

**VILLAGE OF SUSSEX, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

**VILLAGE OF SUSSEX, WISCONSIN**  
December 31, 2015

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Sussex, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sussex, Wisconsin ("the Village") as of and for the year ended December 31, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note E.9, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 17, the budgetary comparison information on page 64 and the schedules relating to pensions on pages 65 and 66 be presented to supplement the basic financial statements. Such information, although not 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 basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
May 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **Management's Discussion and Analysis (Unaudited) As of and for the Year Ended December 31, 2015**

As management of the Village of Sussex, we offer readers of the Village of Sussex's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal years ended December 31, 2015 and 2014.

### ***Financial Highlights***

- The assets and deferred outflows of resources of the Village of Sussex exceeded its liabilities and deferred inflows of resources at the close of 2015 by \$76.0 million compared to the 2014 excess of \$76.9 million (net position).
- Restricted net position represents amounts held for future debt service expenditures, unexpended reserve capacity assessments, amounts held for equipment replacement and depreciation, park dedication fees received, pension benefits and revolving loan funds.
- The government's total net position decreased by about \$1.6 million in 2015 compared to a decrease of \$3.4 million in 2014. The main reasons for the decrease are depreciation of capital assets and spending previously held bond funds.
- As of the close of the current fiscal year, the Village of Sussex's governmental funds reported combined ending fund balances of \$8.8 million, an increase of \$2.9 million, in comparison with the prior year. There were increases in the General Fund of \$332,242, the General Capital Projects Fund of \$2,707,538 and \$77,618 in the Park Fund which were offset by decreases in the TIF Capital Projects Funds of \$223,096 as a result of spending prior debt proceeds. In addition, the various Debt Service Funds decreased a total of \$20,948. The large increase in the General Capital Projects Fund was the result of borrowing for the Civic Campus project which had not been spent at year end.
- The Village Board adopted a formal fund balance policy in 2011 and updated in 2015 which includes standards to maintain specific levels within the General Fund. In addition, it directs any surplus to be set aside for future equipment and building replacement. At December 31, 2015 the combined balance of General Fund assigned and unassigned funds is \$3,753,051 and represents 46.2% of the 2016 budgeted expenditures as defined in the policy.
- The Village of Sussex's total debt showed a net increase of \$7.7 million during the current fiscal year. All borrowing is in accordance with the approved Capital Improvement Plan.

### ***Overview of the Financial Statements***

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

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

The *statement of net position* presents information on all of the Village of Sussex's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Sussex is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village of Sussex that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Sussex include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library, and conservation and development. The business-type activities of the Village of Sussex include a Water Utility, a Sewer Utility, a Stormwater Utility and the Community Development Authority.

The government-wide financial statements include the Village of Sussex which is known as the *primary government*. The Water, Sewer and Stormwater Utilities function for all practical purposes as departments of the Village of Sussex, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 18-20 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Sussex, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Sussex can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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The Village of Sussex maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general obligation debt service fund, the special assessment B Bond debt service fund, the general capital projects fund and the TIF #6 capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21 - 24 of this report.

The Village of Sussex adopts an annual appropriated budget for the general fund and various other funds as required by state statute. The budgetary comparison statement found on page 64 has been provided as required supplementary information for the budgeted fund to demonstrate compliance with the adopted budget.

**Proprietary funds.** The Village of Sussex maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Sussex uses enterprise funds to account for its Water, Sewer, and Stormwater Utilities and Community Development Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Stormwater Utilities, which are considered to be major funds of the Village of Sussex. The Community Development Authority is not considered a major fund but is also included in the proprietary fund financial statements

The basic proprietary fund financial statements can be found on pages 25 - 28 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Sussex's own programs. The only fiduciary fund maintained by the Village of Sussex is the Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the Village of Sussex. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 63 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 68 - 69 of this report.

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**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position.

VILLAGE OF SUSSEX NET POSITION

	Governmental Activities		Business-type Activities		Total	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Current and other assets	\$ 20,759,684	\$ 13,287,297	\$ 13,304,028	\$ 13,516,657	\$ 34,063,712	\$ 26,803,954
Capital assets	36,249,090	34,395,188	56,177,433	57,072,861	92,426,523	91,468,049
Total assets	<u>57,008,774</u>	<u>47,682,485</u>	<u>69,481,461</u>	<u>70,589,518</u>	<u>126,490,235</u>	<u>118,272,003</u>
Deferred outflows of resources						
Pension benefits	199,328	-	140,170	-	339,498	-
Current and other liabilities	4,002,818	2,319,287	2,197,340	2,171,534	6,200,158	4,490,821
Long-term liabilities	25,161,808	15,770,622	12,651,733	14,608,304	37,813,541	30,378,926
Total liabilities	<u>29,164,626</u>	<u>18,089,909</u>	<u>14,849,073</u>	<u>16,779,838</u>	<u>44,013,699</u>	<u>34,869,747</u>
Deferred inflows of resources						
Property taxes	6,809,875	6,486,118	-	-	6,809,875	6,486,118
Other	24,985	27,744	-	-	24,985	27,744
Pension benefits	2,476	-	1,699	-	4,175	-
Total deferred outflows	<u>6,837,336</u>	<u>6,513,862</u>	<u>1,699</u>	<u>-</u>	<u>6,839,035</u>	<u>6,513,862</u>
Net position						
Net investment in						
capital assets	21,206,444	21,395,164	43,143,700	42,587,944	61,806,086	62,919,499
Restricted	1,261,982	837,900	7,462,349	7,333,454	8,724,331	8,171,354
Unrestricted	<u>(1,262,286)</u>	<u>845,650</u>	<u>4,164,810</u>	<u>3,888,282</u>	<u>5,446,582</u>	<u>5,797,541</u>
Total net position	<u>\$ 21,206,140</u>	<u>\$ 23,078,714</u>	<u>\$ 54,770,859</u>	<u>\$ 53,809,680</u>	<u>\$ 75,976,999</u>	<u>\$ 76,888,394</u>

The Village of Sussex's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding as \$61.8 million. The Village of Sussex uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Sussex's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village of Sussex's net position, \$8.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is \$5.4 million.

The government's net position decreased by about \$1.6 million during the current fiscal year. There was a decrease of about \$2.3 million in the governmental activities, while the business-type activities had an increase in net position of \$699,603.

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**Governmental activities.** Governmental activities decreased the Village of Sussex's net position by \$2,255,471. Two main reasons for the decrease are depreciation of capital assets and the spending of bond proceeds. Some of the bond proceeds spent show up in the next table on the development line item. These are funds expended for developer incentives in the TIF #6 Fund.

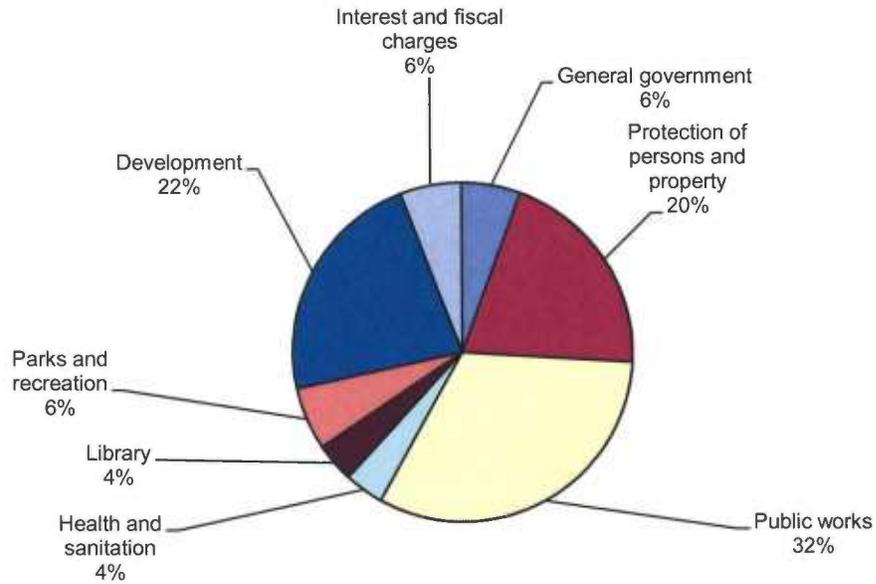
The following table provides a summary of the Village's change in net position.

VILLAGE OF SUSSEX'S CHANGES IN NET POSITION

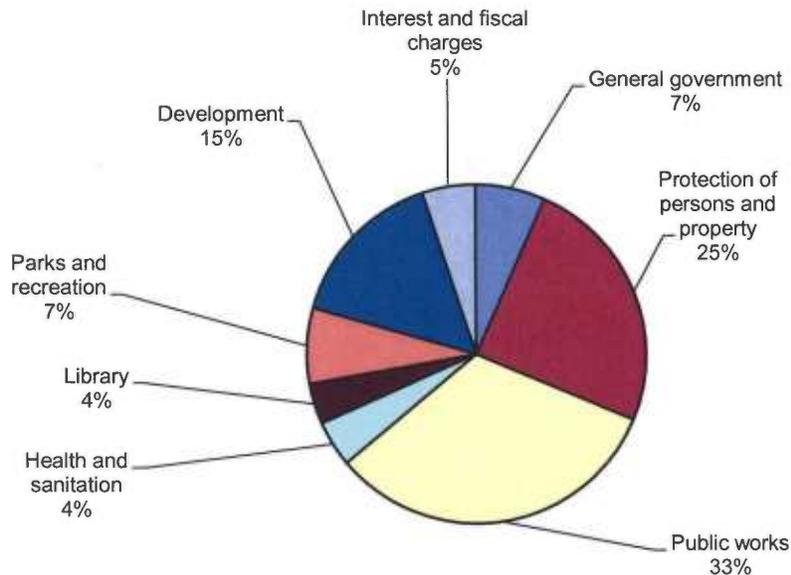
	Governmental Activities		Business-type Activities		Total	
	12/31/2014	12/31/2014	12/31/2014	12/31/2014	12/31/2014	12/31/2014
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,982,282	\$ 1,693,592	\$ 4,232,593	\$ 4,102,285	\$ 6,214,875	\$ 5,795,877
Operating grants and contributions	686,506	764,203	-	-	686,506	764,203
Capital grants and contributions	2,869,471	196,813	556,928	378,742	3,426,399	575,555
General revenues						
Property taxes	6,103,869	5,669,982	-	-	6,103,869	5,669,982
Intergovernmental revenues not restricted to specific programs	160,840	160,595	-	-	160,840	160,595
Investment income	66,001	73,705	106,093	110,540	172,094	184,245
Other	582,392	64,344	-	-	582,392	64,344
Total revenues	<u>12,451,361</u>	<u>8,623,234</u>	<u>4,895,614</u>	<u>4,591,567</u>	<u>17,346,975</u>	<u>13,214,801</u>
<b>Expenses</b>						
General government	823,899	804,161	-	-	823,899	804,161
Public safety	2,982,019	2,965,315	-	-	2,982,019	2,965,315
Public works	4,722,550	3,931,235	-	-	4,722,550	3,931,235
Health and sanitation	550,899	526,027	-	-	550,899	526,027
Library	549,190	470,363	-	-	549,190	470,363
Parks and recreation	876,245	866,312	-	-	876,245	866,312
Development	3,318,689	1,868,623	-	-	3,318,689	1,868,623
Interest and fiscal charges	860,102	612,523	-	-	860,102	612,523
Water	-	-	1,574,474	1,568,518	1,574,474	1,568,518
Sewer	-	-	2,269,268	2,543,457	2,269,268	2,543,457
Stormwater	-	-	370,106	446,436	370,106	446,436
Community Development Authority	-	-	5,402	5,704	5,402	5,704
Total expenses	<u>14,683,593</u>	<u>12,044,559</u>	<u>4,219,250</u>	<u>4,564,115</u>	<u>18,902,843</u>	<u>16,608,674</u>
Increase (Decrease) in net position before transfers	(2,232,232)	(3,421,325)	676,364	27,452	(1,555,868)	(3,393,873)
Transfers	(23,239)	368,891	23,239	(368,891)	-	-
Decrease in net position	(2,255,471)	(3,052,434)	699,603	(341,439)	(1,555,868)	(3,393,873)
Cumulative Effect of Change in Accounting Principle	382,897	-	261,576	-	644,473	-
Net position - January 1	<u>23,078,714</u>	<u>26,131,148</u>	<u>53,809,680</u>	<u>54,151,119</u>	<u>76,888,394</u>	<u>80,282,267</u>
Net position - December 31	<u>\$ 21,206,140</u>	<u>\$ 23,078,714</u>	<u>\$ 54,770,859</u>	<u>\$ 53,809,680</u>	<u>\$ 75,976,999</u>	<u>\$ 76,888,394</u>

