

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2018

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The Village will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

VILLAGE OF SALEM LAKES, WISCONSIN (Kenosha County)

\$8,700,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2018A

BID OPENING: June 11, 2018, 12:00 P.M. (Noon), C.T.

CONSIDERATION: June 11, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$8,700,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Bonds") of the Village of Salem Lakes, Wisconsin (the "Village") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing street improvement projects and sewerage projects, consisting of storm water projects and refunding certain outstanding obligations of the Village as more fully described herein. The Bonds are valid and binding general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: June 27, 2018

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$335,000	2025	\$440,000	2031	\$530,000
2020	395,000	2026	450,000	2032	545,000
2021	395,000	2027	465,000	2033	570,000
2022	405,000	2028	480,000	2034	590,000
2023	420,000	2029	495,000	2035	610,000
2024	430,000	2030	515,000	2036	630,000

*** MATURITY ADJUSTMENTS:** The Village reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: March 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on March 1, 2027 and thereafter are subject to call for prior optional redemption on March 1, 2026 or any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$8,591,250.

MAXIMUM BID: \$9,222,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$174,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL & DISCLOSURE COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Village to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the Village and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles and Brady LLP will serve as Disclosure Counsel to the Village with respect to the Bonds. Compensation of Ehlers & Associates, Inc., payable entirely by the Village, is contingent upon the sale of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the Village for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Village is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the Village nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the Village which indicates that the Village does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT. 1</p> <p>THE BONDS. 1</p> <p style="padding-left: 20px;">GENERAL. 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION. 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE. 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES. 2</p> <p style="padding-left: 20px;">SECURITY. 3</p> <p style="padding-left: 20px;">RATING. 3</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE. 3</p> <p style="padding-left: 20px;">LEGAL MATTERS. 4</p> <p style="padding-left: 20px;">TAX EXEMPTION. 4</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS. 5</p> <p style="padding-left: 20px;">ORIGINAL ISSUE DISCOUNT. 5</p> <p style="padding-left: 20px;">BOND PREMIUM. 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR. 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES. 6</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS. 7</p> <p style="padding-left: 20px;">RISK FACTORS. 7</p> <p style="padding-left: 20px;">CONSOLIDATION. 9</p> <p>VALUATIONS. 10</p> <p style="padding-left: 20px;">WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES. 10</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS. 11</p> <p style="padding-left: 20px;">2017 EQUALIZED VALUE BY CLASSIFICATION. 11</p> <p style="padding-left: 20px;">TREND OF VALUATIONS. 12</p> <p style="padding-left: 20px;">ESTIMATED 2017 EQUALIZED VALUATION. 12</p> <p style="padding-left: 20px;">LARGER TAXPAYERS. 13</p> <p>DEBT. 14</p> <p style="padding-left: 20px;">DIRECT DEBT. 14</p> <p style="padding-left: 20px;">SCHEDULE OF GENERAL OBLIGATION DEBT. 15</p> <p style="padding-left: 20px;">SCHEDULE OF WATER REVENUE DEBT. 17</p> <p style="padding-left: 20px;">DEBT LIMIT. 18</p> <p style="padding-left: 20px;">OVERLAPPING DEBT. 18</p> <p style="padding-left: 20px;">DEBT RATIOS. 19</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY. 19</p> <p style="padding-left: 20px;">FUTURE FINANCING. 19</p>	<p>TAX LEVIES AND COLLECTIONS. 20</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS. 20</p> <p style="padding-left: 20px;">PROPERTY TAX RATES. 21</p> <p style="padding-left: 20px;">LEVY LIMITS. 22</p> <p>THE ISSUER. 24</p> <p style="padding-left: 20px;">VILLAGE GOVERNMENT. 24</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS. 24</p> <p style="padding-left: 20px;">OTHER POST EMPLOYMENT BENEFITS. 25</p> <p style="padding-left: 20px;">LITIGATION. 26</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY. 26</p> <p style="padding-left: 20px;">FUNDS ON HAND. 27</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS. 28</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION - TOWN OF SALEM. 29</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION - VILLAGE OF SILVER LAKE. 30</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION - VILLAGE OF SALEM LAKES. 31</p> <p style="padding-left: 20px;">LOCATION. 32</p> <p style="padding-left: 20px;">LARGER EMPLOYERS. 32</p> <p style="padding-left: 20px;">BUILDING PERMITS. 33</p> <p style="padding-left: 20px;">U.S. CENSUS DATA. 34</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA. 35</p> <p>FINANCIAL STATEMENTS (Village of Silver Lake). A1-1</p> <p>FINANCIAL STATEMENTS (Town of Salem). A2-1</p> <p>FINANCIAL STATEMENTS (Village of Salem Lakes). A3-1</p> <p>FORM OF LEGAL OPINION. B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM. C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE. D-1</p> <p>NOTICE OF SALE. E-1</p> <p>BID FORM</p>
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BOARD OF TRUSTEES

		<u>Term Expires</u>
Diann Tesar	President	April 2019
Dennis Faber	Trustee	April 2021
Dan Campion	Trustee	April 2019
Ted Kmiec	Trustee	April 2019
Mike Culat	Trustee	April 2019
Ron Gandt	Trustee	April 2021
Bill Hopkins	Trustee	April 2021

ADMINISTRATION

Patrick Casey, Village Administrator

Chris Lamb, Village Treasurer

Cynthia Dulaney, Village Clerk

PROFESSIONAL SERVICES

Richard Scholze, Village Attorney, Wanasek, Scholze, Ludwig & Ekes, SC, Burlington, Wisconsin

Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the Village of Salem Lakes, Wisconsin (the "Village") and the issuance of its \$8,700,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds ("Award Resolution") to be adopted by the Village Board on June 11, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the Village's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sale link and following the directions at the top of the site.

The Village was formed February 14, 2017. The Village was formerly organized as the Town of Salem and the Village of Silver Lake. The Village was formed as a result of a cooperative boundary change plan pursuant to Section 66.0307, Wisconsin Statutes, between the former Town of Salem and Village of Silver Lake. For more information, see "CONSOLIDATION" herein.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 27, 2018. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The Village has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the Village, the Bonds maturing on or after March 1, 2027 shall be subject to optional redemption prior to maturity on March 1, 2026 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the Village. If only part of the Bonds having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing street improvement projects and sewerage projects, consisting of storm water projects and current refunding the Village's Note Anticipation Notes, Series 2015C, dated November 12, 2015 (the "Series 2015C Notes") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturity Being Refunded	Interest Rate	Principal to be Refunded	CUSIP Base 794643
Series 2015C Notes	11/12/15	7/17/18	Par	2018	1.375%	<u>\$4,540,000</u>	FH4
Total Series 2015C Notes Being Refunded						\$4,540,000	

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$8,700,000
Transfers from Prior Issue Debt Service Funds	13,179
Estimated Interest Earnings	<u>31,000</u>
Total Sources	\$8,744,179

Uses

Project Costs	\$4,000,000
Refunding Costs	4,553,179
Estimated Underwriter's Discount	108,750
Finance Related Expenses	77,475
Rounding/Contingency	<u>4,775</u>
Total Uses	\$8,744,179

*Preliminary, subject to change

SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the Village will be irrevocably pledged. The Village will levy a direct, annual, irrevocable tax on all taxable property in the Village sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

RATING

General obligation debt of the Village is currently rated “AA” by S&P Global Ratings (“S&P”).

The Village has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the Village nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the Village shall covenant to take certain actions pursuant to the Award Resolution adopted by the Village Board by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the Village to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for the Bonds are set forth in Appendix D to be executed and delivered by the Village at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the Village believes that neither the Village nor the former Town of Salem failed to comply in all material respects with any prior undertakings under the Rule. The former Village of Silver Lake was not subject to any prior undertakings under the Rule during the previous five years.

A failure by the Village to comply with the Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The Village will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the Village.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the Village, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the Village; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" attached as Appendix B.)

Quarles & Brady LLP has also been retained by the Village to serve as Disclosure Counsel to the Village with respect to the Bonds. Although, as Disclosure Counsel to the Village, Quarles & Brady LLP has assisted the Village with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Village has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Village comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Village will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

BOND PREMIUM

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the Village in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the Village, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the Village under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The draft basic financial statements of the Village for the fiscal year ended December 31, 2017 have been audited by Schenck SC, Green Bay, Wisconsin, independent auditors (the "Auditor"). The Village expects delivery of the draft basic financial statements for the fiscal year ended December 31, 2017 substantially in the form attached hereto, but such financial statements are subject to final review by the Village. The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A3 - FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures related to this Official Statement.

The basic financial statements of the former Village of Silver Lake for the fiscal year ended December 31, 2016 have been audited by Andrea & Orendorff LLP, Kenosha, Wisconsin, independent auditors (the "Silver Lake Auditor"). The report of the Silver Lake Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A1 – FINANCIAL STATEMENTS". The Silver Lake Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Silver Lake Auditor also has not performed any procedures relating to this Official Statement.

The basic financial statements of the former Town of Salem for the fiscal year ended December 31, 2016 have been audited by Schenck SC, Green Bay, Wisconsin, independent auditors (the "Salem Auditor"). The report of the Salem Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A2 – FINANCIAL STATEMENTS". The Salem Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Salem Auditor also has not performed any procedures relating to this Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the Village, the ultimate payment of which rests in the Village's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the Village in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the Village, the taxable value of property within the Village, and the ability of the Village to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the Village and to the Bonds. The Village can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the Village or the taxing authority of the Village.

Ratings; Interest Rates: In the future, the Village's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the Village with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the Village to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the Village to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the Village, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the Village may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

CONSOLIDATION

In 2016, the Town of Salem and the Village of Silver Lake entered into a Cooperative Plan pursuant to Section 66.0307, Wisconsin Statutes, to merge as one entity. That plan was submitted to the Wisconsin Department of Administration (“DOA”) for approval. On November 21, 2016, DOA approved the Cooperative Plan. By way of an ordinance adopted by the Village of Silver Lake on February 14, 2017, and pursuant to the Cooperative Plan as approved by the DOA, the territory comprising the former Town of Salem was attached to the Village of Silver Lake, and the new Village was formed. All outstanding obligations of the former Town of Salem and the Village of Silver Lake are now obligations of the Village.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS - Town of Salem

2017 Equalized Value	\$1,125,495,500
2017 Equalized Value Reduced by Tax Increment Valuation	\$1,120,771,000
2017 Assessed Value	\$1,102,812,800

CURRENT PROPERTY VALUATIONS - Village of Silver Lake

2017 Equalized Value	\$177,102,300
2017 Assessed Value	\$167,294,100

2017 EQUALIZED VALUE BY CLASSIFICATION - Town of Salem

	2017 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 1,051,597,500	93.434%
Commercial	57,566,900	5.115%
Manufacturing	1,961,700	0.174%
Agricultural	1,462,500	0.130%
Undeveloped	1,048,800	0.093%
Ag Forest	1,757,700	0.156%
Forest	942,400	0.084%
Other	4,517,900	0.401%
Personal Property	4,640,100	0.412%
Total	<u><u>\$ 1,125,495,500</u></u>	<u><u>100.000%</u></u>

2017 EQUALIZED VALUE BY CLASSIFICATION - Village of Silver Lake

	2017 Equalized Value¹	Percent of Total Equalized Value
Residential	\$ 156,285,100	88.246%
Commercial	19,352,500	10.927%
Agricultural	14,000	0.008%
Undeveloped	111,200	0.063%
Ag Forest	24,000	0.014%
Forest	16,000	0.009%
Other	286,000	0.161%
Personal Property	1,013,500	0.572%
Total	<u><u>\$ 177,102,300</u></u>	<u><u>100.000%</u></u>

¹ Includes tax increment valuation.

TREND OF VALUATIONS - Town of Salem

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$ 936,331,200	\$ 958,976,300	-2.78%
2014	940,628,800	990,367,500	3.27%
2015	996,674,500	1,013,588,600	2.34%
2016	1,009,328,500	1,067,051,400	5.27%
2017	1,102,812,800	1,125,495,500	5.48%

TREND OF VALUATIONS - Village of Silver Lake

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$ 188,080,300	\$ 167,386,600	-7.91%
2014	186,808,300	162,893,500	-2.68%
2015	186,003,400	160,444,100	-1.50%
2016	166,137,300	169,524,300	5.66%
2017	167,294,100	177,102,300	4.47%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

ESTIMATED 2017 EQUALIZED VALUATION

Pursuant to the procedures in Section 67.03(5), Wisconsin Statutes, the Village requested from the Wisconsin Department of Revenue (the "Department") a determination of the estimated 2017 equalized valuation of the Village. The Department determined such equalized valuation to be \$1,286,436,000. This determination is for municipal borrowing purposes only. The 2018 Equalized Value for the Village will be certified by the Department pursuant to Sections 70.57 and 67.03, Wisconsin Statutes, on August 15, 2018.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2017 Equalized Value¹	Percent of Village's Total Equalized Value
Parrish Properties IX LLC	Mobile Home Park	\$ 6,040,641	0.46%
Mills Enterprises-Prairie LLC	Industrial	5,435,648	0.42%
Salem Business Park LLC	Commercial Real Estate	4,851,271	0.37%
Arbor Green Silvercrest LLC	Apartments	4,396,703	0.34%
Breezy Hill Nursery	Residential Landscape	3,421,251	0.26%
RUPA LLC	Real Estate	2,616,624	0.20%
Serenity Investments LLC	Financial Services	2,596,325	0.20%
GAK LLC	Real Estate	2,203,202	0.17%
Individual	Real Estate	1,984,393	0.15%
Hwy 50 Storage LLC	Storage Rental	1,854,576	0.14%
Total		\$ 35,400,634	2.72%

Village's Total 2017 Equalized Value² \$1,302,597,800

Source: The Village.

¹ Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the Town of Salem or the Village of Silver Lake, as applicable.

² Value is the sum of the 2017 Equalized Value of both the former Town of Salem and the former Village of Silver Lake. Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Bonds)* \$ 32,833,373

Revenue Debt (see schedules following)

Total revenue debt secured by water revenues \$ 1,875,659

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

Village of Salem Lakes
Schedule of Bonded Indebtedness
General Obligation Debt
(As of June 27, 2018)

Fiscal Year Ending	G.O. Sewerage Sys. Prom Notes Series 1999		G.O. Sewerage Sys. Prom Notes Series 2000		G.O. Sewerage Sys. Prom Notes Series 2001		G.O. Sewerage Sys. Prom Notes Series 2007		G.O. Sewerage Sys. Prom Notes Series 2009		G.O. Prom Notes Series 2013A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Dated Amount	5/26/1999 \$259,774	9/27/2000 \$614,980	11/28/2001 \$1,139,950	12/26/2007 \$5,855,983	3/25/2009 \$4,930,393	7/25/2013 \$4,060,000						
Maturity	5/1	5/1	5/1	5/1	5/1	3/1						
2018	13,091	178	68,804	2,917	311,680	38,168	243,916	36,736	305,000	18,753		
2019		178	70,696	4,888	319,360	72,497	250,424	70,219	310,000	34,455		
2020			72,640	2,970	327,229	64,723	257,105	63,624	320,000	27,918		
2021				999	335,292	56,757	263,965	58,854	325,000 (1)	20,630		
2022					343,553	48,594	271,007	49,903	335,000 (1)	12,686		
2023					352,018	40,231	278,238	42,766		4,271		
2024					360,692	31,662	285,661	35,439				
2025					369,580	22,881	293,283	27,917				
2026					378,686	13,884	301,107	20,194				
2027						4,665	309,141	12,265				
2028								4,124				
2029												
2030												
2031												
2032												
2033												
2034												
2035												
2036												
2037												
	13,091	356	212,141	11,773	3,098,089	394,062	2,753,848	420,041	1,595,000	118,713		

(1) Mandatory redemption amounts

Village of Salem Lakes
Schedule of Bonded Indebtedness
General Obligation Debt
(As of June 27, 2018)

Dated Amount	G.O. Sewerage Sys. Prom Notes Series 2014A		G.O. Prom Notes Series 2015A		G.O. Ref Bonds Series 2016A		G.O. Sewer System Improvement Bonds Series 2017A		G.O. Copr. Purp. Bonds Series 2018A		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
5/28/2014 \$2,546,888	5/1	27,954	23,091	6/21/2016 \$9,615,000	6/29/2017 \$3,645,000	6/27/2018 \$8,700,000*										
		108,827	295,000	610,000	86,794	135,000	51,949	335,000	308,651	2,461,476	287,599	287,599	32,833,373	0.00%	2018	
		111,683	305,000	630,000	167,488	140,000	101,873	395,000	254,155	2,568,365	859,566	3,321,032	30,371,898	7.50%	2019	
		114,615	315,000	645,000	155,088	145,000	97,748	395,000	245,564	2,591,589	755,579	3,323,944	27,803,532	15.32%	2020	
		117,624	320,000	665,000	142,338	150,000	93,473	405,000	236,260	2,581,880	696,260	3,287,850	25,211,943	23.21%	2021	
		120,711	330,000	680,000	129,238	155,000	89,048	420,000	226,045	2,655,272	635,977	3,217,857	22,630,063	31.08%	2022	
		123,880	335,000	695,000	115,788	160,000	84,473	430,000	214,993	2,374,136	574,194	3,229,466	19,974,791	39.16%	2023	
		127,132	345,000	715,000	102,038	160,000	79,748	430,000	214,993	2,374,136	514,429	2,888,566	17,600,654	46.39%	2024	
		130,469		740,000	87,938	160,000	74,948	440,000	203,245	2,433,485	456,744	2,890,229	15,167,169	53.81%	2025	
		133,894		740,000	73,388	165,000	70,073	450,000	190,783	2,148,331	400,874	2,549,205	13,018,838	60.35%	2026	
		137,409		760,000	58,388	175,000	64,973	465,000	177,511	2,213,687	346,885	2,560,573	10,805,150	67.09%	2027	
		141,016		790,000	42,888	180,000 (1)	59,648	480,000	163,333	1,896,550	295,514	2,192,064	8,908,601	72.87%	2028	
		144,717		810,000	26,888	185,000 (1)	54,173	495,000	147,969	1,631,016	1,881,913	1,881,913	7,277,585	77.83%	2029	
		148,516		835,000	9,394	190,000 (1)	48,548	515,000	131,299	1,684,717	207,358	1,892,076	5,592,868	82.97%	2030	
		152,415				195,000 (1)	42,773	530,000	113,663	873,516	170,705	1,044,221	4,719,352	85.63%	2031	
		156,416				200,000 (1)	36,848	545,000	95,251	897,415	142,419	1,039,833	3,821,937	88.36%	2032	
		160,521				205,000 (1)	30,773	570,000	75,875	931,416	112,914	1,044,330	2,890,521	91.20%	2033	
						215,000 (1)	24,473	590,000	55,428	965,521	82,007	1,047,528	1,925,000	94.14%	2034	
						220,000 (1)	17,948	610,000	33,975	830,000	51,923	881,923	1,095,000	96.66%	2035	
						225,000 (1)	11,104	630,000	11,498	855,000	22,601	877,601	240,000	99.27%	2036	
						240,000 (1)	3,780	240,000	3,780	240,000	3,780	243,780	0	100.00%	2037	
		2,129,845	2,245,000	8,575,000	1,197,650	3,440,000	1,138,365	8,700,000	2,885,494	32,833,373	6,868,217	39,701,590				

* Preliminary, subject to change.

(1) Mandatory redemption amounts

Village of Salem Lakes
Schedule of Bonded Indebtedness
Water Revenue Debt
(As of June 27, 2018)

Sewerage Sys.
Revenue Bonds
Series 2015B

Dated Amount	10/14/2015 \$2,229,330		
Maturity	5/1		
Fiscal Year Ending	Principal	Interest	
2018		21,336	
2019	91,604	41,629	1,875,659
2020	93,688	39,522	1,784,055
2021	95,820	37,366	1,690,367
2022	97,999	35,161	1,594,547
2023	100,229	32,906	1,496,548
2024	102,509	30,600	1,396,319
2025	104,841	28,242	1,293,810
2026	107,226	25,829	1,188,968
2027	109,666	23,362	1,081,742
2028	112,161	20,839	972,076
2029	114,712	18,258	859,916
2030	117,322	15,619	745,203
2031	119,991	12,919	627,881
2032	122,721	10,159	507,890
2033	125,513	7,335	385,169
2034	128,368	4,447	259,657
2035	131,289	1,493	131,289
	1,875,659	407,022	0
		407,022	100.00%
		2,282,681	

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 1,286,436,000 ¹
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 64,321,800
Less: General Obligation Debt (includes the Bonds)*	<u>(32,833,373)</u>
Unused Debt Limit*	<u>\$ 31,488,427</u>

*Preliminary, subject to change.

OVERLAPPING DEBT²

Taxing District	2017 Equalized Value ³	% In Village	Total G.O. Debt ⁴	Village's Proportionate Share
Kenosha County	\$ 14,655,093,000	8.88%	\$ 119,685,000	\$ 10,628,028
Central High School/District of Westosha	2,425,442,512	22.12%	11,415,000	2,524,998
Salem Joint #2	827,441,559	68.11%	5,235,000	3,565,559
Silver Lake J1	368,059,356	100.00%	6,660,000	6,660,000
Trevor/Wilmot Consolidated Grade School	347,148,919	89.19%	7,745,000	6,907,766
Wheatland J1	404,356,809	15.18%	166,667	25,300
Wilmot UHS District	2,130,755,047	35.95%	26,170,000	9,408,115
Gateway Technical College District	42,993,548,858	3.03%	63,630,000	<u>1,927,989</u>

Village's Share of Total Overlapping Debt \$41,647,755

¹ Estimated 2017 equalized valuation for the Village as determined by the Department pursuant to Section 67.03, Wisconsin Statutes. See "ESTIMATED 2017 EQUALIZED VALUATION" herein.

² Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

³ Includes tax increment valuation.

⁴ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$1,286,436,000¹	Debt/ Per Capita 14,558²
Total General Obligation Debt*	\$ 32,833,373	2.55%	\$ 2,255.35
Village's Share of Total Overlapping Debt	<u>41,647,755</u>	<u>3.24%</u>	<u>2,860.82</u>
Total*	\$ 74,481,128	5.79%	\$ 5,116.16

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The Village, the former Town of Salem and the former Village of Silver Lake have no record of default in the payment of principal and interest on their debt.

