

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

**Basic Financial Statements
And Supplementary Information**
Year Ended December 31, 2016

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion & Analysis	3 - 8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position – Agency Funds	15
Notes to Financial Statements	16 - 43

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

**Audited Financial Statements
And Supplementary Information**
Year Ended December 31, 2016

Table of Contents
(Continued)

	<u>Page</u>
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund Revenues	44 - 45
Budgetary Comparison Schedule – General Fund Expenditures	46 – 51
Schedules of Proportionate Share of the Net Pension Asset (Liability) and Employer Contributions	52
Notes to Required Supplementary Information	53
Supplementary Financial Information:	
Balance Sheet – Nonmajor Governmental Funds Capital Project Funds	54
Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Project Funds	55
Balance Sheet – Nonmajor Governmental Funds Special Revenue Funds	56
Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	57

Thomas G. Wieland
David A. Grotkin
Joel A. Joyce
Brian J. Mechenich



Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse
Joshua T. Bierbach

Independent Auditors' Report

The Village Board
Village of River Hills
Milwaukee County, Wisconsin

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

Emphasis of Matter

As discussed in Note 5F to the financial statements, the January 1, 2016 net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

May 3, 2017
Milwaukee, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of River Hills, Wisconsin

December 31, 2016

Our discussion and analysis of the Village of River Hills' financial performance provides an overview of the Village's financial activities for the fiscal year that ended on December 31, 2016. Please read it in conjunction with the Village's financial statements following this section.

Financial Highlights

- The Village's total net position increased by \$393,532, or 407%, from December 31, 2015 to December 31, 2016. The Village's unrestricted portion of net position increased by \$432,553, or 48% during 2016.
- Fund balance for total governmental funds increased by \$224,936, or 48% during 2016. The general fund's fund balance increased by \$138,365 during 2016.
- Capital asset balances increased by a net total of \$296,320, or 9%, while total long-term debt increased by a net total of \$9,901, or .02% during 2016.

Overview of the Financial Statements

This annual financial report consists of three parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

The basic financial statements include Statements of Net Position, Statement of Activities, Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances and Notes to the Financial Statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The Statement of Net Position reports information about the Village as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two government-wide statements report the Village's net position and how they have changed. Net position – the difference between the Village's assets and liabilities is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional non-financial factors such as changes in the Village's property tax base, economy and rate of growth.

The government-wide financial statements of the Village include:

- Governmental activities – The Village's basic services are included here such as police, fire, public works, assessing, finance and administration. Property taxes and state aid finance most of these activities.

The fund financial statements provide detailed information about the Village's significant funds. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Village of River Hills, Wisconsin
December 31, 2016

Overview of the Financial Statements (continued)

The Village has two kinds of funds:

- Governmental funds – Most of the Village’s basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, governmental funds statements tell how general government services like public safety and public works were financed in the short term as well as what future spending remains. Because this information does not encompass the additional long-term focus of government-wide statements, additional information is provided on separate pages explaining the differences between them.
- Fiduciary funds – Trust and Agency funds are used to account for assets held by the village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Trust and Agency fund included in these statements is the Tax Collection Fund. The Village is an agent for collection of all taxing districts, including Maple Dale/Indian Hill School District, Glendale-River Hills School District, Nicolet Union High School District, Milwaukee Area Technical College, Milwaukee Metropolitan Sewerage District, Milwaukee County and the State of Wisconsin. All of the Village’s fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Village’s government-wide financial statements because these assets cannot be used to finance operations.

Financial Analysis of the Village as a Whole

A summary of the Village’s Statement of Net Position presented below in Table 1.

Table 1
Condensed Statement of Net Position

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 4,023,302	\$ 4,486,250
Capital Assets	3,502,459	3,206,139
Total Assets	7,525,761	7,692,389
Deferred outflows of resources	1,174,389	342,667
Current and other liabilities	812,798	1,144,787
Long-term liabilities	3,751,323	3,590,742
Total Liabilities	4,564,121	4,735,529
Deferred Inflow of Resources	3,678,053	3,232,906
Net investment in capital assets	229,576	152,438
Restricted	769,042	917,378
Unrestricted	(540,642)	(973,195)
Total Net Position	\$ 457,976	\$ 96,621

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of River Hills, Wisconsin

December 31, 2016

Financial Analysis of the Village as a Whole (continued)

Statement of Net Position: During 2016, current and other assets decreased by \$462,948 or 11.5% as a result of:

- Decrease in cash and investments of \$2,068,501.
- Increase in taxes receivable of \$242,709, due mainly to a decrease in tax collections prior to the year end.
- Net pension asset of \$328,412 in 2015 converted to a net pension liability in 2016, mostly due to differences between actual and expected return on investments at the Wisconsin Retirement System.

Capital assets increased by \$296,320 or 9%. Please refer to page 7 for further discussion about capital asset activity.

Deferred outflows related to the pension liability increased in the amount of \$831,722, mostly due to differences in actual and expected return on investments and changes in assumptions.

There was an increase in deferred inflows of \$475,147 due to increases in the property tax levy for 2016 and difference between actual and expected experience related to the pension liability.

Long-term debt increased by \$9,901 or .02% during 2016, due mainly to the following reasons:

- The auditors made a prior period correction of \$69,027 to the sick and merit pay owed to employees.

**Table 2
Condensed Statement of Activities**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program:		
Charges for services	\$ 795,269	\$ 764,794
Operating grants and contributions	324,398	378,519
General:		
Taxes	3,204,025	3,143,180
Other	149,390	42,937
Total Revenues	<u>4,473,082</u>	<u>4,329,430</u>
Expenses:		
General government	461,027	525,578
Public safety	2,100,082	1,947,225
Public works	1,023,471	1,002,740
Culture, recreation and education	54,546	1,343
Health, conservation and sanitation	316,450	307,510
Interest and fiscal charges	106,467	99,662
Unallocated depreciation	17,507	17,507
Total expenses	<u>4,079,550</u>	<u>3,901,565</u>
Change in net position	393,532	427,865
Net Position – beginning	96,621	(835,473)
Prior Period Adjustment	(32,177)	504,229
Net Position-beginning as adjusted	<u>64,444</u>	<u>(331,244)</u>
Net Position – ending	<u>457,976</u>	<u>96,621</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
Village of River Hills, Wisconsin
December 31, 2016

Financial Analysis of the Village as a Whole (continued)

Charges for services increased by \$30,475, or 4%, consistent with inflation.

The Village's operating grants and contributions decreased by \$54,121. Property taxes increased by \$60,845 or 2% due to increases in the levy limit.

Overall, the Village's expenses increased by 4.5%. Increases in total are mostly driven by health insurance premiums which are rising at a faster rate than other costs.

Financial Analysis of Village's Funds

General fund: Revenues remained fairly consistent during 2016 with the exception of state shared revenue which increased by \$97,292. The increase was a result of not qualifying for the expenditure restraint program in 2015. Other noteworthy increases in revenues are an increase in police OWI and speed enforcement grants. Attorney fees decreased by \$29,526. Public safety expenditures increased by \$86,554 due mostly to increases in central dispatch and fire department assessments and overtime pay. Public works expenditures decreased by \$21,466 due mostly to a change in presenting capital outlay separately from public works expenditures and a decrease in general in budgets for capital expenditures. Other expenditures remained fairly static during 2016. Overall general fund expenditures decreased by \$146,751, mostly due to decreases in capital expenditures.

Scheduled debt service payments increased in 2016 by \$55,113.

General Fund Budgetary Highlights

Budgets are adopted at the departmental level of expenditures. There were no budget adjustments approved by the Board during 2016.

Actual revenues collected in the General Fund were relatively consistent with budgeted amounts, with an overall positive variance of \$128,630. This variance is mostly due to unbudgeted revenue sources such as unanticipated grants received in the Police Department, and also higher than anticipated franchise fees.

Actual expenditures in the General Fund exceeded budget by \$6,753. The Police Department overexpended by \$47,995 due mostly to overages in overtime and central dispatch assessments.