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2015 Expenses by Function - Governmental Activities

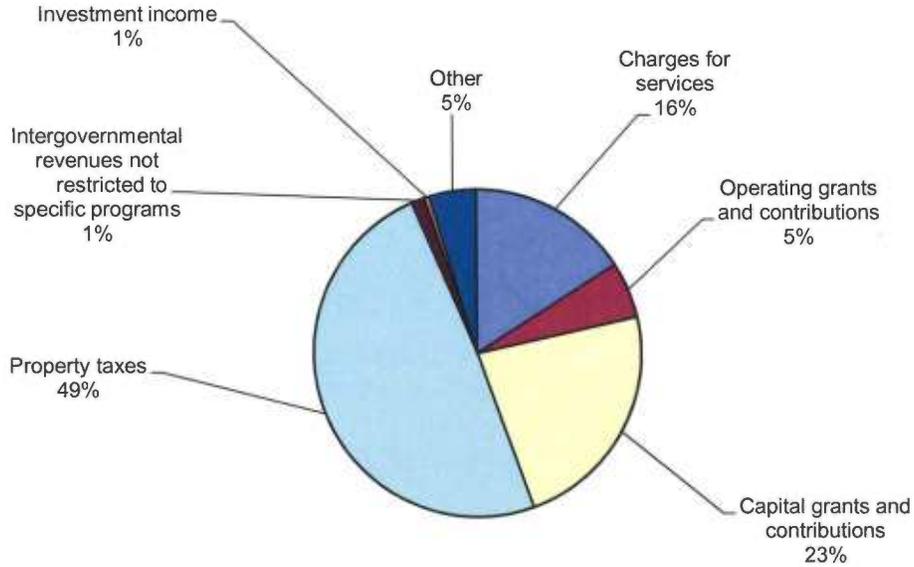


2014 Expenses by Function - Governmental Activities

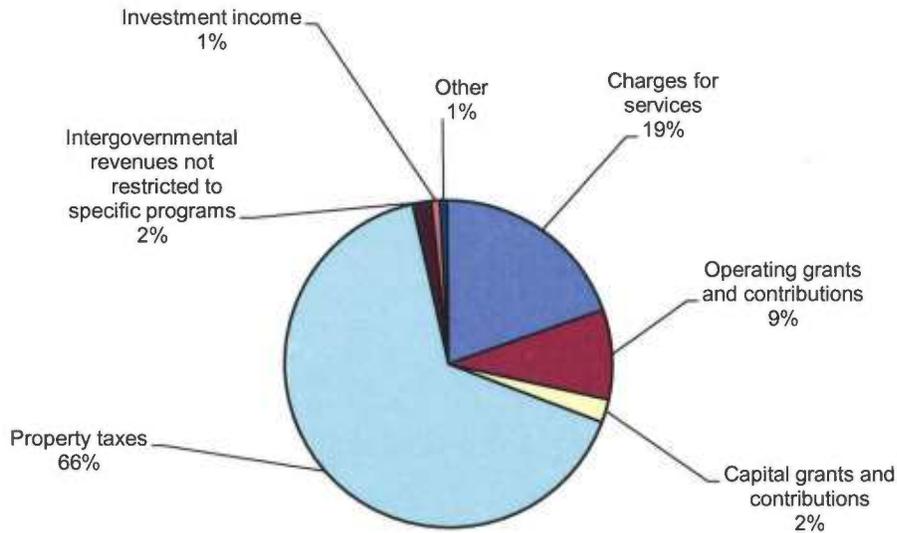


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**2015 Program & General Revenues by Source - Governmental Activities**



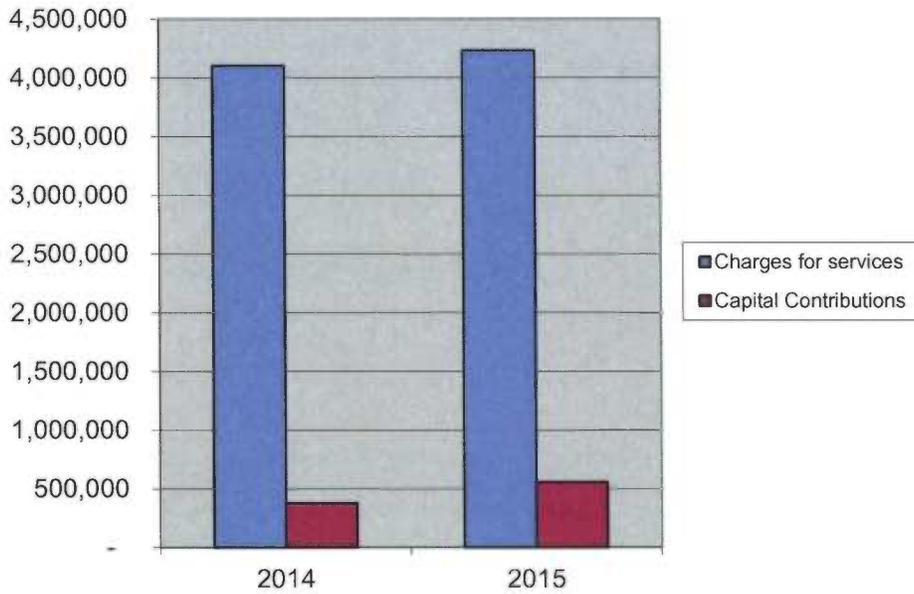
**2014 Program & General Revenues by Source - Governmental Activities**



**Village of Sussex  
Management's Discussion and Analysis  
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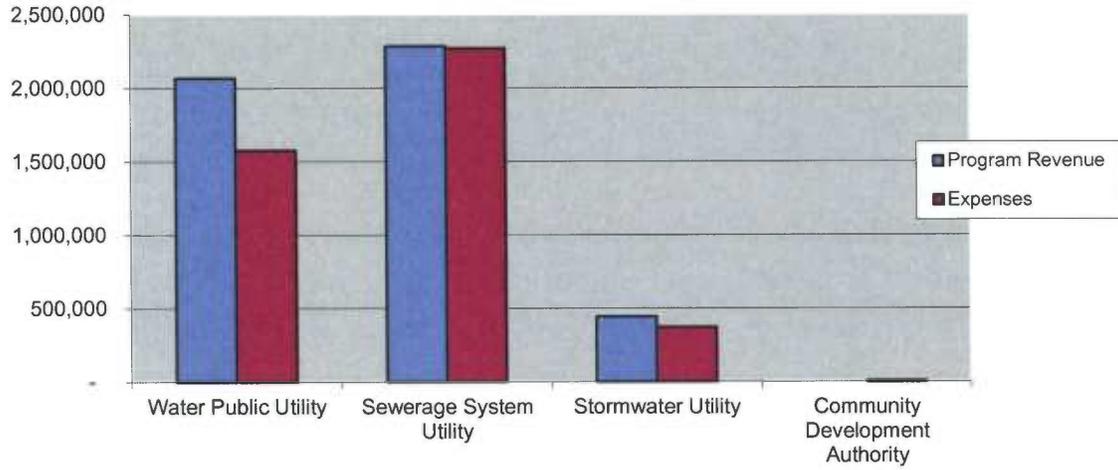
**Business-type activities.** Business-type activities increased the Village of Sussex's net position by \$699,603 in 2015 compared to a decrease of \$341,439 in 2014. Both Water and Sewer Utilities as well as the CDA had increases in net position of \$140,112, \$98,629, and \$493,366 respectively. The Stormwater Utility had a decrease in net position of \$32,504.

**Revenues by Source - Business-type Activities**

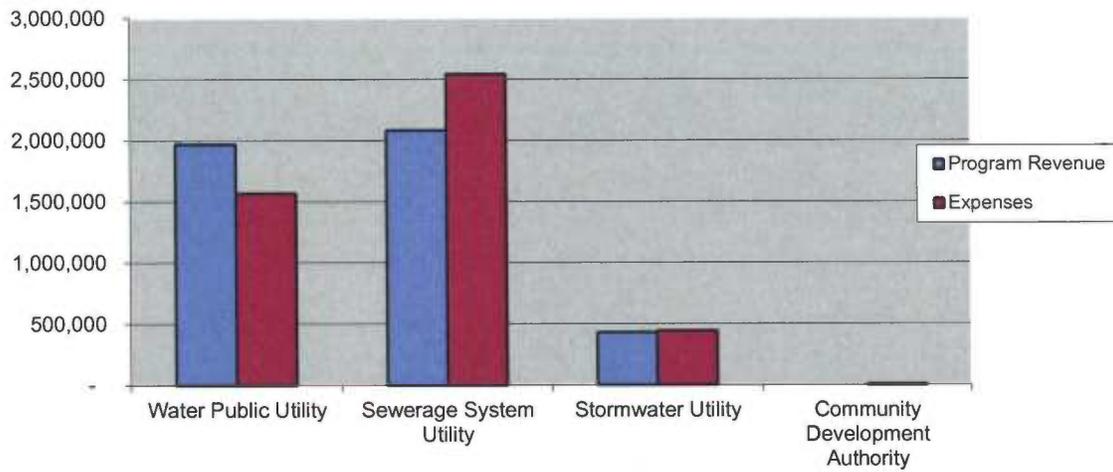


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**2015 Expenses & Program Revenues - Business-type Activities**



**2014 Expenses & Program Revenues - Business-type Activities**



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***Financial Analysis of the Government's Funds***

As noted earlier, the Village of Sussex uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of 2015, the Village of Sussex's governmental funds reported combined ending fund balances of \$8.77 million compared to the 2014 ending balance of \$5.89 million. Fund balances are segregated into five categories in accordance with the new accounting standards with details provided in the footnotes beginning on page 52. A summary of the categories are:

- Nonspendable – the balance of \$447,552 represents assets that are not readily convertible to cash, the majority in the form of long-term receivables.
- Restricted – the balance of \$3,417,738 represents funds that have constraints on them by third parties such as creditors, grantor, laws or enabling legislation.
- Committed – the balance of \$136,911 consists of funds that can be used for specific purposes based on constraints imposed by formal action of the Village Board.
- Assigned – the balance of \$4,145,146 represents funds that have been set aside for specific purposes.
- Unassigned – these are residual funds available. At December 31, 2015 this balance was \$624,156 and includes funds that are for working capital purposes in case of emergency as well as a deficit fund balance in the TIF #6 Capital Projects Fund that will be restored with future tax increment receipts.

The general fund is the chief operating fund of the Village of Sussex. At the end of 2015, the balance was \$4,369,326 compared to the ending balance of \$4,037,084 in 2014.

The fund balance of the Village of Sussex's general fund increased on a budgetary basis by \$420,104 during the current fiscal year compared to a balanced budget. Revenues credited and expenditures charged to assigned funds resulted in a total increase of \$332,242 in the general fund. Key factors in the final outcome are as follows:

Village departments made concerted efforts during the year to continue with spending reductions and increased efficiency which resulted in total expenditures of \$276,828 less than the budget. The largest areas of savings were parks and recreation and fire. In addition, revenues were \$156,963 over budget. Over half of this amount came from public charges for services and the balance came from all other areas.

The Village Board has approved a fund balance policy. During the 2015 budget process, the Village Board approved that all future surplus will increase the equipment replacement reserves unless other needs are brought forward.

Payments were made from assigned funds totaling \$791,966. The transfers were for construction in accordance with the Capital Improvement Plan and for the ambulance purchase. Appropriations of about \$674,000 were made to the reserve funds. Most were set aside for future equipment purchases with a small amount being set aside for post-employment health plan payments.

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There are three debt service funds with a total fund balance of about \$253,000, all of which is reserved for the payment of debt service.

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

Unrestricted net position of the Water Utility, Sewer Utility, Stormwater Utility and Community Development Authority at the end of 2015 amounted to \$1.7 million, \$1.4 million, \$0.8 million and \$216,681 respectively compared to \$1.9 million, \$1.4 million, \$0.9 million, and \$24,019 respectively for 2014. The changes in net position for the funds were increases in the Water Utility of \$140,112, the Sewer Utility of \$98,629, the CDA of \$493,366 and a decrease in the Stormwater Utility of \$32,504. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village of Sussex's business-type activities.