FUTURE FINANCING

The Village has no current plans for additional financing in the next 12 months.

¹ Estimated 2017 equalized valuation as certified by the Wisconsin Department of Revenue pursuant to Section 67.03, Wisconsin Statutes.

² Combination of the Town of Salem and the Village of Silver Lake estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS - Town of Salem

Tax Year	Levy for Village Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$3,594,299	100%	\$3.75
2014/15	3,767,913	100%	3.80
2015/16	3,797,670	100%	3.75
2016/17	3,861,700	100%	3.62
2017/18	3,931,600	[----- In process -----]	3.51

TAX LEVIES AND COLLECTIONS - Village of Silver Lake

Tax Year	Levy for Village Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$1,040,551	100%	\$6.22
2014/15	1,026,237	100%	6.30
2015/16	1,025,823	100%	6.39
2016/17	877,400	100%	5.18
2017/18	884,300	[----- In process -----]	4.99

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to

also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Town of Salem

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total Full Value Effective Rate
2013/14	\$15.30	\$5.16	\$3.75	\$0.45	\$24.66
2014/15	14.25	5.16	3.80	0.44	23.65
2015/16	14.26	5.12	3.75	0.41	23.54
2016/17	13.97	5.05	3.62	0.40	23.04
2017/18	13.45	4.96	3.51	0.26	22.18

Village of Silver Lake

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total Full Value Effective Rate
2013/14	\$15.13	\$5.16	\$6.22	\$0.17	\$26.68
2014/15	14.26	5.16	6.30	0.17	25.89
2015/16	14.15	5.12	6.39	0.17	25.83
2016/17	13.80	5.05	5.18	0.17	24.20
2017/18	13.53	4.96	4.99	0.00	23.48

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes any tax increments and taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. State property taxes were eliminated in the State’s 2017-2019 budget act.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Bonds were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Bonds.

THE ISSUER

VILLAGE GOVERNMENT

The Village is governed by a seven-member Village Board. All Village Board members are elected to two-year terms. The Village President votes on all Village Board matters. The appointed Village Administrator, Village Clerk and Village Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The Village employs a staff of 29 full-time and 158 part-time employees. All eligible employees in the Village are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

Village employees are generally required to contribute half of the actuarially determined contributions, and the Village generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the former Town of Salem's portion of contributions to WRS (not including any employee contributions) totaled \$108,873 and \$108,339, respectively. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the former Village of Silver Lake's portion of contributions to WRS (not including any employee contributions) totaled \$41,411 and \$22,763, respectively. During the fiscal year ended December 31, 2017 ("Fiscal Year 2017") the Village's portion of contributions to the WRS (not including employee contributions) totaled \$127,688.

The former Town of Salem and the former Village of Silver Lake each implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2016, the total pension liability of the WRS was calculated as \$93.4 billion and the fiduciary net position of the WRS was calculated as \$92.6 billion, resulting in a net pension liability of \$0.8 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the Village reported a liability of \$116,271 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2016 based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. The Village's proportion was 0.01410645% of the aggregate WRS net pension liability as of December 31, 2016.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note F in "APPENDIX A3 - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible Village personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the Village is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the Village is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless Village were to seek approval for a higher increase through a referendum). Ultimately, the Village can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the Village, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining unit represents employees of the Village:

Bargaining Unit	Expiration Date of Current Contract
Local 200 Fire Bargaining Unit	(currently in negotiation) ¹

OTHER POST EMPLOYMENT BENEFITS

The Village does not provide any other post employment benefits.

¹ The union formed in May 2017 and the Village is currently negotiating on the initial contract.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the Village or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the Village to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the Village to file for relief under Chapter 9. If, in the future, the Village were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the Village could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the Village is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the Village could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the Village; (b) to any particular assets of the Village, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the Village were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Bonds would not occur.

FUNDS ON HAND (as of March 31, 2018)

Fund	Total Cash and Investments
General	\$ 38,848,589
Park Fund	667,949
Trails Fund	188,447
Maintenance Impact Fund	61,510
Capital Projects Fund	676,225
TID #1 Fund	2,017,982
Sewer Utility Fund	53,758,488
Storm Water Fund	263,868
Total Funds on Hand	<u>\$ 96,483,058</u>

Revenues available for debt service on the Village's enterprise funds have been as follows as of December 31 each year:

ENTERPRISE FUNDS - Town of Salem

	2014	2015	2016
Utility District			
Total Operating Revenues	\$ 2,762,162	\$ 3,024,075	\$ 3,364,174
Less: Operating Expenses	<u>(2,196,738)</u>	<u>(2,339,498)</u>	<u>(2,389,796)</u>
Operating Income	\$ 565,424	\$ 684,577	\$ 974,378
Plus: Depreciation	958,914	980,705	1,061,226
Interest Income	<u>22,191</u>	<u>23,536</u>	<u>24,470</u>
Revenues Available for Debt Service	<u><u>\$ 1,546,529</u></u>	<u><u>\$ 1,688,818</u></u>	<u><u>\$ 2,060,074</u></u>

ENTERPRISE FUNDS - Village of Silver Lake

	2014	2015	2016
Sewer			
Total Operating Revenues	\$ 673,005	\$ 672,156	\$ 668,864
Less: Operating Expenses	<u>(490,267)</u>	<u>(524,774)</u>	<u>(434,549)</u>
Operating Income	\$ 182,738	\$ 147,382	\$ 234,315
Plus: Depreciation	158,796	163,605	161,300
Interest Income	<u>2,658</u>	<u>3,101</u>	<u>3,650</u>
Revenues Available for Debt Service	<u><u>\$ 344,192</u></u>	<u><u>\$ 314,088</u></u>	<u><u>\$ 399,265</u></u>

ENTERPRISE FUNDS - Village of Salem Lakes

	2017
Sewer	
Total Operating Revenues	\$ 3,932,076
Less: Operating Expenses	<u>(3,061,667)</u>
Operating Income	\$ 870,409
Plus: Depreciation	1,287,029
Interest Income	<u>66,679</u>
Revenues Available for Debt Service	<u><u>\$ 2,224,117</u></u>

SUMMARY GENERAL FUND INFORMATION - Town of Salem

Following are summaries of the revenues and expenditures and fund balances for the former Town of Salem's General Fund. These summaries are not purported to be the complete audited financial statements of the former Town of Salem, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the former Town of Salem. Copies of the complete audited financial statements are available upon request. See Appendix A2 for the former Town of Salem's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31		
	2014 Audited ¹	2015 Audited ¹	2016 Audited ¹
Revenues			
Taxes and special assessments	\$ 2,337,700	\$ 2,475,796	\$ 2,481,846
Intergovernmental	400,797	400,311	480,439
Licenses and permits	250,285	276,812	404,553
Penalties and forfeitures	39,436	44,122	70,649
Public charges for services	1,055,628	1,156,133	1,214,108
Intergovernmental charges for service	610,699	641,457	734,358
Miscellaneous general revenues	57,908	61,213	67,993
Total Revenues	<u>\$ 4,752,453</u>	<u>\$ 5,055,844</u>	<u>\$ 5,453,946</u>
Expenditures			
Current:			
General government	\$ 987,733	\$ 927,790	\$ 1,050,701
Public safety	1,335,559	1,297,050	1,551,669
Public works	1,615,240	1,659,420	1,654,334
Conservation and development	404,887	96,261	42,568
Health and social services	5,500	8,157	10,057
Culture and recreation	368,732	367,136	437,484
Total Expenditures	<u>\$ 4,717,651</u>	<u>\$ 4,355,814</u>	<u>\$ 4,746,813</u>
Excess of revenues over (under) expenditures	\$ 34,802	\$ 700,030	\$ 707,133
Other Financing Sources (Uses)			
Proceeds from capital lease	22,320	0	0
Operating transfers in	0	0	0
Operating transfers out	(250,000)	(250,000)	(250,000)
Total Other Financing Sources (Uses)	<u>\$ (227,680)</u>	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (192,878)	\$ 450,030	\$ 457,133
General Fund Balance January 1	1,233,080	1,040,202	1,490,232
General Fund Balance December 31	<u>\$ 1,040,202</u>	<u>\$ 1,490,232</u>	<u>\$ 1,947,365</u>
DETAILS OF DECEMBER 31 FUND BALANCE			
Nonspendable	194,834	190,149	198,599
Restricted	0	0	0
Committed	0	0	0
Assigned	157,000	137,000	100,200
Unassigned	688,368	1,163,083	1,648,566
Total	<u>\$ 1,040,202</u>	<u>\$ 1,490,232</u>	<u>\$ 1,947,365</u>

¹ Audited figures of the former Town of Salem.

SUMMARY GENERAL FUND INFORMATION - Village of Silver Lake

Following are summaries of the revenues and expenditures and fund balances for the former Village of Silver Lake's General Fund. These summaries are not purported to be the complete audited financial statements of the former Village of Silver Lake, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the former Village of Silver Lake. Copies of the complete audited financial statements are available upon request. See Appendix A1 for the former Village of Silver Lake's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31		
	2014 Audited ¹	2015 Audited ¹	2016 Audited ¹
Revenues			
Taxes	\$ 1,048,561	\$ 1,034,517	\$ 1,035,440
State shared revenue	68,481	60,002	74,361
Intergovernmental revenues	100,257	145,734	80,768
Charges for services	2,691	3,011	2,948
License and permits	44,013	60,512	50,797
Fines, forfeits and penalties	33,547	29,927	39,710
Investment income	1,530	1,525	2,101
Miscellaneous income	11,420	18,483	23,366
Total Revenues	<u>\$ 1,310,500</u>	<u>\$ 1,353,711</u>	<u>\$ 1,309,491</u>
Expenditures			
Current:			
General government	\$ 276,161	\$ 340,811	\$ 340,627
Public safety	518,310	423,973	443,813
Public works	142,609	106,601	104,475
Health and sanitation	146,410	143,053	143,759
Parks and recreation	23,014	27,928	38,176
Library	58,326	58,158	58,489
Capital outlay	19,715	195,952	4,353
Debt service			
Principal retirement	83,496	64,737	58,657
Interest	12,968	10,901	9,714
Total Expenditures	<u>\$ 1,281,009</u>	<u>\$ 1,372,114</u>	<u>\$ 1,202,063</u>
Excess of revenues over (under) expenditures	\$ 29,491	\$ (18,403)	\$ 107,428
Other Financing Sources (Uses)			
Proceeds from capital assets	0	0	30,833
Operating transfers in	0	56,395	0
Operating transfers out	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 56,395</u>	<u>\$ 30,833</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 29,491	\$ 37,992	\$ 138,261
General Fund Balance January 1	<u>264,122</u>	<u>293,613</u>	<u>331,605</u>
General Fund Balance December 31	\$ 293,613	\$ 331,605	\$ 469,866
DETAILS OF DECEMBER 31 FUND BALANCE			
Nonspendable	0	0	60,000
Restricted	49,381	49,381	49,381
Committed	0	0	0
Assigned	110,073	113,497	0
Unassigned	134,159	168,727	360,485
Total	<u>\$ 293,613</u>	<u>\$ 331,605</u>	<u>\$ 469,866</u>

¹ Audited figures of the former Village of Silver Lake.

SUMMARY GENERAL FUND INFORMATION - Village of Salem Lakes

Following are summaries of the revenues and expenditures and fund balances for the Village's General Fund. These summaries are not purported to be the complete audited financial statements of the Village, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village. Copies of the complete audited financial statements are available upon request. See Appendix A for the Village's 2017 draft audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31	
	2017 Draft Audit	2018 Adopted Budget¹
Revenues		
Taxes	\$ 3,294,593	\$ 3,352,700
Intergovernmental revenues	622,323	593,000
Charges for services	1,355,116	1,719,100
Intergovernmental charges for service	577,313	0
License and permits	378,014	334,300
Fines, forfeits and penalties	42,252	41,100
Fire department revenue	0	258,900
Other financing sources	0	112,100
Miscellaneous income	111,596	107,200
Total Revenues	<u>\$ 6,381,207</u>	<u>\$ 6,518,400</u>
Expenditures		
Current:		
General government	\$ 1,428,082	\$ 1,498,700
Public safety	1,718,956	2,210,000
Public works	1,897,351	2,287,900
Health and sanitation	10,026	0
Parks and recreation	507,868	521,800
Conservation and development	52,139	0
Total Expenditures	<u>\$ 5,614,422</u>	<u>\$ 6,518,400</u>
Excess of revenues over (under) expenditures	\$ 766,785	\$ 0
Other Financing Sources (Uses)		
Proceeds from capital assets	59,352	
Operating transfers in	0	
Operating transfers out	<u>(250,000)</u>	
Total Other Financing Sources (Uses)	\$ (190,648)	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 576,137	
General Fund Balance January 1	<u>2,417,231</u>	
General Fund Balance December 31	\$ 2,993,368	
DETAILS OF DECEMBER 31 FUND BALANCE		
Nonspendable	0	
Restricted	0	
Committed	0	
Assigned	0	
Unassigned	2,993,368	
Total	<u><u>\$ 2,993,368</u></u>	

¹ The 2018 Budget was adopted on November 13, 2017.

GENERAL INFORMATION

LOCATION

The Village is in Kenosha County, Wisconsin, United States. The Village was created on February 14, 2017, by the merger of the former Town of Salem with the former Village of Silver Lake (see "CONSOLIDATION" herein). The Village with a current estimated population of 14,558 comprises an area of 34 square miles and is located approximately 17.5 miles west of the City of Kenosha.

LARGER EMPLOYERS¹

Larger employers in the Village include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Breezy Hill Nursery	Landscaping/nursery	275 ²
Wilmot Union High School District	Elementary and secondary education	158
Central High School	Secondary education	155
Amorim Cork Composites	Manufacturing	90
Salem Consolidated Grade School	Elementary education	112
Salem Fire Department	Fire service	97
Lotus Brands	Natural health and beauty retailer	94 ³
Trevor Wilmot Consolidated School	Elementary education	81
Joint School District #1, Silver Lake	4K-8 education	73
The Village	Local government	76

Source: *ReferenceUSA, written and telephone survey (May 2018), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² This is for all three locations, full-time and seasonal.

³ 87 Full-time and 7 Part-time.

BUILDING PERMITS¹

	2014	2015	2016	2017	2018 ²
<u>New Single Family Homes</u>					
No. of building permits	23	28	35	27	10
Valuation	\$7,713,400	\$9,166,494	\$11,334,759	\$9,245,963	\$3,258,100
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	0	1	5	0
Valuation	\$1,000,000	\$0	\$5,369,929	\$783,340	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	437	590	559	678	181
Valuation	\$14,416,964	\$26,306,412	\$36,914,421	\$17,117,293	\$5,836,159

Source: The Village.

¹ Building permits consists of the sum of permits for both the Town of Salem and the Village of Silver Lakes.

² As of May 16, 2018.

U.S. CENSUS DATA

Population Trend: Town of Salem

2000 U.S. Census	9,871
2010 U.S. Census	12,067
2017 Estimated Population	12,161
Percent of Change 2000 - 2010	22.25%

Population Trend: Village of Silver Lake

2000 U.S. Census	2,341
2010 U.S. Census	2,411
2017 Estimated Population	2,397
Percent of Change 2000 - 2010	2.99%

Income and Age Statistics

	Town of Salem	Village of Silver Lake	Kenosha County	State of Wisconsin	United States
2016 per capita income	\$29,761	\$28,221	\$27,335	\$29,253	\$29,829
2016 median household income	\$66,486	\$61,220	\$56,086	\$54,610	\$55,322
2016 median family income	\$79,764	\$86,964	\$70,767	\$69,925	\$67,871
2016 median gross rent	\$1,011	\$831	\$865	\$789	\$949
2016 median value owner occupied units	\$182,000	\$196,900	\$162,400	\$167,000	\$184,700
2016 median age	40.0 yrs.	34.5 yrs.	37.6 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
Town of Salem % of 2016 per capita income	101.74%	99.77%
Village of Silver Lake % of 2016 per capita income	96.47%	94.61%
Town of Salem % of 2016 median family income	114.07%	117.52%
Village of Silver Lake % of 2016 median family income	124.37%	128.13%

Housing Statistics

	<u>Town of Salem</u>		
	2000	2016	Percent of Change
All Housing Units	5,055	4,929	-2.49%
	<u>Village of Silver Lake</u>		
	2000	2016	Percent of Change
All Housing Units	1,072	1,192	11.19%

Source: 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Kenosha County	Kenosha County	State of Wisconsin
2014	81,671	6.1%	5.4%
2015	83,085	5.1%	4.5%
2016	84,660	4.7%	4.0%
2017	86,426	3.9%	3.3%
2018, April	87,461	3.0%	2.7%

Source: *Wisconsin Department of Workforce Development.*

**FINANCIAL STATEMENTS
(Village of Silver Lake)**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the former Village's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The former Village has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the former Village requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the former Village since the date of the financial statements, in connection with the issuance of the Bonds, the former Village represents that there have been no material adverse change in the financial position or results of operations of the former Village, nor has the former Village incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**VILLAGE OF SILVER LAKE
KENOSHA COUNTY, WISCONSIN**

**FINANCIAL STATEMENTS AND
REPORT OF
INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

YEAR ENDED DECEMBER 31, 2016

**ANDREA & ORENDORFF LLP
6300 76TH STREET SUITE 200
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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Silver Lake
Kenosha County, Wisconsin

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the schedules relating to pensions on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Andrea E. Orendorff LLP

Andrea & Orendorff LLP
Kenosha, Wisconsin
April 25, 2017

VILLAGE OF SILVER LAKE
STATEMENT OF NET POSITION
As of December 31, 2016

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,931,694	\$ 1,162,349	\$ 4,094,043
Receivables	2,345,559	157,449	2,503,008
Internal balances	(166,783)	166,783	-
Restricted assets			-
Cash and cash equivalents	52,725	805,125	857,850
Other assets			
Asset held for resale	60,000	-	60,000
Capital assets			
Land, improvements and construction in progress	2,058,869	7,000	2,065,869
Other capital assets, net of depreciation	3,391,421	2,325,726	5,717,147
Total capital assets	<u>5,450,290</u>	<u>2,332,726</u>	<u>7,783,016</u>
Total assets	<u>10,673,485</u>	<u>4,624,432</u>	<u>15,297,917</u>
 DEFERRED OUTFLOW OF RESOURCES			
Related to pension	<u>271,129</u>	<u>49,747</u>	<u>320,876</u>
 LIABILITIES			
Accounts payable	48,958	42,026	90,984
Accrued compensation	755	666	1,421
Other liabilities	66,632	3,100	69,732
Special deposits and trust accounts	3,337	-	3,337
Due to other governments	3,223,786	-	3,223,786
Long-term liabilities			
Net pension liability	49,970	8,640	58,610
Due within one year	107,160	141,528	248,688
Due in more than one year	611,905	451,764	1,063,669
Total liabilities	<u>4,112,503</u>	<u>647,724</u>	<u>4,760,227</u>
 DEFERRED INFLOWS OF RESOURCES			
Property tax levy	1,026,980	-	1,026,980
Storm water charges	160,612	-	160,612
Special assessments	-	35,388	35,388
Related to pension	105,160	18,183	123,343
Total deferred inflows of resources	<u>1,292,752</u>	<u>53,571</u>	<u>1,346,323</u>
 NET POSITION			
Net investment in capital assets	4,731,225	1,730,794	6,462,019
Restricted for:			
Replacement funds	-	668,683	668,683
Debt service	-	97,452	97,452
Pension benefits	115,999	22,924	138,923
Unrestricted	692,135	1,453,031	2,145,166
Total net position	<u>\$ 5,539,359</u>	<u>\$ 3,972,884</u>	<u>\$ 9,512,243</u>

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	\$ 531,707	\$ 93,456	\$ 415	\$ -	\$ (437,836)	\$ -	\$ (437,836)
	330,355	-	67,172	-	(263,183)	-	(263,183)
	522,071	-	6,272	-	(515,799)	-	(515,799)
	144,788	-	6,910	-	(137,878)	-	(137,878)
	39,891	-	-	-	(39,891)	-	(39,891)
	58,489	-	-	-	(58,489)	-	(58,489)
	27,709	166,629	-	-	138,920	-	138,920
	23,550	-	-	-	(23,550)	-	(23,550)
activities	1,678,560	260,085	80,769	-	(1,337,706)	-	(1,337,706)
	454,583	705,449	-	5,000	-	255,866	255,866
activities	454,583	705,449	-	5,000	-	255,866	255,866
	<u>\$ 2,133,143</u>	<u>\$ 965,534</u>	<u>\$ 80,769</u>	<u>\$ 5,000</u>	<u>(1,337,706)</u>	<u>255,866</u>	<u>(1,081,840)</u>
eral purposes					1,035,440	-	1,035,440
stricted to specific programs					74,361	-	74,361
s					3,126	3,650	6,776
					54,198	2,808	57,006
s					1,167,125	6,458	1,173,583
ion					(170,581)	262,324	91,743
					5,709,940	3,710,560	9,420,500
					<u>\$ 5,539,359</u>	<u>\$ 3,972,884</u>	<u>\$ 9,512,243</u>

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Special Revenue Storm Water	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,714,226	\$ 217,468	\$ 2,931,694
Receivables			
Property taxes	2,298,930	-	2,298,930
Delinquent tax roll	46,302	-	46,302
Other	327	-	327
Due from other funds	-	169,841	169,841
Restricted cash	52,725	-	52,725
Asset held for resale	60,000	-	60,000
TOTAL ASSETS	\$ 5,172,510	\$ 387,309	\$ 5,559,819
LIABILITIES			
Liabilities			
Accounts payable	\$ 48,479	\$ 479	\$ 48,958
Other liabilities	63,438	-	63,438
Due to other governments	3,223,786	-	3,223,786
Due to other funds	336,624	-	336,624
Special deposits & trust accounts	3,337	-	3,337
Total liabilities	<u>3,675,664</u>	<u>479</u>	<u>3,676,143</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax levy	1,026,980	-	1,026,980
Storm water charges	-	160,612	160,612
Total deferred inflows of resources	<u>1,026,980</u>	<u>160,612</u>	<u>1,187,592</u>
FUND BALANCES			
<i>Unspendable</i>			
Assets held for resale	60,000	-	60,000
<i>Restricted</i>			
Storm water	-	226,218	226,218
Library building improvements	49,381	-	49,381
<i>Unassigned</i>			
Total fund balances	<u>469,866</u>	<u>226,218</u>	<u>696,084</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 5,172,510	\$ 387,309	\$ 5,559,819

See accompanying notes to the financial statements.