As we continue to improve our internal accounting practices through assistance from Sikich Accountants and input from Reilly, Penner & Benton LLP, governmental accounting standards will be applied earlier in the budget process, making the classification of funds meet established standards.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Village of River Hills, Wisconsin
December 31, 2016

Capital Assets and Debt Administration

Table 3
Capital Assets

	January 1, 2016	Prior Period Adjustment	Additions	Disposals	December 31, 2016
Capital Assets:					
Land and easements	\$ 101,800	\$ -	\$ -	\$ -	\$ 101,800
Construction in progress	164,112	-	-	-	164,112
Land improvements	1,778,667	-	239,276	-	2,017,943
Buildings	307,332	-	-	-	307,332
Building improvements	640,587	-	5,000	-	645,587
Equipment	1,041,008	-	23,898	14,600	1,050,306
Office equipment	33,523	-	14,946	-	48,469
Computer software	35,244	-	19,600	15,850	38,994
Vehicles	626,347	-	177,426	101,198	702,575
Infrastructure	720,477	-	99,633	-	820,110
Total capital assets	<u>5,449,097</u>	<u>-</u>	<u>579,779</u>	<u>131,648</u>	<u>5,897,228</u>
Less: Accumulated depreciation	<u>2,242,958</u>	<u>(36,850)</u>	<u>320,309</u>	<u>131,648</u>	<u>2,394,769</u>
Net capital assets	<u>\$ 3,206,139</u>	<u>\$ (36,850)</u>	<u>\$ 259,470</u>	<u>\$ -</u>	<u>\$ 3,502,459</u>

Capital projects taking place during the year include the Annual Road Paving project (\$276,000), and Green Tree Road project (\$100,000). The Village's Department of Public Works also purchased a plow truck (\$35,000), truck (\$72,000) and lawn mower (\$22,000).

Table 4
Long-Term Obligations

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Long-term debt:					
General obligation debt	\$ 3,778,913	\$ ---	\$ 519,293	\$ (587,671)	\$ 3,710,535
Other liabilities:					
Accumulated unpaid sick pay	333,636	55,509	21,461	(13,952)	396,654
Accumulated unpaid merit days	80,864	13,518	3,354	(1,611)	96,125
Total long-term obligations	<u>\$ 4,193,413</u>	<u>\$ 69,027</u>	<u>\$ 544,108</u>	<u>\$ (603,234)</u>	<u>\$ 4,203,314</u>

Long-term Debt: At year end the Village had general obligation promissory notes and a State Trust Fund Loan that totaled \$3,710,535 and total long-term obligations of \$4,203,314. The Village has the power to incur indebtedness for Village purposes specified by statute in an aggregate amount, not to exceed five percent of the equalized value of taxable property in the Village. Our legal debt capacity as of December 31, 2016 was \$24,784,095 so the Village is currently at 14.97% of capacity. We have additional borrowing capacity of \$21,073,560.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Village of River Hills, Wisconsin
December 31, 2016

Economic Factors and Next Year's Budget

One historic strength of the Village is its tax base. For a municipal government such as River Hills, with most revenue derived from property taxes, protecting the tax base is primary. We are seeing trends in post-recession River Hills where housing sales are clearly on the rebound. We are convinced the turnover of homes caused by the recession has stabilized and strengthened the tax base.

With the 2016 Budget we see a return to borrowing for capital improvements. As we approach the 2017 budget, we will be exploring opportunities to enhance revenues and cut expenditures with the development of a 10 year budget and capital expenditure plan. We feel this plan will help better forecast annual operation and maintenance costs, including a long range capital expenditure forecast so that the two can be better balanced. Our goal is to develop a sustainable plan for financing the ongoing maintenance of current services.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Village of River Hills, 7650 North Pheasant Lane, River Hills, WI 53217.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Statement of Net Position
December 31, 2016

	Governmental Activities
Assets:	
Current assets	
Cash and investments	\$ 372,416
Taxes receivable	1,676,984
Due from agency fund	1,660,528
Accounts receivable	139,043
PILT receivable	57,134
Prepaid expenses	117,197
Total current assets	4,023,302
Capital assets	
Land, easements and construction in progress	265,912
Other capital assets, net of accumulated depreciation	3,236,547
Total capital assets	3,502,459
Total assets	7,525,761
Deferred outflows of resources:	
Deferred outflows related to pensions	1,174,389
Liabilities:	
Current liabilities	
Accounts payable	20,295
Accrued payroll, payroll taxes and withholdings	45,296
Refundable deposits	26,300
Accrued interest	61,212
Current portion of accrued sick and merit pay	15,000
Current portion of long-term debt	644,695
Total current liabilities	812,798
Noncurrent liabilities	
Net pension liability	207,703
Noncurrent portion of accrued sick and merit pay	477,780
Noncurrent portion of long-term debt	3,065,840
Total noncurrent liabilities	3,751,323
Total liabilities	4,564,121
Deferred Inflow of Resources:	
Unavailable tax revenue	3,183,811
Unavailable PILT revenue	57,134
Deferred inflows related to pensions	437,108
Total deferred inflow of resources	3,678,053
Net Position:	
Net investment in capital assets	229,576
Restricted for:	
Debt service	29,065
WRS pension	529,578
Sewer	210,399
Unrestricted	(540,642)
Total net position	\$ 457,976

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Statement of Activities
Year Ended December 31, 2016

	Program Revenues			Net (Expense)
Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
Governmental Activities:				
General government	\$ 461,027	\$ 320,919	\$ 4,322	\$ (135,786)
Public safety	2,100,082	201,149	40,469	(1,858,464)
Public works	1,023,471	273,201	269,342	(480,928)
Culture, recreation and education	54,546	---	---	(54,546)
Health, conservation and sanitation	316,450	---	10,265	(306,185)
Interest and fiscal charges	106,467	---	---	(106,467)
Unallocated depreciation*	17,507	---	---	(17,507)
Total governmental activities	\$ 4,079,550	\$ 795,269	\$ 324,398	(2,959,883)

General revenues:

Taxes:

Property taxes, levied for general purposes	2,379,889
Property taxes, levied for debt service	685,638
Property taxes, levied for capital projects	33,542
Property taxes, levied for special revenues	47,621
Payments in lieu of property taxes	57,335
Grants and contributions not restricted to specific programs	73,769
Earnings on investments	8,663
Gain on sale of capital assets	18,825
Miscellaneous	48,133

Total general revenues and transfers 3,353,415

Change in net position 393,532

Net position - beginning 96,621

Adjustment due to correction of an error (32,177)

Net position - beginning, as adjusted 64,444

Net position - ending \$ 457,976

* This amount excludes the depreciation that is included in the direct expenses of the various programs

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Balance Sheet - Governmental Funds
December 31, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 300,717	\$ 29,065	\$ 42,634	\$ 372,416
PILT receivable	57,134	---	---	57,134
Accounts receivable	10,805	---	128,238	139,043
Taxes receivable	894,430	748,167	34,387	1,676,984
Advance from other funds	525,208	---	---	525,208
Due from other funds	62,544	---	144,964	207,508
Due from agency fund	1,660,528	---	---	1,660,528
Prepaid expenses	116,890	---	307	117,197
	Total assets	\$ 777,232	\$ 350,530	\$ 4,756,018
 Liabilities, deferred inflows of resources and fund balance (deficit):				
Liabilities:				
Accounts payable	20,009	---	286	20,295
Accrued payroll and taxes	45,016	---	280	45,296
Refundable deposits	26,300	---	---	26,300
Advance from other funds	---	---	525,208	525,208
Due to other funds	144,964	---	62,544	207,508
	Total liabilities	---	588,318	824,607
 Deferred Inflows of Resources:				
Unavailable tax revenue	2,401,257	748,167	34,387	3,183,811
Unavailable PILT revenue	57,134	---	---	57,134
	2,458,391	748,167	34,387	3,240,945
 Fund Balance (Deficit):				
Nonspendable	642,098	---	307	642,405
Restricted	---	29,065	210,092	239,157
Committed	---	---	42,634	42,634
Unassigned	291,478	---	(525,208)	(233,730)
	Total fund balance (deficit)	29,065	(272,175)	690,466
	Total liabilities, deferred inflows and fund balance (deficit)	\$ 777,232	\$ 350,530	\$ 4,756,018

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

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

Total fund balances for governmental funds \$ 690,466

Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	76,000	
Easements		25,800	
Construction in progress		164,112	
Land improvements		2,017,943	
Buildings		307,332	
Building improvements		645,587	
Equipment		1,050,306	
Office equipment		48,469	
Computer software		38,994	
Vehicles		702,575	
Infrastructure		820,110	
Accumulated depreciation		<u>(2,394,769)</u>	
			3,502,459

The Village's proportionate share of the net pension liability at the WRS is reported on the statement of net position, but not in the governmental funds. (207,703)

Deferred outflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds. 1,174,389

Deferred inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds. (437,108)

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

Balances at December 31, 2016 are:

Accrued interest on bonds		(61,212)	
Accrued merit and sick		(492,780)	
Bonds and notes payable		<u>(3,710,535)</u>	
			<u>(4,264,527)</u>