The Sewer Utility last increased rates in July, 2015. It is the Village Board policy to review rates on an annual basis in order to keep increases to manageable levels. The Village Board has already approved a 3% increase in Sewer Rates beginning July 1, 2016. An application to increase water rates was submitted to the Public Service Commission of Wisconsin in January, 2016.

***General Fund Budgetary Highlights***

One budget amendment was adopted relating to the 2015 budgets of the General Fund and the General Debt Service Fund. The General Fund amendment was made to account for reduced revenues from tax equivalent and investments as well as increased revenues from permits. The General Fund expenditure budget was amended to show additional expenditures related to fire outlay and outside engineering and legal fees as well as savings in the fire department. The Debt Service revenue budget was amended to show bond proceeds received to refund debt and the expenditure budget was amended to show the payment of the bonds that had been refunded.

***Capital Asset and Debt Administration***

**Capital assets.** The Village of Sussex's net investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$92.4 million compared to \$91.5 million at December 31, 2014. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, construction in progress, utility infrastructure and street infrastructure.

**Village of Sussex  
Management's Discussion and Analysis  
(Unaudited)  
As of and for the Year Ended December 31, 2015**

Major capital assets include the following:

**VILLAGE OF SUSSEX'S NET INVESTMENT IN CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Land	\$ 2,021,290	\$ 2,905,815	\$ 927,868	\$ 927,868	\$ 2,949,158	\$ 3,833,683
Construction in progress	5,385,168	519,712	229,477	227,411	5,614,645	747,123
Buildings	5,060,882	5,179,496	4,207,370	4,332,669	9,268,252	9,512,165
Land improvements	241,878	255,961	-	-	241,878	255,961
Machinery & equipment	2,747,377	2,537,252	5,935,633	6,250,950	8,683,010	8,788,202
Infrastructure	20,792,495	22,996,952	44,877,085	45,333,963	65,669,580	68,330,915
<b>Total</b>	<b>\$ 36,249,090</b>	<b>\$ 34,395,188</b>	<b>\$ 56,177,433</b>	<b>\$ 57,072,861</b>	<b>\$ 92,426,523</b>	<b>\$ 91,468,049</b>

Additional information on the Village of Sussex's capital assets can be found in Note D-4 on pages 45-46 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village of Sussex had total debt outstanding of \$40.7 million. Of this amount, \$25.9 million comprises debt backed by the full faith and credit of the government. The remainder of the Village of Sussex's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds, bond anticipation notes) or special assessments (i.e., B Bonds).

**VILLAGE OF SUSSEX'S OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities		Total	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
General obligation bonds & notes	\$ 20,892,308	\$ 16,826,924	\$ 5,035,000	\$ 6,046,947	\$ 25,927,308	\$ 22,873,871
Revenue bonds	-	-	8,999,701	9,717,074	8,999,701	9,717,074
Special Assessment B Bonds	2,000,000	-	-	-	2,000,000	-
Bond Anticipation Notes	3,325,000	-	-	-	3,325,000	-
Compensated absences	280,272	256,069	45,408	70,733	325,680	326,802
Due to other governmental units	-	-	-	48,991	-	48,991
Unamortized (discount)/premium	100,651	(26,923)	(15,454)	(17,923)	85,197	(44,846)
<b>Total</b>	<b>\$ 26,598,231</b>	<b>\$ 17,056,070</b>	<b>\$ 14,064,655</b>	<b>\$ 15,865,822</b>	<b>\$ 40,662,886</b>	<b>\$ 32,921,892</b>

The Village of Sussex's total debt increased by \$7.8 million during the current fiscal year.

**Village of Sussex  
Management's Discussion and Analysis  
(Unaudited)  
As of and for the Year Ended December 31, 2015**

During 2015, the Village of Sussex entered a Developer's Agreement where the Village obtained financing through Special Assessment B Bonds, the proceeds of which are being used to pay for the installation of infrastructure in a new residential development. The developer will pay special assessments on the properties in the development which will then be used to repay the B Bonds. Because of the favorable interest rate as an investment and the Village's availability of excess funds, the entire B Bond issue was purchased by the Village of Sussex. As of year end, construction is still in progress and the first developer payment is due in January, 2017.

The Village of Sussex maintained its Aa3 bond rating by Moody's for its general obligation debt. The revenue bonds of the Water Utility have ratings between Aaa and A2 because of the purchase of insurance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the Village of Sussex is \$61.1 million which is significantly in excess of the Village of Sussex's outstanding general obligation debt of \$25.9 million.

Additional information on the Village of Sussex's long-term debt can be found in note D.6 on pages 49 - 52 of this report.

***Economic Factors and Next Year's Budgets and Rates***

The unemployment rate for Waukesha County is currently 3.5%. This compares favorably to the state's December unemployment rate of 4.6%. In general, the Village's population has a higher median family income and per capita income than the rest of the state. Also, the Village is home to several large companies which provide local employment to many of the Village residents.

The Village's population increased slightly in 2015.

The Village's 2016 adopted budget increased by approximately \$507,000 compared to the 2015 budget or approximately 5.4%. About \$385,000 of the increase is related using funds previously set aside for the Civic Campus construction project and the remainder of the increase is for debt service.

During 2015, the Village experienced an increase in state transportation aid of about \$21,000 from the prior year. The 2016 transportation aid is anticipated to decrease about \$9,000 along with a decrease of about \$6,000 in recycling aid.

The Sewer Utility increased its rates in 2015 and the Village Board has approved an increase the rates again in July, 2016. The Water Utility submitted an application to increase rates to the Public Service Commission of Wisconsin in January, 2016. The Village reviews the existing rates annually to determine if increases are needed. The stormwater utility rates were established as of January, 2006 and the 2016 budget includes money to conduct a rate study.

**Village of Sussex  
Management's Discussion and Analysis  
(Unaudited)  
As of and for the Year Ended December 31, 2015**

Interest rates began to decline later in 2007 and have maintained the low levels throughout 2015. During 2010, the Village made changes in the types of its investments to counteract some of the decline but most of those investments have matured with very few options for reinvesting at more than nominal rates, although excess funds have been used to purchase the Village issued B Bonds as a means to earning a higher interest rate.

During the past five fiscal years, the general fund balance has increased from \$1,859,326 in 2010 to \$4,369,326 in 2015. The majority of these funds have been used to begin saving for equipment replacement and reflect the Village Board's commitment to this purpose.

***Requests for Information***

This financial report is designed to provide a general overview of the Village of Sussex's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Village of Sussex Finance Director, Village of Sussex, N64W23760 Main Street, Sussex, Wisconsin 53089.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SUSSEX, WISCONSIN**

STATEMENT OF NET POSITION  
December 31, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit
<b>ASSETS</b>				
Cash and investments	\$ 14,376,606	\$ 3,456,267	\$ 17,832,873	\$ 655,541
Receivables (net of allowance for uncollectible accounts)	4,013,031	896,889	4,909,920	312
Interest rebate receivable	20,505	-	20,505	-
Inventories and prepaid items	28,299	22,437	50,736	11,140
Restricted assets	-	7,955,546	7,955,546	468,037
Other assets				
Special assessments receivable	2,131,464	567,081	2,698,545	-
Extraordinary property loss	-	267,361	267,361	-
Net pension asset	189,779	138,447	328,226	82,211
Capital assets (net of accumulated depreciation):				
Land	2,021,290	927,868	2,949,158	280,000
Construction in progress	5,385,168	229,477	5,614,645	-
Other capital assets	28,842,632	55,020,088	83,862,720	1,551,947
<b>TOTAL ASSETS</b>	<u>57,008,774</u>	<u>69,481,461</u>	<u>126,490,235</u>	<u>3,049,188</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	<u>199,328</u>	<u>140,170</u>	<u>339,498</u>	<u>87,811</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	2,011,543	91,827	2,103,370	46,979
Accrued interest payable	196,968	18,265	215,233	-
Payable from restricted assets:				
Current portion of long-term debt	-	733,441	733,441	-
Accounts payable and accrued interest payable	-	33,697	33,697	-
Due to other governments	357,884	-	357,884	26,487
Unearned revenue	-	640,629	640,629	-
Noncurrent liabilities:				
Due within one year	1,436,423	679,481	2,115,904	35,188
Due in more than one year	25,161,808	12,651,733	37,813,541	-
<b>TOTAL LIABILITIES</b>	<u>29,164,626</u>	<u>14,849,073</u>	<u>44,013,699</u>	<u>108,654</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes	6,809,875	-	6,809,875	-
Other	24,985	-	24,985	-
Deferred inflows related to pension	2,476	1,699	4,175	1,102
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,837,336</u>	<u>1,699</u>	<u>6,839,035</u>	<u>1,102</u>
<b>NET POSITION</b>				
Net investment in capital assets	21,206,444	43,143,700	61,806,086	1,831,947
Restricted:				
Reserve Capacity Assessments	-	1,553,708	1,553,708	-
Debt Service	65,855	3,232,984	3,298,839	-
Equipment Replacement and Depreciation	-	2,398,739	2,398,739	-
Pension Benefits	386,631	276,918	663,549	168,920
Park Dedication Fees	655,747	-	655,747	-
Revolving Loan Fund	153,749	-	153,749	-
Future Expansion	-	-	-	458,390
Library Books and Equipment	-	-	-	9,620
Unrestricted	(1,262,286)	4,164,810	5,446,582	558,366
<b>TOTAL NET POSITION</b>	<u>\$ 21,206,140</u>	<u>\$ 54,770,859</u>	<u>75,976,999</u>	<u>\$ 3,027,243</u>

## VILLAGE OF SUSSEX, WISCONSIN

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 823,899	\$ 122,891	\$ -	\$ 15
Protection of persons & property:				
Police	1,538,104	208,320	3,587	-
Fire	1,269,124	222,201	58,778	11,630
Other protection	174,791	341,319	-	-
Health and sanitation	550,899	460,528	40,514	-
Highway and transportation	4,722,550	17,090	487,106	2,773,528
Library	549,190	-	-	-
Parks and recreation	876,245	451,624	96,286	2,366
Development	3,318,689	158,309	235	-
Interest and fiscal charges	860,102	-	-	81,932
Total governmental activities	14,683,593	1,982,282	686,506	2,869,471
Business type activities				
Water	1,574,474	1,944,390	-	121,115
Sewer	2,269,268	1,846,866	-	435,813
Stormwater	370,106	441,337	-	-
Community Development Authority	5,402	-	-	-
Total business type activities	4,219,250	4,232,593	-	556,928
Total	\$ 18,902,843	6,214,875	686,506	3,426,399
Component unit				
Pauline Haass Public Library	\$ 1,119,787	\$ 27,803	\$ 1,014,416	\$ -

General revenues:

Taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - January 1, as originally stated

Cumulative effect of change in accounting principle

Net Position - January 1, restated

Net Position - End of Year

See accompanying notes to financial statements.

