

VILLAGE OF WALWORTH

Walworth, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

VILLAGE OF WALWORTH

TABLE OF CONTENTS As of and for the Year Ended December 31, 2019

	<u>Page(s)</u>
Independent Auditors' Report	i – ii
Required Supplementary Information	
Management's Discussion and Analysis	iii – xiii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Enterprise Fund	7 – 8
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund	9
Statement of Cash Flows – Enterprise Fund	10 – 11
Statement of Fiduciary Net Position – Custodial Fund	12
Statement of Changes in Fiduciary Net Position – Custodial Fund	13
Index to Notes to Financial Statements	14
Notes to Financial Statements	15 – 45
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	46 – 49
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System	50
Schedule of Employer Contributions – Wisconsin Retirement System	50
Notes to Required Supplementary Information	51

VILLAGE OF WALWORTH

TABLE OF CONTENTS As of and for the Year Ended December 31, 2019

	<u>Page(s)</u>
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Walworth
Walworth, 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 Walworth, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village of Walworth'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 did not audit the financial statements of the Fontana-Walworth Water Pollution Control Commission (FWWPCC), a joint venture of the water and sewer utility, which represent 27 percent, 31 percent and 8 percent, respectively, of the assets, net position and expenses of the business-type activities and 27 percent, 31 percent, and 8 percent respectively, of the assets, net position, and expenses of the water and sewer utility fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the FWWPCC, a joint venture of the water and sewer utility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Walworth's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Village of Walworth'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, based on our audit and the report of other auditors, 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 Walworth, Wisconsin, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Village of Walworth adopted the provisions of Governmental Accounting Standards Board No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Supplementary Information

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

Baker Tilly Veitchau Krause, LLP

Madison, Wisconsin
July 9, 2020

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

The management of the Village of Walworth ("village") offers this narrative discussion and analysis (MD&A) of the financial performance of the village for the year ended December 31, 2019. The MD&A is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the village's financial activity; (3) identify changes in the village's financial position; (4) identify material deviations from the approved budget; and (5) identify individual fund issues or concerns.

Since the MD&A focuses primarily on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the village's more detailed financial statements which follow this section.

FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net position; when expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses illustrates the village's operating results. The village's net position, as measured in the Statement of Net Position, is an important indicator of the village's financial position or health. Over time, increases or decreases in the village's net position, as measured in the Statement of Activities, are important indicators of whether its financial health is improving or deteriorating. The village's mission, however, is to provide services that improve the quality of life for its residents, rather than generate profits as companies do. For this reason, it is also necessary to consider many other non-financial factors, such as the condition of roads or quality of services, in assessing the overall health of the village.

- > The assets and deferred outflows of resources of the Village of Walworth exceeded its liabilities and deferred inflows of resources as of December 31, 2019 by \$10,606,167 (net position). Of this amount, \$6,436,226 is the village's net investment in capital assets.
- > As of December 31, 2019, the Village of Walworth's governmental funds reported combined ending fund balances of \$1,050,258, an increase of \$250,319 (31%) from the prior year. The main contributor to the increase in fund balance is a result of unspent bond proceeds and unspent donations in the general fund and revenues exceeding expenditures in all other governmental funds (debt service, library, capital projects and TIF No. 1).
- > As of December 31, 2019, the unassigned fund balance for the General Fund was \$239,850. The village's unrestricted fund balance (assigned/unassigned) of \$341,273 as of year-end compared to the 2019 general fund operating expenditures was 15%. The total fund balance in the General Fund – also including Nonspendable, Restricted, and Assigned amounts was \$512,418, an increase of 135,651 (36%) over the previous year. The majority of this increase is related to unspent bond proceeds and unspent donations as noted above.
- > The Village of Walworth's total general obligation debt decreased \$888. The change in outstanding debt included normal debt repayments of \$189,574 offset by new debt issued for \$188,686. At year-end, the village was utilizing 13% of its general obligation debt capacity.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the village's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating. To assess the overall health of the village it is also necessary to consider additional nonfinancial factors such as changes in the village's property tax base and the condition of the village's infrastructure.

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

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the village include general government; public safety; public works; culture, education and recreation; and conservation and development. The business-type activities of the Village of Walworth include the Water and Sewer Utility.

The government-wide financial statements can be found on pages 1 to 2 of this report.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS

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

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

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

The village maintains five (5) individual governmental funds. They include the General Fund, Memorial Library, General Debt Service, Capital Projects Fund, and Tax Increment Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

Proprietary Funds – The village maintains one proprietary enterprise fund – the Water and Sewer Utility which is a major fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 7 to 11 of this report.

Custodial Funds – Custodial funds are used to account for resources held for the benefit of parties outside the government. Custodial funds are not reflected in the government-wide financial statements because the resources for those funds are not available to support village programs and services. The accounting used for custodial funds is much like what is used for proprietary funds.

The custodial fund financial statements can be found on pages 12 to 13 of this report.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 45 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget and information relating to the village's net pension liability and related contributions. These schedules can be found on pages 46 to 50 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented as supplementary information which follows the required supplementary information and can be found on pages 52 to 53 of this report.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position should begin with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Walworth, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,606,167 as of December 31, 2019. This an increase of \$40,216 compared to 2018.

The largest portion of the village's net position (approximately 61%) reflects its investments in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional portion of the village's net position (approximately 5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$3,596,204.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

NET POSITION (cont.)

A summary of the village's Statement of Net Position is presented in the table below.