Total net position of governmental activities \$ 457,976

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes levied by Village	\$ 2,379,889	\$ 685,638	\$ 81,163	\$ 3,146,690
Operating grants and contributions:				
Intergovernmental revenues	393,837	---	---	393,837
Licenses, fees and permits	72,386	---	---	72,386
Fines and costs	141,415	---	---	141,415
Revenue from use of Village money and property	34,371	---	---	34,371
General revenues	392,357	---	---	392,357
Public charges for services	---	---	273,201	273,201
Total revenue	3,414,255	685,638	354,364	4,454,257
Expenditures:				
Current:				
General government	510,477	---	---	510,477
Public safety	1,863,974	---	47,703	1,911,677
Public works	551,119	---	170,269	721,388
Culture, recreation and education	53,019	---	---	53,019
Health, conservation and sanitation	300,740	---	---	300,740
Other	4,721	---	---	4,721
Capital outlay	188,707	---	391,072	579,779
Debt Service:				
Principal	---	587,671	---	587,671
Interest and fiscal charges	---	97,967	---	97,967
Total expenditures	3,472,757	685,638	609,044	4,767,439
Deficiency of revenues under expenditures	(58,502)	---	(254,680)	(313,182)
Other Financing Sources (uses):				
Face value of loans issued	243,293	---	276,000	519,293
Proceeds from sale of capital assets	18,825	---	---	18,825
Operating transfers in	57,754	---	123,005	180,759
Operating transfers out	(123,005)	---	(57,754)	(180,759)
Total net other financing sources	196,867	---	341,251	538,118
Net changes in fund balances	138,365	---	86,571	224,936
Fund Balance (Deficit), January 1	795,211	29,065	(358,746)	465,530
Fund Balance (Deficit), December 31	\$ 933,576	\$ 29,065	\$ (272,175)	\$ 690,466

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

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

Net change in fund balances - total governmental funds	\$	224,936
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts are as follows:</p>		
Depreciation expense	\$ (320,309)	
Capital outlays	<u>579,779</u>	259,470
<p>Repayment of principal is an expenditure in the governmental funds, but reduces liability in the statement of net position.</p>		
<p>Repayments of:</p>		
Bonds, notes and state trust fund loans		587,671
<p>Proceeds on new debt is a revenue in the governmental funds, but increases liability in the statement of net position</p>		
		(519,293)
<p>In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>		
Pension expense	(258,093)	
Village pension contributions	<u>116,592</u>	(141,501)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The following adjustments are created by these differences in accounting methods:</p>		
Sick and merit pay		(9,252)
Accrued interest on bonds		<u>(8,499)</u>
Net change in net position of governmental activities	\$	<u><u>393,532</u></u>

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Statement of Fiduciary Net Position
Agency Funds
December 31, 2016

Assets:	
Cash and investments	\$ 6,342,768
Taxes receivable	<u>5,210,966</u>
Total assets	\$ <u><u>11,553,734</u></u>
Liabilities:	
Amounts due taxing authorities	\$ 9,893,206
Due to other funds	<u>1,660,528</u>
	\$ <u><u>11,553,734</u></u>

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016

1. Summary of Significant Accounting Policies

The Village of River Hills' ("Village") complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

This report includes all of the funds of the Village of River Hills. The reporting entity for the Village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the Village. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met. (1) the economic resources received or held by the separate organization are entirely, or almost entirely, for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or had the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of net position presents the governmental activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position on a full accrual basis, which recognizes all long-term assets and long-term liabilities. The Village's net position is reported in three classifications: net investment in capital assets, which consists of the difference between capital assets net of accumulated depreciation less outstanding debt used to acquire those assets; restricted net position, which represents assets required by outside parties or legislation to be spent in a specific manner; and unrestricted net position which is net position not included in the other two classifications.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Government-Wide Financial Statements (continued)

The statement of activities presents the activities of the governmental activities on a full accrual basis. These activities are presented in a manner which demonstrates the degree to which the direct expenses of a given function are offset by program revenues of that function. Program revenues are presented in three classifications: charges for services, which include direct charges to customers benefiting from the services, goods or privileges provided; operating grants and contributions, which were received in activities related to that function but not required to be used for capital asset acquisition; and capital grants and contributions which were received in activities related to that function and required to be used for the acquisition of capital assets. Other revenues not attributable to individual functions and taxes are reported as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- Total assets, liabilities, deferred inflows/outflows of resources, revenues, or expenditures/expenses of the individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, deferred inflows/outflows of resources, revenues, or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for all funds combined (not including fiduciary funds).
- In addition, any other fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

The Village reports the following major funds:

Major Governmental Funds

- General Fund - the General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial transactions except those legally or administratively required to be accounted for in another fund.
- Debt Service Fund - the Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

Non-major Governmental Funds

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

Sewer

North Shore Fire Department

- Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, and consist of the following individual funds:

Capital Fund

Annual Road Program

Police Department

Range Line Road Bridge

Fiduciary (Agency) Funds

- Agency Funds - are used to account for assets held by the Village in a purely custodial capacity. The Village's agency fund is used for recording assets collected for other taxing jurisdictions. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Since by definition these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not included in the preparation of the government-wide statements.

C. Measurement Focus and Basis of Accounting

Measurement Focus

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred inflows of resources, deferred outflows of resources and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

For the government-wide statements, the governmental funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets, deferred inflows of resources, deferred outflows of resources and liabilities (whether current or noncurrent) associated with their activities are reported. Governmental fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for certain items related to long-term liabilities. Such items include: accumulated unpaid sick and merit pay, and principal and interest on general long-term debt which are reported when due.

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

Cash and Equivalents

The Village has defined cash and equivalents to include cash on hand, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Investments

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

As disclosed in Footnote 3A, the Village categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Village believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Receivables

In the government-wide statements, receivables consist of all revenues earned or to which the Village is otherwise entitled and has not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances for uncollectible accounts have been reflected in the financial statements. Delinquent real estate taxes of the Village are paid in full by the county, which assumes the responsibility for collection. Major receivable balances for the governmental activities include taxes and user charges.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as intergovernmental grants and aids, user charges for services provided, and other similar revenues since they are usually both measurable and available. Receivables collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned, only if paid within 60 days since they would be considered both measurable and available. Property taxes are recorded in the year levied as receivables and unavailable tax revenues. They are recognized as revenues in the succeeding year when services financed by the levy are provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments, the Milwaukee Metropolitan Sewerage District, and the local and vocational school districts. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and as due to other taxing units on the statement of fiduciary net position – agency funds. Taxes are levied in December on the assessed value as of the prior January 1.

The Property Tax Calendar for the 2016 Tax Roll is as follows:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment of 50% due	January 31, 2017
Second installment of 25% due	April 30, 2017
Third installment of 25% due	July 31, 2017
Special charges and personal property taxes in full	January 31, 2017
Tax sale of 2013 delinquent real estate taxes	October 2017

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds” on the fund financial statements and eliminated on the government-wide financial statements.

Inventories and Prepaid Items

Governmental fund inventory of materials and supplies are charged to expenditure accounts when purchased; year-end inventory was not significant.

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

Capital Assets

The accounting treatment related to capital assets depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets with an original cost of more than \$5,000 and having an estimated useful life of four or more years are defined by the Village as assets. All capital assets are valued at historical cost, or estimated historical cost if actual costs are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 1, 2004, infrastructure assets of the Village’s governmental funds were not required to be capitalized. Upon the implementation of GASB 34, the Village is required to account for all capital assets, including infrastructure, in the government-wide financial statements prospectively from the date of implementation. Retroactive reporting of all major infrastructure assets is encouraged but not required. The Village has chosen not to retroactively report infrastructure assets from prior to January 1, 2004. The Village has incorporated all infrastructure assets meeting the Village’s definition into the government-wide financial statements in subsequent years.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Land improvements	20
Buildings and improvements	40
Infrastructure (except traffic signals – 15)	25-80
Vehicles	5
Computer equipment	5
Equipment	7
Computer software	3

Fund Financial Statements

In the fund financial statements, capital assets acquired in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund.

Accumulated Sick Pay and Merit Pay

Compensated absences consist of accumulated sick and merit pay earned but unused by Village employees. Under terms of employment, municipal employees are granted merit and sick leave in varying amounts.

To the extent that sick leave and merit pay vests, such amounts are considered to be a long-term liability and are recorded as long-term debt in the government-wide financial statements up to the maximum amount to be paid out upon termination.

Sick leave is earned at the rate of one day for each month of employment and may be accumulated to a maximum of 140 days. Merit days are earned at the end of each calendar year of service based on the actual number of sick days used during a year. If zero sick days are used, then six merit days are earned. If one sick day is used, then five merit days are earned, etc. If six or more sick days are used within the year, then zero merit days are earned. Due to the long-term nature of these liabilities, the governmental funds do not report these liabilities in the fund financial statements unless they have matured. The government-wide financial statements record this liability as it is incurred.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Long-term Obligations

The reporting of long-term obligations depends on whether the assets are reported in the government-wide or fund financial statements. The long-term debt consists primarily of general obligation notes and bonds.