Net (Expenses) Revenues and  
Changes in Net Position

Governmental Activities	Business Type Activities	Totals	Component Unit
\$ (700,993)	\$ -	\$ (700,993)	\$ -
(1,326,197)	-	(1,326,197)	-
(976,515)	-	(976,515)	-
166,528	-	166,528	-
(49,857)	-	(49,857)	-
(1,444,826)	-	(1,444,826)	-
(549,190)	-	(549,190)	-
(325,969)	-	(325,969)	-
(3,160,145)	-	(3,160,145)	-
(778,170)	-	(778,170)	-
<u>(9,145,334)</u>	<u>-</u>	<u>(9,145,334)</u>	<u>-</u>
-	491,031	491,031	-
-	13,411	13,411	-
-	71,231	71,231	-
-	(5,402)	(5,402)	-
<u>-</u>	<u>570,271</u>	<u>570,271</u>	<u>-</u>
<u>(9,145,334)</u>	<u>570,271</u>	<u>(8,575,063)</u>	<u>-</u>
-	-	-	(77,568)
6,103,869	-	6,103,869	-
160,840	-	160,840	-
66,001	106,093	172,094	4,530
582,392	-	582,392	10,773
(23,239)	23,239	-	-
<u>6,889,863</u>	<u>129,332</u>	<u>7,019,195</u>	<u>15,303</u>
<u>(2,255,471)</u>	<u>699,603</u>	<u>(1,555,868)</u>	<u>(62,265)</u>
23,078,714	53,809,680	76,888,394	2,919,202
<u>382,897</u>	<u>261,576</u>	<u>644,473</u>	<u>170,306</u>
<u>23,461,611</u>	<u>54,071,256</u>	<u>77,532,867</u>	<u>3,089,508</u>
<u>\$ 21,206,140</u>	<u>\$ 54,770,859</u>	<u>\$ 75,976,999</u>	<u>\$ 3,027,243</u>

# VILLAGE OF SUSSEX, WISCONSIN

## BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2015

	General	General Obligation Debt Service Fund
<b>ASSETS</b>		
Cash and investments	\$ 6,769,960	\$ 1,201,110
Receivables		
Taxes	2,256,926	783,755
Accounts	250,428	-
Special assessments	131,464	-
Due from other funds	405,732	-
Inventories and prepaid items	28,214	-
	<u>\$ 9,842,724</u>	<u>\$ 1,984,865</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 346,678	\$ -
Accrued payroll	38,000	-
Due to other funds	-	-
Due to other governments	157,884	-
Total liabilities	<u>542,562</u>	<u>-</u>
Deferred Inflows of Resources		
Property taxes	4,898,370	1,731,393
Other	32,466	-
Special assessments	-	-
Total deferred inflows of resources	<u>4,930,836</u>	<u>1,731,393</u>
Fund Balances		
Nonspendable	447,467	-
Restricted	46,932	253,472
Committed	121,876	-
Assigned	2,714,629	-
Unassigned	1,038,422	-
Total fund balances	<u>4,369,326</u>	<u>253,472</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 9,842,724</u>	<u>\$ 1,984,865</u>

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

- Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.
- Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements
- The Village's proportionate share of the Wisconsin Retirement System pension plan is not an available resource; therefore, it is not reported in the fund financial statements
- Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.

### NET POSITION OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

Special Assessment B Bond Debt Service Fund	General Capital Projects Fund	TIF #6 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,267,130	\$ 105,009	\$ 1,033,397	\$ 14,376,606
-	-	72,478	-	3,113,159
9,351	639,858	235	-	899,872
2,000,000	-	-	-	2,131,464
-	-	-	-	405,732
-	-	-	85	28,299
<u>\$ 2,009,351</u>	<u>\$ 5,906,988</u>	<u>\$ 177,722</u>	<u>\$ 1,033,482</u>	<u>\$ 20,955,132</u>

\$ -	\$ 1,620,706	\$ 6,144	\$ 15	\$ 1,973,543
-	-	-	-	38,000
-	-	405,732	-	405,732
-	-	-	200,000	357,884
-	<u>1,620,706</u>	<u>411,876</u>	<u>200,015</u>	<u>2,775,159</u>

-	-	180,112	-	6,809,875
9,351	556,778	-	-	598,595
<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
<u>2,009,351</u>	<u>556,778</u>	<u>180,112</u>	<u>-</u>	<u>9,408,470</u>

-	-	-	85	447,552
-	2,307,838	-	809,496	3,417,738
-	-	-	15,035	136,911
-	1,421,666	-	8,851	4,145,146
-	-	(414,266)	-	624,156
-	<u>3,729,504</u>	<u>(414,266)</u>	<u>833,467</u>	<u>8,771,503</u>

<u>\$ 2,009,351</u>	<u>\$ 5,906,988</u>	<u>\$ 177,722</u>	<u>\$ 1,033,482</u>
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36,249,090

2,573,610

386,631

(26,774,694)

\$ 21,206,140

## VILLAGE OF SUSSEX, WISCONSIN

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

For the Year Ended December 31, 2015

	General Fund	General Obligation Debt Service Fund	General Capital Projects Fund	TIF #6 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 4,391,116	\$ 1,608,628	\$ -	\$ 104,125	\$ -	\$ 6,103,869
Intergovernmental	740,506	-	22,700	579	-	763,785
Public improvement revenues	-	-	194,050	235	79,210	273,495
Licenses and permits	503,595	-	-	-	-	503,595
Fines, forfeitures and penalties	194,258	-	-	-	-	194,258
Public charges for services	1,084,439	-	-	-	4,869	1,089,308
Commercial revenues	168,507	4,049	5,620	1,395	2,472	182,043
Miscellaneous revenues	111,746	81,932	500	-	14,650	208,828
Total Revenues	<u>7,194,167</u>	<u>1,694,609</u>	<u>222,870</u>	<u>106,334</u>	<u>101,201</u>	<u>9,319,181</u>
<b>EXPENDITURES</b>						
Current						
General government	747,540	-	-	24,146	168	771,854
Protection of persons & property						
Police	1,504,400	-	-	-	-	1,504,400
Fire	1,106,285	-	-	-	-	1,106,285
Other protection	159,895	-	-	-	-	159,895
Health and sanitation	539,856	-	-	-	11,307	551,163
Highway and transportation	765,966	-	-	-	-	765,966
Library	544,743	-	-	-	-	544,743
Parks and recreation	764,447	-	-	-	8,455	772,902
Development	-	-	-	3,318,689	-	3,318,689
Capital outlay	569,026	-	6,476,526	-	-	7,045,552
Debt service						
Principal retirement	4,616	8,275,000	-	-	-	8,279,616
Interest and fiscal charges	-	653,234	67,577	55,336	59,888	836,035
Total Expenditures	<u>6,706,774</u>	<u>8,928,234</u>	<u>6,544,103</u>	<u>3,398,171</u>	<u>79,818</u>	<u>25,657,100</u>
Excess (deficiency) of revenues over expenditures	<u>487,393</u>	<u>(7,233,625)</u>	<u>(6,321,233)</u>	<u>(3,291,837)</u>	<u>21,383</u>	<u>(16,337,919)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term debt issued	-	7,110,000	7,235,000	3,325,000	-	17,670,000
Other sources (bond premium)	-	132,791	-	-	-	132,791
Sale of village property	543,065	-	900,030	-	-	1,443,095
Transfers in	370,833	-	893,741	-	39,752	1,304,326
Transfers out	(1,069,049)	-	-	(256,259)	(2,257)	(1,327,565)
Total other financing sources (uses)	<u>(155,151)</u>	<u>7,242,791</u>	<u>9,028,771</u>	<u>3,068,741</u>	<u>37,495</u>	<u>19,222,647</u>
Net change in fund balances	332,242	9,166	2,707,538	(223,096)	58,878	2,884,728
<b>FUND BALANCES -</b>						
BEGINNING OF YEAR	<u>4,037,084</u>	<u>244,306</u>	<u>1,021,966</u>	<u>(191,170)</u>	<u>774,589</u>	<u>5,886,775</u>
<b>FUND BALANCES -</b>						
END OF YEAR	<u>\$ 4,369,326</u>	<u>\$ 253,472</u>	<u>\$ 3,729,504</u>	<u>\$ (414,266)</u>	<u>\$ 833,467</u>	<u>\$ 8,771,503</u>

## VILLAGE OF SUSSEX, WISCONSIN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds	\$ 2,884,728
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributed capital exceeded depreciation in the current period.	1,853,902
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, governmental funds report the effect of issuance costs, premium, discounts, and similar costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount in the net effect of these differences in the treatment of long-term debt and related items.	(9,517,958)
Special assessments levied are reported as receivables in governmental funds and do not contribute to the change in fund balance. In the statement of net position, however, the levying of special assessments increases revenue and affects the statement of activities.	2,000,000
Governmental funds do not report the change in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	3,734
Accounts receivable for grants and interest accrued on special assessments and investment in municipal bonds are reported as deferred inflow in the governmental funds but are reported as earned in the statement of net position	573,610
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(53,487)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$(2,255,471)</u></u></b>

**VILLAGE OF SUSSEX, WISCONSIN**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2015

Business Type Activities -  
Enterprise Funds

	Water Utility	Sewer Utility	Stormwater Utility	Community Development Authority	Totals
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 1,474,548	\$ 1,042,291	\$ 722,747	\$ 216,681	\$ 3,456,267
Accounts receivable	329,277	442,684	110,321	-	882,282
Special assessment receivable	13,037	-	-	-	13,037
Taxes receivable	1,570	-	-	-	1,570
Prepaid items	9,425	10,092	2,920	-	22,437
Restricted Assets					
Cash and investments	217,164	274,515	-	-	491,679
Current portion of due from other governments	-	201,838	-	-	201,838
Total current assets	<u>2,045,021</u>	<u>1,971,420</u>	<u>835,988</u>	<u>216,681</u>	<u>5,069,110</u>
Non-Current Assets					
Land	271,810	178,630	176,724	300,704	927,868
Construction in progress	129,180	100,297	-	-	229,477
Property and equipment	26,600,643	47,617,220	11,531,071	-	85,748,934
Accumulated depreciation	(8,084,346)	(20,710,267)	(1,934,233)	-	(30,728,846)
Restricted Assets					
Cash and investments	871,514	3,658,868	139,744	-	4,670,126
Due from other governments	-	2,590,033	-	-	2,590,033
Accrued interest on investments	-	1,870	-	-	1,870
Other Assets					
Special assessments receivable	435,917	131,164	-	-	567,081
Extraordinary property loss	-	267,361	-	-	267,361
Net pension asset	53,921	67,545	16,981	-	138,447
Total non-current assets	<u>20,278,639</u>	<u>33,902,721</u>	<u>9,930,287</u>	<u>300,704</u>	<u>64,412,351</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pension	51,055	65,733	23,382	-	140,170
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>22,374,715</u>	<u>35,939,874</u>	<u>10,789,657</u>	<u>517,385</u>	<u>69,621,631</u>
<b>LIABILITIES</b>					
Current liabilities - payable from current assets:					
Current portion of long-term debt	225,000	435,000	-	-	660,000
Compensated absences	8,225	11,256	-	-	19,481
Accounts payable	28,445	42,777	9,005	-	80,227
Accrued payroll	4,831	5,721	1,048	-	11,600
Accrued interest payable	5,769	12,496	-	-	18,265
Unearned revenue	72,748	800	-	-	73,548
Current liabilities - payable from restricted assets:					
Current portion of long-term debt	355,000	378,441	-	-	733,441
Accounts payable	-	1,396	-	-	1,396
Accrued interest payable	10,080	22,221	-	-	32,301
Total current liabilities	<u>710,098</u>	<u>910,108</u>	<u>10,053</u>	<u>-</u>	<u>1,630,259</u>
Long-term debt:					
General obligation debt	1,025,000	3,350,000	-	-	4,375,000
Revenue bonds	3,410,000	4,856,260	-	-	8,266,260
Net unamortized bond discount and premium	3,644	(19,098)	-	-	(15,454)
Compensated absences	9,004	16,923	-	-	25,927
Total long-term debt	<u>4,447,648</u>	<u>8,204,085</u>	<u>-</u>	<u>-</u>	<u>12,651,733</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pension	589	775	335	-	1,699
Deferred special assessments	435,917	131,164	-	-	567,081
TOTAL DEFERRED INFLOWS	<u>436,506</u>	<u>131,939</u>	<u>335</u>	<u>-</u>	<u>568,780</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>5,594,252</u>	<u>9,246,132</u>	<u>10,388</u>	<u>-</u>	<u>14,850,772</u>
<b>NET POSITION</b>					
Net investment in capital assets	14,355,643	18,713,791	9,773,562	300,704	43,143,700
Restricted:					
Reserve Capacity Assessments	31,995	1,521,713	-	-	1,553,708
Debt Service	201,315	3,031,669	-	-	3,232,984
Equipment Replacement and Depreciation	382,519	1,876,476	139,744	-	2,398,739
Pension Benefits	104,387	132,503	40,028	-	276,918
Unrestricted	1,704,604	1,417,590	825,935	216,681	4,164,810
TOTAL NET POSITION	<u>\$ 16,780,463</u>	<u>\$ 26,693,742</u>	<u>\$ 10,779,269</u>	<u>\$ 517,385</u>	<u>\$ 54,770,859</u>

See accompanying notes to financial statements

## VILLAGE OF SUSSEX, WISCONSIN

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS For the Year Ended December 31, 2015