VILLAGE OF WALWORTH'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,785,194	\$ 2,610,867	\$ 3,300,350	\$ 3,308,549	\$ 6,085,544	\$ 5,919,416
Capital assets	3,216,147	3,308,167	4,871,021	4,966,295	8,087,168	8,274,462
Total Assets	<u>6,001,341</u>	<u>5,919,034</u>	<u>8,171,371</u>	<u>8,274,844</u>	<u>14,172,712</u>	<u>14,193,878</u>
Deferred Outflows	567,156	330,855	126,258	49,805	693,414	380,660
Long-term liabilities	1,243,239	989,571	830,211	855,014	2,073,450	1,844,585
Other liabilities	127,961	106,960	91,938	122,743	219,899	229,703
Total Liabilities	<u>1,371,200</u>	<u>1,096,531</u>	<u>922,149</u>	<u>977,757</u>	<u>2,293,349</u>	<u>2,074,288</u>
Deferred Inflows	1,907,505	1,894,594	59,105	39,705	1,966,610	1,934,229
Net Position:						
Net investment						
in capital assets	2,320,915	2,471,602	4,115,311	4,143,259	6,436,226	6,614,861
Restricted	481,488	474,102	92,251	90,000	573,739	564,102
Unrestricted	487,389	313,060	3,108,813	3,073,928	3,596,202	3,386,988
TOTAL NET POSITION	<u>\$ 3,289,792</u>	<u>\$ 3,258,764</u>	<u>\$ 7,316,375</u>	<u>\$ 7,307,187</u>	<u>\$ 10,606,167</u>	<u>\$ 10,565,951</u>

CHANGES IN NET POSITION

The following table provides a summary of the village's operations for the year ended December 31, 2019. Governmental activities increased the Village of Walworth's net position by \$31,028 (1%). This compares to a decrease of \$42,474 (1.3%) in 2018.

Business-type activities increased the net position by \$9,188 (<1%). This compares to an increase of \$78,566 (1.1%) in the prior year.

The change in net position was essentially flat in 2019.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

CHANGES IN NET POSITION (cont.)

The following tables and narrative review separately the operational results of governmental and business-type activities.

VILLAGE OF WALWORTH CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 500,318	\$ 448,603	\$ 1,068,817	\$ 1,062,655	\$ 1,569,135	\$ 1,511,258
Operating grants and contributions	248,258	237,856	-	-	248,258	237,856
Capital grants and contributions	-	5,696	-	2,744	-	8,440
General Revenues						
Property taxes	1,532,044	1,494,517	-	-	1,532,044	1,494,517
Other taxes	5	16	-	-	5	16
Intergovernmental revenues	124,387	97,387	-	-	124,387	97,387
Public gifts and grants	106,401	-	-	-	106,401	-
Investment income	28,399	14,921	17,442	12,264	45,841	27,185
Miscellaneous	96,524	76,595	-	-	96,524	76,595
Total Revenues	<u>2,636,336</u>	<u>2,375,591</u>	<u>1,086,259</u>	<u>1,077,663</u>	<u>5,836,073</u>	<u>3,453,254</u>
Expenses						
General government	344,064	301,797	-	-	344,064	301,797
Public safety	1,454,932	1,397,372	-	-	1,454,932	1,397,372
Public works	530,780	447,294	-	-	530,780	447,294
Culture, recreation and education	318,809	308,253	-	-	318,809	308,253
Conservation and development	8,184	11,991	-	-	8,184	11,991
Miscellaneous	-	-	81,505	58,554	81,505	58,554
Interest and fiscal charges	28,372	28,417	24,842	25,829	53,214	54,246
Water and sewer operations	-	-	890,891	837,655	890,891	837,655
Total Expenses	<u>2,685,141</u>	<u>2,495,124</u>	<u>997,238</u>	<u>922,038</u>	<u>3,682,379</u>	<u>3,417,162</u>
Increases in Net Position Before Transfers	(48,805)	(119,533)	89,021	155,625	40,216	36,092
Transfers	79,833	77,059	(79,833)	(77,059)	-	-
Change in Net Position	31,028	(42,474)	9,188	78,566	40,216	36,092
NET POSITION – Beginning of Year	<u>3,258,764</u>	<u>3,301,238</u>	<u>7,307,187</u>	<u>7,228,621</u>	<u>10,565,951</u>	<u>10,529,859</u>
NET POSITION – End of Year	<u>\$ 3,289,792</u>	<u>\$ 3,258,764</u>	<u>\$ 7,316,375</u>	<u>\$ 7,307,187</u>	<u>\$ 10,606,167</u>	<u>\$ 10,565,951</u>

