,428
Intergovernmental	496,989	508,489	544,337	35,848
License and Permits	40,910	40,910	64,737	23,827
Fines, Forfeits and Penalties	-	28,000	31,545	3,545
Public Charges for Services	34,000	270,100	271,995	1,895
Intergovernmental Charges for Services	103,000	103,000	109,159	6,159
Interest Income	1,000	1,000	734	(266)
Miscellaneous Income	69,300	69,300	77,043	7,743
Total Revenues	<u>1,288,247</u>	<u>1,560,683</u>	<u>1,644,862</u>	<u>84,179</u>
EXPENDITURES				
Current:				
General Government	235,950	290,600	294,869	(4,269)
Public Safety	648,667	913,667	959,426	(45,759)
Public Works	231,170	237,584	260,408	(22,824)
Culture, Recreation and Education	70,690	70,745	87,577	(16,832)
Conservation and Development	19,165	19,165	19,444	(279)
Total Expenditures	<u>1,205,642</u>	<u>1,531,761</u>	<u>1,621,724</u>	<u>(89,963)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>82,605</u>	<u>28,922</u>	<u>23,138</u>	<u>(5,784)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	100	100	3,000	2,900
Transfers In	134,000	134,000	144,468	10,468
Transfers Out	(594,555)	(161,000)	(163,728)	(2,728)
Total Other Financing Sources and Uses	<u>(460,455)</u>	<u>(26,900)</u>	<u>(16,260)</u>	<u>10,640</u>
Net Change in Fund Balances	(377,850)	2,022	6,878	4,856
Fund Balances - Beginning	660,889	660,889	660,889	-
Fund Balances - Ending	<u>\$ 283,039</u>	<u>\$ 662,911</u>	<u>\$ 667,767</u>	<u>\$ 4,856</u>

**VILLAGE OF OSCEOLA
WISCONSIN RETIREMENT SYSTEM
December 31, 2016**

**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE**

Last 10 Fiscal Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00678973%	\$ 110,332	\$ 798,500	13.82%	98.20%
2014	0.00722569%	(177,483)	861,405	(20.60%)	102.74%

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

**SCHEDULE OF VILLAGE'S CONTRIBUTIONS
FOR THE YEAR ENDED**

Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 125,158	\$ (125,158)	\$ -	\$ 879,276	14.23%
2015	116,638	(116,638)	-	798,500	14.61%

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

VILLAGE OF OSCEOLA

Notes to Required Supplemental Information December 31, 2016

1. Notes to Budgetary Comparison Schedule

A. Basis of Accounting

The General Fund budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. See Note 1 (G) in the notes to the financial statements for more information on the Village's budgetary information.

B. Excess Expenditures over Appropriations

The Village controls expenditures at the department level. The following departments exceeded the departmental budget:

<u>DEPARTMENT</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
General Government	\$294,869	\$290,600	\$ 4,269
Public Safety	959,426	913,667	45,759
Public Works	260,408	237,584	22,824
Culture, Recreation and Education	87,577	70,745	16,832
Conservation and Development	19,444	19,165	279

2. Notes to Wisconsin Retirement System Schedules

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Change of Benefit Terms

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

Changes of Assumptions

Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

OTHER SUPPLEMENTAL INFORMATION

**Village of Osceola
Osceola, Wisconsin**

**Non-Major Special Revenue Funds
Combining Balance Sheet
December 31, 2016**

	<u>CDBG</u>	<u>Community Trust Police</u>	<u>Law Enforcement Grants</u>	<u>Police Canine</u>	<u>Library ACT 150</u>	<u>Library Building Book Operating</u>
ASSETS						
Cash and Cash Equivalents	\$ 100	\$ 1,456	\$ 151	\$ 3,885	\$ 6,212	\$ 7,367
Receivables:						
Due from Other Funds	-	-	-	-	21	-
Total Assets	<u>\$ 100</u>	<u>\$ 1,456</u>	<u>\$ 151</u>	<u>\$ 3,885</u>	<u>\$ 6,269</u>	<u>\$ 7,367</u>
LIABILITIES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,535	\$ 4,059	\$ -
Due to Other Funds	100	-	-	1,990	-	-
Short-Term Compensated Absences	-	-	-	-	907	-
Total Liabilities	<u>100</u>	<u>-</u>	<u>-</u>	<u>4,525</u>	<u>4,966</u>	<u>-</u>
FUND BALANCES						
Restricted	-	1,456	151	-	1,303	7,367
Unassigned	-	-	-	(640)	-	-
Total Fund Balances	<u>-</u>	<u>1,456</u>	<u>151</u>	<u>(640)</u>	<u>1,303</u>	<u>7,367</u>
Total Liabilities and Fund Balances	<u>\$ 100</u>	<u>\$ 1,456</u>	<u>\$ 151</u>	<u>\$ 3,885</u>	<u>\$ 6,269</u>	<u>\$ 7,367</u>