VILLAGE OF SILVER LAKE
Reconciliation of the Governmental Fund Balance Sheet
and the Statement of Net Position
As of December 31, 2016

Fund Balance - Total Governmental Funds	\$	696,084
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,450,290
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(719,065)
The Village's proportional share of the Wisconsin Retirement System pension plan is not an available resource, therefore it is not reported in the fund financial statements.		115,999
Interest expense is not accrued in the governmental funds.		(3,194)
Accrued vacation is not reported in the governmental funds.		<u>(755)</u>
 Total Net Position - Governmental Activities		 <u><u>\$ 5,539,359</u></u>

See accompanying notes to the financial statements.

VILLAGE OF SILVER LAKE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General	Special Revenue Storm Water	Total Governmental Funds
REVENUES			
Taxes	\$ 1,035,440	\$ -	\$ 1,035,440
State shared revenue	74,361	-	74,361
Intergovernmental revenues	80,768	-	80,768
Charges for services	2,948	166,629	169,577
Licenses and permits	50,797	-	50,797
Fines, forfeits and penalties	39,710	-	39,710
Investment income	2,101	1,025	3,126
Miscellaneous income	23,366	-	23,366
Total Revenues	<u>1,309,491</u>	<u>167,654</u>	<u>1,477,145</u>
EXPENDITURES			
Current			
General government	340,627	-	340,627
Public safety	443,813	-	443,813
Public works	104,475	-	104,475
Health and sanitation	143,759	-	143,759
Park and recreation	38,176	-	38,176
Library	58,489	-	58,489
Storm water	-	27,710	27,710
Capital outlay	4,353	-	4,353
Debt service			
Principal retirement	58,657	50,752	109,409
Interest	9,714	14,189	23,903
Total Expenditures	<u>1,202,063</u>	<u>92,651</u>	<u>1,294,714</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	107,428	75,003	182,431
OTHER FINANCING SOURCES			
Sale of assets	30,833	-	30,833
Total Other Financing Sources	<u>30,833</u>	<u>-</u>	<u>30,833</u>
Net Change in Fund Balances	<u>138,261</u>	<u>75,003</u>	<u>213,264</u>
FUND BALANCES - Beginning of year	<u>331,605</u>	<u>151,215</u>	<u>482,820</u>
FUND BALANCES - End of year	<u>\$ 469,866</u>	<u>\$ 226,218</u>	<u>\$ 696,084</u>

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$	213,264
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$0) exceeds depreciation (\$280,167) and adjustments (\$164,510). See Note II B.</p>		
		(444,677)
<p>Loan issues provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded debt issued. See Note II B.</p>		
		109,409
<p>Changes in the net pension asset and related deferred outflows and inflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience in the pension plan.</p>		
		(49,852)
<p>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.</p>		
		<u>1,275</u>
Change in net position of governmental activities	\$	<u>(170,581)</u>

See accompanying notes to the financial statements.

VILLAGE OF SILVER LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/(Negative)
	Original	Final		
License revenues	\$ 1,034,923	\$ 1,034,923	\$ 1,035,440	\$ 517
Rental revenues	46,050	46,050	50,797	4,747
Fees for services	147,978	147,978	155,129	7,151
Grants	40,125	40,125	39,710	(415)
Other revenues	2,550	2,550	2,948	398
Total Revenues	<u>1,289,101</u>	<u>1,402,598</u>	<u>1,309,491</u>	<u>(93,107)</u>
Salaries	316,055	418,606	341,924	76,682
Benefits	217,223	197,513	106,851	90,662
Utilities	450,415	471,561	443,813	27,748
Sanitation	145,950	145,950	143,759	2,191
Construction	32,045	41,555	38,856	2,699
Depreciation	59,042	59,042	58,489	553
Other	68,371	68,371	68,371	-
Total Expenditures	<u>1,289,101</u>	<u>1,402,598</u>	<u>1,202,063</u>	<u>200,535</u>
Change in (excess) of Revenues over Expenditures	-	-	107,428	107,428
Other Financing Sources	-	-	30,833	30,833
Other financing sources	-	-	30,833	30,833
Change in fund balances	-	-	138,261	138,261
Balance beginning	<u>331,605</u>	<u>331,605</u>	<u>331,605</u>	<u>-</u>
Balance ending	<u>\$ 331,605</u>	<u>\$ 331,605</u>	<u>\$ 469,866</u>	<u>\$ 138,261</u>

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016**

	<u>Business-type Activities</u>
	<u>Sewer Utility</u>
ASSETS	
Current Assets	
Cash and investments	\$ 1,162,349
Accounts receivable-customers	157,449
Due from other funds	166,783
Restricted cash and investments	805,125
Total Current Assets	<u>2,291,706</u>
Noncurrent Assets	
Net pension asset	-
Capital assets	
Land and improvements	7,000
Sewer plant and structures	4,368,267
Machinery and equipment	403,161
Accumulated depreciation	<u>(2,445,702)</u>
Total Capital Assets	<u>2,332,726</u>
Total Noncurrent Assets	<u>2,332,726</u>
Total Assets	<u>4,624,432</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	<u>49,747</u>
LIABILITIES	
Current Liabilities	
Accounts payable	42,026
Accrued compensation	666
Accrued interest	3,100
Current portion of long-term debt payable	141,528
Total Current Liabilities	<u>187,320</u>
Long Term Liabilities	
Net Pension Liability	8,640
General obligation debt payable	451,764
Total Long Term Liabilities	<u>460,404</u>
Total Liabilities	<u>647,724</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension	18,183
Special assessments	35,388
Total Deferred Inflows of Resources	<u>53,571</u>
NET POSITION	
Net investment in capital assets	1,730,794
Restricted for:	
Replacement funds	668,683
Debt service	97,452
Pension benefits	22,924
Unrestricted	<u>1,453,031</u>
TOTAL NET POSITION	<u>\$ 3,972,884</u>

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016**

	Business-type Activities
	Sewer Utility
OPERATING REVENUES	
Charges for services	\$ 668,864
Total operating revenues	668,864
OPERATING EXPENSES	
Personnel services	127,693
Materials and supplies	125,832
Contractual and other services	19,724
Depreciation	161,300
Total operating expense	434,549
Operating income	234,315
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,650
Miscellaneous income	2,808
Special sewer assessments	36,585
Interest and fiscal charges	(20,034)
Total non-operating revenues (expenses)	23,009
Change in net position before capital contributions	257,324
CAPITAL CONTRIBUTIONS	
Sewer hookups	5,000
Total capital contributions	5,000
Change in net position	262,324
Total net position at the beginning of the year	3,710,560
Total net position at the end of year	\$ 3,972,884

See accompanying notes to the financial statements.

**VILLAGE OF SILVER LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016**

	<u>Business-type Activities</u>
	<u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 665,967
Paid to suppliers and employees for goods and services	(260,892)
Cash flows from operating activities	<u>405,075</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Debt retired	(137,226)
Interest paid	(20,751)
Special sewer assessments	35,388
Capital Contributions	5,000
Miscellaneous revenue	2,808
Cash flows from capital and financing activities	<u>(114,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	3,650
Cash flows from investing activities	<u>3,650</u>
Net change in cash and cash equivalents	293,944
Cash and cash equivalents - beginning of year	<u>1,673,530</u>
Cash and cash equivalents - end of year	<u>\$ 1,967,474</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 234,315
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense and amortization	161,300
GASB 68 pension expense	18,331
Changes in assets and liabilities:	
Accounts receivable-customers	(1,485)
Due from other funds	(1,412)
Accounts payable	(1,436)
Accrued compensation	(4,538)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 405,075</u></u>

See accompanying notes to the financial statements.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE	Page	Page
I. Summary of Significant Accounting Policies	15	
A. Reporting Entity	15	
B. Government-Wide and Fund Financial Statements	15	
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	18	
D. Assets, Liabilities, and Net Position or Equity	20	
1. Deposits and Investments	20	
2. Receivables	21	
3. Inventories and Prepaid Items	23	
4. Restricted Assets	23	
5. Capital Assets	24	
6. Other Assets	24	
7. Compensated Absences	25	
8. Long-Term Obligations/Conduit Debt	25	
9. Claims and Judgments	25	
10. Equity Classifications	26	
II. Reconciliation of Government-Wide and Fund Financial Statements	27	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	27	
B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	27	
III. Stewardship, Compliance, and Accountability	28	
A. Budgetary Information	28	
B. Governmental Funds - Excess Expenditures Over Appropriations	29	
C. Deficit Balances	29	
D. Limitations on the Village's Tax Levy Rate and its Ability to Issue New Debt	29	
IV. Detailed Notes on All Funds	30	
A. Deposits and Investments	30	
B. Receivables	31	
C. Capital Assets	32	
D. Interfund Receivables/Payables and Transfers	34	
E. Long-Term Obligations	34	
F. Restricted Assets	39	
G. Lease Disclosures	39	
H. Governmental Activities Net Position	40	
V. Other Information	41	
A. Employees' Retirement System	41	
B. Risk Management	46	
C. Commitments and Contingencies	47	
D. Subsequent Events	47	

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents, (2) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization and (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability to otherwise access are significant to that primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 in 2015. Since then GASB Statement No. 82 – Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73 has been enacted that modify the requirements of GASB 68 but the principals set forth in GASB 68 remain relatively unchanged. This statement improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Village has one type that qualifies for reporting in this category, deferred outflows related to pension as required by GASB Statement No. 68.

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 four items that qualify for reporting in this category, property taxes, storm water charges, special assessments and pension. These amounts will be recognized as inflows of resources in the subsequent year for which it was levied.

The Village also has additional items, which arise only under a modified accrual basis of accounting that 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 two sources, property taxes and storm water charges. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Village allocates indirect expenses to functions in the Statement of Activities by using a cost allocation plan. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)
Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Funds are organized as major funds or non-major funds within the governmental, proprietary, and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

The Village reports the following major governmental funds:

Major Governmental Funds

- **General Fund** – accounts for the Village's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Fund** – accounts for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The Village's Special Revenue fund is the Storm Water fund which accounts for the operating activities of the storm drainage projects within the Village.

There are no non-major governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)
Fund Financial Statements (continued)

The Village reports the following major enterprise funds:

Major Enterprise Funds

- **Sewer Fund** – accounts for the operations of the Village's sewer utility system.

There are no non-major enterprise funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled to the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues. Special assessments are recorded as revenues when they become measurable and available as current assets.

Annual installments due in the future years are reflected as receivables and deferred inflows.

Delinquent special assessments being held for collection by the Village are reported as receivables and nonspendable fund balance in the General Fund. The Village does not have any balance in this fund balance classification.

Licenses and permits, fines, forfeitures and penalties, public charges for services and commercial revenues (except investment earnings), are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and mobile home fees are recorded as earned since they are measurable and available.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

The enterprise funds have elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sewer Utility customers are billed at rates established by the Village Board, on a quarterly basis in April, July, October, and January for the previous three months. These bills are payable in 17 days. All delinquent accounts receivable at the time of the property tax lien date are placed on the customers' tax bill and collected through the normal tax collection process.

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

Wisconsin Statutes restrict the investments of the Village to:

- Time deposits in financial institutions
- Securities issued or guaranteed by the Federal government

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments (continued)

- Municipal obligations of Wisconsin entities
- State of Wisconsin Local Government Pooled Investment Fund
- Repurchase agreements which are secured by securities issued or guaranteed by the Federal government
- Securities maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is limited to specified securities

No significant violations of these restrictions occurred during the year.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Investment income on commingled investments of accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV A. for further information.

2. Receivables

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property and collecting taxes and making distributions to counties, school districts and other public bodies, including sanitary districts. All assessments are made as of January 1st.

The Village's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the Village.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

The taxes are due and payable in the following year.

Property taxes are recorded in the year levied as receivable and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the State and County governments as well as the local and vocational school districts. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as due to other taxing units on the accompanying balance sheet.

Taxes on real and personal property are levied in December of each year by the Village in the amounts that when collected in the ensuing year, along with revenues, are sufficient to cover operating expenses, debt service and other expenditures of the Village. The Village's taxpayers have two options for the payment of their real estate taxes.

One option is to pay the total amount of taxes due by January 31st. The other option is to utilize an installment plan whereby one-half of real estate taxes plus total special assessments must be paid by January 31st. The second and final payment must be made not later than July 31st. Taxes unpaid by July 31st become delinquent and are turned over to the county for collection. Personal property taxes are due on or before January 31st.

Initially, all taxes are collected by the Village treasurer who then makes settlements with counties, school districts and other public bodies including sanitary districts. Kenosha County settles with the Village for all real estate taxes due and payable by January 31st. The Village receives a portion of their real estate levy in February, except for the amount of taxes that have been postponed for payment in July. These postponed taxes are paid to Kenosha County no later than July 31st and the Village receives these funds in August.

The Village has the right under the Wisconsin Statutes to place delinquent sewer bills on the tax rolls for collection. No allowance for uncollectable accounts is considered necessary at year end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	July 31, 2017
Second installment due	January 31, 2017
Personal property taxes in full	
Tax settlement with Village:	
First settlement	January 15, 2017
Second settlement	February 15, 2017
Final settlement	August 15, 2017

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

3. Inventories and Prepaid Items

Inventories are generally used for construction and operation and maintenance work and are not for resale. They are valued at lower of cost or market based on average prices and charged to construction, operation and maintenance expense when used.

Prepaid balances are for the payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve to prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

4. Restricted Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and infrastructure assets, and an estimated useful life based on the asset type. All capital assets are valued at historical cost, or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50-100 Years
Land Improvements	20 Years
Machinery and Equipment	5-40 Years
Infrastructure	15-50 Years

Fund Financial Statements

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

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. The Village does not have any of these costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Compensated Absences

Under terms of employment, non-union employees earn casual leave benefits at the rate of 96 hours per year and union employees earn 120 hours per year. Employees may carryover unused leave from one year to the next, but shall not accumulate more than 120 days. The Village's policy regarding vacation requires that employees' vacations must be taken in the year earned except that 40 hours can be carried over to be used in the first quarter of the next year.

Vested vacation days are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Accumulated liabilities at December 31, 2016 are determined on the basis of current salary rates and salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources. The payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The Village does not engage in conduit debt transactions.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated.

Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. See Note V.C. on commitments and contingencies.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications

Government-Wide Financial Statements

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

- a. Net Investment in Capital Assets – includes the Village's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position – includes assets that have third party (statutory, bond covenant, or granting agency) limitations on their use. The Village typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted Net Position – typically includes unrestricted liquid assets. The Village has the authority to revisit or alter this designation.

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance. GASB 54 requires the fund balance amounts to be reported in the following categories:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed – Amounts that can be used only for the specific purpose determined by a formal action or resolution of the Board of Trustees (the Village's highest level of decision-making authority).
- d. Assigned – Amounts that are intended to be used for a particular purpose expressed by the Board or other authorized committee or individual.
- e. Unassigned – All amounts not included in other spendable classifications.

It is the practice of the Village to spend committed amounts first followed by assigned then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the fund balance classifications could be used. The proprietary fund equity is classified the same as in the government-wide statements.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds”. All capital assets are reported in the statement of net position. Following are details of these differences:

Capital assets as of December 31, 2015	\$ 5,894,967
Disposal/adjustment of capital assets	(164,510)
Depreciation expense	<u>(280,167)</u>
Combined adjustment for capital assets	<u>\$ 5,450,290</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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 states that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”.

Disposals	\$ (164,510)
2016 depreciation	<u>(280,167)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (444,677)</u>

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Another element of that reconciliation states that “Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position”.

Principal repayments	<u>\$ 109,409</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 109,409</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

A budget has been adopted for the general fund and comparisons of actual to budget are presented in the general purpose financial statements. Budgetary comparisons are not required for proprietary funds.

The budgeted amounts presented include any amendments made. Various approvals are required to transfer budgeted amounts within departments, between departments, or changes to the overall budget. There were no supplemental appropriations during the year.

Appropriations lapse at year end unless specifically carried over. The Village normally designates certain monies that are dedicated to projects which were not completed in the year 2016 to be carried over to the following year. There are no funds to be carried over to 2017.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. GOVERNMENTAL FUNDS - EXCESS EXPENDITURES OVER APPROPRIATIONS

The Village adopted annual Governmental Fund budgets for the General Fund. These budgets are adopted in accordance with State Statutes and are prepared on a basis consistent with generally accepted accounting principles. The budgetary data presented in the statement of revenues, expenditures and changes in fund balances – budget and actual reflects the original approved budgets of the above fund and subsequent revisions authorized by the Village's Board of Trustees. All appropriations lapse at year end unless specifically designated by the Village Board. Budgetary control is exercised at the total fund level for all funds.

For the year ended December 31, 2016 no appropriations were over budget.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The Village has no funds with deficit balances at December 31, 2016.

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT

As part of Wisconsin's State Budget Bill (1993 Act 16), legislation was passed that limits the Village's future tax levy rates. Generally, the Village is limited to its prior tax levy dollar amount increased by the greater of the percentage change in the Village's equalized value due to new construction or two percent in 2016, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 for the tax levy rate limit and debt authorized prior to July 1, 2005 for the levy limits. It also does not affect refunding bonds.

The Village may also exceed the limitation by holding a referendum (according to state statutes) authorizing the Village board to approve a higher rate. The Village may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

The State Budget Bill also imposes restrictions on the Village's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the Village board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The Village is in compliance with the limitation.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents balances as disclosed on the accompanying financial statements are comprised of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 456	\$ -	\$ 456
Demand deposits			
Non interest bearing	-	52,718	52,718
Interest bearing	3,807,831	801,655	4,609,486
Certificate of deposit	17,424	-	17,424
Other investments	268,332	3,477	271,809
Total cash and cash equivalents	<u>\$ 4,094,043</u>	<u>\$ 857,850</u>	<u>\$ 4,951,893</u>

Per statement of net position - cash and cash equivalents

\$ 4,094,043

Per statement of net position - restricted cash

857,850

\$ 4,951,893

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 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.

The institution where most accounts are held also issued a Federal Home Loan Bank of Chicago Irrevocable Letter of Credit to additionally protect deposits up to \$2 million. This letter of credit is renewed quarterly.

Deposits in the local government investment pool (LGIP) are pooled along with the deposits of all of the LGIP participants. The balance in the LGIP represents a pro-rated share of the total investments in the LGIP portfolio, meaning that the LGIP balance is insured to the same extent that the entire LGIP portfolio is insured. As of December 31, 2016, 95.5% was invested in various US Government investments which are backed by the federal government and not insured, and

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

4.5% was invested in various certificates of deposits and bankers' acceptance notes which are guaranteed by the state deposit guarantee fund up to their insurance limitations.

The Village maintains cash in an investment pool that is available for use by all funds. The deposit and investment balances of the various fund types on December 31, 2016 are as follows:

Local Government Investment Pool	
General Fund	\$ 263,071
Sewer Fund	8,738
	<u>\$ 271,809</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the Village's deposits, the deposits may not be returned.

As of December 31, 2016 the carrying amount of the Village's deposits was \$4,951,893 and the bank balance was \$4,618,438. The difference between the carrying value and bank balance is due to outstanding checks and/or deposits in transit. At December 31, 2016, the Village had \$1,696,630 at risk of being uninsured. The majority of this amount consists of tax collections which are disbursed to other taxing agencies by mid-January of the following year. In addition, the Village maintains petty cash funds in the amount of \$456.

Investments

The Village has no investments.

B. RECEIVABLES

Revenues of the Village are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are zero.