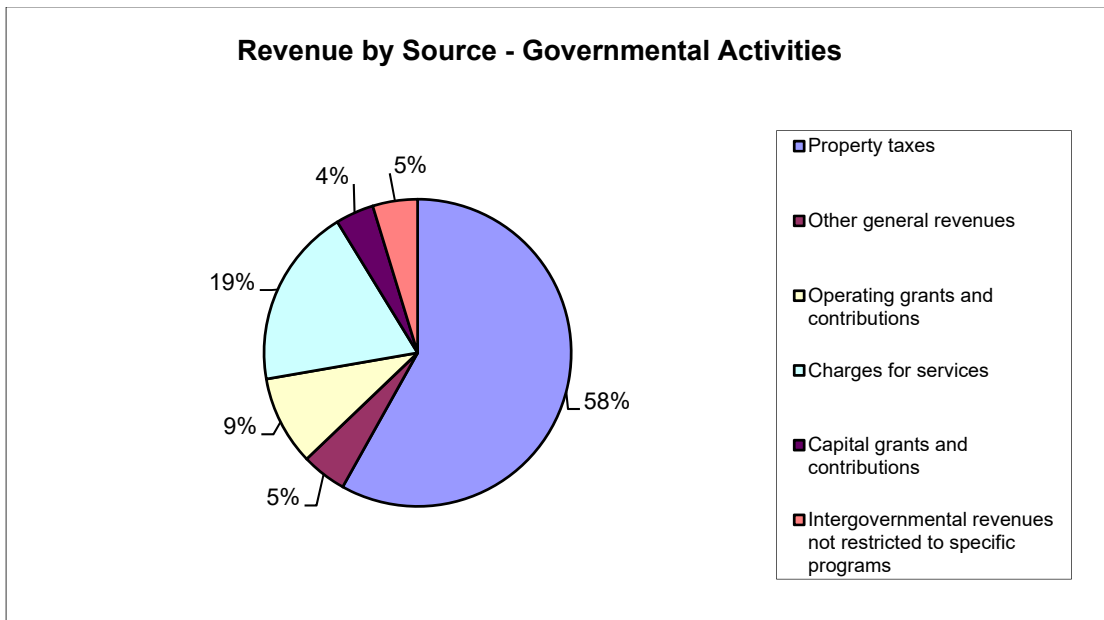
VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES

The village received a total of \$2,636,336 in governmental activity revenues in 2019. This is an increase of \$260,745 (10%) from the prior year. As the following chart indicates, property taxes account for about one-third of all revenues.



Total governmental activities expenses were \$2,685,141 in 2019, an increase of \$190,017 (8%) from the prior year. The increase in 2019 is attributed to an increase in public works expenses due to the flooding in the Village during the year. Revenues were less than expenses by \$48,805, down \$70,728 from the prior year. After transfers, there was an increase in net position of \$31,028.

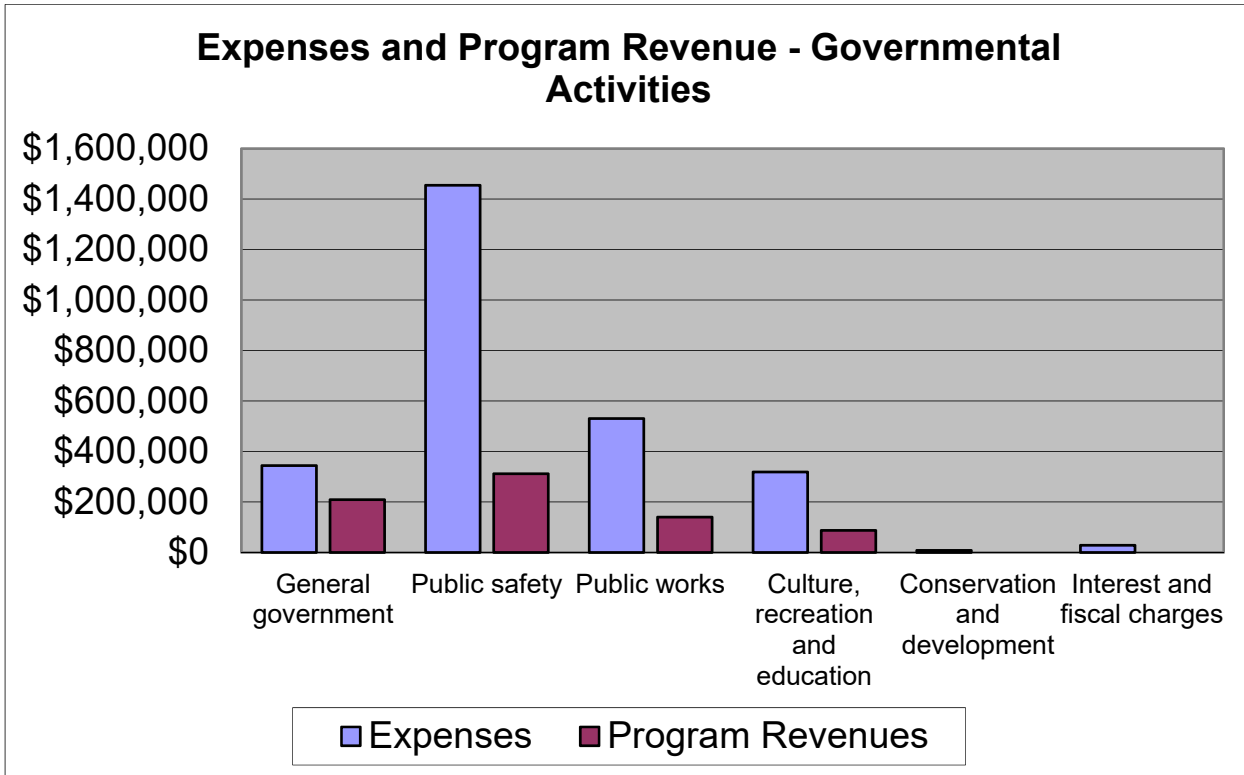
In 2019, Public Safety (police, fire, EMS, emergency management) activities accounted for the largest share of village expenditures at 54.1%. This was followed by expenditures on Public Works activities at 19.8%, up from 18.3%. Other expenditure areas included General Government at 12.8%, Culture, recreation and education at 11.9% and Conservation and Development at 0.3%. Interest and fiscal charges accounted for the remaining 1.1% of governmental activity expenses.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

GOVERNMENTAL ACTIVITIES (cont.)



BUSINESS-TYPE ACTIVITIES

The village generated \$1,086,259 in business-type activity revenue in 2019 from its Water and Sewer Utility Fund. This is a 1% increase compared to 2018 when revenues were \$1,077,663. Charges for services are by far the largest revenue source for these operations, representing almost all utility revenues.