**Village of Osceola
Osceola, Wisconsin**

**Non-Major Special Revenue Funds
Combining Balance Sheet
December 31, 2016**

	<u>Fire Community Trust</u>	<u>Urban Forestry Grant</u>	<u>Airport</u>	<u>Room Tax Fund</u>	<u>Insurance Reserve</u>	<u>Non-Major Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 7,890	\$ 2,421	\$ 27,022	\$ 22,327	\$ 28,501	\$ 107,332
Receivables:						
Accounts	-	-	20,395	-	-	20,395
Other	-	-	-	7,079	-	7,079
Prepaid Expenses	-	-	-	-	-	36
Due from Other Funds	-	-	-	-	-	21
Total Assets	<u>\$ 7,890</u>	<u>\$ 2,421</u>	<u>\$ 47,417</u>	<u>\$ 29,406</u>	<u>\$ 28,501</u>	<u>\$ 134,863</u>
LIABILITIES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 9,828	\$ -	\$ 4,054	\$ 20,476
Due to Other Funds	-	-	24	-	-	2,114
Short-Term Compensated Absences	-	-	-	-	-	907
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,852</u>	<u>-</u>	<u>4,054</u>	<u>23,497</u>
DEFERRED INFLOWS OF RESOURCES						
Prepaid Rent	-	-	26,497	-	-	26,497
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>26,497</u>	<u>-</u>	<u>-</u>	<u>26,497</u>
FUND BALANCES						
Restricted	7,890	2,421	11,068	29,406	24,447	85,509
Unassigned	-	-	-	-	-	(640)
Total Fund Balances	<u>7,890</u>	<u>2,421</u>	<u>11,068</u>	<u>29,406</u>	<u>24,447</u>	<u>84,869</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,890</u>	<u>\$ 2,421</u>	<u>\$ 47,417</u>	<u>\$ 29,406</u>	<u>\$ 28,501</u>	<u>\$ 134,863</u>

**Village of Osceola
Osceola, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Community Trust Police</u>	<u>Law Enforcement Grants</u>	<u>Police Canine</u>	<u>Library ACT 150</u>	<u>Library Building Book Operating</u>
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ 107,300	\$ -
Public Charges for Services	-	-	-	17,969	134
Miscellaneous Income	-	-	800	10,044	-
Total Revenues	<u>-</u>	<u>-</u>	<u>800</u>	<u>135,313</u>	<u>134</u>
EXPENDITURES					
Current:					
Public Safety	-	-	11,843	-	-
Culture, Recreation and Education	-	-	-	257,474	70
Total Expenditures	<u>-</u>	<u>-</u>	<u>11,843</u>	<u>257,474</u>	<u>70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(11,043)</u>	<u>(122,161)</u>	<u>64</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	125,000	-
Transfers Out	-	-	(5,000)	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>125,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	(16,043)	2,839	64
Fund Balances - Beginning	1,456	151	15,403	(1,536)	7,303
Fund Balances - Ending	<u>\$ 1,456</u>	<u>\$ 151</u>	<u>\$ (640)</u>	<u>\$ 1,303</u>	<u>\$ 7,367</u>

**Village of Osceola
Osceola, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Fire Community Trust</u>	<u>Urban Forestry Grant</u>	<u>Airport</u>	<u>Room Tax Fund</u>	<u>Insurance Reserve</u>	<u>Non-Major Governmental Funds</u>
REVENUES						
Other Taxes	\$ -	\$ -	\$ -	\$ 21,769	\$ -	\$ 21,769
Intergovernmental	-	-	-	-	-	107,300
Public Charges for Services	-	-	64,441	-	-	82,544
Miscellaneous Income	-	-	1,332	-	-	12,176
Total Revenues	<u>-</u>	<u>-</u>	<u>65,773</u>	<u>21,769</u>	<u>-</u>	<u>223,789</u>
EXPENDITURES						
Current:						
General Government	-	-	1,315	-	-	1,315
Public Safety	-	-	-	-	-	11,843
Public Works	-	-	53,757	-	4,975	58,732
Culture, Recreation and Education	-	-	-	-	-	257,544
Conservation and Development	-	-	-	9,370	-	9,370
Capital Outlay	-	-	8,139	-	-	8,139
Total Expenditures	<u>-</u>	<u>-</u>	<u>63,211</u>	<u>9,370</u>	<u>4,975</u>	<u>346,943</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>2,562</u>	<u>12,399</u>	<u>(4,975)</u>	<u>(123,154)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	10,000	-	-	135,000
Transfers Out	-	-	-	(4,000)	(5,000)	(14,000)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(4,000)</u>	<u>(5,000)</u>	<u>121,000</u>
Net Change in Fund Balances	-	-	12,562	8,399	(9,975)	(2,154)
Fund Balances - Beginning	7,890	2,421	(1,494)	21,007	34,422	87,023
Fund Balances - Ending	<u>\$ 7,890</u>	<u>\$ 2,421</u>	<u>\$ 11,068</u>	<u>\$ 29,406</u>	<u>\$ 24,447</u>	<u>\$ 84,869</u>