	Business Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Stormwater Utility	Community Development Authority	
<b>OPERATING REVENUES</b>					
Sale of water	\$ 1,848,161	\$ -	\$ -	\$ -	\$ 1,848,161
Sewage collection charges	-	1,740,033	-	-	1,740,033
Stormwater charges	-	-	422,273	-	422,273
Other operating revenues	96,229	106,833	19,064	-	222,126
Total operating revenues	1,944,390	1,846,866	441,337	-	4,232,593
<b>OPERATING EXPENSES</b>					
Operation and maintenance	809,336	1,156,544	242,907	3,892	2,212,679
Depreciation and amortization	536,931	896,673	127,199	-	1,560,803
Total operating expenses	1,346,267	2,053,217	370,106	3,892	3,773,482
<b>Operating income (loss)</b>	598,123	(206,351)	71,231	(3,892)	459,111
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	13,826	87,539	2,515	703	104,583
Interest from other funds	-	1,510	-	-	1,510
Interest expense	(228,207)	(216,051)	-	(1,510)	(445,768)
Other revenue	20,116	-	-	-	20,116
Total nonoperating revenues (expense)	(194,265)	(127,002)	2,515	(807)	(319,559)
<b>Income (loss) before contributions and transfers</b>	403,858	(333,353)	73,746	(4,699)	139,552
<b>CAPITAL CONTRIBUTIONS</b>	100,999	435,813	-	-	536,812
<b>TRANSFERS IN</b>	-	-	-	543,065	543,065
<b>TRANSFERS OUT</b>	(364,745)	(3,831)	(106,250)	(45,000)	(519,826)
<b>Change in net position</b>	140,112	98,629	(32,504)	493,366	699,603
<b>Total Net Position - Beginning of year, as originally stated</b>	16,543,828	26,473,285	10,768,548	24,019	53,809,680
<b>Cumulative Effect of Change in Accounting Principle</b>	96,523	121,828	43,225	-	261,576
<b>TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	16,640,351	26,595,113	10,811,773	24,019	54,071,256
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 16,780,463	\$ 26,693,742	\$ 10,779,269	\$ 517,385	\$ 54,770,859

VILLAGE OF SUSSEX, WISCONSIN

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2015

	Business Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Stormwater Utility	Community Development Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,990,035	\$ 1,855,077	\$ 439,468	\$ -	\$ 4,284,580
Payments to vendors	(529,373)	(741,039)	(141,899)	(3,892)	(1,416,203)
Payments to employees	(334,674)	(427,887)	(102,285)	-	(864,846)
Payments to/from other funds	44,586	(40,755)	-	-	3,831
Net cash flows provided (used) by operating activities	1,170,574	645,396	195,284	(3,892)	2,007,362
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer in	-	-	-	543,065	543,065
Transfer out	(364,745)	(3,831)	(106,250)	(45,000)	(519,826)
Net cash flows provided (used) by noncapital financing activities	(364,745)	(3,831)	(106,250)	498,065	23,239
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on long-term debt	(2,221,947)	(813,033)	-	-	(3,034,980)
Interest paid on long-term debt	(266,716)	(219,249)	-	-	(485,965)
Proceeds of long-term debt	1,250,000	-	-	-	1,250,000
Debt discount and issuance expenses	(28,278)	-	-	-	(28,278)
Payment on advance from other fund	-	-	-	(531,037)	(531,037)
Interest paid on advance from other fund	-	-	-	(1,510)	(1,510)
Reserve capacity assessments received	54,680	428,389	-	-	483,069
Principal received from other governmental units	-	196,825	-	-	196,825
Interest received from other governmental units	-	73,615	-	-	73,615
Rebate received from the IRS	45,497	-	-	-	45,497
Collection of special assessment receivable	48,728	7,423	-	-	56,151
Acquisition and construction of capital assets	(76,601)	(407,775)	(131,808)	-	(616,184)
Net cash used by capital and related financing activities	(1,194,637)	(733,805)	(131,808)	(532,547)	(2,592,797)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Principal received on advance to other fund	-	531,037	-	-	531,037
Interest received on advance to other fund	-	1,510	-	-	1,510
Interest received on investments	13,826	12,054	2,515	703	29,098
Net cash provided by investing activities	13,826	544,601	2,515	703	561,645
Net increase (decrease) in cash and equivalents	(374,982)	452,361	(40,259)	(37,671)	(551)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,938,208	4,523,313	902,750	254,352	8,618,623
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,563,226	\$ 4,975,674	\$ 862,491	\$ 216,681	\$ 8,618,072
<b>Cash and Cash Equivalents per Statement of Net Position</b>					
Unrestricted	\$ 1,474,548	\$ 1,042,291	\$ 722,747	\$ 216,681	\$ 3,456,267
Restricted	1,088,678	3,933,383	139,744	-	5,161,805
	\$ 2,563,226	\$ 4,975,674	\$ 862,491	\$ 216,681	\$ 8,618,072

**VILLAGE OF SUSSEX, WISCONSIN**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2015

	Business Type Activities - Enterprise Funds				Total
	Water Utility	Sewer Utility	Stormwater Utility	Community Development Authority	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 598,123	\$ (206,351)	\$ 71,231	\$ (3,892)	\$ 459,111
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	553,041	896,673	127,199	-	1,576,913
Change in pension related assets, deferred outflows of resources, and deferred inflows of resources	(7,864)	(10,675)	3,197	-	(15,342)
(Increase) decrease in assets:					
Accounts and notes receivable	15,536	8,237	(1,791)	-	21,982
Inventory and prepaid expenses	(8,698)	(9,926)	(2,920)	-	(21,544)
Increase (decrease) in liabilities:					
Accounts payable	(13,881)	(9,196)	152	-	(22,925)
Accrued payroll and compensated absences	(14,734)	(23,866)	(1,784)	-	(40,384)
Other unearned revenues	49,051	500	-	-	49,551
<b>Net cash flows provided (used) by operating activities</b>	<b>\$ 1,170,574</b>	<b>\$ 645,396</b>	<b>\$ 195,284</b>	<b>\$ (3,892)</b>	<b>\$ 2,007,362</b>

**VILLAGE OF SUSSEX, WISCONSIN**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2015

	<u>Agency Funds</u>
	Tax Collection Fund
<b>ASSETS</b>	
Cash and investments	\$ 8,213,544
Taxes receivable	<u>6,715,394</u>
<b>TOTAL ASSETS</b>	<u>14,928,938</u>
<b>LIABILITIES</b>	
Due to other taxing units	14,834,988
Deposits	<u>93,950</u>
<b>TOTAL LIABILITIES</b>	<u>14,928,938</u>
<b>NET POSITION</b>	<u>\$ -</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Village of Sussex, Wisconsin ("the Village"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below:

1. Reporting Entity

The Village of Sussex is a municipal corporation governed by an elected seven member board. In accordance with GAAP, the basic financial statements are required to include the Village (the primary government) and any separate component units that have a significant operational or financial relationship with the Village. The Village has identified the Sussex Community Development Authority and Pauline Haass Public Library, which have separate boards, as component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Sussex Community Development Authority

The Village has included the Sussex Community Development Authority in its primary government financial statements.

Pauline Haass Public Library

Library is governed by an eleven member board consisting of six members appointed by the Village of Sussex, four appointed by the Waukesha County Chair and one appointed by the Hamilton School District Superintendent. Complete financial statements for the Library can be obtained from the Library Director at N64W23820 Main Street, Sussex, Wisconsin.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which primarily are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

**GENERAL FUND**

This is the Village's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GENERAL OBLIGATION DEBT SERVICE FUND**

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs, other than enterprise debt.

**SPECIAL ASSESSMENT B BOND DEBT SERVICE FUND**

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of Special Assessment B Bond principal, interest and related costs.

**GENERAL CAPITAL PROJECTS FUND**

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital improvement projects.

**TIF #6 CAPITAL PROJECTS FUND**

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures within TIF District #6.

The Village reports the following major enterprise funds:

**WATER UTILITY FUND**

This fund is used to account for the operations of the Village's water utility.

**SEWER UTILITY FUND**

This fund is used to account for the operations of the Village's sewer utility.

**STORMWATER UTILITY FUND**

This fund is used to account for the operations of the Village's stormwater utility.

**COMMUNITY DEVELOPMENT AUTHORITY**

This fund is used to account for the operations of the Village's development authority.

Additionally, the Village reports the following fund types:

*Special revenue funds* – accounts for and reports the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

The Village accounts for assets held as an agent for property taxes owed to other governmental units in an *agency fund*.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, village ordinance forfeitures, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeitures and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's water and sewer functions and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. An allowance for uncollectible accounts of \$4,929 is recorded at December 31, 2015 for accounts receivable for ambulance transports by the Village's fire department.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the financial statements. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 75	Years
Land improvements other than building	10 - 40	Years
Machinery and equipment	10 - 50	Years
Utility system	4 - 100	Years
Infrastructure	25	Years

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. Restricted net position principally represents funds held for debt service, equipment replacement and reserve capacity assessment purposes.

A summary of restricted assets follows:

***Depreciation Fund***

Represents resources set aside to fund plant renewals and replacements.

***Water System Revenue Bond Reserve Fund***

Represents debt proceeds retained for debt service if system revenues and the special redemption fund are insufficient to satisfy the debt service requirements.

***Water System Revenue Bond Special Redemption Fund***

Represents resources accumulated for debt service payments over the next 12 months.

***Sewerage System Debt Service Fund***

Represents resources accumulated for debt service payments over the next 12 months.

***Equipment Replacement Fund***

In accordance with the Village's ordinance enacting a sewer user charge system and Department of Natural Resources' regulations, the Sewer Utility has, as part of the rate structure, incorporated an equipment replacement charge. Revenues generated from this charge are to be accumulated and used for the replacement of mechanical equipment.

During 2006, the Stormwater Utility was established. As part of the original study and rate structure, an equipment replacement fund has been included in the annual budget to replace various pieces of equipment.

***Construction Funds***

The Sewer Utility has issued G O Corporate Purpose Bonds for expansion and replacing portions of its system.

***Reserve Capacity Assessment Funds***

Reserve capacity assessment funds represent the accumulation of funds levied against properties benefited by water and sewer improvements. These funds are restricted by enabling legislation for future system expansion and/or the related debt service to finance such expansion.

h. Other Assets

Extraordinary property losses which, in 1996, resulted from the abandonment of a portion of the sewerage treatment plant are recorded as a deferred debit. These losses are amortized on a straight-line basis through 2030, which relates to the remaining life of the assets abandoned. The above costs have been recorded as assets because of the benefit which will result from the inclusion of such costs in the future authorized rate structure.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the Village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is program registrations for 2016 classes, which will be recognized as an inflow of resources in the subsequent year for which it was earned. The third is related to the Village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The Village also has an additional type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

j. Compensated Absences

Employee vacation allowances are not cumulative and must be used in the year after they are earned. Employees earn sick leave at the rate of one day per month. Hourly employees may accumulate sick leave to 120 days. Those hourly employees who accumulate 120 days are paid one-half day's pay for each day of sick leave earned but not used in excess of 120 days each calendar year. Hourly employees who are age 55 or older and retire after twenty years of full-time service to the Village will have varying percentages (based on date of hire) of accumulated sick leave at current pay rates placed into a deposit account designated by the village which shall be a post-employment health plan. The money shall be restricted to the payment of insurance premiums or other IRS authorized medical expenses. Salaried employees may accumulate 150 days of sick leave. Upon resignation, salaried employees are paid varying percentages of accumulated sick leave at current pay rates, based upon length of service to the Village, to a maximum of 90 accumulated sick days. Upon retirement, salaried employees will have the same percentages up to a maximum of 95 accumulated sick days paid at current pay rates placed into a deposit account designated by the Village which shall be a post-employment health plan. Vested vacation and sick leave pay is accrued when earned in the financial statements.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

k. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as interest and fiscal charges expense.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

l. Pensions

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

m. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Village Board. These constraints can only be removed or changed by the Village Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Village management.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed 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.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

The Village has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

The Village has a formal minimum fund balance policy. The first threshold is to maintain the Unassigned Fund Balance of the General Fund at one month (8.33%) of the following year's budget. Secondly, when combined, the Unassigned and Assigned Fund Balances of the General Fund shall be maintained at not less than four months of the subsequent year's budgeted expenditures excluding the debt service portion. At December 31, 2015 the balance is \$3,753,051 and represents 46.2% of the 2016 budgeted expenditures.

The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 21,206,444	\$ 43,143,700	\$ (2,544,058)	\$ 61,806,086
Unrestricted	(1,262,286)	4,164,810	2,544,058	5,446,582

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**VILLAGE OF SUSSEX, WISCONSIN**

Notes to Basic Financial Statements  
December 31, 2015

**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

1. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

a. Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 86,477,161
Accumulated depreciation	<u>(50,228,071)</u>
Net capital assets	<u>\$ 36,249,090</u>

b. 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.