VILLAGE OF WALWORTH

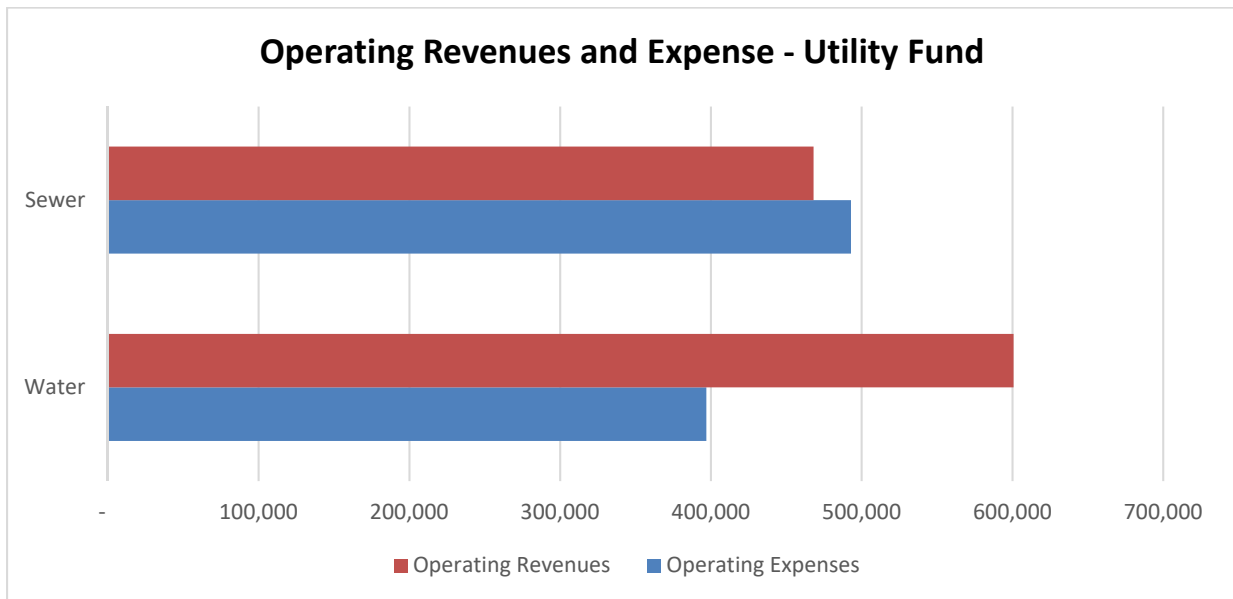
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

BUSINESS-TYPE ACTIVITIES (cont.)

Business-type activities increased the village's net position by \$9,188 in 2019. The main reason for the increase, as discussed previously, was the increase in revenue for charges for services. The operating income of the business-type activities was \$177,926, compared to \$225,000 from the prior year. The decrease in net operating income was a result of increased operating expenses. The following graph breaks down the operating revenues and operating expenses for each the water and sewer activity. The water rates in effect during 2018 were implemented on July 1, 2018, and the sewer rates became effective July 1, 2018.

Expenses and Program Revenues – Business-type Activities



VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

General Fund: The General Fund is the main operating fund of the village. The general fund balance increased by \$135,651 from \$376,767 to \$512,418. The increase was related primarily to unspent bond proceeds and unspent donations as of December 31, 2019.

Debt Service Fund: The Debt Service fund is used to account for the repayment of the Village's general obligation debt. Fund balance increased by \$18,092 from \$53,584 to \$71,676.

PROPRIETARY FUNDS

The Village of Walworth's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Walworth Water and Sewer Utility is an enterprise fund of the Village of Walworth. The utility's operating expenses in 2019, excluding depreciation, increased by \$48,623 from \$667,104 in 2018 to \$715,727 in 2019. Operating revenues of the utility increased from \$1,062,655 in 2018 to \$1,068,817 in 2019. The Utility has an unrestricted cash balance of \$764,732.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget appropriations totaled \$2,292,547. The final actual expenditures of \$2,436,464 were \$143,917 more than the final budget appropriations. Overages in public safety and public works were the primary drivers.

CAPITAL ASSETS

At the end of 2019, the village has invested a total of \$8,087,168 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, library improvements/collection, infrastructure including utility infrastructure and construction work in progress.

During the year, the Village and Utility had capital asset additions of \$224,096 and depreciation expense of \$414,180. Significant capital asset additions during 2019 included a new police vehicle, aluminum door at village hall, electric pumping equipment, and a financial system upgrade.

VILLAGE OF WALWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2019

LONG-TERM DEBT

During 2019, the village issued \$188,686 in general obligation debt and \$189,574 was retired by the village and the utility. In addition, the utility paid \$12,228 of principal on its outstanding revenue bonds. A total of \$1,585,375 in general obligation debt for governmental activities was outstanding at the end of 2019.

Under Wisconsin State Statutes, Chapter 67, the Village of Walworth's aggregate general obligation indebtedness may not exceed 5% of the equalized value of taxable property located in the village. The net amount of debt at year-end that was applicable to the statutory limit was \$1,585,375, which was 13% of the maximum allowed of \$12,013,615.

VILLAGE OF WALWORTH'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds and notes payable	\$ 971,395	\$ 917,185	\$ 613,980	\$ 669,078	\$ 1,585,375	\$ 1,586,263
Revenue bonds	-	-	141,730	153,958	141,730	153,958
Total Outstanding Debt	<u>\$ 971,395</u>	<u>\$ 917,185</u>	<u>\$ 755,710</u>	<u>\$ 823,036</u>	<u>\$ 1,727,105</u>	<u>\$ 1,740,221</u>

CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS

The Village of Walworth is located in Walworth County, Wisconsin near Lake Geneva, Wisconsin.