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Premiums and discounts on issuance are deferred and amortized over the life of the debt. Issuance costs are expensed in the statement of activities.

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

Equity Classifications

Government-Wide Statements

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

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

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

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

Equity Classifications (continued)

Fund Statements

Equity is classified as fund balance and is reported within one of the following categories:

- a. Nonspendable – amounts that cannot be spent because they are either in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Village Board. The Village Board is the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through the same type of action as employed to previously commit those amounts.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Village's policy, the Village Board may assign amounts for specific purposes at the recommendation of the Village Administrator.
- e. Unassigned – all other spendable amounts.

Village policy states that funds shall be committed through the adoption of a resolution and passed by the majority of the Village Board. The Village Manager may assign funds for specific purposes.

When multiple categories of funds are available for a particular purpose Village policy states that funds shall be spent in the following order: restricted, committed, assigned then unassigned.

The Village's current fund balance policy is to seek to maintain its unassigned fund balance at a minimum of 25% of total general fund annual revenues. The purpose of this unassigned fund balance is to provide adequate cash flow throughout the year and to allow the village the means to respond to unanticipated emergencies, contingencies, and opportunities that may not have been anticipated at the time of budget preparation. Use of the fund balance below the minimum balance required by this policy shall require the approval of the Village board.

E. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (continued)

F. Deferred Outflows and Deferred Inflows of Resources

In accordance with GASB, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources.

The separate financial statement elements, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports deferred outflows of resources related to the pension.

The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until then. The Village reports deferred inflows of resources related to property taxes, payments in lieu of taxes and pension.

G. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System ("WRS") and additions to/deductions from WRS's fiduciary net position have been determined on the same basis as they are reported to 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.

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, 2016. Statement No. 82 addressed the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions. The adjustment to the beginning balances was not significant to the Village and therefore no prior period adjustment was made.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

2. Stewardship, Compliance, and Accountability

A. Deposits and Investment Laws and Regulations

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

1. Time 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 of any county, city, drainage district, technical college districts, village, town, local exposition district or school district of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The State of Wisconsin Local Government Investment Pool ("LGIP").
5. Repurchase agreements collateralized securities referred to in 3 above.
6. Open-ended no load registered mutual funds that invest in securities referred to in 3 and 5 above.
7. 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 of a nationally recognized rating agency.
8. Bonds issued by a local exposition district.
9. Bonds issued by a local professional baseball park district.
10. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

Additional restrictions may arise from local charters, ordinances, resolutions and grant regulations.

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

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

	Cash	Investments	Total
Custodial Risk:			
Demand deposits	\$ 6,525,497	\$ ---	\$ 6,525,497
Interest Risk:			
Local Government Investment Pool (LGIP)	---	189,687	189,687
Total	\$ 6,525,497	\$ 189,687	\$ 6,715,184

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

Statement of net position:	
Cash and investments	\$ 372,416
 Statement of fiduciary net position:	
Agency Fund	6,342,768
Total cash and investments	\$ 6,715,184

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

A. Cash and Investments (continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each local and area bank and in the Wisconsin Local Government Investment Pool (“LGIP”) are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, due to the relatively small size of the guarantee fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental entities. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the SIF and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At December 31, 2016, the fair value of the Village’s share of the LGIP’s assets was substantially equal to the amount as reported in these statements.

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

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

Custodial Risk

Custodial risk is the risk that, in the event of a bank failure, the Village’s deposits and value of investments may not be returned to the Village. The Village’s carrying value for demand deposits and local government investment pool was \$6,715,184 at December 31, 2016, and the bank’s carrying value was \$5,770,668, of which \$1,489,686 was fully insured and \$4,280,981 was uninsured and uncollateralized. The Village does not have a policy on custodial risk.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village’s investment policy limits the maturity of any security to no more than seven years from the date of purchase in accordance with state statutes.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

A. Cash and Investments (continued)

Credit Risk

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

The Village categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Village does not have any investments that are measured using Level 3 inputs.

B. Interfund Balances and Transfers

Due to (from) other funds

Balances due to and from other funds include interfund accounts receivable or payable for goods or services received or provided. Interfund balances are the result of timing differences. The following is a schedule of due to (from) other funds at December 31, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 62,544
Sewer Fund	General Fund	144,964
		<u>\$ 207,508</u>
General Fund	Agency Fund	<u>\$ 1,660,528</u>

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

B. Interfund Balances and Transfers (continued)

Advances to other funds are interfund balances that are not anticipated to be repaid within the coming year. The Advances to other funds consist of the following at December 31, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Range Line Road	\$ 73,792
General Fund	Capital Fund	125,516
General Fund	Annual Road Program	<u>325,900</u>
		<u>\$ 525,208</u>

Transfers

During the year ended December 31, 2016, the Village had the following interfund transfers:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	North Shore Fire Department	To close out fund	\$ 57,754
Range Line Road	General Fund	To reduce negative balance	<u>123,005</u>
			<u>\$ 180,759</u>

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

C. Capital Assets

GASB Statement No. 34 requires the Village only to capitalize infrastructure prospectively from the date of implementation (January 1, 2004). All subsequent additions to infrastructure have been incorporated into the Village's financial statements and the following schedules.

Capital asset activity for the year ended December 31, 2016, is summarized as follows:

	Balance January 1, 2016	Prior Period Adjustment	Additions	Disposals	Balance December 31, 2016
Non-depreciable capital assets:					
Land	\$ 76,000	\$ ---	\$ ---	\$ ---	\$ 76,000
Easements	25,800	---	---	---	25,800
Construction in progress	164,112	---	---	---	164,112
Total non-depreciable capital assets	265,912	---	---	---	265,912
Depreciable capital assets:					
Land improvements	1,778,667	---	239,276	---	2,017,943
Building - Village Hall	30,000	---	---	---	30,000
Building - D.P.W.	277,332	---	---	---	277,332
Building improvements	640,587	---	5,000	---	645,587
Equipment	1,041,008	---	23,898	14,600	1,050,306
Office equipment	33,523	---	14,946	---	48,469
Computer software	35,244	---	19,600	15,850	38,994
Vehicles	626,347	---	177,426	101,198	702,575
Infrastructure	720,477	---	99,633	---	820,110
Total depreciable capital assets	5,183,185	---	579,779	131,648	5,631,316
Less: Accumulated depreciation	2,242,958	(36,850)	320,309	131,648	2,394,769
Net depreciable capital assets	2,977,077	(36,850)	259,470	---	3,236,547
Net total capital assets	\$ 3,242,989	\$ (36,850)	\$ 259,470	\$ ---	\$ 3,502,459

See Note 5F for explanation of the prior period adjustment.

Depreciation expense for governmental activities was charged to governmental functions as follows:

General government	\$ 13,107
Health, Conservancy	641
Public safety	36,953
Public works	252,101
Unallocated	17,507
Total depreciation expense	\$ 320,309

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

D. Long-Term Debt

All general obligation debt is backed by the full faith and credit of the Village and will be retired through future property tax levies accumulated by the debt service fund. General fund resources are used to liquidate the liability for accumulated sick and merit pay.

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-term debt:						
General						
obligation debt \$	3,778,913	\$ ---	\$ 519,293	\$ (587,671)	\$ 3,710,535	\$ 644,695
Other liabilities:						
Accumulated						
unpaid sick						
pay	333,636	55,509	21,461	(13,952)	396,654	13,000
Accumulated						
unpaid merit						
days	80,864	13,518	3,354	(1,611)	96,125	2,000
Total long-term obligations	<u>\$ 4,193,413</u>	<u>\$ 69,027</u>	<u>\$ 544,108</u>	<u>\$ (603,234)</u>	<u>\$ 4,203,314</u>	<u>\$ 659,695</u>

Total interest paid and expensed (including accrual) for the year ended December 31, 2016, on long-term obligations was \$97,967 and \$105,921, respectively. See Note 5F for explanation of prior period adjustment.