Bonds and notes payable	\$ 26,217,308
Compensated absences	280,272
Accrued interest, net of interest rebate receivable	176,463
Unamortized net debt discount and premium	<u>100,651</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 26,774,694</u>

c. In the governmental fund statements, deferred inflows of resources are recorded for funds that are not yet available. In the government-wide financial statements, the revenue has been earned and is therefore recorded as net position. The detail of deferred inflows of resources in the governmental fund statements is as follows:

Current Special Assessments	\$ 2,000,000
Grants Receivable	556,778
Interest on Special Assessments	9,351
Interest on Muncipal Bonds	<u>7,481</u>
	<u>\$ 2,573,610</u>

d. In the governmental fund statements, the proportionate share of the Wisconsin Retirement System pension plan is not an available resource; therefore, it is not recorded. In the government-wide financial statements, it is reported as follows:

Net pension asset	\$ 189,779
Deferred outflows of resources	199,328
Deferred inflows of resources	<u>(2,476)</u>
	<u>\$ 386,631</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

2. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

- a. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that capital outlays are expenditures of the governmental funds; however, in the statement of activities these assets are amortized over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay items reported as capital assets	\$ 5,440,379
Depreciation expense	(2,583,800)
Net book value of assets disposed	<u>(1,002,677)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,853,902</u>

- b. Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	\$ (15,670,000)
Issuance of Special Assessment B Bond debt	(2,000,000)
Net debt discount and premium	(132,791)
Amortization of debt discount and premium	5,217
Principal repayments	
General obligation debt	<u>8,279,616</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,517,958)</u>

- c. Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (24,203)
Accrued interest	<u>(29,284)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (53,487)</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

- d. Another element of that reconciliation states that accounts receivable that are not readily available are recorded in the fund statements as deferred inflows. In the government-wide statements, they are reported as revenue as follows:

Grants Receivable	\$ 556,778
Interest Receivable from Developer	9,351
Interest Receivable from Investment in Muni Bonds	7,481
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	
	\$ 573,610

**NOTE C - STEWARDSHIP AND COMPLIANCE**

1. Budgets and Budgetary Accounting

A budget has been adopted for the following funds in accordance with Wisconsin Statute 65.90.

- General Fund
- Debt Service Fund
  - General Obligation Debt Service Fund
  - TIF #6 Debt Service Fund
- Proprietary Funds
  - Water Utility
  - Sewer Utility
  - Stormwater Utility
  - Community Development Authority

The Village follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During September, the Village Administrator submits to the Village Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Following several budget workshops, the final proposed budget is presented at a public hearing held to obtain taxpayer comments. Following the public hearing, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and using the same basis of accounting for each fund as described in Note A except actual (non-GAAP) revenues and expenditures do not reflect certain transactions of assigned funds. A Budget is defined as the originally approved budget plus or minus approved amendments. An additional appropriation during the year amounted to \$363,292 for the General Fund and \$7,104,500 for the General Obligation Debt Service Fund. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - STEWARDSHIP AND COMPLIANCE (Continued)**

- c. During the year, formal budgetary integration is employed as a management control device for the general fund.
- d. Expenditures may not exceed appropriations by major departmental classifications. Amendments to the budget during the year can only be made by the Village Board.
- e. Encumbrance accounting is not used by the Village to record commitments related to unperformed contracts for goods or services.

The Village did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2015.

2. Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 2015:

Capital Projects Fund – TIF #6	\$414,266
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The deficit is anticipated to be funded with future incremental taxes over the life of the district.

**NOTE D - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The Village maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

The carrying amount of the Village's cash and investments totaled \$31,208,222 on December 31, 2015 as summarized below:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 24,509,487	\$ 24,681,437	Custodial credit risk
LGIP	1,742,494	1,742,494	Credit risk
Certificates of Deposit	2,956,091	2,956,091	Custodial credit risk
Special Assessment B Bonds	2,000,000	-	Credit and interest rate risk
Petty Cash	<u>150</u>	<u>-</u>	
Total deposits and investments	<u>\$ 31,208,222</u>	<u>\$ 29,380,022</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 17,832,873		
Restricted cash and investments	5,161,805		
Per statement of net position - fiduciary fund			
Agency	<u>8,213,544</u>		
	<u>\$ 31,208,222</u>		

Deposits of the Village are subject to custodial credit risk. Presented below is a discussion of the Village's deposits and the related risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Village does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2015, \$23,688,490 of the Village's deposits with financial institutions was in excess of federal and state depository insurance limits; however, the entire amount has collateral pledged to it by the bank.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Village does not have an additional credit risk policy. Presented below is the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Wisconsin Local Government Investment Pool	\$ 1,742,494	\$ -	\$ -	\$ -	\$ 1,742,494
Special Assessment B Bonds	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
	<u>\$ 3,742,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,742,494</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village's investment policy requires the Village to diversify investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow or maturity, the Village will not directly invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturity is made to coincide with the expected use of the funds.

Information about the sensitivity of the fair values of the Village's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Wisconsin Local Government Investment Pool	\$ 1,742,494	\$ 1,742,494	\$ -	\$ -	\$ -
Special Assessment B Bonds	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
	<u>\$ 3,742,494</u>	<u>\$ 1,742,494</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

Investment in Wisconsin Local Government Investment Pool

The Village has investments in the Wisconsin local government investment pool of \$1,742,494 at year-end. The Wisconsin local government investment pool (GIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in three equal installments on or before January 31, March 31, and May 31. Real estate taxes not paid by July 31 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village.

The Village bills and collects its own property taxes and also levies and collects taxes for the Hamilton, Richmond and Arrowhead School Districts, Waukesha County, Waukesha County Technical College and the State of Wisconsin.

3. Restricted Assets

Restricted assets on December 31, 2015 totaled \$7,955,546 and consisted of cash and investments of \$5,161,805, balances due from other governments of \$2,791,871 and accrued interest of \$1,870 held for the following purposes:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Revenue Bond Funds				
Reserve Fund	\$ 457,000	\$ -	\$ -	\$ 457,000
Depreciation Fund	382,519	1,173,875	-	1,556,394
Special Redemption Fund	217,164	-	-	217,164
Debt Service Fund	-	3,066,386	-	3,066,386
Equipment Replacement Fund	-	702,601	139,744	842,345
Reserve Capacity Assessment Fund	31,995	1,521,713	-	1,553,708
Construction Fund	<u>-</u>	<u>262,549</u>	<u>-</u>	<u>262,549</u>
 BALANCES - December 31	 <u>\$ 1,088,678</u>	 <u>\$ 6,727,124</u>	 <u>\$ 139,744</u>	 <u>\$ 7,955,546</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,905,815	\$ -	\$ 884,525	\$ 2,021,290
Construction in progress	519,712	4,905,147	39,691	5,385,168
Total Capital Assets Not Being Depreciated	<u>3,425,527</u>	<u>4,905,147</u>	<u>924,216</u>	<u>7,406,458</u>
Other Capital Assets				
Buildings	6,569,788	-	-	6,569,788
Land improvements	452,504	7,522	5,265	454,761
Machinery and equipment	4,682,247	527,710	217,609	4,992,348
Infrastructure	67,053,806	-	-	67,053,806
Total Other Capital Assets at Historical Cost	<u>78,758,345</u>	<u>535,232</u>	<u>222,874</u>	<u>79,070,703</u>
Less: accumulated depreciation for:				
Buildings	1,390,292	118,614	-	1,508,906
Land improvements	196,544	18,355	2,016	212,883
Machinery and equipment	2,144,993	242,375	142,397	2,244,971
Infrastructure	44,056,855	2,204,456	-	46,261,311
Total Accumulated Depreciation	<u>47,788,684</u>	<u>2,583,800</u>	<u>144,413</u>	<u>50,228,071</u>
Net Other Capital Assets	<u>30,969,661</u>	<u>(2,048,568)</u>	<u>78,461</u>	<u>28,842,632</u>
Total Net Capital Assets	<u>\$ 34,395,188</u>	<u>\$ 2,856,579</u>	<u>\$ 1,002,677</u>	<u>\$ 36,249,090</u>

Depreciation expense was charged to functions of the Village as follows:

<b>Governmental Activities</b>	
General Government	\$ 28,105
Protection of persons and property	148,452
Highway and transportation, which includes the depreciation of infrastructure	2,319,531
Parks and recreation	87,712
Total Governmental Activities Depreciation Expense	<u>\$ 2,583,800</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 927,868	\$ -	\$ -	\$ 927,868
Construction in progress	227,411	3,816	1,750	229,477
Total Capital Assets Not Being Depreciated	<u>1,155,279</u>	<u>3,816</u>	<u>1,750</u>	<u>1,157,345</u>
Other Capital Assets				
Water Utility buildings and structures	2,077,449	-	-	2,077,449
Water Utility machinery and equipment	1,929,552	54,875	16,349	1,968,078
Water Utility infrastructure	22,544,258	15,802	4,945	22,555,115
Sewer Utility buildings and structures	5,341,360	46,899	25,794	5,362,465
Sewer Utility machinery and equipment	15,935,339	91,789	53,948	15,973,180
Sewer Utility infrastructure	26,043,933	261,185	23,542	26,281,576
Stormwater Utility machinery & equip	225,650	-	-	225,650
Stormwater Utility infrastructure	11,172,640	132,781	-	11,305,421
Total Other Capital Assets at Historical Cost	<u>85,270,181</u>	<u>603,331</u>	<u>124,578</u>	<u>85,748,934</u>
Less: Accumulated Depreciation				
Water Utility buildings and structures	934,218	65,159	-	999,377
Water Utility machinery and equipment	796,457	103,204	16,349	883,312
Water Utility infrastructure	5,821,924	384,678	4,945	6,201,657
Sewer Utility buildings and structures	2,151,922	107,039	25,794	2,233,167
Sewer Utility machinery and equipment	11,003,357	347,411	53,948	11,296,820
Sewer Utility infrastructure	6,837,687	366,135	23,542	7,180,280
Stormwater Utility machinery & equip	39,777	11,366	-	51,143
Stormwater Utility infrastructure	1,767,257	115,833	-	1,883,090
Total Accumulated Depreciation	<u>29,352,599</u>	<u>1,500,825</u>	<u>124,578</u>	<u>30,728,846</u>
Net Other Capital Assets	<u>55,917,582</u>	<u>(897,494)</u>	<u>-</u>	<u>55,020,088</u>
Total Capital Assets	<u>\$ 57,072,861</u>	<u>\$ (893,678)</u>	<u>\$ 1,750</u>	<u>\$ 56,177,433</u>

Depreciation expense was charged to functions of the Village as follows:

**Business-type Activities**

Water	\$ 553,041
Sewer	820,585
Stormwater	<u>127,199</u>
Total Business-type Activities Depreciation Expense	<u>\$ 1,500,825</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

5. Interfund Receivable, Payables, and Transfers

The following is a schedule of interfund receivables and payables as of December 31, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	TIF #6 Capital Projects Fund	\$ 405,732
Fund eliminations		<u>(405,732)</u>
Internal balances on the statement of net position		<u>\$ -</u>

The interfund receivables and payables are expected to be collected from future tax increments.