The property tax base remained relatively stable, despite the challenging real estate market. Sales data showed that properties generally maintained their previous value in the market for sales of existing homes.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the Village. As of the date above, the Village's evaluation of the effects of these events is ongoing. The extent of the impact of COVID-19 on the Village's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have any questions about this report or need any additional information, contact the Village of Walworth, 227 North Main Street, PO Box 400, Walworth, WI 53184 or at (262) 275-2127.

General information relating to the Village of Walworth, Wisconsin, can be found at the village's website, www.villageofwalworth.govoffice2.com.

VILLAGE OF WALWORTH

STATEMENT OF NET POSITION As of December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 993,752	\$ 764,732	\$ 1,758,484
Taxes receivable	1,619,138	-	1,619,138
Other receivables (net)	53,219	267,875	321,094
Prepaid items and inventories	41,396	4,486	45,882
Other assets	-	2,248,695	2,248,695
Internal balances	77,689	(77,689)	-
Restricted assets			
Cash and investments	-	92,251	92,251
Capital Assets			
Land	403,796	160,623	564,419
Other capital assets, net of depreciation	<u>2,812,351</u>	<u>4,710,398</u>	<u>7,522,749</u>
Total Assets	<u>6,001,341</u>	<u>8,171,371</u>	<u>14,172,712</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>567,156</u>	<u>126,258</u>	<u>693,414</u>
Total Deferred Outflows of Resources	<u>567,156</u>	<u>126,258</u>	<u>693,414</u>
LIABILITIES			
Accounts payable and accrued expenses	104,575	91,938	196,513
Deposits	23,386	-	23,386
Noncurrent Liabilities			
Due within one year	140,911	95,474	236,385
Due in more than one year	889,231	694,144	1,583,375
Net pension liability	<u>213,097</u>	<u>40,593</u>	<u>253,690</u>
Total Liabilities	<u>1,371,200</u>	<u>922,149</u>	<u>2,293,349</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	291,894	59,105	350,999
Unearned revenues	<u>1,615,611</u>	<u>-</u>	<u>1,615,611</u>
Total Deferred Inflows of Resources	<u>1,907,505</u>	<u>59,105</u>	<u>1,966,610</u>
NET POSITION			
Net investment in capital assets	2,320,915	4,115,311	6,436,226
Restricted for			
TID activities	57,217	-	57,217
Debt service	63,040	-	63,040
Library	209,305	-	209,305
Impact fees	94,961	-	94,961
Donations	56,965	-	56,965
Capital asset replacement	-	92,251	92,251
Unrestricted	<u>487,389</u>	<u>3,108,813</u>	<u>3,596,202</u>
TOTAL NET POSITION	<u>\$ 3,289,792</u>	<u>\$ 7,316,375</u>	<u>\$ 10,606,167</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental Activities							
General government	\$ 344,064	\$ 204,313	\$ 4,893	\$ -	\$ (134,858)	\$ -	\$ (134,858)
Public safety	1,454,932	290,302	21,393	-	(1,143,237)	-	(1,143,237)
Public works	530,780	742	139,216	-	(390,822)	-	(390,822)
Culture, education, and recreation	318,809	4,961	82,756	-	(231,092)	-	(231,092)
Conservation and development	8,184	-	-	-	(8,184)	-	(8,184)
Interest and fiscal charges	28,372	-	-	-	(28,372)	-	(28,372)
Total Governmental Activities	<u>2,685,141</u>	<u>500,318</u>	<u>248,258</u>	<u>-</u>	<u>(1,936,565)</u>	<u>-</u>	<u>(1,936,565)</u>
Business-type Activities							
Water and Sewer	997,238	1,068,817	-	-	-	71,579	71,579
Total Business-type Activities	<u>997,238</u>	<u>1,068,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,579</u>	<u>71,579</u>
Total Primary Government	<u>\$ 3,682,379</u>	<u>\$ 1,569,135</u>	<u>\$ 248,258</u>	<u>\$ -</u>	<u>(1,936,565)</u>	<u>71,579</u>	<u>(1,864,986)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					1,371,321	-	1,371,321
Property taxes, levied for debt service					160,723	-	160,723
Other taxes					5	-	5
Intergovernmental revenues not restricted to specific programs					124,387	-	124,387
Public gifts and grants					106,401	-	106,401
Investment income					28,399	17,442	45,841
Miscellaneous					96,524	-	96,524
Transfers					79,833	(79,833)	-
Total General Revenues and Transfers					<u>1,967,593</u>	<u>(62,391)</u>	<u>1,905,202</u>
Change in Net Position					31,028	9,188	40,216
NET POSITION - Beginning of Year					<u>3,258,764</u>	<u>7,307,187</u>	<u>10,565,951</u>
NET POSITION - END OF YEAR					<u>\$ 3,289,792</u>	<u>\$ 7,316,375</u>	<u>\$ 10,606,167</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	General	Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 452,948	\$ 71,676	\$ 469,128	\$ 993,752
Receivables (net)				
Taxes	1,408,474	183,121	27,543	1,619,138
Delinquent personal property taxes	28,569	-	-	28,569
Accounts	22,583	-	-	22,583
Special assessments	2,067	-	-	2,067
Due from other funds	77,689	-	-	77,689
Prepaid items	41,396	-	-	41,396
TOTAL ASSETS	\$ 2,033,726	\$ 254,797	\$ 496,671	\$ 2,785,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 8,270	\$ -	\$ 2,964	\$ 11,234
Accrued liabilities	84,705	-	-	84,705
Deposits	23,386	-	-	23,386
Total Liabilities	116,361	-	2,964	119,325
Deferred Inflows of Resources				
Unearned tax revenue	1,404,947	183,121	27,543	1,615,611
Total Deferred Inflows of Resources	1,404,947	183,121	27,543	1,615,611
Fund Balances				
Nonspendable	72,032	-	-	72,032
Restricted	99,113	71,676	361,483	532,272
Assigned	101,423	-	104,681	206,104
Unassigned	239,850	-	-	239,850
Total Fund Balances	512,418	71,676	466,164	1,050,258
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,033,726	\$ 254,797	\$ 496,671	\$ 2,785,194