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

Deferred property tax levy	\$ 1,026,980
Deferred storm water charges	160,612
Total Deferred Inflow of Resources for Governmental Funds	<u>\$ 1,187,592</u>

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

The Village defines their capital assets as assets with an initial cost of more than \$5,000. The additions column represents the new assets in 2016. The deletions column represents the assets that were disposed of in 2016. Capital asset valuation for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not being depreciated:				
Historical Treasures	\$ 2,500	\$ -	\$ -	\$ 2,500
Land	421,613	-	-	421,613
Land Improvements	1,634,756	-	-	1,634,756
Total Capital Assets not being depreciated	<u>2,058,869</u>	-	-	<u>2,058,869</u>
Other Capital Assets:				
Land Improvements	60,949	-	-	60,949
Buildings	1,312,650	-	-	1,312,650
Machinery & Equipment	1,309,776	-	(928,828)	380,948
Roads	5,086,420	-	-	5,086,420
Storm Water	1,341,186	-	-	1,341,186
Total Other Capital Assets at Historical Cost	<u>9,120,981</u>	-	(928,828)	<u>8,192,153</u>
Less: Accumulated Depreciation	(5,284,883)	(280,167)	764,318	(4,800,732)
Net Total Other Capital Assets	<u>3,836,098</u>	<u>(280,167)</u>	<u>(164,510)</u>	<u>3,391,421</u>
Net Total Government Activities Capital Assets	<u>\$ 5,894,967</u>	<u>\$ (280,167)</u>	<u>\$ (164,510)</u>	<u>\$ 5,450,290</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 20,439
Public Safety	34,712
Public Works	223,981
Parks and Recreation	1,035
Total Governmental Activities - Depreciation Expense	<u>\$ 280,167</u>

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

	Beginning Balance	Additions	Ending Balance
Business - Type Activities			
Capital Assets not being depreciated:			
Land	\$ 7,000	\$ -	\$ 7,000
Total Capital Assets not being depreciated	7,000	-	7,000
Other Capital Assets:			
Sewer Utility Plant in Service	4,368,267	-	4,368,267
Machinery & Equipment	403,161	-	403,161
Total Other Capital Assets at Historical Cost	4,771,428	-	4,771,428
Less: Accumulated Depreciation	(2,284,402)	(161,300)	(2,445,702)
Net Total Other Capital Assets	2,487,026	(161,300)	2,325,726
Net Total Business - Type Activities Capital Assets	\$ 2,494,026	\$ (161,300)	\$ 2,332,726

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

Receivable Fund	Payable Fund	Amount
Storm Water	General Fund	\$ 169,841
	General Fund	(169,841)
Sewer Fund	General Fund	\$ 166,783
	General Fund	(166,783)

All of these balances will be repaid within the year.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Depreciation expense was charged to functions as follows:

Business - Type Activities	
Sewer Utility Fund	\$ 161,300
Total Business - Type Activities Depreciation Expense	\$ 161,300

E. LONG-TERM OBLIGATIONS

GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

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

Governmental Activities	Beginning Balance	Decreases	Ending Balance	Amounts Due Within	
				One Year	One Year
Bank Note	\$ 89,906	\$ (46,340)	\$ 43,566	\$	\$ 43,566
Bank Note	231,045	(12,317)	218,728	12,843	12,843
Bank Note	507,523	(50,752)	456,771	50,751	50,751
Total Notes Payable	828,474	(109,409)	719,065	107,160	107,160

Total Governmental Activities-

Long-Term Liabilities	\$ 828,474	\$ (109,409)	\$ 719,065	\$	\$ 107,160
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Business-Type Activities

Bonds and Notes Payable:

Revenue Bond	Beginning Balance	Decreases	Ending Balance	Amounts Due Within	
				One Year	One Year
Total Bonds And Notes Payable	\$ 730,518	\$ (137,226)	\$ 593,292	\$	\$ 141,528
	730,518	(137,226)	593,292	141,528	141,528

Total Business-Type Activities-

Long-Term Liabilities	\$ 730,518	\$ (137,226)	\$ 593,292	\$	\$ 141,528
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VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

The legal debt limit and margin of indebtedness as of December 31, 2016 in accordance with Section 67.03 of the Wisconsin Statutes follows:

Equalized valuation	\$ 169,524,300
Debt Limitation:	
5% of equalized valuation	8,476,215
Less outstanding debt	(1,312,357)
Margin of indebtedness	\$ 7,163,858

Sewer Utility Mortgage Revenue Loan (Business-type activities):

Clean Water Fund Loan

The Sewerage System Revenue Bonds, Series 2000 were authorized and issued in the amount of \$2,318,400 at an interest rate of 3.135% per annum to fund construction of a new sewer plant facility and replacement of two lift stations. The Bonds are issued to the State of Wisconsin Clean Water Fund Program and are payable solely from the revenues of the System. In accordance with the related 2000 Village Resolution separate funds were established to account for the allocation of the Utility's gross revenues as follows:

a. Sewerage Operation and Maintenance Fund

Deposit as collected, an amount equal to the estimated current expenses for one month and for the following month.

b. Sewerage Replacement Fund

In accordance with the Clean Water Fund Loan requirements, deposit annually an amount of \$64,506 for the future replacement of mechanical equipment necessary for the operation of the System. This amount is held in the State of Wisconsin Local Government Investment Pool and the local bank.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

c. Debt Service Fund

Deposit one-sixth (1/6) of the next installment of interest and one-twelfth (1/12) of the next installment of principal of the loan coming due during the year. This amount is held in the State of Wisconsin Local Government Investment Pool and the local bank.

Debt service requirements to maturity are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2016
Bank Note Payable	2012	2017	2.75000%	\$ 225,000	\$ 43,566
Bank Note Payable	2015	2030	3.40000%	250,000	218,728
Bank Note Payable	2015	2030	2.75000%	507,523	456,771
Total Governmental Activities - General Obligation Debt					\$ 719,065

Business Type Activities - General Obligation Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2016
Revenue Bond	2000	2020	3.13500%	\$ 2,318,400	\$ 593,292
Total Business Type Activities - General Obligation Debt					\$ 593,292
Total Debt					\$ 1,312,357

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

The future payments are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	107,160	20,660	141,528	16,381
2018	64,039	18,144	145,965	11,875
2019	64,498	16,270	150,541	7,227
2020	64,973	14,403	155,258	2,434
2021	65,464	12,474	-	-
2022-2026	284,548	33,171	-	-
2027-2030	68,383	4,503	-	-
	\$ 719,065	\$ 119,625	\$ 593,292	\$ 37,917

CAPITAL LEASES

The Village has no capital leases.

OTHER DEBT INFORMATION

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

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

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. RESTRICTED ASSETS

The Restricted Assets at December 31, 2016 consisted of cash and cash equivalents as follows:

<u>Proprietary Fund</u>	
Debt Service Account	\$ 105,207
Sewer Replacement Account	699,918
Total Proprietary Fund	<u>805,125</u>
General Fund	
Municipal Court	3,337
Library Improvements	49,381
Fire Department	7
Total General Fund	<u>52,725</u>
Total Restricted Assets	<u>\$ 857,850</u>

G. LEASE DISCLOSURES

Lessor – Operating Leases

The Village has no operating leases.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at December 31, 2016 includes the following:

GOVERNMENTAL ACTIVITIES	
Net Investment in Capital Assets	\$ 2,500
Historical treasures	2,056,389
Land and land improvements	3,391,421
Other capital assets, net of accumulated depreciation	(719,065)
Less: capital related long term debt outstanding	<u>4,731,225</u>
Total Invested in Capital Assets	<u>115,999</u>
Restricted for Pension benefits	692,135
Unrestricted	<u>\$ 5,539,359</u>
Total Governmental Activities Net Position	

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

<u>Unspendable</u>	
Major Fund	
General Fund - Asset held for resale	\$ 60,000
Total Unspendable	<u>\$ 60,000</u>
<u>Restricted</u>	
Major Fund	
General Fund - restricted for Library improvements	\$ 49,381
Storm Water - used only for Storm Water purposes	226,218
Total Restricted	<u>\$ 275,599</u>
<u>Unassigned</u>	
Major Fund	
General Fund - undesignated funds	\$ 360,485
Total Unassigned	<u>\$ 360,485</u>

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM
Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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.

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

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

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

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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.

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:

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employees 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 \$22,763 in contributions from the employer.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	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%

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

At December 31, 2016 the Village reported a liability (asset) of \$58,610 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability (asset) was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employees. At December 31, 2015, the Village's proportion was 0.00360680%, which was a decrease of 0.00073422% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016 the Village recognized pension expense of \$74,694.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,915	\$ 123,343
Changes in assumptions	41,006	-
Net differences between projected and actual earnings on pension plan investments	239,965	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,156	-
Employer contributions subsequent to the measurement date	13,834	-
Total	\$ 320,876	\$ 123,343

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

\$13,834 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 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:	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 79,557	\$ 29,849
2017	79,557	29,849
2018	79,557	29,849
2019	66,617	29,849
2020	1,754	3,947

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

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

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

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

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 weighing 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:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27	23	7.6	4.7
International Equities	24.5	22	8.3	5.6
Fixed Income	17.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.8
Private Equity/Debt	7	7	9.4	6.3
Multi-Asset	4	6	6.7	3.8
Total Core Fund	107	120	9.4	6.3
Variable Fund Asset Class				
U.S. Equities	9	70	7.6	4.3
International Equities	36	30	8.3	5.6
Total Variable Fund	100	100	7.5	5.4

New England Pension Consultants Long Term US CPI (inflation) Forecast 2.75%. Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
The Village's proportionate share of the net pension liability (asset)	\$ 411,090	\$ 58,610	(\$ 216,684)

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://vill.wv.gov/publications/consolidated.htm>.

B. RISK MANAGEMENT

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Village to purchase commercial insurance for the risks of losses to which it is exposed.

VILLAGE OF SILVER LAKE
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE V – OTHER INFORMATION (continued)

C. COMMITMENTS AND CONTINGENCIES

From time to time, the Village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Village's 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.

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

D. SUBSEQUENT EVENTS

The Village evaluated subsequent events through April 25, 2017, the date the financial statements were available to be issued. On February 14, 2017, the Village of Silver Lake and the Town of Salem were officially merged. The new municipality is the Village of Salem Lakes. Starting January 1, 2017, the employees of the Village were being paid by the Town of Salem until the merger became official.

On January 16, 2017 the following debt was paid off.

Paving Loan	\$ 43,637
Storm Water Loan	460,474
Library Building	219,203

On March 22, 2017, the Clean Water Fund loan was paid off in the amount of \$593,292.

On February 15, 2017, at the first meeting of the Village of Salem Lakes Board, motion was passed to restrict funds for projects. The restrictions are as follows:

General Funds Reserved for projects:	
Park Equipment	\$ 50,000
Street Paving	400,000
Firehouse Architectural Services	25,000
Lake Street Study	25,000
Total restricted	<u>\$ 500,000</u>

Notes to Required Supplementary Information
December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability (Asset)					
Wisconsin Retirement System					
Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.00434102%	106,627	486,090	21.94%	102.7%
12/31/16	0.36088000%	58,610	304,653	19.24%	98.2%

NOTE A – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The Village implemented GASB Statement Nos. 68 and 71 for the year ended December 31, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

NOTE B - WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. There were no changes in the assumptions.

Schedule of Employer Contributions					
Wisconsin Retirement System					
Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
12/31/15	41,411	41,411	-	486,090	8.52%
12/31/16	22,762	22,762	-	304,653	7.47%

See Notes to Required Supplementary Information.

**FINANCIAL STATEMENTS
(Town of Salem)**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the former Town's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The former Town has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the former Town requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the former Town since the date of the financial statements, in connection with the issuance of the Bonds, the former Town represents that there have been no material adverse change in the financial position or results of operations of the former Town, nor has the former Town incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016**

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
 December 31, 2016

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statement	
Statement of Net Position	4
Statement of Activities	5 - 6
Fund Financial Statements	
Balance Sheet - Governmental Funds	7 - 9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10 - 12
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	13
Statement of Net Position - Proprietary Fund - Sewer Utility	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Sewer Utility	15
Statement of Cash Flows - Proprietary Fund - Sewer Utility	16
Notes to Basic Financial Statements	17 - 38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	39
Schedule of Contributions - Wisconsin Retirement System	39
Notes to Required Supplementary Information	39
SUPPLEMENTARY INFORMATION	
General Fund	
Detailed Comparison of Budgeted and Actual Revenues	40 - 41
Detailed Comparison of Budgeted and Actual Expenditures	42
Nonmajor Governmental Funds	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	44
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 <i>Government Auditing Standards</i>	45 - 46
Schedule of Findings and Responses	47 - 48

INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Salem, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Wisconsin ("the Town") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town'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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules relating to pensions on page 40 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's 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 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.

Report on Summarized Financial Information

We have previously audited the Town of Salem's 2015 financial statements, and our report dated May 11, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Town'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 Town's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
June 29, 2017

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN

Statement of Net Position
December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	Governmental Activities	Business-type Activities	Totals	
			2016	2015
ASSETS				
Cash and investments	\$ 10,431,800	\$ 1,433,886	\$ 11,865,686	\$ 16,391,307
Receivables				
Taxes	26,253,203	-	26,253,203	16,990,288
Delinquent personal property taxes	27,839	-	27,839	30,238
Accounts, net	159,701	673,109	832,810	781,872
Grants	-	-	-	124,338
Special assessments	-	980,341	980,341	1,018,648
Internal balances	(521,746)	521,746	-	-
Due from other governments	147,404	473,006	620,410	602,335
Prepaid items	92,187	23,085	115,272	149,178
Restricted cash and investments	579,896	2,064,611	2,644,507	2,777,777
Other assets				
Net pension asset	-	-	-	267,619
Capital assets, not being depreciated				
Land	4,870,963	376,185	5,247,148	5,573,874
Construction in progress	-	270,913	270,913	2,561,408
Capital assets, being depreciated				
Buildings and improvements	13,909,954	21,777,543	35,687,497	35,687,497
Machinery and equipment	5,466,587	4,787,855	10,254,442	8,692,172
Infrastructure	12,914,656	38,103,053	51,017,709	45,081,883
Accumulated depreciation	(6,339,472)	(23,956,807)	(30,296,279)	(27,783,374)
TOTAL ASSETS	67,992,972	47,528,526	115,521,498	108,947,060
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	752,615	250,616	1,003,231	289,867
LIABILITIES				
Accounts payable	384,012	121,301	505,313	1,116,209
Accrued liabilities	69,904	8,983	78,887	83,108
Accrued interest	116,459	51,577	168,036	273,856
Due to other governments	20,734,567	-	20,734,567	20,073,941
Deposits	103,000	17,800	120,800	119,800
Unearned revenues	-	-	-	1,043,183
Noncurrent liabilities				
Due within one year	1,075,000	909,914	1,984,914	1,944,474
Due in more than one year	18,438,867	11,087,764	29,526,631	30,278,735
Net pension liability	133,195	44,948	178,143	-
Unfunded pension liability	886,275	886,275	1,772,550	1,881,216
TOTAL LIABILITIES	41,941,279	13,128,562	55,069,841	56,814,522
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	280,576	94,683	375,259	-
Property taxes levied for subsequent year	9,272,278	-	9,272,278	3,799,617
TOTAL DEFERRED INFLOWS OF RESOURCES	9,552,854	94,683	9,647,537	3,799,617
NET POSITION				
Net investment in capital assets	14,512,552	29,361,064	43,873,616	41,882,265
Restricted				
Debt service	-	7,855	7,855	7,823
Fire and rescue	125,321	-	125,321	125,321
Park land and facilities	574,303	-	574,303	532,752
Transportation system	53,395	-	53,395	44,752
Equipment replacement	-	2,056,756	2,056,756	2,056,056
Pension benefits	-	-	-	267,619
Unrestricted	1,985,883	3,130,222	5,116,105	3,706,200
TOTAL NET POSITION	\$ 17,251,454	\$ 34,555,897	\$ 51,807,351	\$ 48,622,788

The notes to the basic financial statements are an integral part of this statement.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,003,347	\$ 472,431	\$ -	\$ 11,399
Public safety	2,373,469	882,279	65,008	916,840
Public works	2,617,387	1,503,948	393,633	-
Health and human services	10,057	-	-	-
Culture and recreation	501,643	84,587	-	45,000
Conservation and development	1,581,687	-	-	1,600,000
Interest and fiscal charges	607,623	-	80,189	-
Total Governmental Activities	<u>8,695,213</u>	<u>2,943,245</u>	<u>538,830</u>	<u>2,573,239</u>
Business-type Activities				
Sewer utility	2,734,258	3,364,174	-	482,571
Total Primary Government	<u>\$ 11,429,471</u>	<u>\$ 6,307,419</u>	<u>\$ 538,830</u>	<u>\$ 3,055,810</u>
General Revenues				
Taxes, levied for general purposes				
Taxes, levied for debt service				
Taxes, levied for capital projects				
Other taxes				
Grants and contributions not restricted to specific programs				
Interest				
Gain on sale of capital assets				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - January 1				
Net Position - December 31				

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2016	2015
\$ (519,517)	\$ -	\$ (519,517)	\$ (832,230)
(509,342)	-	(509,342)	(948,533)
(719,806)	-	(719,806)	(11,773)
(10,057)	-	(10,057)	(8,157)
(372,056)	-	(372,056)	(215,548)
18,313	-	18,313	(134,376)
(527,434)	-	(527,434)	(564,266)
(2,639,899)	-	(2,639,899)	(2,714,883)
-	1,112,487	1,112,487	403,330
(2,639,899)	1,112,487	(1,527,412)	(2,311,553)
2,430,711	-	2,430,711	2,429,094
1,198,272	-	1,198,272	1,179,424
173,100	-	173,100	173,100
45,230	-	45,230	46,702
123,796	-	123,796	124,389
38,023	24,470	62,493	33,511
240,052	-	240,052	13,968
438,321	-	438,321	167,434
4,687,505	24,470	4,711,975	4,167,622
2,047,606	1,136,957	3,184,563	1,856,069
15,203,848	33,418,940	48,622,788	46,766,719
\$ 17,251,454	\$ 34,555,897	\$ 51,807,351	\$ 48,622,788

**TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN**

Balance Sheet
Governmental Funds
December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	General	Debt Service	Capital Improvements	Tax Incremental District No. 1
ASSETS				
Cash and investments	\$ 6,509,303	\$ 46,062	\$ 1,296,719	\$ 2,043,373
Receivables				
Taxes	26,253,203	-	-	-
Delinquent personal property taxes	27,839	-	-	-
Accounts, net	73,122	-	-	-
Grants	-	-	-	-
Due from other funds	-	-	-	11,196
Due from other governments	78,573	-	-	-
Prepaid items	92,187	-	-	-
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	\$ 33,034,227	\$ 46,062	\$ 1,296,719	\$ 2,054,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 340,578	\$ -	\$ -	\$ 11,040
Accrued liabilities	67,312	-	-	-
Due to other governments	20,734,567	-	-	-
Due to other funds	580,323	-	-	-
Unearned revenue	-	-	-	-
Deposits	103,000	-	-	-
Total Liabilities	21,825,780	-	-	11,040
Deferred Inflows of Resources				
Property taxes levied for subsequent year	9,261,082	-	-	11,196
Fund Balance				
Nonspendable				
Prepaid Items	92,187	-	-	-
Delinquent personal property taxes	27,839	-	-	-
Delinquent special charges due from County	78,573	-	-	-
Restricted				
Debt service	-	46,062	-	-
Fire and rescue	-	-	125,321	-
Capital improvements	-	-	1,171,398	-
Park land and facilities	-	-	-	-
Transportation system	-	-	-	-
Tax incremental district	-	-	-	2,032,333
Assigned				
Subsequent year budget	100,200	-	-	-
Storm water	-	-	-	-
Pedestrian and bicycle trails	-	-	-	-
Unassigned (Deficit)				
General fund	1,648,566	-	-	-
Storm Water Utility	-	-	-	-
Total Fund Balance	1,947,365	46,062	1,296,719	2,032,333
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 33,034,227	\$ 46,062	\$ 1,296,719	\$ 2,054,569

(Continued)

Storm water Utility	Nonmajor Governmental Funds	Totals	
		2016	2015
\$ 3,994	\$ 532,349	\$ 10,431,800	\$ 15,595,111
-	-	26,253,203	16,990,288
-	-	27,839	30,238
86,579	-	159,701	154,224
-	-	-	124,338
47,381	-	58,577	345,411
68,831	-	147,404	126,923
-	-	92,187	98,976
-	579,896	579,896	721,721
<u>\$ 206,785</u>	<u>\$ 1,112,245</u>	<u>\$ 37,750,607</u>	<u>\$ 34,187,230</u>

\$ 1,778	\$ 30,616	\$ 384,012	\$ 732,660
2,592	-	69,904	69,965
-	-	20,734,567	20,073,941
-	-	580,323	810,292
-	-	-	1,043,183
-	-	103,000	103,000
<u>4,370</u>	<u>30,616</u>	<u>21,871,806</u>	<u>22,833,041</u>

-	-	9,272,278	3,799,617
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-	-	92,187	98,976
-	-	27,839	30,238
68,831	-	147,404	126,923
-	-	46,062	95,419
-	-	125,321	125,321
-	-	1,171,398	1,366,518
-	842,858	842,858	801,307
-	53,395	53,395	44,752
-	-	2,032,333	3,518,136
-	-	100,200	137,000
133,584	-	133,584	-
-	185,376	185,376	139,832
-	-	1,648,566	1,163,083
-	-	-	(92,933)
<u>202,415</u>	<u>1,081,629</u>	<u>6,606,523</u>	<u>7,554,572</u>
<u>\$ 206,785</u>	<u>\$ 1,112,245</u>	<u>\$ 37,750,607</u>	<u>\$ 34,187,230</u>

**TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	2016	2015
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown on previous page	\$ 6,606,523	\$ 7,554,572
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	30,822,688	28,837,464
The Town's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	-	197,973
Deferred outflows of resources	752,615	215,486
Net pension liability	(133,195)	-
Deferred inflows of resources	(280,576)	-
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(19,230,000)	(20,345,000)
Premium on long-term debt	(283,867)	(93,449)
Unfunded pension liability	(886,275)	(940,608)
Accrued interest on long-term obligations	(116,459)	(222,590)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 17,251,454</u>	<u>\$ 15,203,848</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	General	Debt Service	Capital Improvements	Tax Incremental District No. 1
Revenues				
Taxes	\$ 2,481,846	\$ 1,198,272	\$ 173,100	\$ -
Intergovernmental	480,439	-	143,632	-
Licenses and permits	404,553	-	-	-
Fines and forfeits	70,649	-	-	-
Public charges for services	1,214,108	-	-	-
Intergovernmental charges for services	734,358	-	-	-
Miscellaneous	67,993	80,189	78,746	1,614,798
Total Revenues	5,453,946	1,278,461	395,478	1,614,798
Expenditures				
Current				
General government	1,050,701	-	-	-
Public safety	1,551,669	-	-	-
Public works	1,654,334	-	-	-
Health and human services	10,057	-	-	-
Culture and recreation	437,484	-	-	-
Conservation and development	42,568	-	-	10,539
Capital outlay	-	-	809,800	3,373,820
Debt service				
Principal	-	1,041,983	-	-
Interest and fiscal charges	-	686,723	-	63,818
Total Expenditures	4,746,813	1,728,706	809,800	3,448,177
Excess of Revenues Over (Under) Expenditures	707,133	(450,245)	(414,322)	(1,833,379)
Other Financing Sources (Uses)				
Long-term debt issued	-	9,615,000	-	-
Premium on debt issued	-	223,905	-	-
Payment to current noteholder	-	(9,688,017)	-	-
Sale of capital assets	-	-	219,202	347,576
Transfers in	-	250,000	-	-
Transfers out	(250,000)	-	-	-
Total Other Financing Sources (Uses)	(250,000)	400,888	219,202	347,576
Net Change in Fund Balances	457,133	(49,357)	(195,120)	(1,485,803)
Fund Balances (Deficit) - January 1	1,490,232	95,419	1,491,839	3,518,136
Fund Balances (Deficit) - December 31	\$ 1,947,365	\$ 46,062	\$ 1,296,719	\$ 2,032,333

(Continued)