In the fund financial statements, interfund receivables are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended December 31, 2015 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Special Revenue Fund - Recreation Scholarship Fund	\$ 2,257	\$ -
Special Revenue Fund - Cemetery Fund	-	10,000
Capital Projects Fund - General Capital Projects	-	515,984
Proprietary Fund		
Enterprise Fund - Water Utility	364,745	-
Enterprise Fund - Sewer Utility	3,831	-
Enterprise Fund - Community Development Authority	-	543,065
Special Revenue Fund		
Recreation Scholarship - General Fund	-	2,257
Cemetery Fund - General Fund	10,000	-
Debt Service Fund		
TIF #6 Debt Service - Capital Projects Fund - TIF #6 Capital Projects	29,752	-
Capital Projects Fund		
General Capital Projects Fund - General Fund	515,984	-
General Capital Projects Fund - TIF #6 Capital Projects	226,507	-
General Capital Projects Fund - Enterprise Fund - Com Dev Auth	45,000	-
General Capital Projects Fund - Enterprise Fund - Stormwater Utility	106,250	-
TIF #6 Capital Projects Fund - TIF #6 Debt Service Fund	-	29,752
TIF #6 Capital Projects Fund - General Capital Projects Fund	-	226,507
Total Governmental Funds	<u>\$ 1,304,326</u>	<u>\$ 1,327,565</u>
Enterprise Fund		
Enterprise Fund - Water Utility - General Fund (for tax equivalent)	\$ -	\$ 364,745
Enterprise Fund - Sewer Utility - General Fund	-	3,831
Enterprise Fund - Com Dev Auth - General Fund	543,065	-
Enterprise Fund - Com Dev Auth - General Capital Projects Fund	-	45,000
Enterprise Fund - Stormwater Utility - General Capital Projects Fund	-	106,250
Total Enterprise Funds	<u>543,065</u>	<u>519,826</u>
Total Fund Statements	1,847,391	1,847,391
Less: fund eliminations	<u>(1,870,630)</u>	<u>(1,870,630)</u>
Total Government-wide Statements	<u>\$ (23,239)</u>	<u>\$ (23,239)</u>

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

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General Obligation Debt					
Promissory notes	\$ 4,066,924	\$ 3,355,000	\$ 809,616	\$ 6,612,308	\$ 1,044,616
Bonds	10,905,000	4,490,000	2,970,000	12,425,000	225,000
Community Development Bonds	1,855,000	-	-	1,855,000	50,000
Note anticipation notes	-	4,500,000	4,500,000	-	-
Total General Obligation Debt	16,826,924	12,345,000	8,279,616	20,892,308	1,319,616
Bond anticipation notes	-	3,325,000	-	3,325,000	-
Special Assessment B Bonds Payable	-	2,000,000	-	2,000,000	-
Net unamortized (discount) and premium	(26,923)	132,791	5,217	100,651	-
Total Bonds and Notes Payable	16,800,001	17,802,791	8,284,833	26,317,959	1,319,616
Other Liabilities					
Vested compensated absences	256,069	136,191	111,988	280,272	116,807
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 17,056,070</u>	<u>\$ 17,938,982</u>	<u>\$ 8,396,821</u>	<u>\$ 26,598,231</u>	<u>\$ 1,436,423</u>
<b>Business-type Activities</b>					
General Obligation Debt					
Bonds	\$ 3,185,000	\$ -	\$ 150,000	\$ 3,035,000	\$ 175,000
Notes	-	1,250,000	-	1,250,000	225,000
Refunding bonds	995,000	-	245,000	750,000	260,000
State Trust Fund Loan	1,866,947	-	1,866,947	-	-
Total General Obligation Debt	6,046,947	1,250,000	2,261,947	5,035,000	660,000
Revenue Bonds Payable	9,723,743	-	724,042	8,999,701	733,441
Advance from Other Governmental Units	48,991	-	48,991	-	-
Total Business-type Activities	15,819,681	1,250,000	3,034,980	14,034,701	1,393,441
Net unamortized (discount) and premium	(17,923)	-	(2,469)	(15,454)	-
Less: Unamortized Reacquisition Adjustment	(6,669)	-	(6,669)	-	-
Other Liabilities					
Vested compensated absences	70,733	26,317	51,642	45,408	19,481
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 15,865,822</u>	<u>\$ 1,276,317</u>	<u>\$ 3,077,484</u>	<u>\$ 14,064,655</u>	<u>\$ 1,412,922</u>

Total interest paid during the year on long-term debt totaled \$1,066,001.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2015
<b>Governmental Activities</b>					
<b>General Obligation Debt</b>					
General Obligation Bonds	10/1/2010	10/1/2030	3.375 - 5.1	\$ 5,800,000	\$ 5,800,000
	3/5/2013	3/1/2029	0.625 - 2.5	2,355,000	2,135,000
	9/17/2013	9/1/2030	2.0 - 4.0	1,855,000	1,855,000
	10/13/2015	6/1/2035	2.0 - 3.25	4,490,000	4,490,000
					14,280,000
General Obligation Notes	5/1/2008	5/1/2022	3.65 - 3.8	3,200,000	2,100,000
	10/1/2010	10/1/2017	1.7 - 2.0	2,650,000	1,125,000
	11/11/2014	10/1/2017	0	36,924	32,308
	6/15/2015	6/1/2025	2.0 - 2.3	2,620,000	2,620,000
	8/25/2015	3/1/2025	1.05 - 2.2	735,000	735,000
					6,612,308
Total Governmental Activities General Obligation Debt					\$ 20,892,308
<b>Business-type Activities</b>					
<b>General Obligation Debt</b>					
Refunding Bonds	5/1/2008	5/1/2018	3.75	\$ 2,280,000	\$ 750,000
Corporate Purpose Bonds	5/1/2013	11/1/2014	0.5 - 2.4	3,325,000	3,035,000
Promissory Notes	8/25/2015	3/1/2025	1.05 - 2.2	1,250,000	1,250,000
Total Business-type Activities General Obligation Debt					\$ 5,035,000

Annual principal and interest maturities of the outstanding general obligation debt of \$25,927,308 on December 31, 2015 are detailed below:

	Governmental Activities General Obligation Debt		Business Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2016	\$ 1,319,616	\$ 669,238	\$ 660,000	\$ 86,096
2017	1,424,616	600,621	665,000	73,716
2018	1,409,616	568,171	545,000	61,901
2019	1,439,616	531,130	305,000	54,665
2020	1,469,616	490,485	310,000	51,368
2021 - 2025	6,874,228	1,839,948	1,640,000	185,425
2026 - 2030	5,360,000	841,280	910,000	48,070
2031 - 2035	1,595,000	130,325	-	-
Totals	\$ 20,892,308	\$ 5,671,198	\$ 5,035,000	\$ 561,241

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

Legal Margin for New Debt

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. The debt limit as of December 31, 2015, was \$61,082,000. Total general obligation debt outstanding at year end was \$25,927,308.

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Revenue Bonds

The Water Public Utility and Sewer Utility have \$8,999,701 in Water & Sewer System Revenue Bonds outstanding at December 31, 2015. The bonds are not general obligations of the Village of Sussex and are payable from income and revenues derived from the operations of the water and sewer systems in accordance with the resolutions adopted in conjunction with the issuance of the debt. The resolutions create a statutory mortgage lien upon the systems and their revenues in accordance with Section 66 of Wisconsin Statutes. The Village has established certain funds, as described in the resolution, to account for the allocation of the Utilities' gross revenue. The Utilities have complied with the bond covenants. The water and sewer systems and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

The principal and interest paid during the year on the Water Utility Revenue Bonds was \$481,487. Total net revenues as defined by the bond covenants for the same period were \$1,232,019. Annual principal and interest payments are expected to require 28% of net revenue.

The principal and interest paid during the year on the Sewer System Revenue Bonds was \$507,070. Total net revenues as defined by the bond covenants for the same period were \$1,382,069. Annual principal and interest payments are expected to require 47% of net revenue.

Revenue debt payable at December 31, 2015 consists of the following:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2014</u>
<b>Business-type Activities</b>					
Water and Sewer System					
Revenue Bonds					
Water Utility	8/1/2005	6/1/2018	4.0 - 4.1	\$ 950,000	\$ 300,000
	6/1/2006	6/1/2024	4.0 - 4.4	2,100,000	1,425,000
	6/4/2013	6/1/2028	2.0 - 2.75	2,340,000	2,040,000
Sewer Utility	8/22/2007	5/1/2027	2.547	7,633,281	<u>5,234,701</u>
Total Business-type					
Activities Revenue Debt					<u>\$ 8,999,701</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

Debt service requirements to maturity are as follows:

	Business-type Activities	
	Revenue Debt	
	Principal	Interest
2016	\$ 733,441	\$ 243,871
2017	748,080	222,822
2018	772,965	200,980
2019	703,101	179,971
2020	738,495	159,676
2021 - 2025	3,812,898	465,601
2026 - 2028	1,490,721	48,139
Totals	\$ 8,999,701	\$ 1,521,060

Vested Compensated Absences

Estimated payments of \$325,680 are not included in the debt service requirement schedules. The compensated absences liability will be liquidated by the General Fund and the Water and Sewer Utilities.

7. Net Position/Fund Balances

**Governmental Activities**

Governmental activities net position reported on the government-wide statement of net position at December 31, 2015 includes the following:

Net investment in capital assets	
Land	\$ 2,021,290
Construction in progress	5,385,168
Other capital assets, net of accumulated depreciation	28,842,632
Less: related long-term debt outstanding	(18,172,302)
Premium on long-term debt	(100,651)
Add back unspent construction cash	3,230,307
Total Net Investment in Capital Assets	21,206,444
Restricted	
Debt service	65,855
Park dedication fees	655,747
Revolving loan fund	153,749
Pension benefits	386,631
Total Restricted	1,261,982
Unrestricted	(1,262,286)
Total Governmental Activities Net Position	\$ 21,206,140

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

<b>Nonspendable</b>	
Major Funds	
General Fund	
Noncurrent receivables, inventories and prepaids	\$ 447,467
Non-Major Funds	
Cemetery Fund - prepaids	<u>85</u>
Total Nonspendable Fund Balances	<u>447,552</u>
<b>Restricted</b>	
Major Funds	
General Fund	
Ambulance grants	46,932
Debt Service Fund	
Debt service	253,472
Capital Projects Fund - General	
Road projects	538,875
Facility study and improvements	1,685,796
Emergency government outly	38,919
Other capital projects	44,248
Non-Major Funds	
Special Revenue Funds	
Park Fund - playground improvements	655,747
Revolving Loan Fund - loan program	<u>153,749</u>
Total Restricted Fund Balances	<u>3,417,738</u>
<b>Committed</b>	
Major Funds	
General Fund	
Post employment health plan payments	77,048
Fire department length of service payments	44,828
Non-Major Funds	
Special Revenue Funds	
Recreation Scholarship Fund - recreation scholarships	<u>15,035</u>
Total Committed Fund Balances	<u>136,911</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

**Assigned**

Major Funds

General Fund

Capital expenditures	\$	1,719,905
2016 budgeted expenditures		839,786
Insurance contingencies		85,907
Cable improvements		29,613
Senior programming		39,418

Capital Projects Fund - General

Capital expenditures		1,421,666
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Non-Major Funds

Special Revenue Funds

Cemetery Fund		8,851
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Total Assigned Fund Balances		<u>4,145,146</u>
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**Unassigned**

Major Funds

General Fund

		1,038,422
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Capital Projects Fund - TIF #6

		<u>(414,266)</u>
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Total Unassigned Fund Balances		<u>624,156</u>
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Total Governmental Fund Balances	\$	<u>8,771,503</u>
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**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - DETAILED NOTES ON ALL FUNDS (Continued)**

***Business-type Activities***

Business-type activities net position reported on the government-wide statement of net position at December 31, 2015 includes the following:

Net investment in capital assets	
Land	\$ 927,868
Construction in progress	229,477
Other capital assets, net of accumulated depreciation	55,020,088
Less: related long-term debt outstanding	<u>(13,033,733)</u>
Total Net Investment in Capital Assets	<u>43,143,700</u>
 Restricted	
Reserve Capacity Assessment Fund	<u>1,553,708</u>
Debt Service	
Special Redemption fund	217,164
Reserve Fund	457,000
Debt Service Fund	3,066,386
Less: related long-term debt outstanding	(457,000)
Less: accrued interest payable	<u>(50,566)</u>
Total Restricted for Debt Service	<u>3,232,984</u>
Construction and Equipment Replacement	
Equipment Replacement	842,345
Depreciation Fund	1,556,394
Pension Benefits	<u>276,918</u>
Total Restricted Construction and Equipment Replacement	<u>2,675,657</u>
 Unrestricted	<u>4,164,810</u>
 Total Business-type Activities Net Position	<u>\$ 54,770,859</u>

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION**

1. Pension Plan

The Village of Sussex remits monthly the required contributions of the Pauline Haass Library. As a result, required contributions of the Library are included with the Village's WRS contributions. The Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, resulting in the Library's proportionate share of the net pension asset and corresponding deferred outflows of the Village of Sussex being reported in the Village's basic financial statements.

a. Plan Description

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

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.

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

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

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

The WRS also provides death and disability benefits for employees.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

b. 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>
2005	2.6%	7%
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%

c. 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, 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 \$166,862 in contributions from the Village.

Contribution rates as of December 31, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

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

At December 31, 2015, the Village reported an asset of \$410,437 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 asset was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Village's proportion was 0.01670976%, which was a decrease of 0.00025556% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the Village recognized pension expense of \$159,861.