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2019

Total Fund Balances - Governmental Funds	\$ 1,050,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III.D.	3,216,147
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	567,156
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(291,894)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note III.F.	
Compensated absences	(58,747)
General obligation debt	(971,395)
Net Pension Liability	(213,097)
Accrued interest	<u>(8,636)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,289,792</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

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

For the Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 1,345,233	\$ 160,723	\$ 23,247	\$ 1,529,203
Intergovernmental	413,367	-	86,595	499,962
Licenses and permits	199,405	-	-	199,405
Public charges for services	172,171	-	4,035	176,206
Investment income	23,654	-	4,745	28,399
Miscellaneous	169,109	-	34,052	203,161
Total Revenues	<u>2,322,939</u>	<u>160,723</u>	<u>152,674</u>	<u>2,636,336</u>
EXPENDITURES				
Current				
General government	285,758	-	935	286,693
Public safety	1,412,014	-	-	1,412,014
Public works	471,753	-	-	471,753
Culture, education, and recreation	72,390	-	236,495	308,885
Conservation and development	13,217	-	-	13,217
Debt Service				
Principal	-	115,133	-	115,133
Interest	-	27,498	-	27,498
Total Expenditures	<u>2,255,132</u>	<u>142,631</u>	<u>237,430</u>	<u>2,635,193</u>
Excess (deficiency) of revenues over expenditures	<u>67,807</u>	<u>18,092</u>	<u>(84,756)</u>	<u>1,143</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	169,343	-	-	169,343
Transfers in	79,833	-	181,332	261,165
Transfers out	(181,332)	-	-	(181,332)
Total Other Financing Sources (Uses)	<u>67,844</u>	<u>-</u>	<u>181,332</u>	<u>249,176</u>
Net Change in Fund Balances	135,651	18,092	96,576	250,319
FUND BALANCES - Beginning of Year	<u>376,767</u>	<u>53,584</u>	<u>369,588</u>	<u>799,939</u>
FUND BALANCES - END OF YEAR	<u>\$ 512,418</u>	<u>\$ 71,676</u>	<u>\$ 466,164</u>	<u>\$ 1,050,258</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

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, 2019

Net change in fund balances - total governmental funds	\$	250,319
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>		
Items reported as operating expenditures that are capitalized in the government-wide financial statements		135,016
Depreciation is reported in the government-wide statements		(229,825)
Net book value of assets retired		2,789
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt issued		(169,343)
Principal repaid		115,133
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net pension asset (liability)		(395,440)
Deferred outflows of resources related to pensions		236,301
Deferred inflows of resources related to pensions		73,314
Compensated absences		13,639
Accrued interest on debt		(875)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>31,028</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF NET POSITION ENTERPRISE FUND As of December 31, 2019

	<u>Water and Sewer Utility</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 764,732
Receivables	
Accounts	262,969
Special assessments	4,906
Inventories	<u>4,486</u>
Total Current Assets	<u>1,037,093</u>
NONCURRENT ASSETS	
Restricted Assets	
Cash and investments	92,251
Other Assets	
Equity interest in joint venture	2,248,695
Capital Assets	
Land	160,623
Property and equipment	8,169,709
Less: Accumulated depreciation	<u>(3,459,311)</u>
Total Noncurrent Assets	<u>7,211,967</u>
Total Assets	<u>8,249,060</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	<u>126,258</u>

	Water and Sewer Utility
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 88,302
Accrued interest	3,636
Due to other funds	77,689
Current portion of general obligation and revenue debt	<u>95,474</u>
Total Current Liabilities	<u>265,101</u>
NONCURRENT LIABILITIES	
Long-Term Debt	
General obligation and revenue debt	660,236
Other Liabilities	
Net pension liability	40,593
Compensated absences	<u>33,908</u>
Total Noncurrent Liabilities	<u>734,737</u>
Total Liabilities	<u>999,838</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	<u>59,105</u>
NET POSITION	
Net investment in capital assets	4,115,311
Restricted for capital asset replacement	92,251
Unrestricted	<u>3,108,813</u>
TOTAL NET POSITION	<u>\$ 7,316,375</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ENTERPRISE FUND

For the Year Ended December 31, 2019

	<u>Water and Sewer Utility</u>
OPERATING REVENUES	
Charges for services	\$ 1,068,817
Total Operating Revenues	<u>1,068,817</u>
OPERATING EXPENSES	
Operation and maintenance	715,727
Depreciation	<u>175,164</u>
Total Operating Expenses	<u>890,891</u>
Operating Income	<u>177,926</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	17,442
Loss on joint venture	(81,505)
Interest expense	<u>(24,842)</u>
Total Nonoperating Revenues (Expenses)	<u>(88,905)</u>
Income Before Transfers	89,021
TRANSFERS - TAX EQUIVALENT	<u>(79,833)</u>
Change in Net Position	9,188
NET POSITION - Beginning of Year	<u>7,307,187</u>
NET POSITION - END OF YEAR	<u>\$ 7,316,375</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF CASH FLOWS ENTERPRISE FUND For the Year Ended December 31, 2019