Storm water Utility	Nonmajor Governmental Funds	Totals	
		2016	2015
\$ -	\$ -	\$ 3,853,218	\$ 3,828,320
-	45,000	669,071	777,437
-	-	404,553	276,812
-	-	70,649	44,122
405,678	83,770	1,703,556	1,626,888
-	-	734,358	641,457
2,366	3,096	1,847,188	195,653
408,044	131,866	9,282,593	7,390,689
-	-	1,050,701	927,790
-	-	1,551,669	1,297,050
178,684	-	1,833,018	1,857,035
-	-	10,057	8,157
-	36,128	473,612	367,136
-	-	53,107	435,460
-	-	4,183,620	2,528,689
-	-	1,041,983	959,028
-	-	750,541	709,413
178,684	36,128	10,948,308	9,089,758
229,360	95,738	(1,665,715)	(1,699,069)
-	-	9,615,000	6,955,000
-	-	223,905	58,460
-	-	(9,688,017)	-
-	-	566,778	21,537
-	-	250,000	250,000
-	-	(250,000)	(250,000)
-	-	717,666	7,034,997
229,360	95,738	(948,049)	5,335,928
(26,945)	985,891	7,554,572	2,218,644
\$ 202,415	\$ 1,081,629	\$ 6,606,523	\$ 7,554,572

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

<u>Reconciliation to the Statement of Activities</u>	2016	2015
Net change in fund balances - total governmental funds	\$ (948,049)	\$ 5,335,928
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.		
Capital assets reported as capital outlay expenditures in governmental fund statements	3,051,896	2,776,360
Capital assets contributed, net of accumulated depreciation	210,751	-
Depreciation is reported in the government-wide statements	(927,939)	(721,411)
Net book value of capital assets disposed of	(349,484)	-
Changes in the net pension liability (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	(74,615)	1,650
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits decreased by:	54,333	60,562
Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retired	10,730,000	959,028
Capital lease payments	-	45,987
Debt issued	(9,615,000)	(6,955,000)
Debt premium amortization	(190,418)	(52,200)
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.	106,131	(21,701)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ 2,047,606</u>	<u>\$ 1,429,203</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues					
Taxes	\$ 2,474,880	\$ 2,474,880	\$ 2,481,846	\$ 6,966	\$ 2,475,796
Intergovernmental	442,830	442,830	480,439	37,609	400,311
Licenses and permits	242,180	242,180	404,553	162,373	276,812
Fines and forfeits	35,000	35,000	70,649	35,649	44,122
Public charges for services	1,140,170	1,140,170	1,214,108	73,938	1,156,133
Intergovernmental charges for services	701,580	701,580	734,358	32,778	641,457
Miscellaneous	37,000	37,000	67,993	30,993	61,213
Total Revenues	5,073,640	5,073,640	5,453,946	380,306	5,055,844
Expenditures					
Current					
General government	1,023,726	1,023,726	1,050,701	(26,975)	927,790
Public safety	1,678,658	1,678,658	1,551,669	126,989	1,297,050
Public works	1,799,266	1,799,266	1,654,334	144,932	1,659,420
Health and human services	8,000	8,000	10,057	(2,057)	8,157
Culture and recreation	408,480	408,480	437,484	(29,004)	367,136
Conservation and development	42,510	42,510	42,568	(58)	96,261
Total Expenditures	4,960,640	4,960,640	4,746,813	213,827	4,355,814
Excess of Revenues Over Expenditures	113,000	113,000	707,133	594,133	700,030
Other Financing Sources (Uses)					
Transfers in	137,000	137,000	-	(137,000)	(137,000)
Transfers out	(250,000)	(250,000)	(250,000)	-	(250,000)
Total Other Financing Sources (Uses)	(113,000)	(113,000)	(250,000)	(137,000)	(387,000)
Net Change in Fund Balance	-	-	457,133	457,133	313,030
Fund Balance - January 1	1,490,232	1,490,232	1,490,232	-	1,040,202
Fund Balance - December 31	\$ 1,490,232	\$ 1,490,232	\$ 1,947,365	\$ 457,133	\$ 1,353,232

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN**

Statement of Net Position
Proprietary Fund - Sewer Utility
December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and Investments	\$ 1,433,886	\$ 796,196
Receivables		
Accounts	673,109	627,648
Special assessment	980,341	1,018,648
Due from other funds	521,746	464,881
Due from other governments	473,006	475,412
Prepaid items	23,085	50,202
Total Current Assets	<u>4,105,173</u>	<u>3,432,987</u>
Noncurrent assets		
Restricted assets		
Cash and investments	2,064,611	2,056,056
Other assets		
Net pension asset	-	69,646
Capital assets, not being depreciated		
Land	376,185	376,185
Construction in progress	270,913	1,634,417
Capital assets, being depreciated		
Buildings	21,777,543	21,777,543
Machinery and equipment	4,787,855	4,598,384
Infrastructure	38,103,053	35,485,048
Less: Accumulated depreciation	<u>(23,956,807)</u>	<u>(22,895,581)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>40,711,644</u>	<u>38,965,394</u>
Total Noncurrent Assets	<u>43,423,353</u>	<u>43,101,698</u>
TOTAL ASSETS	<u>47,528,526</u>	<u>46,534,685</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>250,616</u>	<u>74,381</u>
LIABILITIES		
Current Liabilities		
Accounts payable	121,301	383,549
Accrued payroll	8,983	13,143
Deposits	17,800	16,800
Current portion of general obligation debt	822,340	853,525
Current portion of unfunded pension liability	57,733	65,000
Accrued interest payable	43,793	47,518
Total Current Liabilities	<u>1,071,950</u>	<u>1,379,535</u>
Current Liabilities Payable from Restricted Assets		
Revenue bonds	87,574	40,949
Accrued interest payable	7,784	3,748
Total Current Liabilities Payable from Restricted Assets	<u>95,358</u>	<u>44,697</u>
Noncurrent Liabilities		
General obligation debt	9,120,029	9,904,811
Revenue bonds	1,965,225	981,710
Premium on long-term debt	2,510	3,765
Unfunded pension liability	828,542	875,608
Net pension liability	44,948	-
Total Noncurrent Liabilities	<u>11,961,254</u>	<u>11,765,894</u>
TOTAL LIABILITIES	<u>13,128,562</u>	<u>13,190,126</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>94,683</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	29,361,064	29,191,236
Restricted for		
Debt service	7,855	7,823
Equipment replacement	2,056,756	2,056,056
Pension benefits	-	69,646
Unrestricted	3,130,222	2,094,179
TOTAL NET POSITION	<u>\$ 34,555,897</u>	<u>\$ 33,418,940</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Sewer Utility
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	2016	2015
Operating Revenues		
Charges for services	\$ 2,923,634	\$ 2,740,239
Other	440,540	283,836
Total Operating Revenues	<u>3,364,174</u>	<u>3,024,075</u>
Operating Expenses		
Operation and maintenance	1,328,570	1,358,793
Depreciation	1,061,226	980,705
Total Operating Expenses	<u>2,389,796</u>	<u>2,339,498</u>
Operating Income	<u>974,378</u>	<u>684,577</u>
Nonoperating Revenues (Expenses)		
Interest income	24,470	23,536
Interest expense	(305,958)	(282,502)
Amortization of debt premium	(38,504)	1,255
Total Nonoperating Revenues (Expenses)	<u>(319,992)</u>	<u>(257,711)</u>
Income Before Contributions	654,386	426,866
Capital Contributions	<u>482,571</u>	-
Change in Net Position	1,136,957	426,866
Net Position - January 1	<u>33,418,940</u>	<u>32,992,074</u>
Net Position - December 31	<u>\$ 34,555,897</u>	<u>\$ 33,418,940</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Statement of Cash Flows
Proprietary Fund - Sewer Utility
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$ 3,281,360	\$ 2,917,958
Cash payments to municipality	(56,865)	(10,195)
Cash payments to suppliers	(1,071,601)	(726,967)
Cash payments to employees	(614,240)	(667,792)
Net Cash Provided by Operating Activities	<u>1,538,654</u>	<u>1,513,004</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(863,401)	(2,325,262)
Long-term debt issued	1,138,897	1,977,719
Long-term debt paid	(925,979)	(927,052)
Interest paid on long-term debt	(304,703)	(277,936)
Special assessments received	38,307	32,214
Net Cash Used by Capital and Related Financing Activities	<u>(916,879)</u>	<u>(1,520,317)</u>
Cash Flows from Investing Activities		
Interest income received	24,470	23,536
Change in Cash and Cash Equivalents	646,245	16,223
Cash and Cash Equivalents - Beginning of Year	2,852,252	2,836,029
Cash and Cash Equivalents - End of Year	<u>\$ 3,498,497</u>	<u>\$ 2,852,252</u>
Reconciliation to Statement of Net Position		
Cash and cash equivalents in current assets	\$ 1,433,886	\$ 796,196
Cash and cash equivalents in restricted assets	2,064,611	2,056,056
Total Cash and Cash Equivalents	<u>\$ 3,498,497</u>	<u>\$ 2,852,252</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 974,378	\$ 684,577
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,061,226	980,705
Change in pension related assets, liabilities and deferred outflows and deferred inflows of resources	33,042	(7,606)
Changes in assets and liabilities		
Accounts receivable	(45,461)	(99,034)
Due from other funds	(56,865)	(10,195)
Due from other governments	(37,353)	(7,083)
Prepaid items	27,117	7,512
Accounts payable	(261,248)	309,998
Less: accounts payable related to capital purchases	(98,000)	(292,856)
Accrued and other current liabilities	(3,849)	7,548
Unfunded pension liability	(54,333)	(60,562)
Net Cash Provided by Operating Activities	<u>\$ 1,538,654</u>	<u>\$ 1,513,004</u>
Noncash Investing, Capital and Financing Activities		
Capital contributions	<u>\$ 482,571</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental 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 Town reports the following major governmental funds:

GENERAL FUND

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

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt other than enterprise funds.

CAPITAL IMPROVEMENTS FUND

This fund accounts for capital projects and equipment replacement with financing generally provided by grants and long-term debt proceeds.

TAX INCREMENTAL DISTRICT NO. 1

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures with in Tax Incremental District No. 1.

STORM WATER UTILITY FUND

This fund accounts for fees collected to address drainage problems, runoff, water quality, and water quantity issues throughout the Town.

The Town reports the following major enterprise fund:

SEWER UTILITY FUND

This fund accounts for the operation of the Town's sewer utility to Town residents and businesses.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Salem, Wisconsin ("the Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Town are described below:

1. Reporting Entity

The Town of Salem is a municipality governed by a town chairman and a four-member town board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town.

A legal separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financial accountable if it appoints a majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a primary government if all of the following criteria are met:

- a. the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents;
- b. the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- c. the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

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 non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 support.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax calendar - 2016 tax roll	December, 2016
Levy date	
Real estate tax collection due dates:	
Payment in full or first installment due	January 31, 2017
Second installment due to Kenosha County	July 31, 2017
Personal property taxes, special assessments, and special charges due in full	January 31, 2017

Kenosha County remits payment to the Town for its share of delinquent real estate taxes while delinquent personal property taxes remain the collection responsibility of the Town and are reported as receivables in the financial statements. Delinquent special assessments and user charges placed on the tax roll are held in trust by Kenosha County and remitted with interest to the Town when paid. The amount due on delinquent special assessments and user charges are reported in due from other governments in the basic financial statements.

- c. **Accounts Receivables**
Accounts receivable have been shown net of an allowance for doubtful accounts in the basic financial statements. An allowance of \$71,720 was recorded against EMS receivables. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.
- d. **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 fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".
- e. **Inventories**
Inventories are recorded at lower of cost or 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 fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.
- f. **Prepaid Items**
Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.
- g. **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 Town as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure assets prior to January 1, 2004 have not been capitalized.

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 Town 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's sewer utility and various other functions of the Town. 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, 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 Town's enterprise fund is 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 Town'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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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. **Property Taxes Receivables**
Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes are levied on the assessed value as of January 1. In addition to property taxes for the Town, taxes are collected for and remitted to the state and county governments as well as local school districts and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other governments in the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types 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.

k. Pensions

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

l. 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 Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Town management. The Town Board has not authorized management to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend down policy, GASB Statement No. 54 indicates that restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities		Business-type Activities	
	Years		Years	
Buildings and improvements	20 - 50		20 - 50	
Machinery and equipment	10 - 20		5 - 40	
Infrastructure	40		40 - 100	

n. 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 Town has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the Town'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, represent 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 Town has two items that qualifies 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 related to the Town'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.

o. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vacation and sick leave is expensed when incurred in the government-wide and proprietary fund financial statements. The Town does not accrue for compensated absences such as sick leave and vacation because they expire at the end of the year and do not carry over to the subsequent year. The only exception to this rule is if an employee is terminated during the year. They are entitled to receive the benefits earned prior to the end of the year.

p. Long-term Obligations

In the government-wide financial statements, and proprietary fund types 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 type 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. Bond issuance costs are expensed as incurred.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The General Fund will be balanced with property tax, only after all other revenue sources and expenditure reductions have been exhausted. A minimum of 17% of operating expenses (two months of operating expenditures) shall be maintained as undesignated reserve. Currently, 17% of the general fund expenditures are \$806,958. The General Fund unassigned fund balance is \$1,648,566. Any amounts over 25% shall be re-appropriated to other funds that have not yet met their reserve requirements, if the balance falls below the minimum fund balance in any given year funds shall be reserved in the following budget year to replenish the fund balance to meet the minimum requirement.

A minimum of 17% of operating expenses shall be maintained as a reserve in the sewer utility and storm water utility fund, in addition a sufficient reserve shall be maintained to satisfy bond requirements and Department of Natural Resources loan, depreciation and capital improvement requirements. Seventeen percent of operating expenses for the sewer utility and storm water utility funds are \$406,265 and \$30,376 respectively. The sewer utility unrestricted net position is \$3,310,222 and the storm water utility fund balance is \$202,415.

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.

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.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. No later than October 1, Town management submits to the Town 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. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. 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.
- c. During the year, formal budgetary integration is employed as a management control device for the Town's funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board by two-thirds vote. No budget amendments were approved during the year 2016.
- e. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the Town's governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2016 as follows:

Funds	Function	Excess Expenditures
General fund	General government	\$ 26,975
General fund	Health and human services	2,057
General fund	Culture and recreation	29,004
General fund	Conservation and development	58
Capital improvements fund	Capital outlay	80,369
Tax incremental district	Capital outlay	462,217

Excess expenditures of the general fund were financed by budgetary savings of other functions and additional revenues. The capital improvements fund issued long-term debt in prior years which resulted in additional debt retirements and capital improvements above the 2016 budget. The tax incremental district is funded by long-term debt, developer contributions, and tax increments.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. **Cash and Investments**
 The Town 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.
 The carrying amount of the Town's cash and investments totaled \$14,510,193 on December 31, 2016, as summarized below:

Petty cash	\$ 1,200
Deposits with financial institutions	5,183,206
Investments	9,325,787
	<u>\$ 14,510,193</u>
Reconciliation to the basic financial statements	
Government-wide Statement of Net Position	\$ 11,865,886
Cash and investments	2,644,507
Restricted cash and investments	<u>\$ 14,510,193</u>

Fair Value Measurements
 The Town implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Town currently has no investments subject to fair value measurement.

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the specific risks and the Town's policy related to the risk.

Deposits with Financial Institutions
 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 Town does not have an additional custodial credit risk policy.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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.

On December 31, 2016, none of the Town's deposits with financial institutions was in excess of federal and state depository insurance limits or uncollateralized. Bank deposits of \$4,404,260 were collateralized by securities held by the third-party financial institution but not in the Town's name.

Investments

The Town has investments in the Wisconsin local government investment pool of \$9,325,787 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the Town's share of the LGIP's assets was substantially equal to the carrying value.

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 Town does not have an additional credit risk policy. The Town's investment in the Wisconsin local government investment pool is not rated.

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 Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

2. **Restricted Assets**

Restricted assets on December 31, 2016 totaled \$2,644,507 and consisted of cash and investments held for the following purposes:

Governmental funds/governmental activities	\$ 579,896
Park impact fees	
Proprietary fund/business-type activities	2,066,756
Plant and equipment replacement fund	7,855
Special redemption fund	<u>2,064,611</u>
Subtotal	
Total	<u>\$ 2,644,507</u>

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets
Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Contributions	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,197,698	\$ -	\$ -	\$ 326,726	\$ 4,870,963
Construction in progress	926,991	-	-	926,991	-
Total capital assets, not being depreciated	6,124,689	-	-	1,253,717	4,870,963
Capital assets, being depreciated:					
Buildings and improvements	13,909,954	-	-	-	13,909,954
Machinery and equipment	4,093,769	893,448	661,056	181,715	5,466,507
Infrastructure	9,596,835	3,317,621	-	-	12,914,456
Subtotals	27,600,557	893,448	3,978,887	181,715	32,291,197
Less accumulated depreciation					
Buildings and improvements	2,139,720	-	288,025	-	2,426,746
Machinery and equipment	2,136,256	882,697	313,309	158,957	2,976,345
Infrastructure	609,777	-	326,604	-	936,381
Subtotals	4,885,753	882,697	927,939	158,957	6,339,472
Total capital assets, being depreciated, net	22,712,784	210,751	3,050,948	22,758	25,951,725
Governmental activities capital assets, net	\$ 28,837,464	\$ 210,751	\$ 3,050,948	\$ 1,276,475	\$ 30,822,888
Less related long-term debt outstanding					16,310,139
Net investment in capital assets					\$ 14,512,552

The contribution column represents the assets turnover to the Town of Salem from the Village of Silver Lake prior to December 31, 2016. The Town of Salem and Village of Silver Lake merged into the Village of Salem Lakes effective February 7, 2017.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 376,185	\$ -	\$ -	\$ 376,185
Construction in progress	1,634,417	270,913	1,634,417	270,913
Total capital assets, not being depreciated	2,010,602	270,913	1,634,417	647,088
Capital assets, being depreciated:				
Buildings and improvements	21,777,543	-	-	21,777,543
Machinery and equipment	4,596,364	189,471	-	4,787,855
Infrastructure	35,485,048	2,619,005	-	38,103,053
Subtotals	61,860,975	2,807,476	-	64,668,451
Less accumulated depreciation				
Buildings and improvements	9,367,547	565,166	-	9,932,713
Machinery and equipment	4,259,541	422,661	-	4,682,202
Infrastructure	9,268,493	73,399	-	9,341,892
Subtotals	22,895,581	1,061,226	-	23,956,807
Total capital assets, being depreciated, net	38,965,394	1,746,250	-	40,711,644
Business-type activities capital assets, net	\$ 40,975,996	\$ 2,017,163	\$ 1,634,417	\$ 41,358,742
Less related long-term debt outstanding				11,997,678
Net investment in capital assets				\$ 29,361,064
Depreciation expense was charged to functions of the Town as follows:				
Governmental activities				
General government				\$ 51,968
Public safety				409,973
Public works, including infrastructure				437,967
Culture and recreation				28,031
Total depreciation expense - governmental activities				\$ 927,939

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable/Payables, Advance and Transfers
interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2016 are detailed below.

	Interfund Receivables	Interfund Payables
Governmental Funds		
General fund	\$ -	\$ 580,323
Stormwater fund	47,381	-
Tax Incremental Fund No. 1	11,196	-
Enterprise Fund	521,746	-
Sewer Utility	580,323	580,323
Totals	\$ 1,161,466	\$ 1,160,646

Interfund receivables and payables relate to delinquent user charges placed on the 2016 tax roll and collected from customers with property tax collections, along with the temporary advance for deficit cash. All interfunds are expected to be paid within one year.

The general fund transferred \$250,000 to the debt service fund to cover debt payments.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 9,990,000	\$ 9,615,000	\$ 9,990,000	\$ 9,615,000	\$ 495,000
Notes	5,815,000	-	740,000	5,075,000	580,000
Total General Obligation Debt	15,805,000	9,615,000	10,730,000	14,690,000	1,075,000
Note anticipation notes	4,540,000	-	-	4,540,000	-
Debt premium	93,449	223,905	33,487	283,867	-
Governmental activities	\$ 20,438,449	\$ 9,838,905	\$ 10,763,487	\$ 19,513,867	\$ 1,075,000
Business-type activities:					
General Obligation Debt					
Notes	\$ 240,000	\$ -	\$ 80,000	160,000	\$ 80,000
Wisconsin Environmental Improvement Fund	10,518,336	39,175	775,142	9,782,369	742,340
Total General Obligation Debt	10,758,336	39,175	855,142	9,942,369	822,340
Debt premium	3,765	-	1,255	2,510	-
Wisconsin Environmental Improvement Fund	1,022,659	1,099,722	69,582	2,052,799	87,574
Business-type activities	\$ 11,784,760	\$ 1,138,897	\$ 925,979	\$ 11,997,678	\$ 909,914

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Total interest paid during the year on long-term debt totaled \$904,380
General Obligation Debt and Note Anticipation Notes
General obligation debt currently outstanding is detailed as follows:

Bonds		
\$9,615,000 issued 05/18/16; \$495,000 to \$835,000 due annually through 2030; interest 2.00% to 2.25%		\$ 9,615,000
Notes		
\$2,025,000 issued 06/03/08; \$230,000 to \$240,000 due annually through 2018; interest 3.50% to 3.80%	470,000	
\$4,090,000 issued 07/25/13; \$305,000 to \$380,000 due annually through 2023; interest 2.00% to 2.55%	2,350,000	
\$2,415,000 issued 01/20/15; \$55,000 to \$345,000 due annually through 2025 beginning in 2017; interest 2.00% to 2.25%	2,415,000	
Total Notes	5,235,000	
Wisconsin Environmental Improvement Fund		
\$269,774 authorized 05/26/99; \$205,302 issued; \$12,406 to \$13,091 due annually through 2019; interest 2.722%	38,241	
\$614,980 authorized 09/27/00; \$556,120 issued; \$33,159 to \$36,202 due annually through 2020; interest 2.97%	138,662	
\$1,139,950 authorized 11/28/01; \$1,092,733 issued; \$65,171 to \$72,640 due annually through 2021; interest 2.75%	344,274	
\$5,855,983 authorized 12/26/07; \$5,831,013 issued; \$296,870 to \$378,686 due annually through 2027; interest 2.464%	3,689,144	
\$4,930,393 authorized 03/25/09; \$4,682,147 issued; \$231,404 to \$309,141 due annually through 2028; interest 2.668%	3,222,830	
\$2,546,888 authorized 05/28/14; \$1,445,671 issued; \$103,331 to \$95,111 due annually from 2016 through 2034; interest 3.00%	2,339,218	
Total Wisconsin Environmental Improvement Fund	9,782,369	
Total Outstanding General Obligation Debt	\$ 24,632,369	

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
 Notes to Basic Financial Statements
 December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$24,632,369 on December 31, 2016 are as detailed below:

Year Ended December 31	Governmental Activities			Business-Type Activities			Totals
	Principal	Interest	Totals	Principal	Interest	Totals	
2017	\$ 1,075,000	\$ 335,386	\$ 1,410,386	\$ 822,340	\$ 245,905	\$ 1,068,245	
2018	1,200,000	271,194	1,471,194	841,656	224,738	1,066,394	
2019	1,210,000	245,174	1,455,174	781,476	204,659	986,135	
2020	1,245,000	220,236	1,465,236	788,365	183,440	971,805	
2021	1,280,000	193,999	1,473,999	771,589	163,225	934,814	
2022-2026	5,485,000	583,411	6,068,411	3,773,105	528,196	4,302,301	
2027-2031	3,195,000	137,556	3,332,556	1,694,486	129,918	1,824,404	
2032-2034	-	-	-	469,352	18,694	488,046	
	\$ 14,690,000	\$ 1,986,956	\$ 16,676,956	\$ 9,942,369	\$ 1,699,775	\$ 11,642,144	

Year Ended December 31	Total General Obligation Debt		
	Principal	Interest	Totals
2017	\$ 1,897,340	\$ 581,291	\$ 2,478,631
2018	2,041,656	495,932	2,537,588
2019	1,991,476	449,833	2,441,309
2020	2,033,365	403,676	2,437,041
2021	2,051,589	357,224	2,408,813
2022-2026	9,258,105	1,112,607	10,370,712
2027-2031	4,889,486	267,474	5,156,960
2032-2034	469,352	18,694	488,046
	\$ 24,632,369	\$ 3,666,731	\$ 28,319,100

Build America Bonds

The general obligation debt issued on 5/26/10 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The Town is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the Town to file a claim form annually. These bonds were refunded during 2016.