At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,071	\$ -	\$ 12,430	\$ -
Net differences between projected and actual earnings on pension plan investments	157,235	-	41,519	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,175	-	1,102
Employer contributions subsequent to the measurement date	135,192	-	33,862	-
Total	\$ 339,498	\$ 4,175	\$ 87,811	\$ 1,102

\$169,054 reported as deferred outflows related to pension resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Primary Government		Component Unit	
	Deferred Outflow of Resources	Deferred Inflows of Resources	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$ 50,039	\$ 951	\$ 13,214	\$ 251
2016	50,039	951	13,214	251
2017	50,039	951	13,214	251
2018	50,039	951	13,214	251
2019	4,150	371	1,093	98

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset:	December 31, 2014
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% - 5.8%
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, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

<u>Asset Class</u>	Long-Term Real Rate of <u>Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

*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.

*Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Village's proportionate share of the net pension 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:

	<u>1% Decrease to Discount Rate (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
Proportionate share of the net pension asset (liability)			
Primary government	\$ (925,983)	\$ 328,226	\$ 1,318,748
Component unit	<u>(231,933)</u>	<u>82,211</u>	<u>330,310</u>
	<u>\$ (1,157,916)</u>	<u>\$ 410,437</u>	<u>\$ 1,649,058</u>

*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://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At December 31, 2015 the Village reported a payable of \$38,575 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2015.

2. 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; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage.

3. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2015 and 2016 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2015 budget was 2.028%. The actual limit for the Village for the 2016 budget was 1.547%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

4. Contingencies

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

As of December 31, 2015, the Village had five outstanding contracts for construction of the civic campus and other public works projects for road construction and reconstruction. The total balance outstanding on all the contracts is \$9,203,707, which does not include \$589,844 included in accounts payable at December 31, 2015.

5. Conduit Debt Obligations

From time to time, the Village has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, there were four outstanding Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$7,921,704.

6. Component Units

This report contains Pauline Haass Public Library, which is included as a component unit. Financial information is presented as discrete columns in the statement of net position and statement of activities.

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

a. Basis of Accounting

Pauline Haass Public Library follows the accrual basis of accounting.

b. Cash

The carrying amount of the Library's cash and investments totaled \$1,121,651 as summarized below:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 436,593	\$ 440,071	Custodial credit risk
Certificates of deposit	523,995	523,995	Custodial credit risk
LGIP	<u>161,063</u>	<u>161,063</u>	Credit risk, interest rate risk
Total cash and investments	<u>\$ 1,121,651</u>	<u>\$ 1,125,129</u>	
Reconciliation to financial statements Per statement of net position			
Unrestricted cash and investments	\$ 655,541		
Restricted cash and investments	<u>466,110</u>		
Total cash and investments	<u>\$ 1,121,651</u>		

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

c. Restricted assets

Restricted assets on December 31, 2015 totaled \$468,037 and consisted of cash and investments plus accrued interest held for the following purposes:

Purpose	Amount
Capital Projects & Future Expansion	\$ 458,390
Restricted donations	9,647
	\$ 468,037

d. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 280,000	\$ -	\$ -	\$ 280,000
Total Capital Assets Not Being Depreciated	280,000	-	-	280,000
Capital assets being depreciated				
Building and improvements	2,006,118	-	-	2,006,118
Equipment and furnishings	362,224	11,854	6,314	367,764
Books and library media	670,225	97,378	99,296	668,307
Total Capital Assets at Historical Cost	3,318,567	109,232	105,610	3,322,189
Less: accumulated depreciation for:				
Building and improvements	817,540	57,325	-	874,865
Equipment and furnishings	327,300	9,472	6,314	330,458
Books and library media	288,469	95,746	99,296	284,919
Total Accumulated Depreciation	1,433,309	162,543	105,610	1,490,242
Net Other Capital Assets	\$ 1,885,258	\$ (53,311)	\$ -	\$ 1,831,947

7. Sewer Utility Rate Increase

During 2015, the Village implemented a rate increase of 3% for the utility customers. In December 2015 after the preparation of the 2016 budget, the Village Board approved a 3% rate increase for 2016 to be effective July 1, 2016.

8. Subsequent Events

In January, 2016, the Village submitted an application to increase rates of the Water Utility to the Public Service Commission of Wisconsin. The application requested an increase of 4.6% to generate additional revenue of \$86,091.

On April 27, 2016, the Village issued \$1,515,000 General Obligation Promissory Notes (series 2016A) with an average interest rate of 1.408% to fund the construction of the civic campus.

**VILLAGE OF SUSSEX, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2015

**NOTE E - OTHER INFORMATION (Continued)**

In February, 2016, the Village Board approved contracts for construction, inspection and geotechnical services for the Main Street reconstruction plan. The total of the three contracts is \$6,029,407.

On March 8, 2016, the Village sold \$4,795,000 General Obligation Street Improvement Bonds at an average interest rate of 2.48% to fund the Main Street reconstruction.

On March 8, 2016, the Village Board approved a final resolution to issue up to \$9,000,000 Industrial Revenue Bonds for Rotating Equipment Repair Inc. The Village Board also approved the initial resolution to issue up to \$10,000,000 Industrial Revenue Bonds for Sussex IM, Inc.

On April 12, 2016, the Village Board approved the issuance of up to \$1,570,000 Water Revenue Bonds to refund the balance of the 2005 and 2006 Water Revenue Bonds.

9. Cumulative Effect of Change in Accounting Principles

The Village has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The cumulative effect of this change is summarized below:

	Governmental Activities	Business-type Activities				Component Unit	
		Water Utility	Sewer Utility	Stormwater Utility	Total	Pauline Haass Library	Total
Net Pension Asset	\$ 304,985	\$ 77,973	\$ 97,448	\$ 32,687	\$ 208,108	\$ 135,614	\$ 648,707
Deferred Outflows of Resources	77,912	18,550	24,380	10,538	53,468	34,692	166,072
Total Cumulative Effect of Change in Accounting Principle	\$ 382,897	\$ 96,523	\$ 121,828	\$ 43,225	\$ 261,576	\$ 170,306	\$ 814,779

10. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

**REQUIRED SUPPLEMENTARY INFORMATION**

## VILLAGE OF SUSSEX, WISCONSIN

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON - GAAP) GENERAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,385,782	\$ 4,390,782	\$ 4,391,116	\$ 334
Intergovernmental	718,872	737,120	734,967	(2,153)
Licenses and permits	327,344	468,874	503,595	34,721
Fines, forfeitures and penalties	179,500	179,500	194,258	14,758
Public charges for services	904,445	989,529	1,084,439	94,910
Commercial revenues	180,925	153,925	162,760	8,835
Miscellaneous revenues	44,004	86,934	92,492	5,558
Total Revenues	6,740,872	7,006,664	7,163,627	156,963
<b>EXPENDITURES</b>				
Current				
General government	774,602	804,002	749,052	54,950
Protection of persons & property				
Police	1,520,285	1,520,285	1,504,400	15,885
Fire	1,213,960	1,189,960	1,109,001	80,959
Other protection	167,349	165,850	159,895	5,955
Health and sanitation	540,767	540,767	539,856	911
Highway and transportation	738,190	777,200	765,966	11,234
Library	544,987	544,987	544,743	244
Parks and recreation	830,759	867,609	764,447	103,162
Capital outlay	292,278	551,419	547,891	3,528
Debt Service				
Principal retirement	4,616	4,616	4,616	-
Total Expenditures	6,627,793	6,966,695	6,689,867	276,828
Excess of revenues over expenditures	113,079	39,969	473,760	433,791
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of village property	-	-	543,065	543,065
Transfers in	1,053,567	1,151,067	1,138,380	(12,687)
Transfers out	(1,167,646)	(1,192,036)	(1,735,101)	(543,065)
Net change in fund balances - budgetary basis	\$ (1,000)	\$ (1,000)	420,104	\$ 421,104
Adjustment to generally accepted accounting principles basis				
Appropriations to reserve funds			673,564	
Revenue credited to reserve funds			30,540	
Expenditures and transfers charged to reserve funds			(791,966)	
Net change in fund balances - generally accepted accounting principles basis			332,242	
<b>FUND BALANCE - BEGINNING OF YEAR</b>			4,037,084	
<b>FUND BALANCE - END OF YEAR</b>			\$ 4,369,326	

See accompanying notes to required supplementary information

**VILLAGE OF SUSSEX, WISCONSIN**  
Schedule of Proportionate Share of the Net Pension Asset  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015
Primary Government	
Proportion of the net pension asset	0.1310%
Proportionate share of the net pension asset	\$ 328,226
Covered-employee payroll	\$ 1,789,027
Plan fiduciary net position as a percentage of the total pension asset	102.74%
Component Unit	
Proportion of the net pension asset	0.0036%
Proportionate share of the net pension asset	\$ 82,211
Covered-employee payroll	\$ 495,599
Plan fiduciary net position as a percentage of the total pension asset	102.74%

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

See Notes to Required Supplementary Information.

**VILLAGE OF SUSSEX, WISCONSIN**  
Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015
<b>Primary Government</b>	
Contractually required contributions	\$ 131,380
Contributions in relation to the contractually required contributions	\$ 131,380
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,769,027
Contributions as a percentage of covered-employee payroll	7.43%
<b>Component Unit</b>	
Contractually required contributions	\$ 34,692
Contributions in relation to the contractually required contributions	\$ 34,692
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 495,599
Contributions as a percentage of covered-employee payroll	7.00%

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

See Notes to Required Supplementary Information.

**VILLAGE OF SUSSEX, WISCONSIN**  
Notes to Required Supplementary Information  
December 31, 2015

**NOTE 1 – BUDGETARY INFORMATION**

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

In total, the General Fund did not have excess expenditures over appropriations for the year.

**NOTE 2 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71**

The Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior years is not available.

**NOTE 3 - WISCONSIN RETIREMENT SYSTEM**

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

## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF SUSSEX, WISCONSIN

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

December 31, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Cemetery Fund	Recreation Scholarship Fund	
<b>ASSETS</b>					
Cash and investments	\$ 655,747	\$ 353,749	\$ 8,866	\$ 15,035	\$ 1,033,397
Prepaid items	-	-	85	-	85
TOTAL ASSETS	\$ 655,747	\$ 353,749	\$ 8,951	\$ 15,035	\$ 1,033,482
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 15	\$ -	\$ 15
Due to other governments	-	200,000	-	-	200,000
Total liabilities	-	200,000	15	-	200,015
Fund Balances					
Nonspendable	-	-	85	-	85
Restricted	655,747	153,749	-	-	809,496
Committed	-	-	-	15,035	15,035
Assigned	-	-	8,851	-	8,851
Total fund balances	655,747	153,749	8,936	15,035	833,467
TOTAL LIABILITIES AND FUND BALANCES	\$ 655,747	\$ 353,749	\$ 8,951	\$ 15,035	\$ 1,033,482

# VILLAGE OF SUSSEX, WISCONSIN

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

For the Year Ended December 31, 2015

	Special Revenue Funds				Debt Service Funds	Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Cemetery Fund	Recreation Scholarship Fund	TIF #6 Debt Fund	
<b>REVENUES</b>						
Public improvement revenues	\$ 79,210	\$ -	\$ -	\$ -	\$ -	\$ 79,210
Public charges for services	-	-	150	4,719	-	4,869
Commercial revenues	1,516	882	13	39	22	2,472
Miscellaneous revenues	-	-	10,190	4,460	-	14,650
Total revenues	80,726	882	10,353	9,218	22	101,201
<b>EXPENDITURES</b>						
Current:						
General government	-	168	-	-	-	168
Health and sanitation	-	-	11,307	-	-	11,307
Parks and recreation	3,108	-	-	5,347	-	8,455
Debt service	-	-	-	-	59,888	59,888
Total expenditures	3,108	168	11,307	5,347	59,888	79,818
Excess (deficiency) of revenues over expenditures	77,618	714	(954)	3,871	(59,866)	21,383
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	10,000	-	29,752	39,752
Transfers out	-	-	-	(2,257)	-	(2,257)
Net change in fund balances	77,618	714	9,046	1,614	(30,114)	58,878
FUND BALANCES - BEGINNING OF YEAR	578,129	153,035	(110)	13,421	30,114	774,589
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 655,747</b>	<b>\$ 153,749</b>	<b>\$ 8,936</b>	<b>\$ 15,035</b>	<b>\$ -</b>	<b>\$ 833,467</b>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Board  
Village of Sussex, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sussex, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village of Sussex's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated May 20, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Sussex, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Sussex, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Sussex, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Sussex, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Village of Sussex, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Sussex, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 20, 2016