Details of general obligation debt are presented below:

State Trust Fund Loan, issued March 15, 2013, final payment due March 15, 2022, original issue of \$367,480, interest rates of 2.75%	\$ 254,821
State Trust Fund Loan, issued March 1, 2013, final payment due March 15, 2021, original issue of \$575,689, interest rate of 2.75%	374,702
State Trust Fund Loan, issued March 1, 2013, final payment due March 15, 2022, original issue of \$455,248, interest rate of 2.75%	316,005
State Trust Fund Loan, issued August 11, 2015, final payment due March 15, 2025, original issue of \$483,000, interest rate of 3.25%	435,714
General obligation notes, Series 2011A, issued February 10, 2011, final payment due August 1, 2020, original issue of \$3,475,000, interest rates of .80% - 3.10%	1,580,000
State Trust Fund Loan, issued April 28, 2016, final payment due March 15, 2026, original issue of \$519,293, interest rate of 3.00%	519,293
General obligation promissory notes, issued November 23, 2011, final payment due November 1, 2021, original issue of \$305,000, interest rates of 2.00% - 2.50%	<u>230,000</u>
Total general obligation debt	<u>\$ 3,710,535</u>

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

D. Long-Term Debt (continued)

Debt service requirements to maturity for general obligation debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 644,695	\$ 103,473	\$ 748,168
2018	659,417	88,636	748,053
2019	676,749	71,399	748,148
2020	694,200	51,973	746,173
2021	447,052	31,036	478,088
2022 - 2026	<u>588,422</u>	<u>45,558</u>	<u>633,980</u>
Totals	<u>\$ 3,710,535</u>	<u>\$ 392,075</u>	<u>\$ 4,102,610</u>

Subsequent to year end, the Village passed a resolution to issue a \$514,354 State Trust Fund Loan to finance 2017 capital projects.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. As of December 31, 2016, the Village has used 16.05% of the debt limit.

The following summarizes the debt limit calculation as of December 31, 2016:

Equalized Value January 1, 2016	\$ <u>495,681,900</u>
Debt limit (5% of equalized value)	\$ <u>24,784,095</u>
General Obligation Debt by Funding Source:	
Tax levy	\$ <u>3,710,535</u>
Total General Obligation debt	<u>\$ 3,710,535</u>
Ratio of applicable general obligation debt to debt limit	<u>14.97 %</u>

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

E. Net Position and Fund Balances

Government-Wide Financial Statement Net Position

Governmental net position consists of the following:

Net Investment in Capital Assets:

Land and construction in progress	\$	265,912	
Other capital assets net of accumulated depreciation		3,236,547	
Less related long-term debt		<u>(3,272,883)</u>	
Total net investment in capital assets	\$		229,576

Restricted for:

Debt Service			29,065
WRS Pension			529,578
Sewer			210,399
Unrestricted			<u>(540,642)</u>
Total governmental net position	\$		<u>457,976</u>

Fund Financial Statements

Governmental fund balances (deficits) consist of the following:

General Fund:

Nonspendable:

Prepaid expenses	\$	116,890	
Advance to other funds		<u>525,208</u>	
Total nonspendable			\$ 642,098
Unassigned			<u>291,478</u>

Total General Fund **\$ 933,576**

Debt Service Fund:

Restricted **\$ 29,065**

Non-major Funds:

Nonspendable:

Prepaid expenses **\$ 307**

Restricted for:

Sewer 210,092

Committed:

Police 42,634

Unassigned (525,208)

Total non-major funds **\$ (272,175)**

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

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

E. Net Position and Fund Balances (continued)

Fund Financial Statements (continued)

At December 31, 2016, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Capital Projects:	
Capital fund	\$ 125,516
Annual Road Program	325,900
Range Line Road Bridge	73,792

It is anticipated that the above fund deficits will be absorbed through future years' tax and general revenues and loan proceeds. Deficit balances are recorded as advances from other funds.

4. Defined Benefit Pension Plan

Plan Description

The Wisconsin Retirement System ("WRS") is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting

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

Benefits Provided

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

4. Defined Benefit Pension Plan (Continued)

Benefits Provided (continued)

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 on employment category.

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

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. 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 \$116,592 in contributions from the employer.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

4. Defined Benefit Pension Plan (Continued)

Contributions (continued)

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%	9.4%
Protective without Social Security	6.6%	13.2%

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources

At December 31, 2016, the Village reported a liability of \$207,703 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's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Village's proportion was 0.012781%, which was a decrease of 0.000219% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Village recognized pension expense of \$258,093.

At December 31, 2016, the Village reported deferred outflows and 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	\$ 35,137	\$ 437,108
Net difference between projected and actual earnings on pension plan investments	850,386	---
Change in assumptions	145,318	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,741	---
Employer contributions subsequent to the measurement date	117,797	---
Total	<u>\$ 1,174,389</u>	<u>\$ 437,108</u>

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

4. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources (continued)

The amount of \$117,797 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 274,545	\$ (105,781)
2018	274,545	(105,781)
2019	274,545	(105,781)
2020	227,884	(105,781)
Thereafter	5,073	(13,984)

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.*

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 RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

4. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (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 as of December 31, 2015 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
US Equities	27.0%	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
Variable Fund Asset Class				
US 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 3.56%. 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 RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

4. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (continued)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Village's proportionate share of the net pension (asset) liability	\$1,456,833	\$ 207,703	\$ (767,890)

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

Payables to the pension plan at December 31, 2016 were \$19,233. This represents contributions earned as of December 31, 2016, but for which payment was not remitted to the pension plan until subsequent to year-end.

5. Other Notes

A. Joint Ventures

North Shore Fire Department

By agreement dated December 30, 1994, the North Shore Fire Department ("NSFD") was created. The NSFD, which provides a unified integrated fire and emergency medical service, began operations on January 1, 1996. The NSFD was created pursuant to the provisions of Wisconsin Statutes 61.65 and 66.30. Participants are the City of Glendale, Village of Fox Point, Village of Shorewood, Village of Brown Deer, Village of River Hills, Village of Whitefish Bay and Village of Bayside. The NSFD is operated by a Board of Directors consisting of seven members, which includes the mayor and village presidents of each participating municipality. The affirmative vote of a majority of the members of the Board of Directors is required on most matters. Also established by the agreement is a Joint Fire Commission that has the powers related to appointments, promotions, suspensions, removals, dismissals, reemployment, compensation, rest days, etc.

The powers of the Board of Directors include authorizing repair, maintenance, and renewal of physical assets and recommending adoptions of the department's budget. The capital and operating budget of the department must receive approval of at least five of seven participating municipalities.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

5. Other Notes (continued)

A. Joint Ventures (continued)

North Shore Fire Department (continued)

Each participating municipality's annual financial contribution to the NSFD's operations and capital budget shall be based on its prorated share of the population, equalized valuation, and usage of all the municipalities. The Village accounts for its share of the operations of the NSFD in the General Fund. The Village made payments totaling approximately \$371,337 to NSFD for 2016. The Village believes that the fire department will continue to provide services in the future at similar rates. Complete 2016 financial information is available from NSFD at 4401 West River Lane, Brown Deer, WI 53223. The Village does not report an equity interest in this joint venture.

North Shore Library System

The City of Glendale and the Villages of Fox Point, River Hills, and Bayside operate the North Shore Library under a Joint Library Agreement dated January 1, 1985. Under the joint agreement, a Joint Library Board was created to operate the North Shore Library. The Joint Board is composed of ten members: five members from Glendale, two members each from Fox Point and Bayside, one member from River Hills, and the Superintendent of Schools for Nicolet School District. The Joint Library Board has the power to repair, maintain, and renew physical assets for the library and to prepare and adopt a budget for the library's operating expenses and a budget for the library's capital improvement expenses. The operating budget must be approved by at least three of the four municipalities. In addition, the Joint Library Board has the power to appoint the Library Director and such other assistants and employees as it deems necessary. Operating and capital expenses are shared proportionately based upon population estimates published in October.

The Village made payments totaling approximately \$53,019 to the Library in 2016. The Village accounts for its share of the operations of the North Shore Library in the General Fund. The Village believes that the library will continue to provide services in the future at similar rates. Complete 2016 financial information is available from the Village of Fox Point. The Village does not report an equity interest in this joint venture.

Dispatch Services

The Villages of Fox Point, River Hills, and Bayside jointly operate a dispatch service under a joint service agreement. Under the joint agreement, the Village of Bayside provides dispatch services to the three municipalities. The cost of these services is shared between the communities as agreed upon in the individual agreements. A separate board has not been established to govern the dispatch service activities. Changes to the agreements and to the services provided require the approval of all three village boards. During 2016, the Village made payments totaling approximately \$184,408 to the Village of Bayside. The Village does not report an equity interest in this joint venture.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

5. Other Notes (Continued)

B. Franchise Fees

The Village has entered into an agreement with Cellular One - Eastern Wisconsin, which subsequently became U.S. Cellular. It was renewed for an additional five-year term on September 22, 2014. The contract is in the final renewal phase. Annual fees for the current five-year term are \$20,988. Fee income under this agreement for the year ended December 31, 2016, was \$20,988.

The Village also has a fifteen-year agreement with Time Warner Cable, Inc. allowing them to have a non-exclusive franchise for the Village's cable. Time Warner pays five percent of their gross income from cable revenue earned in the Village in exchange for this franchise. In 2016, the Village received approximately \$22,528 from Time Warner Cable, Inc.