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2016 was \$28,766,264, as follows:

Equalized valuation of the Town	\$ 1,057,051,400
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	53,352,570
Total outstanding general obligation debt, applicable to debt limitation	\$ 24,632,369
Less: Amounts available for financing general obligation debt	
Debt service fund	46,062
Net outstanding general obligation debt applicable to debt limitation	24,586,307
Legal Margin for New Debt	\$ 28,766,263

Note Anticipation Notes
 Note anticipation notes currently outstanding is detailed as follows:

Note Anticipation Notes
 \$4,540,000 issued 10/21/2016; payable in 2018; interest 1.375% \$ 4,540,000

Annual principal and interest maturities of the above outstanding bond anticipation notes on December 31, 2016 are shown below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Totals
2017	\$ -	\$ 62,425	\$ 62,425
2018	4,540,000	62,425	4,602,425
	\$ 4,540,000	\$ 124,850	\$ 4,664,850

Revenue Bonds

Revenue bonds currently outstanding is detailed as follows:

Revenue bonds outstanding as of December 31, 2015 follows:
 State of Wisconsin Environmental Improvement Fund
 \$2,122,381 authorized thru 12/31/16 beginning 5/1/15; \$87,764 to \$131,289
 due annually through 2035; interest 2.28%

Annual principal and interest maturities of the above outstanding revenue bonds on December 31, 2016 are shown below:

Year Ended December 31	Business-Type Activities			Totals
	Principal	Interest	Totals	
2017	\$ 87,574	\$ 45,705	\$ 133,279	
2018	89,566	43,690	133,256	
2019	91,604	41,629	133,233	
2020	93,688	39,522	133,210	
2021	95,820	37,366	133,186	
2022-2026	512,805	152,739	665,544	
2027-2031	573,852	90,998	664,850	
2032-2035	507,890	23,434	531,324	
	\$ 2,052,799	\$ 475,083	\$ 2,527,882	

Utility Revenues Pledged

The Town has pledged future utility district customer revenues, net of specified operating expenses, to repay the utility district revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets. The bonds are payable solely from utility district customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$2,527,881. Principal and interest paid for the current year and total customer net revenues were \$108,117 and \$2,066,306 respectively.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Pension Plan
 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.

NOTE C - DETAILED NOTES ON ALL FUNDS (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:

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

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, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employees 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 \$108,339 in contributions from the Town.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

At December 31, 2016, the Town reported a liability of \$178,143 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Town's proportion was 0.01096275%, which was an increase of 0.00006742% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town recognized pension expense of \$217,507.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,137	\$ 374,898
Changes in assumptions	729,366	
Net differences between projected and actual earnings on pension plan investments	124,636	
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,541	361
Employer contributions subsequent to the measurement date	109,551	
Total	\$ 1,003,231	\$ 375,259

\$109,551 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 232,375	\$ 90,813
2017	232,375	90,813
2018	232,375	90,813
2019	192,569	90,813
2020	3,986	12,007
Total	\$ 893,680	\$ 375,259

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

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

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

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

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

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:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

NOTE D - OTHER INFORMATION

1. Contingencies
 - a. The Town participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.
 - b. From time to time, the Town 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 legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.
2. Risk Management
The Town 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 Town 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 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2018 budget was 1.09%. The actual limit for the Town for the 2017 budget was 1.33%. 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.
4. Commitments and Contingencies
The Town issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,600,000 and bears interest of 4.0% per annum, compounding annually, payable solely from Available Project Increments, as defined by the developer agreement, and subject to appropriation by the Town Board. Available Project Increments relating specifically to tax increments generated by development within the town's tax incremental financing district, after retirement of specific Town obligations related to the development. Payments are scheduled through December 31, 2036. The obligation does not constitute a charge upon any funds of the Town. In the event that Available Project Increments are not sufficient to pay off the municipal revenue obligation in any particular year, the amount of deficiency will be deferred, with interest. The municipal revenue obligation terminates on December 31, 2036, with no further liability to the Town for any deficiency, if one exists. A deficiency in any year or in total does not constitute a default by the Town under the terms of the developer agreement. Since the amount of future payments is contingent upon the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$1,600,000.
4. Subsequent Event
Effective February 7, 2017, the Town of Salem and the Village of Silver Lake merged to form the Village of Salem Lakes. As a result, the 2017 budgets of the Town of Salem and the Village of Silver Lake will be consolidated through budget amendment during 2017. As of December 31, 2016, the Village of Silver Lake reported net position of \$5,539,359 for its governmental activities and \$3,972,884 for its business-type activities and sewer utility. The Village of Silver Lake reported fund balance of \$696,084, which consists of \$469,866 in its general fund and \$226,218 in its storm water special revenue fund. Complete financial statements are available from the Village of Silver Lake.

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

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

1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
\$ 1,249,495	\$ 178,143	\$ (655,603)

Town's proportionate share of the net pension liability (asset) is available in separately issued financial statements available at <http://efr.wi.gov/publications/cacr.htm>.

At December 31, 2016 the Town reported a payable of \$28,087 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

Other Pension Plans
In 2011, the Town of Salem withdrew from a pension plan for union employees and was assessed a withdrawal liability in the amount of \$2,344,207. Monthly required installments of \$10,094 began on January 1, 2012 and are payable through December 31, 2031. As of December 31, 2015, the total future payments due under the withdrawal liability total \$1,772,550. The Town recorded the unfunded pension liability as of January 1, 2015 when adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributors Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

The Town is currently in negotiations for a lump sum settlement.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
 Schedule of Proportionate Share of the Net Pension Liability (Asset)
 Wisconsin Retirement System
 Last 10 Fiscal Years*

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset)		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
				Share of the Net Pension Liability (Asset)	Covered Payroll	
12/31/15	0.01089533%	\$ (267,619)	\$ 1,428,839	18.73%	102.74%	
12/31/16	0.01096275%	178,143	1,467,388	12.14%	98.20%	

Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Contributions as a Percentage of Covered Payroll	
				Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 108,873	\$ 108,873	\$ -	1,428,839	7.62%
12/31/16	108,339	108,339	-	1,467,388	7.38%

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The Town is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN

Detailed Comparison of Budgeted and Actual Revenues - General Fund
 For the Year Ended December 31, 2016
 (With Summarized Financial Information for the Year Ended December 31, 2015)

	Budgeted Amounts:		Actual Amounts	Variance Final Budget - Positive (Negative)	2015
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 2,426,280	\$ 2,426,280	\$ 2,426,276	\$ (4)	\$ 2,415,389
Mobile home	45,000	45,000	45,071	71	46,595
Other taxes	3,600	3,600	10,499	6,899	13,812
Total Taxes	2,474,880	2,474,880	2,481,846	6,966	2,475,796
Intergovernmental					
Shared revenue	121,330	121,330	120,989	(341)	121,573
Fire dues	43,000	43,000	46,781	3,781	-
Tax exempt compuler aid	900	900	841	(59)	809
Water patrol	8,100	8,100	18,227	10,127	12,586
Highway aids	250,000	250,000	250,001	1	250,089
Recycling	-	-	-	-	12,047
Payment in lieu of taxes	1,900	1,900	1,966	66	1,991
Other local government grants	17,600	17,600	41,634	24,034	1,218
Total Intergovernmental	442,830	442,830	480,439	37,609	400,311
Licenses and Permits					
Operators	6,500	6,500	5,019	(1,481)	7,518
Cable television	92,000	92,000	90,580	(1,420)	89,624
Liquor	15,000	15,000	14,402	(598)	14,524
Other licenses	10,380	10,380	9,973	(407)	11,364
Building	12,500	12,500	19,970	7,470	135,867
Other permits	105,800	105,800	264,609	158,809	17,915
Total Licenses and Permits	242,180	242,180	404,553	162,373	276,812
Fines and Forfeits					
Court costs and fines	35,000	35,000	70,649	35,649	44,122
Public Charges for Services					
General government	2,000	2,000	3,533	1,533	7,224
Planning and zoning fees	12,500	12,500	22,493	9,993	10,360
Building inspection fees	26,150	26,150	42,530	16,380	40,788
Highway	5,000	5,000	5,515	515	5,515
Garbage, recycling and yard waste	1,082,020	1,082,020	1,077,270	(4,750)	1,063,429
Razing	5,000	5,000	54,697	49,697	20,518
Dog pound fees	500	500	70	(430)	219
Rental	7,000	7,000	8,000	1,000	8,080
Total Public Charges for Services	1,140,170	1,140,170	1,214,108	73,938	1,156,133

(Continued)

SUPPLEMENTARY INFORMATION

TOWN OF SALEM, WISCONSIN
KENOSHA COUNTY, WISCONSIN

Detailed Comparison of Budgeted and Actual Revenues - General Fund (Continued)
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2015
	Original	Final			
Intergovernmental Charges for Services					
EMS	330,000	330,000	345,150	15,150	347,133
Fire	371,580	371,580	389,208	17,628	294,324
Total Intergovernmental Charges for Services	701,580	701,580	734,358	32,778	641,457
Miscellaneous					
Interest	2,500	2,500	9,848	7,348	2,678
Other	34,500	34,500	58,145	23,645	58,535
Total Miscellaneous	37,000	37,000	67,993	30,993	61,213
Total Revenues	\$ 5,073,640	\$ 5,073,640	\$ 5,453,946	\$ 380,306	\$ 5,055,844

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN

Detailed Comparison of Budgeted and Actual Expenditures - General Fund
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2015
	Original	Final			
Expenditures					
General Government					
Judicial	\$ 21,040	\$ 21,040	\$ 19,439	\$ 1,601	\$ 17,006
Boards and commissions	61,620	61,620	54,324	7,296	61,604
Administrator	100,870	100,870	112,319	(11,449)	99,754
Legal expense	43,500	43,500	41,966	1,534	30,713
Town clerk	90,130	90,130	94,680	(4,550)	80,770
Elections	45,990	45,990	42,996	2,994	42,625
Town treasurer	85,066	85,066	88,732	(3,666)	60,286
Town hall and contractual services	348,010	348,010	382,861	(34,851)	348,069
Insurance	202,500	202,500	204,677	(2,177)	176,115
Contingency	25,000	25,000	8,707	16,293	10,848
Total General Government	1,023,726	1,023,726	1,050,701	(26,975)	927,790
Public Safety					
Public safety	99,545	99,545	129,172	(29,627)	101,658
Water patrol	35,305	35,305	41,934	(6,629)	34,558
Fire department	1,425,778	1,425,778	1,247,779	177,999	1,037,783
Building inspection	118,030	118,030	132,784	(14,754)	123,051
Total Public Safety	1,678,658	1,678,658	1,551,669	126,989	1,297,050
Public Works					
Highway department	929,120	929,120	775,762	153,358	800,982
Street lights	45,000	45,000	50,098	(5,098)	49,840
Garbage collection	594,796	594,796	597,154	(2,358)	581,555
Recycling charges	230,350	230,350	231,320	(970)	227,043
Total Public Works	1,799,266	1,799,266	1,654,334	144,932	1,659,420
Health and Human Services					
Animal control	8,000	8,000	10,057	(2,057)	8,157
Culture and Recreation					
Library	340,280	340,280	340,282	(2)	339,498
Parks	68,200	68,200	97,202	(29,002)	27,638
Total Culture and Recreation	408,480	408,480	437,484	(29,004)	367,136
Conservation and Development					
Conservation and development	32,510	32,510	32,568	(58)	58,075
Sharing center contribution	10,000	10,000	10,000	-	10,000
Miscellaneous					
Total Conservation and Development	42,510	42,510	42,568	(58)	68,075
Total Expenditures	\$ 4,960,640	\$ 4,960,640	\$ 4,746,813	\$ 213,827	\$ 4,355,814

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2016

(With Summarized Financial Information as of December 31, 2015)

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Trails Fund	Park Fund	Maintenance Fee Fund	2016	2015
ASSETS					
Cash and investments	\$ 185,376	\$ 293,578	\$ 53,395	\$ 532,349	\$ 139,832
Receivables	-	-	-	-	124,338
Grants	-	579,896	-	579,896	721,721
Restricted cash and investments	-	-	-	-	-
TOTAL ASSETS	\$ 185,376	\$ 873,474	\$ 53,395	\$ 1,112,245	\$ 985,891
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 30,616	\$ -	\$ 30,616	\$ -
Fund Balances					
Restricted					
Park land and facilities	-	842,858	-	842,858	801,307
Transportation system	-	-	53,395	53,395	44,752
Assigned					
Pedestrian and bicycle trails	185,376	-	-	185,376	139,832
Total Fund Balances	185,376	842,858	53,395	1,081,629	985,891
TOTAL LIABILITIES AND FUND BALANCES	\$ 185,376	\$ 873,474	\$ 53,395	\$ 1,112,245	\$ 985,891

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2016
 (With Summarized Financial Information for the Year Ended December 31, 2015)

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Trails Fund	Park Fund	Maintenance Fee Fund	2016	2015
Revenues					
Intergovernmental	\$ 45,000	\$ -	\$ -	\$ 45,000	\$ 124,338
Public charges for services	-	75,326	8,444	83,770	46,626
Miscellaneous	971	1,926	199	3,096	856
Total Revenues	45,971	77,252	8,643	131,866	171,820
Expenditures					
Capital outlay	427	35,701	-	36,128	275,296
Culture and recreation	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	45,544	41,551	8,643	95,738	(103,476)
Other Financing Sources					
Long-term debt issued	-	-	-	-	467,676
Net Change in Fund Balances	45,544	41,551	8,643	95,738	364,200
Fund Balances - January 1	139,832	801,307	44,752	985,891	621,691
Fund Balances - December 31	\$ 185,376	\$ 842,858	\$ 53,395	\$ 1,081,629	\$ 985,891



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 Town Board
Town of Salem, Wisconsin

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Salem's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Salem, 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 Town of Salem, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem, Wisconsin's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying findings and responses we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Salem, 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*.


ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

Town of Salem, Wisconsin's Response to Finding

Town of Salem, Wisconsin's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Town of Salem, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the Town of Salem, 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 Town of Salem, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


 Certified Public Accountants
 Green Bay, Wisconsin
 June 29, 2017

**TOWN OF SALEM
 KENOSHA COUNTY, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2016**

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2016-001 Segregation of Duties

Repeat of Finding 2014-001

Condition: A limited number of Town employees perform the majority of the accounting functions for the Town of Salem. Currently, one employee is responsible for processing payroll transactions and maintaining personnel records and another is responsible for processing disbursement transactions and maintaining check records. Finally, all invoices should be coded to the appropriate account and approved by the department head and not the employee involved in the processing disbursement transactions.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of Town's operations.

Effect: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend the Town continue to review all financial transaction processes to identify tasks that could be reassigned to other Town personnel and in the process create time efficiencies, specifically in terms of how the software upgrade implemented in 2016 can provide additional options to the Town.

Finally, we recommend the Town board to continue to monitor all transactions and the financial records of the Town.

Management Response:

The Town employs an accounting firm to provide oversight and technical assistance throughout the year, however, management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received. The Town completed a software upgrade in 2016, which allowed the Town the ability to reassess controls and implement potential changes and will continue to do so as they evolve even further into the capabilities of the software.

TOWN OF SALEM
KENOSHA COUNTY, WISCONSIN
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2016

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under government auditing standards generally accepted in the United States of America for the year ended December 31, 2016.

**FINANCIAL STATEMENTS
(Village of Salem Lakes)**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The Village expects delivery of the draft basic financial statements for the fiscal year ended December 31, 2017 substantially in the form attached hereto, but such financial statements are subject to final review by the Village. The Village has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the Village requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the Village since the date of the financial statements, in connection with the issuance of the Bonds, the Village represents that there have been no material adverse change in the financial position or results of operations of the Village, nor has the Village incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

DRAFT

Village of Salem Lakes, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017

Village of Salem Lake, Wisconsin

DECEMBER 31, 2017

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	10
Statement of Net Position - Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	12
Statement of Cash Flows - Proprietary Fund	13
Notes to Basic Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	37
Schedule of Contributions - Wisconsin Retirement System	37
Notes to Required Supplementary Information	37
SUPPLEMENTARY INFORMATION	
General Fund	
Detailed Comparison of Budgeted and Actual Revenues	38
Detailed Comparison of Budgeted and Actual Expenditures	40
Combining Balance Sheet - Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	43
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 <i>Government Auditing Standards</i>	45
Schedule of Findings and Responses	47

Independent auditors' report

To the Village Board
Village of Salem Lakes, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salem Lakes, Wisconsin (the "Village") as of and for the year ended December 31, 2017, 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, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 37 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 [REDACTED], 2018, 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

[REDACTED], 2018

Village of Salem Lakes, Wisconsin

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STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 13,695,951	\$ 3,331,820	\$ 17,027,771
Receivables			
Taxes and special charges	31,213,054	-	31,213,054
Delinquent taxes	36,956	-	36,956
Accounts, net	175,565	706,715	882,280
Special assessments	-	943,031	943,031
Internal balances	(601,076)	601,076	-
Due from other governments	154,274	549,457	703,731
Assets held for resale	60,000	-	60,000
Restricted assets			
Cash and investments	595,138	3,851,170	4,446,308
Capital assets, nondepreciable	6,869,832	3,833,551	10,703,383
Capital assets, depreciable	29,901,966	41,980,586	71,882,552
Total assets	82,101,660	55,797,406	137,899,066
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	701,284	210,374	911,658
LIABILITIES			
Accounts payable	556,723	1,012,330	1,569,053
Accrued and other current liabilities	96,826	8,227	105,053
Due to other governments	24,209,179	-	24,209,179
Accrued interest payable	105,442	102,440	207,882
Special deposits	103,000	16,800	119,800
Long-term obligations			
Due within one year	5,740,000	1,136,222	6,876,222
Due in more than one year	12,665,378	13,731,422	26,396,800
Net pension liability	89,354	26,917	116,271
Unfunded pension liability	831,563	831,563	1,663,126
Total liabilities	44,397,465	16,865,921	61,263,386
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	13,529,866	-	13,529,866
Special assessments	-	32,304	32,304
Other	160,474	-	160,474
Pension related amounts	286,912	86,431	373,343
Total deferred inflows of resources	13,977,252	118,735	14,095,987
NET POSITION			
Net investment in capital assets	18,366,420	33,724,205	52,090,625
Restricted	836,442	1,523,458	2,359,900
Unrestricted	5,225,365	3,775,461	9,000,826
Total net position	\$ 24,428,227	\$ 39,023,124	\$ 63,451,351

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,411,659	\$ 427,740	\$ -	\$ 19,285
Public safety	2,130,812	704,989	79,937	-
Public works	2,717,373	1,817,265	514,424	-
Health and human services	11,003	-	-	-
Culture and recreation	792,839	63,001	-	289,415
Conservation and development	242,860	-	-	-
Interest and fiscal charges	356,383	-	51,660	-
Total governmental activities	7,662,929	3,012,995	646,021	308,700
BUSINESS-TYPE ACTIVITIES				
Sewer utility	3,504,412	3,932,076	-	-
Total	\$ 11,167,341	\$ 6,945,071	\$ 646,021	\$ 308,700

General revenues
 Taxes
 Property taxes
 Tax increments
 Other taxes
 Federal and state grants and other contributions
 not restricted to specific functions
 Interest and investment earnings
 Miscellaneous
 Gain on sale of asset

Total general revenues and transfers

Change in net position

Net position - January 1

Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (964,634)	\$ -	\$ (964,634)
(1,345,886)	-	(1,345,886)
(385,684)	-	(385,684)
(11,003)	-	(11,003)
(440,423)	-	(440,423)
(242,860)	-	(242,860)
<u>(304,723)</u>	<u>-</u>	<u>(304,723)</u>
<u>(3,695,213)</u>	<u>-</u>	<u>(3,695,213)</u>
<u>-</u>	<u>427,664</u>	<u>427,664</u>
<u>(3,695,213)</u>	<u>427,664</u>	<u>(3,267,549)</u>
4,744,405	-	4,744,405
11,196	-	11,196
81,594	-	81,594
202,039	-	202,039
80,716	66,679	147,395
108,425	-	108,425
<u>104,252</u>	<u>-</u>	<u>104,252</u>
<u>5,332,627</u>	<u>66,679</u>	<u>5,399,306</u>
1,637,414	494,343	2,131,757
<u>22,790,813</u>	<u>38,528,781</u>	<u>61,319,594</u>
<u>\$ 24,428,227</u>	<u>\$ 39,023,124</u>	<u>\$ 63,451,351</u>