VILLAGE OF OSCEOLA
Osceola, Wisconsin

DEBT REPAYMENT SCHEDULES
General Debt (Excluding TIF, Water and Sewer)
12/31/2016

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 377,261	\$ 59,448	\$ 436,709
2018	375,475	48,225	423,700
2019	357,034	37,495	394,529
2020	321,000	27,085	348,085
2021	326,000	17,620	343,620
2022	265,000	11,350	276,350
2023	235,000	7,050	242,050
	<u>\$ 2,256,770</u>	<u>\$ 208,273</u>	<u>\$ 2,465,043</u>
2017-2021	\$ 1,430,770	\$ 172,253	\$ 1,603,023
2022-2023	826,000	36,020	862,020
	<u>\$ 2,256,770</u>	<u>\$ 208,273</u>	<u>\$ 2,465,043</u>

VILLAGE OF OSCEOLA

DEBT REPAYMENT SCHEDULES

TIF #2

12/31/2016

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 371,877	\$ 26,920	\$ 398,797
2018	375,000	23,820	398,820
2019	410,000	16,880	426,880
2020	380,000	9,247	389,247
	<u>\$ 1,536,877</u>	<u>\$ 76,867</u>	<u>\$ 1,613,744</u>
2017-2020	\$ 1,536,877	\$ 76,867	\$ 1,613,744
	<u>\$ 1,536,877</u>	<u>\$ 76,867</u>	<u>\$ 1,613,744</u>

VILLAGE OF OSCEOLA
DEBT REPAYMENT SCHEDULES
RDA
12/31/2016

Lease Revenue Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 105,000	\$ 13,810	\$ 118,810
2018	125,000	11,185	136,185
2019	125,000	7,810	132,810
2020	<u>135,000</u>	<u>4,185</u>	<u>139,185</u>
Total	<u>\$ 490,000</u>	<u>\$ 36,990</u>	<u>\$ 526,990</u>
2017-2020	<u>\$ 490,000</u>	<u>\$ 36,990</u>	<u>\$ 526,990</u>
	<u>\$ 490,000</u>	<u>\$ 36,990</u>	<u>\$ 526,990</u>

VILLAGE OF OSCEOLA
Osceola, Wisconsin

DEBT REPAYMENT SCHEDULES
Water Utility
12/31/2016

MORTGAGE REVENUE BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 142,473	\$ 45,101	\$ 187,574
2018	142,661	40,753	183,414
2019	152,854	36,399	189,253
2020	153,053	31,741	184,794
2021	158,256	26,728	184,984
2022	183,465	21,329	204,794
2023	188,680	12,355	201,035
2024	8,901	3,124	12,025
2025	9,127	2,888	12,015
2026	9,359	2,645	12,004
2027	9,597	2,396	11,993
2028	112,362	2,141	114,503
2029	9,675	129	9,804
	<u>\$ 1,280,463</u>	<u>\$ 227,729</u>	<u>\$ 1,508,192</u>
2017-2021	\$ 749,297	\$ 180,722	\$ 930,019
2022-2026	399,532	42,341	441,873
2027-2029	131,634	4,666	136,300
	<u>\$ 1,280,463</u>	<u>\$ 227,729</u>	<u>\$ 1,508,192</u>

VILLAGE OF OSCEOLA
Osceola, Wisconsin

DEBT REPAYMENT SCHEDULES
Sewer Utility
12/31/2016

MORTGAGE REVENUE BONDS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 307,995	\$ 72,901	\$ 380,896
2018	315,463	65,333	380,796
2019	323,111	57,582	380,693
2020	330,945	49,642	380,587
2021	338,970	41,510	380,480
2022	347,189	33,181	380,370
2023	355,609	24,651	380,260
2024	364,232	15,912	380,144
2025	373,064	6,962	380,026
2026	580	2,428	3,008
2027	580	2,418	2,998
2028	141,660	2,408	144,068
	<u>\$ 3,199,398</u>	<u>\$ 374,928</u>	<u>\$ 3,574,326</u>
2017-2021	\$ 1,616,484	\$ 286,968	\$ 1,903,452
2022-2026	1,440,674	83,134	1,523,808
2027-2028	142,240	4,826	147,066
	<u>\$ 3,199,398</u>	<u>\$ 374,928</u>	<u>\$ 3,574,326</u>