The Village also has an agreement with Sprint Spectrum, L.P. which subsequently became Sprint/Nextel. It was renewed for an additional five-year term on May 31, 2016. The contract is in the final renewal phase. Annual fees for the current five-year term are \$49,494 for 2016 plus an additional 4% increase per year. Fee income under this agreement for the year ended December 31, 2016, was \$49,494.

The Village entered into an agreement with Verizon Wireless in 2007. The initial term was for five years, expiring October 5, 2012. It was renewed for the second five year term ending in 2021. This agreement is renewable for two additional five-year terms. Fees for the renewal year were \$40,000 with fees increasing by 4% every year thereafter. Fee income under this agreement for the year ended December 31, 2016, was \$50,710.

The Village entered into an agreement with Cricket Communications in 2008. The initial term was for five years, expiring June 18, 2013. It was renewed for an additional five-year term during 2013. This agreement is renewable for three additional five-year terms. Fees for the initial year are \$48,753 with fees increasing by 5% every year thereafter. Fee income under this agreement for the year ended December 31, 2016, was \$49,742. Cancellation of the Cricket Communications lease took effect August 22, 2016.

The Village entered into an agreement with Cingular (AT&T) in 2001. The initial term was for five years, expiring May 22, 2005. It was renewed for an additional five-year term during 2016. This agreement is renewable for one additional five-year term. Fees for the renewal year were \$52,739 increasing by 4% every year thereafter. Fee income under this agreement for the year ended December 31, 2016, was \$52,739.

The Village entered into an agreement with T-Mobile in 2001. The initial term was for five years, expiring in 2005. It was renewed for an additional five-year term during 2016. This agreement is renewable for one additional five-year term. Fees for the renewal year were \$44,310 increasing by 4% every year thereafter. Fee income under this agreement for the year ended December 31, 2016, was \$44,310.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

5. Other Notes (continued)

C. Franchise Fees (continued)

Future minimum lease payments receivable in conjunction with the leases noted above are as follows:

Year:	Amount
2017	\$ 226,131
2018	234,337
2019	242,871
2020	230,758
2021	<u>61,697</u>
Total	\$ <u>995,794</u>

D. 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 as an expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

E. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

F. Prior period adjustment

Adjustment due to Correction of an Error

As a result of the correction of an error in the accumulated depreciation of the Village, the beginning net position in the government-wide statement of net position increased by \$36,850 as of January 1, 2016. The increase results from the recalculation on prior accumulated depreciation of Village equipment.

As a result of the correction of an error for accrued sick and merit days, the beginning net position in the government-wide statement of net position decreased by \$69,027 as of January 1, 2016. The decrease results from the accrual of social security and Wisconsin Retirement System payments anticipated to be made in connection with the payments of sick and merit pay.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2016
(Continued)

5. Other Notes (continued)

G. Subsequent Events

Management of the Village has evaluated subsequent events for possible inclusion or disclosure through the date the financial statements were available for distribution, May 3, 2017. The following subsequent events require disclosure:

- In March of 2017, the Village passed a resolution to borrow funds from the State Trust Fund. See Note 3.D for additional information.
- In March of 2017, the Village approved the purchase of a 2017 squad car in the amount of \$20,570.
- In March of 2017, the Village approved the 2017 Pavement Recycling and Resurfacing Program in the amount of \$253,836.
- In March of 2017, the Village approved the Dean Court Sewer Removal and Replacement Project in the amount of \$55,620.
- In March of 2017, the Village approved replacement of the Tandem Dump Truck in the amount of \$84,724 and dump truck box and hydraulic installation in the amount of \$22,455.

6. Effect of New Accounting Standards on Financial Statements

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

- 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 Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split Interest Agreements*
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*

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

Required Supplementary Information

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Revenues
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes Levied by Village:				
General property tax	\$ 2,379,889	\$ 2,379,889	\$ 2,379,889	\$ ---
Operating grants and Contributions:				
Intergovernmental:				
State shared revenue	73,764	73,764	73,769	5
Highway aid for local streets	269,473	269,473	269,342	(131)
State aid - Police	---	---	1,600	1,600
State aid - OWI grant	---	---	14,591	14,591
State aid - Speed Enforcement grant	---	---	8,991	8,991
Computer aid	---	---	122	122
Fire insurance dues	---	---	15,157	15,157
Recycling grant revenue	10,862	10,862	10,265	(597)
Total intergovernmental	<u>354,099</u>	<u>354,099</u>	<u>393,837</u>	<u>39,738</u>
Licenses, Fees and Permits:				
Business licenses	1,400	1,400	1,314	(86)
Dog and cat licenses	1,000	1,000	838	(162)
Building permits	22,500	22,500	31,300	8,800
Admin fee - building permits	2,000	2,000	3,645	1,645
Electrical permits	3,500	3,500	5,759	2,259
Admin fee - electric permits	600	600	860	260
Plumbing permits	3,200	3,200	4,248	1,048
Admin fee - plumbing permits	500	500	680	180
Heating permits	3,000	3,000	4,208	1,208
Admin fee - heating permits	300	300	420	120
Sundry permits	6,000	6,000	4,615	(1,385)
Sundry fees	250	250	600	350
Alarm permits and fees	750	750	1,300	550
Alarm forfeitures	1,200	1,200	1,400	200
Fire alarm forfeitures	1,200	1,200	700	(500)
Special service job orders	---	---	10,499	10,499
Total licenses, fees and permits	<u>47,400</u>	<u>47,400</u>	<u>72,386</u>	<u>24,986</u>

See Independent Auditors' Report

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Revenues
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fines and Costs:				
Justice court fines and costs	130,000	130,000	141,415	11,415
Revenue From Use of Village Money and Property:				
Interest on investments	11,000	11,000	8,662	(2,338)
Insurance dividends	---	---	25,709	25,709
Interest on delinquent taxes	<u>17,000</u>	<u>17,000</u>	<u>---</u>	<u>(17,000)</u>
Total revenue from use of Village money and property	28,000	28,000	34,371	6,371
General Revenues:				
Payment in lieu of taxes	55,177	55,177	57,335	2,158
Franchise fees	286,061	286,061	308,268	22,207
Donations	---	---	4,200	4,200
Police reimbursements	---	---	129	129
Other general revenue	<u>5,000</u>	<u>5,000</u>	<u>22,425</u>	<u>17,425</u>
Total general revenues	<u>346,238</u>	<u>346,238</u>	<u>392,357</u>	<u>46,119</u>
Total general fund revenues	\$ <u><u>3,285,626</u></u>	\$ <u><u>3,285,626</u></u>	\$ <u><u>3,414,255</u></u>	\$ <u><u>128,629</u></u>