Village of Salem Lakes, Wisconsin

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**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 10,578,254	\$ -	\$ 803,108	\$ 2,314,589	\$ 13,695,951
Restricted cash and investments	-	-	-	595,138	595,138
Receivables					
Taxes and special charges	31,213,054	-	-	-	31,213,054
Delinquent taxes	36,956	-	-	-	36,956
Accounts, net	95,263	-	-	76,805	172,068
Due from other funds	64,448	-	-	340,056	404,504
Due from other governments	101,793	-	-	55,978	157,771
Assets held for resale	60,000	-	-	-	60,000
Total assets	\$ 42,149,768	\$ -	\$ 803,108	\$ 3,382,566	\$ 46,335,442
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 391,998	\$ -	\$ 160,335	\$ 4,390	\$ 556,723
Accrued and other current liabilities	93,691	-	-	2,380	96,071
Due to other funds	941,132	64,448	-	-	1,005,580
Due to other governments	24,209,179	-	-	-	24,209,179
Special deposits	103,000	-	-	-	103,000
Total liabilities	25,739,000	64,448	160,335	6,770	25,970,553
Deferred inflows of resources					
Property taxes levied for subsequent year	13,417,400	-	-	112,466	13,529,866
Special charges assessed	-	-	-	160,474	160,474
Total deferred inflows of resources	13,417,400	-	-	272,940	13,690,340
Fund balances					
Nonspendable	138,749	-	-	55,978	194,727
Restricted	-	-	642,773	2,608,981	3,251,754
Assigned	-	-	-	437,897	437,897
Unassigned	2,854,619	(64,448)	-	-	2,790,171
Total fund balances	2,993,368	(64,448)	642,773	3,102,856	6,674,549
Total liabilities, deferred inflows of resources, and fund balances	\$ 42,149,768	\$ -	\$ 803,108	\$ 3,382,566	\$ 46,335,442

The notes to the basic financial statements are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 6,674,549
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	36,771,798
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.	
Deferred outflows related to pensions	701,284
Deferred inflows related to pensions	(286,912)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(18,155,000)
Premium on debt	(250,378)
Net pension liability	(89,354)
Unfunded pension liability	(831,563)
Accrued interest on long-term obligations	(105,442)
Accrued liabilities	<u>(755)</u>
Net position of governmental activities as reported on the Statement of Net Position (see page 3)	<u>\$ 24,428,227</u>

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Debt Service	Capital Improvements	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 3,294,593	\$ 1,262,800	\$ 268,100	\$ 12,996	\$ 4,838,489
Intergovernmental	622,323	-	194,600	-	816,923
Licenses and permits	378,014	-	-	-	378,014
Fines and forfeits	42,252	-	-	-	42,252
Public charges for services	1,355,116	-	-	632,831	1,987,947
Intergovernmental charges for services	577,313	-	-	-	577,313
Miscellaneous	111,596	51,660	73,006	29,476	265,738
Total revenues	6,381,207	1,314,460	535,706	675,303	8,906,676
EXPENDITURES					
Current					
General government	1,428,082	-	-	-	1,428,082
Public safety	1,718,956	-	-	-	1,718,956
Public works	1,897,351	-	-	241,564	2,138,915
Health and human services	10,026	-	-	-	10,026
Culture and recreation	507,868	-	-	249,254	757,122
Conservation and development	52,139	-	-	5,983	58,122
Debt service					
Principal	-	1,337,294	-	456,771	1,794,065
Interest and fiscal charges	-	337,676	-	66,407	404,083
Capital outlay	-	-	1,234,552	95,063	1,329,615
Total expenditures	5,614,422	1,674,970	1,234,552	1,115,042	9,638,986
Excess of revenues over (under) expenditures	766,785	(360,510)	(698,846)	(439,739)	(732,310)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	59,352	-	44,900	-	104,252
Transfers in	-	250,000	-	-	250,000
Transfers out	(250,000)	-	-	-	(250,000)
Total other financing sources (uses)	(190,648)	250,000	44,900	-	104,252
Net change in fund balances	576,137	(110,510)	(653,946)	(439,739)	(628,058)
Fund balances - January 1	2,417,231	46,062	1,296,719	3,542,595	7,302,607
Fund balances - December 31	\$ 2,993,368	\$ (64,448)	\$ 642,773	\$ 3,102,856	\$ 6,674,549

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

DRAFT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ (628,058)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	1,695,639
Depreciation expense reported in the statement of activities	(1,136,819)
Net book value of disposals	(60,000)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Premium on debt issued	33,489
Principal repaid	1,794,065

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 the governmental funds:

Accrued interest on long-term debt	14,211
Net pension liability	93,811
Deferred outflows of resources related to pensions	(322,460)
Deferred inflows of resources related to pensions	98,824
unfunded pension liability	<u>54,712</u>

Change in net position of governmental activities as reported in the statement of activities (see pages 4 - 5)	<u>\$ 1,637,414</u>
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The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

DRAFT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,264,100	\$ 3,264,100	\$ 3,294,593	\$ 30,493
Intergovernmental	613,200	613,200	622,323	9,123
Licenses and permits	324,800	324,800	378,014	53,214
Fines and forfeits	66,000	66,000	42,252	(23,748)
Public charges for services	1,321,800	1,321,800	1,355,116	33,316
Intergovernmental charges				
For services	711,600	594,600	577,313	(17,287)
Miscellaneous	72,500	72,500	111,596	39,096
Total revenues	6,374,000	6,257,000	6,381,207	124,207
EXPENDITURES				
Current				
General government	1,425,655	1,425,655	1,428,082	(2,427)
Public safety	2,049,300	2,049,300	1,718,956	330,344
Public works	2,061,700	2,109,700	1,897,351	212,349
Health and human services	10,000	10,000	10,026	(26)
Culture and recreation	517,645	517,645	507,868	9,777
Conservation and development	42,900	42,900	52,139	(9,239)
Total expenditures	6,107,200	6,155,200	5,614,422	540,778
Excess of revenues over expenditures	266,800	101,800	766,785	664,985
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	59,352	59,352
Transfers in	100,200	148,200	-	(148,200)
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses)	(149,800)	(101,800)	(190,648)	(88,848)
Net change in fund balance	117,000	-	576,137	576,137
Fund balance - January 1	2,417,231	2,417,231	2,417,231	-
Fund balance - December 31	\$ 2,534,231	\$ 2,417,231	\$ 2,993,368	\$ 576,137

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

DRAFT

**STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2017**

ASSETS	<u>Sewer Utility</u>
Current assets	
Cash and investments	\$ 3,331,820
Receivables	
Customer accounts	706,715
Special assessments	943,031
Due from other funds	601,076
Due from other governments	<u>549,457</u>
Total current assets	<u>6,132,099</u>
Noncurrent assets	
Restricted assets	
Cash and investments	<u>3,851,170</u>
Capital assets	
Nondepreciable	3,833,551
Depreciable	<u>41,980,586</u>
Total capital assets	<u>45,814,137</u>
Total assets	<u>55,797,406</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	<u>210,374</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,012,330
Accrued and other current liabilities	8,227
Accrued interest	102,440
Special deposits	16,800
Current portion of long-term debt	<u>1,136,222</u>
Total current liabilities	<u>2,276,019</u>
Long-term obligations, less current portion	
General obligation debt	11,718,374
Revenue bonds	1,875,659
Debt premium	137,389
Net pension liability	26,917
Unfunded pension liability	<u>831,563</u>
Total long-term liabilities	<u>14,589,902</u>
Total liabilities	<u>16,865,921</u>
DEFERRED INFLOWS OF RESOURCES	
Special charges on subsequent year tax roll	32,304
Pension related amounts	<u>86,431</u>
Total deferred inflows of resources	<u>118,735</u>
NET POSITION	
Net investment in capital assets	33,724,205
Restricted	1,523,458
Unrestricted	<u>3,775,461</u>
Total net position	<u>\$ 39,023,124</u>

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

DRAFT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Sewer Utility</u>
OPERATING REVENUES	
Charges for services	\$ 3,652,373
Other	<u>279,703</u>
Total operating revenues	<u>3,932,076</u>
OPERATING EXPENSES	
Operation and maintenance	1,774,638
Depreciation	<u>1,287,029</u>
Total operating expenses	<u>3,061,667</u>
Operating income (loss)	<u>870,409</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	66,679
Interest and fiscal charges	<u>(442,745)</u>
Total nonoperating revenues (expenses)	<u>(376,066)</u>
Change in net position	494,343
Net position - January 1	<u>38,528,781</u>
Net position - December 31	<u>\$ 39,023,124</u>

The notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,979,468
Cash paid for employee wages and benefits	(671,606)
Cash paid to suppliers	<u>(1,046,148)</u>
Net cash provided by operating activities	<u>2,261,714</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Long-term debt issued	3,645,000
Debt premium received	136,133
Debt issuance costs paid	(95,327)
Acquisition of capital assets	(2,530,376)
Principal paid on long-term debt	(1,503,205)
Interest paid on long-term debt	<u>(299,654)</u>
Net cash used by capital and related financing activities	<u>(647,429)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>103,989</u>
 Change in cash and cash equivalents	 1,718,274
 Cash and cash equivalents - January 1	 <u>5,465,971</u>
 Cash and cash equivalents - December 31	 <u><u>\$ 7,184,245</u></u>

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lakes, Wisconsin

DRAFT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 870,409
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,287,029
Change in liability (asset) and deferred outflows and inflows of resources	
Pension	(20,913)
Change in operating assets and liabilities	
Accounts receivables	134,845
Inventories and prepaid items	23,085
Accounts payable	(31,319)
Accrued liabilities	<u>(1,422)</u>
Net cash provided by operating activities	<u>\$ 2,261,714</u>
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents in current assets	\$ 3,331,820
Cash and cash equivalents in restricted assets	<u>3,851,170</u>
Total cash and cash equivalents	<u>\$ 7,182,990</u>
Noncash capital and related financing activities	
None	

The notes to the basic financial statements are an integral part of this statement.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Salem Lake, Wisconsin (the "Village"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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:

A. REPORTING ENTITY

The Village 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 and any separate component units that have a significant operational or financial relationship with the Village. The Village has not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

B. 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 non-fiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily 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. The Village has no internal service 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt other than enterprise funds.

Capital Improvements Fund

This fund accounts for capital projects and equipment replacement with financing generally provided by grants and long-term debt proceeds.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

The Village reports the following major enterprise fund:

Sewer Utility Fund

This fund accounts for the operation of the Village's sewer utility to Village residents and businesses.

C. 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.

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, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits 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 charges between the Village's sewer utility 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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs 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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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.

2. Property Taxes and Special Charges/Receivable
Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Village properties. 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 and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village. Special charges not paid by January 31 are held in trust by the County and remitted to the Village, including interest, when collected by the County.

In addition to its levy, the Village levies and collects taxes for the School District of Silver Lake, Salem, Central-Westosha Union High School, Wilmot Union High School, Kenosha County, Gateway Technical College and the State of Wisconsin.

3. Accounts Receivable
Accounts receivable have been shown net of an allowance for doubtful accounts in the basic financial statements. An allowance of \$93,627 was recorded against EMS receivables. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

4. 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 fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

5. 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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure assets prior to January 1, 2004 have not been capitalized.

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.

Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental		Business-type	
	Activities	Years	Activities	Years
Buildings and improvements	20 - 50	20 - 50	20 - 50	20 - 50
Machinery and equipment	5 - 20	5 - 20	5 - 40	5 - 40
Infrastructure	15 - 50	15 - 50	40 - 100	40 - 100

7. Compensated Absences
Under term of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vacation and sick leave is expensed when incurred in the government-wide and proprietary fund financial statements. The Village does not accrue for compensated absences such as sick leave and vacation because they expire at the end of the year and do not carry over to the subsequent year. The only exception to this rule is if an employee is terminated during the year. They are entitled to receive the benefits earned prior to the end of the year.

8. Deferred Outflows/Inflows of Resources
Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

9. 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. Bond issuance costs are expensed as incurred.

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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. Pensions

For purposes of measuring the net pension liability, 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.

11. 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. The Village Board has not authorized management to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Village has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

E. 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.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. No later than October 1, Village management 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. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. 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.
3. During the year, formal budgetary integration is employed as a management control device for the Village's funds.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board by two-thirds vote. No budget amendments were approved during the year 2017.
5. 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, 2017.

B. DEFICIT FUND EQUITY

The following fund had deficit fund balance as of December 31, 2017:

Debt Service	Fund	Deficit Fund
	Balance	Balance
	\$	\$ 64,448

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

C. 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 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2017 budget was 1.28%. The actual limit for the Village for the 2018 budget was 1.72%. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. 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 on 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.

The carrying amount of the Village's cash and investments totaled \$21,474,079 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 1,200
Deposits with financial institutions	6,158,844
Investments	15,314,035
Wisconsin local government investment pool	<u>\$ 21,474,079</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	\$ 17,027,771
Cash and investments	4,446,308
Restricted cash and investments	<u>\$ 21,474,079</u>

Fair Value Measurements

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Village currently has no investments that are subject to fair value measurement.

Deposits and investments of the Village are subject to various risks. Presented below is a discussion of the Village's deposits and investments and the related risks.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2017, \$1,460,103 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits or uncollateralized. Bank deposits of \$3,305,759 were collateralized by securities held by the third-party financial institution but not in the Village's name.

Investments

The Village has investments in the Wisconsin local government investment pool of \$15,314,035 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

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. The Village's investment in the Wisconsin local government investment pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

B. RESTRICTED ASSETS
Restricted assets on December 31, 2017 totaled \$4,446,308 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Park Fund		
Impact fees	\$ 595,138	To account for impact fees collected and held by the Village
Sewer Utility		
Unspent debt proceeds	2,327,712	To be used for future capital improvements of the sewer utility
Equipment replacement fund	1,523,458	To be used for replacement of certain assets of the sewage treatment plant.
Total Sewer Utility	3,851,170	
Total	4,446,308	

C. CAPITAL ASSETS
Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 5,292,576	\$ -	\$ 60,000	\$ 5,232,576
Historical treasurers	2,500	-	-	2,500
Land improvements	1,634,756	-	-	1,634,756
Total capital assets, nondepreciable	6,929,832	-	60,000	6,869,832
Capital assets, depreciable:				
Buildings and improvements	15,283,553	366,051	-	15,649,604
Machinery and equipment	5,847,535	420,566	49,086	6,219,015
Infrastructure	19,352,262	909,022	-	20,261,284
Subtotals	40,483,350	1,695,639	49,086	42,129,903
Less accumulated depreciation for:				
Buildings and improvements	2,908,231	299,543	-	3,207,774
Machinery and equipment	3,294,318	303,248	49,086	3,548,480
Infrastructure	4,937,655	534,028	-	5,471,683
Subtotals	11,140,204	1,136,819	49,086	12,227,937
Total capital assets, depreciable, net	29,343,146	558,820	-	29,901,966
Governmental activities capital assets, net	\$ 36,272,978	\$ 558,820	\$ 60,000	\$ 36,771,798
Less: Capital related debt				18,155,000
Less: Debt premium				250,378
Net investment in capital assets				\$ 18,366,420

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 383,185	\$ -	\$ -	\$ 383,185
Construction in progress	270,913	3,179,453	-	3,450,366
Total capital assets, nondepreciable	654,098	3,179,453	-	3,833,551
Capital assets, depreciable:				
Buildings and improvements	23,229,540	-	-	23,229,540
Machinery and equipment	6,162,671	230,245	-	6,392,916
Infrastructure	40,047,668	-	-	40,047,668
Subtotals	69,439,879	230,245	-	69,670,124
Less accumulated depreciation for:				
Sewer	26,402,509	1,287,029	-	27,689,538
Total capital assets, depreciable, net	43,037,370	(1,056,784)	-	41,980,586
Business-type activities capital assets, net	\$ 43,691,468	\$ 2,122,669	\$ -	45,814,137
Less: Capital related debt				12,402,543
Less: Debt premium				137,389
Net investment in capital assets				\$ 33,274,205
Depreciation expense was charged to Functions of the Village as follows:				
Governmental activities		\$ 33,840		
General government		395,668		
Public safety		671,594		
Culture and recreation		35,717		
Total depreciation expense - governmental activities		\$ 1,136,819		

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the Village, as reported in the fund financial statements, as of December 31, 2017 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operating cash deficits		
Governmental funds		
General	\$ 64,448	\$ 64,448
Debt service	-	64,448
Subtotal	64,448	64,448
Operating activity between funds		
Governmental funds		
General	-	941,132
Storm water utility	227,590	-
TIF district no. 1	112,466	-
Enterprise fund	-	-
Sewer utility	601,076	-
Subtotal	941,132	941,132
Totals	\$ 1,005,580	\$ 1,005,580

Interfund transfers for the year ended December 31, 2017 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 250,000	\$ 250,000
Debt service	\$ 250,000	\$ 250,000
	\$ 250,000	\$ 250,000

Interfund transfers were made for the following purposes:

Finance debt payments from resources of other funds \$ 250,000

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt	\$ 9,615,000	\$ -	\$ 495,000	\$ 9,120,000	\$ 545,000
Bonds	5,794,065	-	1,299,065	4,495,000	655,000
Notes	15,409,065	-	1,794,065	13,615,000	1,200,000
Total general obligation debt	4,540,000	-	-	4,540,000	4,540,000
Bond anticipation notes	283,867	-	33,489	250,378	-
Debt premium	-	-	-	-	-
Governmental activities	\$ 20,232,932	\$ -	\$ 1,827,554	\$ 18,405,378	\$ 5,740,000
Business-type activities:					
General obligation debt	\$ -	\$ 3,645,000	\$ -	\$ 3,645,000	\$ 205,000
Bonds	160,000	-	80,000	80,000	80,000
Notes	9,782,369	-	742,339	9,040,030	761,656
Total general obligation debt	9,942,369	3,645,000	822,339	12,765,030	1,046,656
WI environmental improvement fund	2,646,091	-	680,866	1,965,225	89,566
Debt premium	-	-	-	-	-
Business-type activities	2,510	136,133	1,254	137,389	-
Long-term obligations	\$ 12,590,970	\$ 3,781,133	\$ 1,504,459	\$ 14,867,644	\$ 1,136,222

Total interest paid during the year on long-term debt totaled \$703,413.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
WI environmental improvement fund	05/28/99	05/01/19	2.72%	\$ 259,774	\$ 25,835
WI environmental improvement fund	09/27/00	05/01/20	2.97%	614,980	105,503
WI environmental improvement fund	11/28/01	05/01/27	2.75%	1,139,950	279,104
WI environmental improvement fund	12/26/07	05/01/27	2.46%	5,855,983	3,402,274
Promissory note	06/03/08	03/01/18	3.50-3.60%	2,025,000	240,000
WI environmental improvement fund	03/25/09	05/01/28	2.67%	4,930,393	2,891,426
Promissory note	07/25/13	03/01/23	2.00-2.55%	4,060,000	1,895,000
Promissory note	07/25/13	03/01/13	2%	390,000	80,000
WI environmental improvement fund	05/28/14	05/01/34	3%	2,546,888	2,235,888
Promissory note	06/24/15	03/01/25	2.00-2.25%	2,415,000	2,360,000
Refunding bond	05/18/16	03/01/30	2.00-2.25%	9,615,000	9,120,000
Sewer system improvement bonds	06/29/17	03/01/37	3.00-3.15%	3,645,000	3,645,000
Total outstanding general obligation debt					\$ 26,380,030

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Annual principal and interest maturities of the outstanding general obligation debt of \$26,380,030 on December 31, 2017 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,200,000	\$ 271,194	\$ 1,046,656	\$ 350,663	\$ 2,246,656	\$ 621,857
2019	1,210,000	245,174	916,476	305,732	2,126,476	550,906
2020	1,245,000	220,237	928,365	281,188	2,173,365	501,425
2021	1,280,000	193,999	916,589	256,698	2,196,589	450,697
2022	1,310,000	166,605	866,880	233,112	2,176,880	399,717
2023-2027	4,935,000	475,195	4,684,912	805,357	9,619,912	1,280,552
2028-2032	2,435,000	79,170	1,983,213	336,211	4,418,213	415,381
2033-2037	-	-	1,421,939	96,450	1,421,939	96,450
	<u>\$13,615,000</u>	<u>\$ 1,651,574</u>	<u>\$12,765,030</u>	<u>\$ 2,665,411</u>	<u>\$ 26,380,030</u>	<u>\$ 4,316,985</u>

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

Build America Bonds

The general obligation debt issued on 5/26/10 qualifies as Build America Bonds, as described in section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The village is eligible to receive a 35% subsidy of the annual interest payment from the Federal Government. In order to receive this subsidy it is necessary for the Village to file a claim form annually. These bonds were refunded in 2016.

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2017 was \$38,749,860 as follows:

Equalized valuation of the Village	\$ 1,302,597,800
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	65,129,890
Net outstanding general obligation debt applicable to debt limitation	26,380,030
Legal margin for new debt	<u>\$ 38,749,860</u>

Note Anticipation Notes

Note anticipation notes outstanding on December 31, 2017 totaled \$4,540,000 and was comprised of the following issue:

Note anticipation note	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
	10/27/15	11/07/18	1.38%	\$ 4,540,000	\$ 4,540,000

Annual principal and interest maturities of the outstanding note anticipation note of \$4,540,000 on December 31, 2017 is detailed below:

Year Ended December 31,	Governmental Activities	
	Principal	Total
2018	\$ 4,540,000	\$ 64,425
		<u>\$ 4,604,425</u>

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Revenue Bonds
Revenue bonds outstanding on December 31, 2017 totaled \$1,965,225 and was comprised of the following issue:

W/ environmental improvement fund	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
	10/7/15	05/07/35	2.28%	\$ 2,122,381	\$ 1,965,225

Annual principal and interest maturities of the outstanding revenue bonds of \$1,965,225 on December 31, 2017 are detailed below:

Year Ended December 31,	Business-type Activities	
	Principal	Total
2018	\$ 89,566	\$ 43,690
2019	91,604	41,629
2020	93,688	39,522
2021	95,820	37,366
2022	97,999	35,161
2023-2027	524,471	140,940
2028-2032	586,907	77,794
2033-2035	385,170	13,275
	<u>\$ 1,965,225</u>	<u>\$ 429,377</u>
		<u>\$ 2,394,602</u>

Utility Revenues Pledged

The Village has pledged future utility district customer revenues, net of specified operating expenses, to repay the utility district revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets. The bonds are payable solely from utility district customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$2,394,602. Principal and interest paid for the current year and total customer net revenues were \$133,279 and \$2,224,147 respectively.