	Water and Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 1,102,680
Paid to suppliers for goods and services	(550,941)
Paid to employees for services	(189,392)
Net Cash Flows From Operating Activities	<u>362,347</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(86,669)
Interest paid	(25,198)
Proceeds from debt issue	19,343
Acquisition and construction of capital assets	(89,080)
Net Cash Flows From Capital and Related Financing Activities	<u>(181,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>17,442</u>
Net Cash Flows From Investing Activities	<u>17,442</u>
Net Increase in Cash and Cash Equivalents	198,185
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>658,798</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 856,983</u>

	<u>Water and Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 177,926
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation expense	175,164
Depreciation charged to other funds	9,190
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	24,672
Due to / from other funds	(47,501)
Accounts payable	23,617
Other current liabilities	(6,779)
Pension related deferrals and liabilities	<u>6,058</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 362,347</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION	
Unrestricted cash and investments	\$ 764,732
Restricted cash and investments	<u>92,251</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 856,983</u></u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUND As of December 31, 2019

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	\$ 1,687,848
Taxes receivable	<u>1,636,088</u>
Total Assets	<u>3,323,936</u>
LIABILITIES	
Due to others	<u>3,323,936</u>
Total Liabilities	<u>3,323,936</u>
NET POSITION	
TOTAL NET POSITION	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUND As of December 31, 2019

	<u>Custodial Fund</u>
ADDITIONS	
Property taxes collected for other governments	\$ 2,113,478
Total Additions	<u>2,113,478</u>
DEDUCTIONS	
Property taxes distributed to other governments	<u>2,113,478</u>
Total Deductions	<u>2,113,478</u>
Change in Fiduciary Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

VILLAGE OF WALWORTH

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE	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	17
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	19
1. Deposits and Investments	19
2. Receivables	19
3. Prepaid Items	20
4. Restricted Assets	20
5. Capital Assets	21
6. Other Assets	22
7. Deferred Outflows of Resources	22
8. Compensated Absences	22
9. Long-Term Obligations	22
10. Deferred Inflows of Resources	23
11. Equity Classifications	23
12. Pension	24
13. Basis for Existing Rates	25
II Stewardship, Compliance, and Accountability	25
A. Budgetary Information	25
B. Limitations on the Village's Tax Levy	25
III Detailed Notes on All Funds	26
A. Deposits and Investments	26
B. Receivables	27
C. Restricted Assets	27
D. Capital Assets	28
E. Interfund Receivables/Payables and Transfers	31
F. Long-Term Obligations	32
G. Net Position/Fund Balances	35
IV Other Information	37
A. Employees' Retirement System	37
B. Risk Management	43
C. Commitments and Contingencies	43
D. Joint Ventures	44
E. Subsequent Events	44
F. Effect of New Accounting Standards on Current-Period Financial Statements	45

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

Fund Financial Statements

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

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

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

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.

The village reports the following major governmental funds:

General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

The village reports the following major enterprise fund:

Water and Sewer Fund - accounts for operations of the water and sewer systems

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

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

Fund Financial Statements (cont.)

The village reports the following nonmajor governmental funds:

Special Revenue Fund - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Memorial Library Fund

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Projects
Tax Incremental District (TID) No. 1

In addition, the village reports the following fund type:

Custodial Funds - used to account for and report assets controlled by the village and the assets are for the benefit of individuals, private organizations, and/or other governmental units.

Tax Roll Fund

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the village considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. 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 the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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.

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The village has not adopted an investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of fiduciary net position.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utility because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds 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 governmental-wide financial statements as internal balances.

3. Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on average cost, and charged to construction and/or operation and maintenance expense when used.

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

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.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

Government-Wide 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 \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition 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. No interest was capitalized during the current year. 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. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50	Years
Land Improvements	10-50	Years
Machinery and Equipment	3-50	Years
Furniture and Fixtures	5-15	Years
Infrastructure	25-75	Years
Utility infrastructure	7-77	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 way as in the government-wide statements.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Other Assets

The village adopted an ordinance on December 3, 1984 establishing a commission to control the construction and operation of a wastewater plant and interceptors jointly owned with the Village of Fontana. The plant is operated by the Fontana-Walworth Water Pollution Control Commission (the Commission). The village's investment in the commission is accounted for using the equity method of accounting and adjusts its investment annually for the operating results of the commission. Complete financial statements of the Fontana-Walworth Water Pollution Control Commission may be obtained from its office at N840 Chilson Rd., Sharon, Wisconsin 53585.

7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary 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, and are payable with expendable resources.

Upon retirement, employees with 15 years of service receive up to one half of accumulated sick time; 495 hours of paid sick time for police and 480 hours of paid sick time for general employees.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019, are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

11. Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. G. for further information.

12. Pension

For purposes of measuring the net pension asset (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.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

13. Basis for Existing Rates

Water and Sewer Utility

Current water rates were approved by the Public Service Commission of Wisconsin and went into effect on July 1, 2018.

Current sewer rates were approved by the village board and were effective July 1, 2018.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the the general fund, library fund and the debt service fund. A budget has not been formally adopted for Capital projects fund and the TID No. 1 fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The village's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 3,537,783	\$ 3,580,433	Custodial credit
Petty cash	800	-	N/A
 Total Deposits and Investments	 \$ 3,538,583	 \$ 3,580,433	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,758,484		
Restricted cash and investments	92,251		
Per statement of net position - agency funds			
Cash and investments	1,687,848		
 Total Deposits and Investments	 \$ 3,538,583		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The village maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of \$3,000,000 to secure the village's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

The village does not have any deposits exposed to custodial credit risk.