See Independent Auditors' Report

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Village Board:				
Publishing and supplies	\$ 750	\$ 750	\$ 720	\$ 30
Dues	2,000	2,000	1,930	70
Public education	1,400	1,400	---	1,400
Total Village Board	<u>4,150</u>	<u>4,150</u>	<u>2,650</u>	<u>1,500</u>
Administration:				
Salaries and wages	85,836	85,836	89,998	(4,162)
Group life insurance	102	102	138	(36)
Retirement benefits	5,836	5,836	5,693	143
Social Security	6,566	6,566	6,537	29
Health insurance	19,009	19,009	19,098	(89)
Income continuation insurance	160	160	---	160
Contractual services	---	---	1,595	(1,595)
Publications	200	200	---	200
Dues	880	880	745	135
Travel and training expense	2,000	2,000	1,138	862
Total administration	<u>120,589</u>	<u>120,589</u>	<u>124,942</u>	<u>(4,353)</u>
Clerk-Treasurer:				
Salaries and wages	53,339	53,339	47,611	5,728
Part-time wages	2,000	2,000	1,056	944
Group life insurance	41	41	7	34
Retirement benefits	4,558	4,558	3,097	1,461
Social Security	4,080	4,080	3,580	500
Health insurance	7,242	7,242	8,187	(945)
Income continuation insurance	100	100	---	100
Contractual services	19,771	19,771	16,440	3,331
Dues	200	200	130	70
Travel and training expense	1,500	1,500	3,755	(2,255)
Total clerk-treasurer	<u>92,831</u>	<u>92,831</u>	<u>83,863</u>	<u>8,968</u>
Assessments:				
Contractual services	20,000	20,000	18,400	1,600
Total assessments	<u>20,000</u>	<u>20,000</u>	<u>18,400</u>	<u>1,600</u>
Elections:				
Salaries and wages	4,080	4,080	2,118	1,962
Part-time wages	2,200	2,200	2,758	(558)
Life insurance	2	2	2	---
Retirement	277	277	140	137
Social Security	253	253	153	100
Health insurance	1,061	1,061	420	641
Income continuation insurance	6	6	---	6
Equipment maintenance	600	600	---	600
Other supplies	1,000	1,000	1,161	(161)
Total elections	<u>9,479</u>	<u>9,479</u>	<u>6,752</u>	<u>2,727</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Government: (continued)				
Village Attorney:				
Professional services	\$ 32,436	\$ 32,436	\$ 32,436	\$ ---
Central Services:				
Telephone	2,000	2,000	2,673	(673)
Office equipment maintenance	500	500	1,888	(1,388)
Contractual services	7,000	7,000	13,364	(6,364)
Office supplies	8,000	8,000	7,741	259
Other supplies	1,500	1,500	2,441	(941)
Total central services	<u>19,000</u>	<u>19,000</u>	<u>28,107</u>	<u>(9,107)</u>
Engineering and Planning:				
Professional services	22,504	22,504	23,007	(503)
Audit:				
Professional services	10,601	10,601	10,255	346
Buildings - Village Hall:				
Salaries and wages	11,220	11,220	23,210	(11,990)
Part-time wages	9,000	9,000	6,762	2,238
Life insurance	7	7	18	(11)
Retirement	763	763	1,437	(674)
Social Security	1,254	1,254	2,139	(885)
Health insurance	2,917	2,917	4,325	(1,408)
Income continuation insurance	17	17	---	17
Utilities - heat	7,000	7,000	3,418	3,582
Utilities - other	16,000	16,000	15,269	731
Building maintenance	5,500	5,500	5,893	(393)
Grounds maintenance materials	3,000	3,000	4,060	(1,060)
Contractual services	8,500	8,500	13,534	(5,034)
Other supplies	---	---	359	(359)
Total building - Village Hall	<u>65,178</u>	<u>65,178</u>	<u>80,424</u>	<u>(15,246)</u>
Bonds and Insurance:				
General liability insurance	27,669	27,669	27,020	649
Fire and extended coverage	3,000	3,000	4,472	(1,472)
Workers' compensation insurance	67,194	67,194	62,973	4,221
Employee bonds	156	156	100	56
Public official liability insurance	2,799	2,799	2,934	(135)
Total bonds and insurance	<u>100,818</u>	<u>100,818</u>	<u>97,499</u>	<u>3,319</u>
Wisconsin Humane Society	1,800	1,800	2,142	(342)
Total general government	<u>499,386</u>	<u>499,386</u>	<u>510,477</u>	<u>(11,091)</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Safety:				
Police Department:				
Salaries and wages - officers	\$ 798,411	\$ 798,411	\$ 773,312	\$ 25,099
Salaries - vehicle maintenance	9,731	9,731	6,384	3,347
Vacation, holiday and sick pay	33,372	33,372	28,089	5,283
Salaries - dispatchers	35,131	35,131	35,579	(448)
Group life insurance	306	306	430	(124)
Retirement benefits	75,829	75,829	83,407	(7,578)
Social Security	65,457	65,457	68,750	(3,293)
Health insurance	126,169	126,169	134,424	(8,255)
Income continuation insurance	1,915	1,915	---	1,915
Overtime pay	25,900	25,900	60,700	(34,800)
Professional services	1,100	1,100	1,226	(126)
Telephone	6,500	6,500	15,146	(8,646)
Vehicle maintenance	8,500	8,500	7,045	1,455
Radio and alarm maintenance	1,750	1,750	1,804	(54)
Other equipment maintenance	1,000	1,000	5,031	(4,031)
Contractual services	155,294	155,294	184,408	(29,114)
Office supplies	3,000	3,000	2,404	596
Publications	750	750	147	603
Dues	250	250	280	(30)
Uniforms and special clothing	7,400	7,400	8,171	(771)
Travel and training expense	4,500	4,500	4,081	419
Fuel and supplies	35,000	35,000	24,395	10,605
Other supplies	3,500	3,500	3,547	(47)
Total police department	<u>1,400,765</u>	<u>1,400,765</u>	<u>1,448,760</u>	<u>(47,995)</u>
Fire Department:				
Contractual services	376,132	376,132	371,337	4,795
Total fire department	<u>376,132</u>	<u>376,132</u>	<u>371,337</u>	<u>4,795</u>
Building Inspections:				
Salaries and wages	17,500	17,500	11,183	6,317
Social Security	1,340	1,340	859	481
Total building inspections	<u>18,840</u>	<u>18,840</u>	<u>12,042</u>	<u>6,798</u>
Municipal Justice Court:				
Professional services - judge	3,600	3,600	3,600	---
Professional services - other	15,790	15,790	27,435	(11,645)
Dues	100	100	100	---
Training and travel	700	700	700	---
Total municipal justice court	<u>20,190</u>	<u>20,190</u>	<u>31,835</u>	<u>(11,645)</u>
Total public safety	<u>1,815,927</u>	<u>1,815,927</u>	<u>1,863,974</u>	<u>(48,047)</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Works:				
Machinery and Equipment:				
Salaries and wages	\$ 61,200	\$ 61,200	\$ 47,784	\$ 13,416
Vacation, holiday and sick pay	48,960	48,960	48,556	404
Superintendent salary	68,340	68,340	68,741	(401)
Life insurance	107	107	179	(72)
Retirement benefits	12,138	12,138	10,784	1,354
Social Security	11,067	11,067	11,888	(821)
Health insurance	46,410	46,410	42,781	3,629
Income continuation insurance	267	267	---	267
Contractual services	7,500	7,500	10,553	(3,053)
Dues	175	175	199	(24)
Uniforms and special clothing	5,000	5,000	3,385	1,615
Training and travel expense	250	250	139	111
Tools	4,000	4,000	3,524	476
Fuel and supplies	31,000	31,000	31,715	(715)
Other supplies	33,000	33,000	32,031	969
Total machinery and equipment	<u>329,414</u>	<u>329,414</u>	<u>312,259</u>	<u>17,155</u>
Public Works Building:				
Salaries and wages	8,160	8,160	5,439	2,721
Salaries and wages DPW maintenance	---	---	48	(48)
Life insurance	5	5	5	---
Retirement benefits	555	555	339	216
Social Security	506	506	384	122
Health insurance	2,122	2,122	1,293	829
Income continuation insurance	12	12	---	12
Utilities - heat	11,000	11,000	7,988	3,012
Utilities - other	7,500	7,500	6,832	668
Building maintenance	4,500	4,500	1,860	2,640
Contractual services	2,500	2,500	2,806	(306)
Other supplies	---	---	4,120	(4,120)
Total public works building	<u>36,860</u>	<u>36,860</u>	<u>31,114</u>	<u>5,746</u>
Public Works Recycling:				
Salaries and wages	---	---	1,467	(1,467)
Life insurance	---	---	---	---
Retirement benefits	---	---	91	(91)
Social Security	---	---	100	(100)
Health insurance	---	---	344	(344)
Other supplies	---	---	1,049	(1,049)
Total public works recycling	<u>---</u>	<u>---</u>	<u>3,051</u>	<u>(3,051)</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Works: (continued)				
Street Maintenance:				
Salaries and wages - streets	\$ 22,950	\$ 22,950	\$ 37,497	\$ (14,547)
Salaries and wages - snow and ice	27,540	27,540	25,700	1,840
Salaries and wages - bridges and drainage	20,400	20,400	30,976	(10,576)
Life insurance	42	42	70	(28)
Retirement benefits	4,821	4,821	6,141	(1,320)
Social Security	4,395	4,395	6,955	(2,560)
Health insurance	18,431	18,431	19,016	(585)
Income continuation insurance	106	106	---	106
Contractual services	10,000	10,000	11,383	(1,383)
Supplies - road repair	7,500	7,500	38,796	(31,296)
Supplies - street signs	1,500	1,500	2,453	(953)
Supplies - street protection	1,500	1,500	1,756	(256)
Supplies - snow and ice control	31,000	31,000	18,824	12,176
Supplies - bridges and drainage	8,000	8,000	4,367	3,633
Public Works Machinery & Eqpt	104,000	104,000	---	104,000
Total street maintenance	<u>262,185</u>	<u>262,185</u>	<u>203,934</u>	<u>58,251</u>
Resident Maintenance				
Salaries and wages	---	---	569	(569)
Retirement benefits	---	---	36	(36)
Social Security	---	---	41	(41)
Health insurance	---	---	115	(115)
Total residence maintenance	<u>---</u>	<u>---</u>	<u>761</u>	<u>(761)</u>
Total public works	628,459	628,459	551,119	77,340
Culture, recreation and education				
Library services	61,861	61,860	53,019	8,841
Total culture, recreation and education	61,861	61,860	53,019	8,841
Health, Conservation and Sanitation:				
Board of Health:				
Other contracted services	9,405	9,405	9,405	---
Refuse - Solid Waste:				
Salaries and wages - yard refuse	29,580	29,580	34,592	(5,012)
Life insurance	18	18	28	(10)
Retirement	2,011	2,011	2,133	(122)
Social Security	1,834	1,834	2,577	(743)
Health insurance	7,692	7,692	2,692	5,000
Income continuation insurance	44	44	---	44
Contracted services - landfill (house)	169,000	169,000	167,543	1,457
Contracted services - landfill (yard)	700	700	3,513	(2,813)
Other supplies	500	500	13	487
Total refuse - Solid waste	<u>211,379</u>	<u>211,379</u>	<u>213,091</u>	<u>(1,712)</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Budgetary Comparison Schedule - General Fund Expenditures
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health, Conservation and Sanitation: (continued)				
Forestry, Deer and Weed Control:				
Salaries and wages - Deer	\$ 13,770	\$ 13,770	\$ 16,602	\$ (2,832)
Salaries and wages - forestry	19,380	19,380	22,165	(2,785)
Salaries and wages - weed control	18,360	18,360	12,126	6,234
Part time wages - weed control	3,000	3,000	4,619	(1,619)
Life insurance	23	23	40	(17)
Retirement	2,566	2,566	3,243	(677)
Social Security	2,527	2,527	4,050	(1,523)
Health insurance	9,812	9,812	9,633	179
Income continuation insurance	57	57	---	57
Contracted services - deer	5,500	5,500	4,097	1,403
Supplies - deer	800	800	1,195	(395)
Supplies - forestry	---	---	474	(474)
Supplies - weed control	500	500	---	500
Total forestry, deer and weed control	<u>76,295</u>	<u>76,295</u>	<u>78,244</u>	<u>(1,949)</u>
Total health, conservation and sanitation	297,079	297,079	300,740	(3,661)
Other Expenditures				
Other expenditures	<u>20,000</u>	<u>20,000</u>	<u>4,721</u>	<u>15,279</u>
Total other expenditures	<u>20,000</u>	<u>20,000</u>	<u>4,721</u>	<u>15,279</u>
Capital Outlay				
General Government	34,293	34,293	34,546	(253)
Village Hall	5,000	5,000	5,000	---
Public Works Machinery & Eqpt	<u>104,000</u>	<u>104,000</u>	<u>149,161</u>	<u>(45,161)</u>
Total capital outlay	<u>143,293</u>	<u>143,293</u>	<u>188,707</u>	<u>(45,414)</u>
Total general fund expenditures	<u>\$ 3,466,005</u>	<u>\$ 3,466,004</u>	<u>\$ 3,472,757</u>	<u>\$ (6,753)</u>