F. PENSION PLAN

1. **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.

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

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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

2. 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employees 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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

During the reporting period ending December 31, 2016, the WRS recognized \$127,688 in contributions from the Village.

Contribution rates for the current reporting period are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2017, the Village reported a liability of \$116,271 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Village's proportion was 0.01410645%, which was a decrease of 0.0004631% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Village recognized pension expense of \$307,344.

At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,334	\$ 365,662
Net differences between projected and actual earnings on pension plan investments	578,760	-
Changes in assumptions	121,566	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,930	7,681
Employer contributions subsequent to the measurement date	135,068	-
Total	\$ 911,658	\$ 373,343

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

\$135,068 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 liability in the year ended December 31, 2018. 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	Expense
December 31, 2017	\$ 162,347
2018	162,347
2019	111,210
2020	(32,927)
2021	270
Total	\$ 403,247

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2015
Measurement date of net pension liability (asset):	December 31, 2016
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actuarial 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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5%	37%	4.2%	1.4%
Inflation sensitive assets	15.5%	20%	4.3%	1.5%
Real estate	8%	7%	6.5%	3.6%
Private equity/debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WPS, 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 members 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 liability (asset) to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$ 1,529,617	\$ 116,271	\$ (972,070)

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

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. Payables to the Pension Plan

At December 31, 2017, the Village reported a payable of \$25,656 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

G. OTHER PENSION PLAN

In 2011, the Village of Salem Lakes withdrew from a pension plan for union employees and was assessed a withdrawal liability in the amount of \$2,344,207. Monthly required installments of \$10,094 began on January 1, 2012 and are payable through December 31, 2021. As of December 31, 2017, the total future payments due under the withdrawal liability total \$1,663,126. The Village recorded the unfunded pension liability as of January 1, 2015 when adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an Amendment to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an Amendment to GASB Statements No. 27 and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an Amendment of GASB Statement No. 68.

The Village is currently in negotiations for a lump sum settlement.

H. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2017, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Delinquent personal property taxes	\$ 36,956
Delinquent special charges due from County	101,793
Total General Fund Nonspendable Fund Balance	<u>138,749</u>
Special Revenue Fund	
Nonspendable	
Storm water utility	
Delinquent special charges due from County	55,978
Total Nonspendable Fund Balance	<u>\$ 194,727</u>

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2017, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Park land and facilities	\$ 651,346
Transportation system	59,775
Total	<u>711,121</u>
Capital Improvements Fund	
Restricted for	
Fire and rescue	125,321
Capital improvements	517,452
Tax incremental district no. 1	1,897,860
Total	<u>2,540,633</u>
Total Restricted Fund Balance	<u>\$ 3,251,754</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2017, fund balance was assigned as follows:

Special Revenue Fund	
Assigned for	
Pedestrian and bicycle trails	\$ 187,511
Storm water	250,386
Total	<u>\$ 437,897</u>

Minimum General Fund Balance Policy

The general fund will be balanced with property tax, only after all other revenue sources and expenditure reductions have been exhausted. A minimum of 17% of operating expenses (two months of operating expenditures) shall be maintained as undesignated reserve. Currently, 17% of the general fund expenditures are \$954,452. The general fund unassigned fund balance is \$2,854,619. Any amounts over 25% shall be re-appropriated to other funds that have not yet met their reserve requirements. If the balance falls below the minimum fund balance in any given year, funds shall be reserved in the following budget year to replenish the fund balance to meet the minimum requirement.

A minimum of 17% of operating expenses shall be maintained as a reserve in the sewer utility and storm water utility funds, in addition a sufficient reserve shall be maintained to satisfy bond requirements and Department of Natural Resources loan, depreciation, and capital improvement requirements. Seventeen percent of operating expenses for the sewer utility and storm water utility funds are \$520,483 and \$119,394 respectively. The sewer utility unrestricted net position is \$4,225,461 and the storm water utility fund balance is \$306,364.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Net Position
The Village reports restricted net position at December 31, 2017 as follows:

Governmental activities	
Restricted for	
Fire and rescue	\$ 125,321
Park land and facilities	651,346
Transportation system	59,775
Total governmental activities restricted net position	<u>836,442</u>
Business-type activities	
Restricted for	
Debt service	2,327,712
Equipment replacement	1,523,458
Total business-type activities restricted net position	<u>3,851,170</u>
Total restricted net position	<u>\$ 4,687,612</u>

NOTE 4: OTHER INFORMATION

A. TAX INCREMENTAL FINANCING DISTRICTS

The Village has established a separate capital projects fund for Tax Incremental District (TID) No. 1 which was created by the Village in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the District was created, the property tax base within the District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the Village to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The Village's District is still eligible to incur project costs.

Since creation of the above District, the Village has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the Village from any future excess tax increment revenues. As of December 31, 2017, the Village can recover \$2,507,667 from future excess tax increment revenues of the District. Unless terminated by the Village prior thereto, the TID has a statutory termination year of 2035.

B. 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.

C. 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 legal counsel 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.

Village of Salem Lake, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

D. COMMITMENTS AND CONTINGENCIES

The Village issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,600,000 and bears interest of 4.0% per annum, compounding annually, payable solely from available project increments relating specifically to tax increments generated by the Village Board. Available project increments relating specifically to tax increments generated by development within the Village's tax incremental financing district, after retirement of specific Village obligations related to the development. Payment are scheduled through December 31, 2036. The obligation does not contribute a charge upon any funds of the Village. In the event that available project increments are not sufficient to pay off the municipal revenue obligation in any particular year, the amount of deficiency will be deferred with interest. The municipal revenue obligation terminated on December 31, 2036 with no further liability to the Village for any deficiency, if one exists. A deficiency in any year or in total does not constitute a default by the Village under the terms of the developer agreement. Since the amount of future payments is contingent upon the collection of future TID increment, the obligation is not reported as a liability in the accompanying financial statement. The balance commitment outstanding at year-end December 31, 2017 was \$1,600,000.

E. GOVERNMENT MERGER

The Village of Salem Lakes began operations January 1, 2017, and was formed from the merger of the Town of Salem and the Village of Silver Lake. The initial opening balances of the Village of Salem Lakes' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of the Town of Salem and the Village of Silver Lake as of December 31, 2016.

F. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

Village of Salem Lakes, Wisconsin

GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Taxes				
General property	\$ 3,206,400	\$ 3,206,400	\$ 3,205,213	\$ (1,187)
Mobile home	53,200	53,200	61,302	28,102
Other taxes	4,500	4,500	8,078	3,578
Total taxes	3,264,100	3,264,100	3,294,593	30,493
Intergovernmental				
State	196,800	196,800	199,199	2,399
State shared taxes	52,700	52,700	58,892	6,192
Fire insurance dues	1,300	1,300	867	(433)
Tax exempt computer aid	14,000	14,000	15,617	1,617
Water patrol	320,900	320,900	319,824	(1,076)
Transportation	2,000	2,000	1,973	(27)
Payment in lieu of taxes	25,500	25,500	25,951	451
Other local government grants	613,200	613,200	622,323	9,123
Total intergovernmental				
Licenses and permits				
Licenses	5,500	5,500	4,135	(1,365)
Operators	110,500	110,500	110,311	(189)
Cable television	18,100	18,100	21,810	3,710
Liquor	17,200	17,200	19,763	2,563
Other licenses				
Permits	13,600	13,600	20,210	6,610
Building	159,900	159,900	201,785	41,885
Other permits	324,800	324,800	378,014	53,214
Total licenses and permits	66,000	66,000	42,252	(23,748)
Fines and forfeits				
Court fines and penalties				

Village of Salem Lakes, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.01523635%	\$ (160,992)	1,914,929	8.41%	102.74%
12/31/16	0.01456955%	236,753	1,772,041	13.36%	98.20%
12/31/17	0.01410645%	116,271	1,745,405	6.66%	99.12%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	covered-Employee Payroll (fiscal year)	Contributions as a Percentage of Covered-Employee Payroll
12/31/16	127,688	127,688	-	1,745,405	7.32%
12/31/17	135,068	135,068	-	1,733,309	7.79%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The Village is required to present the last ten fiscal years of data, however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Village of Salem Lakes, Wisconsin

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GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Public charges for services				
General government	19,300	19,300	10,827	(8,473)
Planning and zoning fees	15,800	15,800	7,460	(8,340)
Building inspection fees	44,700	44,700	48,599	3,899
Highway	5,000	5,000	5,515	515
Garbage, recycling and yard waste	1,223,500	1,223,500	1,241,591	18,091
Razing	5,000	5,000	34,066	29,066
Dog pound fees	500	500	180	(320)
Rental	8,000	8,000	6,878	(1,122)
Total public charges for services	<u>1,321,800</u>	<u>1,321,800</u>	<u>1,355,116</u>	<u>33,316</u>
Intergovernmental charges for services				
EMS	340,000	340,000	319,761	(20,239)
Fire	371,600	254,600	257,552	2,952
Total intergovernmental charges for services	<u>711,600</u>	<u>594,600</u>	<u>577,313</u>	<u>(17,287)</u>
Miscellaneous				
Interest on investments	5,500	5,500	35,011	29,511
Other	67,000	67,000	76,585	9,585
Total miscellaneous	<u>72,500</u>	<u>72,500</u>	<u>111,596</u>	<u>39,096</u>
Total Revenues	\$ 6,374,000	\$ 6,257,000	\$ 6,381,207	\$ 124,207

Village of Salem Lakes, Wisconsin

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GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
General Government				
Elected officials	\$ 10,000	\$ 10,000	\$ 770	\$ 9,230
Judicial	67,400	67,400	65,980	1,420
Boards and commissions	88,500	88,500	69,915	18,585
Administrator	133,000	133,000	127,663	5,337
Legal expense	75,500	75,500	62,075	13,425
Town clerk	181,000	181,000	194,177	(13,177)
Elections	31,300	31,300	16,311	14,989
Town treasurer	86,600	86,600	86,109	491
Town hall and contractual services	412,900	412,900	494,898	(81,998)
Insurance	233,700	233,700	217,072	16,688
Contingency	105,755	105,755	93,172	12,583
Total general government	<u>1,425,655</u>	<u>1,425,655</u>	<u>1,428,082</u>	<u>(2,427)</u>
Public Safety				
Public safety	425,500	425,500	359,083	66,417
Water patrol	34,400	34,400	25,367	9,033
Fire department	1,428,000	1,428,000	1,183,054	244,946
Building inspection	161,400	161,400	151,452	9,948
Total public safety	<u>2,049,300</u>	<u>2,049,300</u>	<u>1,718,956</u>	<u>330,344</u>
Public Works				
Highway department	1,009,100	1,009,100	711,292	297,808
Street lights	79,000	79,000	81,663	(2,663)
Garbage collection	743,200	791,200	826,876	(35,676)
Recycling charges	230,400	230,400	277,520	(47,120)
Total public works	<u>2,061,700</u>	<u>2,109,700</u>	<u>1,897,351</u>	<u>212,349</u>
Health and Human Services				
Animal control	10,000	10,000	10,026	(26)
Total health and human services	<u>10,000</u>	<u>10,000</u>	<u>10,026</u>	<u>(26)</u>
Culture and Recreation				
Library	407,200	407,200	407,121	79
Parks	110,445	110,445	100,747	9,698
Total culture and recreation	<u>517,645</u>	<u>517,645</u>	<u>507,868</u>	<u>9,777</u>
Conservation and Development				
Conservation and development	32,900	32,900	42,136	(9,236)
Purchased services	10,000	10,000	10,003	(3)
Total conservation and development	<u>42,900</u>	<u>42,900</u>	<u>52,139</u>	<u>(9,239)</u>
Total Expenditures	\$ 6,107,200	\$ 6,155,200	\$ 5,614,472	\$ 540,728

Village of Salem Lakes, Wisconsin

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Trails	Park	Special Revenue Maintenance Fee	Storm Water Utility
ASSETS				
Cash and investments	\$ 187,511	\$ 60,233	\$ 59,775	\$ 109,210
Restricted cash and investments	-	595,138	-	-
Receivables	-	-	-	-
Accounts	-	-	-	76,805
Due from other funds	-	-	-	227,590
Due from other governments	-	-	-	55,978
Total assets	<u>\$ 187,511</u>	<u>\$ 655,371</u>	<u>\$ 59,775</u>	<u>\$ 469,583</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 4,025	\$ -	\$ 365
Accrued and other current liabilities	-	-	-	2,380
Total liabilities	-	<u>4,025</u>	-	<u>2,745</u>
Deferred inflows of resources	-	-	-	160,474
Special charges assessed	-	-	-	-
Fund balances				
Nonspendable	-	-	-	55,978
Restricted	187,511	651,346	59,775	-
Assigned	-	-	-	250,386
Total fund balances	<u>187,511</u>	<u>651,346</u>	<u>59,775</u>	<u>306,364</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 187,511</u>	<u>\$ 655,371</u>	<u>\$ 59,775</u>	<u>\$ 469,583</u>

	Capital Projects Tax Incremental District No. 1	Total
	\$ 1,897,860	\$ 2,314,589
	-	595,138
	-	76,805
	112,466	340,056
	-	55,978
	<u>\$ 2,010,326</u>	<u>\$ 3,382,566</u>
	\$ -	\$ 4,390
	-	2,380
	-	6,770
	-	160,474
	1,897,860	55,978
	-	2,608,981
	-	457,897
	<u>1,897,860</u>	<u>3,102,856</u>
	<u>\$ 2,010,326</u>	<u>\$ 3,382,566</u>

Village of Salem Lakes, Wisconsin

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue			Storm Water Utility
	Trails	Park	Maintenance Fee	
REVENUES				
Taxes	\$ -	\$ 1,800	\$ -	\$ -
Public charges for services	-	51,175	5,982	575,674
Miscellaneous	2,135	4,767	398	4,374
Total revenues	2,135	57,742	6,380	580,048
EXPENDITURES				
Current				
Public works	-	-	-	241,564
Culture and recreation	-	249,254	-	-
Conservation and development	-	-	-	-
Debt service	-	-	-	456,771
Principal	-	-	-	3,982
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	249,254	-	702,317
Net change in fund balances	2,135	(191,512)	6,380	(122,269)
Fund balances - January 1	185,376	842,858	53,395	428,633
Fund balances - December 31	\$ 187,511	\$ 651,346	\$ 59,775	\$ 306,364

	Capital Projects Tax Incremental District No. 1	Total
\$	11,196	\$ 12,996
	-	632,831
	17,802	29,476
	28,998	675,303
	-	241,564
	-	249,254
	5,983	5,983
	-	456,771
	62,425	66,407
	95,063	95,063
	163,471	1,115,042
	(134,473)	(439,739)
	2,032,333	3,542,595
\$	1,897,860	\$ 3,102,856



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 Salem Lake, Wisconsin

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salem Lake, Wisconsin, (the "Village") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated 2018 .

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Village'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village'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*.

VILLAGE OF SALEM LAKES, WISCONSIN'S RESPONSE TO FINDING

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the Village'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

Green Bay, Wisconsin

 2018

Village of Salem Lake, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2017-001	<p>Segregation of Duties Repeat of Finding 2016-001</p> <p>Condition: The Village has a limited number of employees to perform the majority of the accounting functions for the Village. Currently, one employee is responsible for processing payroll transactions and maintaining personnel records and another is responsible for processing disbursement transactions and maintaining check records. Finally, all invoices should be coded to the appropriate account and approved by the department head and not the employee involved in the processing of the disbursement transactions and accordingly, this does not allow for a proper segregation of duties for internal control purposes.</p> <p>Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.</p> <p>Cause: The lack of segregation of duties is due to the limited number of employees and the size of the Village's operations.</p> <p>Effect: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.</p> <p>Recommendation: We recommend the Village continue to monitor the transactions and the financial records of the Village. We recommend the Village continue to review all financial transaction processes to identify tasks that could be reassigned to other Village personnel and in the process create time efficiencies.</p> <p>Management Response: The Village employs an accounting firm to provide oversight and technical assistance throughout the year; however, management believes that the cost of segregating cash receipts and cash disbursement duties from related recording functions outweighs the benefits to be received. The Village completed a software upgrade in 2016 which allowed the Village to reassess controls and implement potential changes and continues to do so as they evolve even further into the capabilities of the software.</p>

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2017.

FORM OF LEGAL OPINION

(See following pages.)

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

June 27, 2018

Re: Village of Salem Lakes, Wisconsin ("Issuer")
\$8,700,000 General Obligation Corporate Purpose Bonds, Series 2018A,
dated June 27, 2018 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$335,000	___%
2020	395,000	___
2021	395,000	___
2022	405,000	___
2023	420,000	___
2024	430,000	___
2025	440,000	___
2026	450,000	___
2027	465,000	___
2028	480,000	___
2029	495,000	___
2030	515,000	___
2031	530,000	___
2032	545,000	___
2033	570,000	___
2034	590,000	___
2035	610,000	___
2036	630,000	___

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2019.

The Bonds maturing on March 1, 2027 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2026 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Bonds maturing in the years _____ are subject to mandatory redemption by lot as provided in the resolution awarding the Bonds, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion

regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages.)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Village of Salem Lakes, Kenosha County, Wisconsin (the "Issuer") in connection with the issuance of \$8,700,000 General Obligation Corporate Purpose Bonds, Series 2018A, dated June 27, 2018 (the "Securities"). The Securities are being issued pursuant to resolutions adopted on May 14, 2018 and June 11, 2018 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated June 12, 2018 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Village Board of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the Village of Salem Lakes, Kenosha County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Village Administrator of the Issuer who can be contacted at 9814 Antioch Road, P.O. Box 443, Salem, Wisconsin, phone (262) 843-2313, fax (262) 843-4432.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ended December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - DIRECT DEBT

2. DEBT - DEBT LIMIT
3. VALUATIONS - CURRENT PROPERTY VALUATIONS
4. TAX LEVIES AND COLLECTIONS - TAX LEVIES AND COLLECTIONS

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 27th day of June, 2018.

(SEAL)

Diann Tesar
President

Cynthia Dulaney
Village Clerk

NOTICE OF SALE

**\$8,700,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2018A
VILLAGE OF SALEM LAKES, WISCONSIN**

Bids for the purchase of \$8,700,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Bonds") of the Village of Salem Lakes, Wisconsin (the "Village") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the Village, until 12:00 P.M. (Noon), Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 12:00 P.M. Central Time, on June 11, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Board of Trustees for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the Village will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for public purposes of financing street improvement projects and sewerage projects, consisting of storm water projects and refunding certain outstanding obligations of the Village as more fully described in the Preliminary Official Statement. The Bonds are valid and binding general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Bonds will be dated June 27, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$335,000	2025	\$440,000	2031	\$530,000
2020	395,000	2026	450,000	2032	545,000
2021	395,000	2027	465,000	2033	570,000
2022	405,000	2028	480,000	2034	590,000
2023	420,000	2029	495,000	2035	610,000
2024	430,000	2030	515,000	2036	630,000

ADJUSTMENT OPTION

* The Village reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The Village has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the Village, the Bonds maturing on or after March 1, 2027 shall be subject to optional redemption prior to maturity on March 1, 2026 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the Village. If only part of the Bonds having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 27, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the Village will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the Village, threatened. Payment for the Bonds must be received by the Village at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the Village, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the Village; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" attached as Appendix B to the Preliminary Official Statement.)

Quarles & Brady LLP has also been retained by the Village to serve as Disclosure Counsel to the Village with respect to the Bonds. Although, as Disclosure Counsel to the Village, Quarles & Brady LLP has assisted the Village with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

SUBMISSION OF BIDS

Bids must not be for less than \$8,591,250 nor more than \$9,222,000 plus accrued interest on the principal sum of \$8,700,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 12:00 P.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the Village nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$174,000 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The Village reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the Village may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the Village as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The Village and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have

no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the Village scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis, subject to the condition that no valid petition is filed by June 13, 2018 requesting that the Bonds not be issued. The Village's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The Village reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the Village requested and received a rating on the Bonds from a rating agency, the Village will pay that rating fee. Any rating agency fees not requested by the Village are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The Village will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Village will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Village will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the Village in establishing the issue price of the Bonds and shall execute and deliver to the Village at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the Village under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Village by the Village's municipal advisor

identified herein and any notice or report to be provided to the Village may be provided to the Village's municipal advisor.

(b) The Village intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The Village shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Village may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Village anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the Village shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the Village agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Bonds. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Village when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Village acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Village further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding

the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the Village, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Village (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the Village to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Trustees

Patrick Casey, Village Administrator
Village of Salem Lakes, Wisconsin

BID FORM

**The Village Board
Village of Salem Lakes, Wisconsin**

June 11, 2018

RE: \$8,700,000* General Obligation Corporate Purpose Bonds, Series 2018A
DATED: June 27, 2018

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$8,591,250 nor more than \$9,222,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2019	_____	% due	2025	_____	% due	2031
_____	% due	2020	_____	% due	2026	_____	% due	2032
_____	% due	2021	_____	% due	2027	_____	% due	2033
_____	% due	2022	_____	% due	2028	_____	% due	2034
_____	% due	2023	_____	% due	2029	_____	% due	2035
_____	% due	2024	_____	% due	2030	_____	% due	2036

* The Village reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$174,000, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The Village reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the Village may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about June 27, 2018.

This bid is subject to the Village's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the Village with the reoffering price of the Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 27, 2018 of the above bid is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Village Board of the Village of Salem Lakes, Wisconsin, on June 11, 2018.

By: _____ By: _____
Title: _____ Title: _____