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS

River Hills, Wisconsin

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

Year Ended December 31, 2016

Wisconsin Retirement System

Last 10 Fiscal Years*

	Village's proportion of the net pension asset (liability)	Village's proportionate share of the net pension asset (liability)	Village's covered- employee payroll	Net pension asset (liability) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
2016	0.012782%	\$ (207,703)	\$ 1,375,966	15.10%	98.20%
2015	0.013000%	328,412	1,359,770	24.15%	102.74%

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

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

Schedule of Employer Contributions

Year Ended December 31, 2016

Wisconsin Retirement System

Last 10 Fiscal Years*

	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Village's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2016	\$ 116,592	\$ 116,592	\$ ---	\$ 1,375,966	8.47%
2015	121,436	121,436	---	1,359,770	8.93%

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

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

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Notes to Required Supplementary Information
December 31, 2016

1. Budgetary Information

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

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

The budget amounts presented include any amendments made during the year. The Village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds Board action. There were no supplemental appropriations during the year.

2. Excess Expenditures Over Appropriations

The Village had the following expenditures in excess of appropriations as presented in the “Budgetary Comparison Schedule – General Fund Expenditures”:

General Government	\$ 11,091
Public Safety	48,047
Health, Conservation and Sanitation	3,661
Capital outlay	45,414

The excess expenditures were absorbed by available fund balances and unspent debt proceeds.

3. Budgetary Process

The Village uses the following procedures in establishing the budgetary data reflected in the financial statements:

- The Village Clerk/Treasurer/Administrator requests proposed details of expenditures from the various departments for the following fiscal year. Proposed department expenditures are submitted to the Village Clerk/Treasurer/Administrator who determines the details of required revenues and, in turn, submits the proposed revenues and expenditures to the Village Board.
- Upon receipt of the proposed budget, public notice is given that the proposed budget is open for inspection.
- The budget for Governmental Funds is legally enacted by the Village Board resolution early in December.
- Formal budgetary integration is employed as a management control device during the year for the General Funds.
- The operating budgets for the General, Debt Service, Capital Projects and Special Revenue Funds are adopted on a basis consistent with GAAP.
- Budgetary information as presented in the financial statements is derived from:
 1. The annual operating budget as originally adopted by the Village Board.
 2. Individual amendments to the original budget as approved by Village Board resolutions.

4. WRS Information

There were no changes to benefit terms for any participating employee in the WRS. There were no changes in the assumptions.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Balance Sheet - Nonmajor Governmental Funds
Capital Project Funds
December 31, 2016

	Capital Fund	Annual Road Program	Police Department	Range Line Road Bridge	Total Capital Project Funds
Assets:					
Cash and investments	\$ ---	\$ ---	\$ 42,634	\$ ---	\$ 42,634
Taxes receivable	34,387	---	---	---	34,387
Total assets	\$ 34,387	\$ ---	\$ 42,634	\$ ---	\$ 77,021
 Liabilities, deferred inflows of resources and fund balance (deficit):					
Liabilities:					
Advance from general fund	125,516	325,900	---	73,792	525,208
 Deferred Inflows of Resources:					
Unavailable tax revenue	34,387	---	---	---	34,387
 Fund Balance (deficit):					
Committed	---	---	42,634	---	42,634
Unassigned	(125,516)	(325,900)	---	(73,792)	(525,208)
Total fund balance (deficit)	(125,516)	(325,900)	42,634	(73,792)	(482,574)
Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 34,387	\$ ---	\$ 42,634	\$ ---	\$ 77,021

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Capital Project Funds
Year Ended December 31, 2016

	Capital Fund	Annual Road Program	Police Department	Range Line Road Bridge	Total Capital Project Funds
Revenues:					
Taxes levied by Village	\$ 33,542	\$ ---	\$ ---	\$ ---	\$ 33,542
Expenditures:					
Current:					
Public safety	33,542	---	14,161	---	47,703
Capital Outlay	---	239,275	52,163	---	291,438
Total expenditures	33,542	239,275	66,324	---	339,141
Deficiency of revenues under expenditures	---	(239,275)	(66,324)	---	(305,599)
Other Financing Sources (Uses):					
Face value of loans issued	---	276,000	---	---	276,000
Operating transfers in	---	---	---	123,005	123,005
Total other financing sources	---	276,000	---	123,005	399,005
Net change in fund balance (deficit)	---	36,725	(66,324)	123,005	93,406
Fund Balance (deficit), January 1	(125,516)	(362,625)	108,958	(196,797)	(575,980)
Fund Balance (deficit), December 31	\$ (125,516)	\$ (325,900)	\$ 42,634	\$ (73,792)	\$ (482,574)

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Balance Sheet - Nonmajor Governmental Funds
Special Revenue Funds
December 31, 2016

	<u>Sewer</u>	<u>North Shore Fire Department</u>		<u>Total Special Revenue Funds</u>
Assets:				
Accounts receivable	\$ 128,238	\$ ---	\$	128,238
Prepaid expenses	307	---		307
Due from other funds	144,964	---		144,964
Total assets	\$ 273,509	\$ ---	\$	273,509
Liabilities and fund balance:				
Liabilities:				
Due to other funds	62,544	---		62,544
Accounts payable	\$ 286	\$	\$	286
Accrued payroll and taxes	280	---		280
Total liabilities	63,110	---		63,110
Fund Balance:				
Nonspendable	307	---		307
Restricted	210,092	---		210,092
Total Fund Balance	210,399	---		210,399
Total liabilities and fund balance	\$ 273,509	\$ ---	\$	273,509

See Independent Auditors' Report.

VILLAGE OF RIVER HILLS
Milwaukee County, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
Year Ended December 31, 2016

	Sewer	North Shore Fire Department	Total Special Revenue Funds
Revenues:			
Taxes levied by Village	\$ 47,621	\$ ---	\$ 47,621
Public charges for services	273,201	---	273,201
Total revenue	320,822	---	320,822
Expenditures:			
Current:			
Public works	170,269	---	170,269
Capital Outlay	99,634	---	99,634
Total expenditures	269,903	---	269,903
Excess of revenues over expenditures	50,919	---	50,919
Other Financing Uses:			
Operating transfers out	---	(57,754)	(57,754)
Net changes in fund balances	50,919	(57,754)	(6,835)
Fund Balance, January 1	159,480	57,754	217,234
Fund Balance, December 31	\$ 210,399	\$ ---	\$ 210,399

See Independent Auditors' Report.