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of the following:

General Fund	<u>\$ 30,636</u>
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Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	<u>\$ 1,615,611</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 1,615,611</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2019:

Restricted Assets	
Replacement account	<u>\$ 92,251</u>
Total Restricted Assets	<u>\$ 92,251</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 403,796	\$ -	\$ -	\$ 403,796
Total Capital Assets Not Being Depreciated	403,796	-	-	403,796
Capital assets being depreciated				
Buildings and structures	1,948,406	29,589	-	1,977,995
Machinery and equipment	1,999,517	84,890	10,000	2,074,407
Infrastructure	1,280,518	-	-	1,280,518
Intangible - Computer Software	-	20,537	-	20,537
Total Capital Assets Being Depreciated	5,228,441	135,016	10,000	5,353,457
Total Capital Assets	5,632,237	135,016	10,000	5,757,253
Less: Accumulated depreciation for				
Buildings and structures	(587,339)	(50,271)	2,789	(634,821)
Machinery and equipment	(1,413,516)	(146,457)	10,000	(1,549,973)
Infrastructure	(323,215)	(32,070)	-	(355,285)
Intangible - Computer Software	-	(1,027)	-	(1,027)
Total Accumulated Depreciation	(2,324,070)	(229,825)	12,789	(2,541,106)
Net Capital Assets Being Depreciated	2,904,371	(94,809)	(2,789)	2,812,351
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,308,167	\$ (94,809)	\$ (2,789)	\$ 3,216,147

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 6,548
Public works	68,475
Public safety	115,635
Culture, education and recreation	39,167
Total Governmental Activities Depreciation Expense	\$ 229,825

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land	\$ 92,533	\$ -	\$ -	\$ 92,533
Total Capital Assets Not Being Depreciated	92,533	-	-	92,533
Capital assets being depreciated				
Source of supply	565,483	-	-	565,483
Pumping	1,217,529	-	-	1,217,529
Water treatment	33,051	-	-	33,051
Transmission and distribution	3,145,243	16,521	1,000	3,160,764
General	299,475	19,066	-	318,541
Total Capital Assets Being Depreciated	5,260,781	35,587	1,000	5,295,368
Total Capital Assets	5,353,314	35,587	1,000	5,387,901
Less: Accumulated depreciation for				
General	(2,183,217)	(140,128)	1,000	(2,322,345)
Total Accumulated Depreciation	(2,183,217)	(140,128)	1,000	(2,322,345)
Net Capital Assets Being Depreciated	3,077,564	(104,541)	-	2,973,023
Net Water Capital Assets	\$ 3,170,097	\$ (104,541)	\$ -	\$ 3,065,556

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital assets not being depreciated				
Land	\$ 68,090	\$ -	\$ -	\$ 68,090
Total Capital Assets Not Being Depreciated	68,090	-	-	68,090
Capital assets being depreciated				
Collecting system	2,233,828	-	-	2,233,828
Collecting system pumping	180,821	19,344	1,839	198,326
General	408,037	34,150	-	442,187
Total Capital Assets Being Depreciated	2,822,686	53,494	1,839	2,874,341
Total Capital Assets	2,890,776	53,494	1,839	2,942,431
Less: Accumulated depreciation/ amortization for				
Total Accumulated depreciation/ amortization	(1,094,578)	(44,227)	1,839	(1,136,966)
Net Capital Assets Being Depreciated	1,728,108	9,267	-	1,737,375
Net Wastewater Capital Assets	\$ 1,796,198	\$ 9,267	\$ -	\$ 1,805,465
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 4,966,295	\$ (95,274)	\$ -	\$ 4,871,021

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 140,128
Sewer	44,227
Total Business-type Activities Depreciation Expense	\$ 184,355

Depreciation expense is different from business-type activity accumulated depreciation additions because of joint metering, salvage cost of removal, and cost associated with the disposal of assets.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General fund	Water and Sewer Utility fund	\$ <u>77,689</u>
Total Internal Balances - Government-Wide Statement of Net Position		\$ <u><u>77,689</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ <u>77,689</u>
Total Government-Wide Financial Statements		\$ <u><u>77,689</u></u>

All amounts are due within one year.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Library fund	General fund	\$ 181,332	Operating
General fund	Water and Sewer Utility fund	<u>79,833</u>	Payment in lieu of taxes
Sub-Total		261,165	
Less: Fund eliminations		<u>(181,332)</u>	
Total Transfers - Government-Wide Statement of Activities		\$ <u><u>79,833</u></u>	

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

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation notes from direct borrowings and direct placements	\$ 917,185	\$ 169,343	\$ 115,133	\$ 971,395	\$ 140,911
Sub-totals	<u>917,185</u>	<u>169,343</u>	<u>115,133</u>	<u>971,395</u>	<u>140,911</u>
Other Liabilities					
Vested compensated absences	72,386	-	13,639	58,747	-
Total Other Liabilities	<u>72,386</u>	<u>-</u>	<u>13,639</u>	<u>58,747</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 989,571</u>	<u>\$ 169,343</u>	<u>\$ 128,772</u>	<u>\$ 1,030,142</u>	<u>\$ 140,911</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation notes from direct borrowings and direct placements	\$ 669,078	\$ 19,343	\$ 74,441	\$ 613,980	\$ 82,921
Revenue bonds	153,958	-	12,228	141,730	12,553
Sub-totals	<u>823,036</u>	<u>19,343</u>	<u>86,669</u>	<u>755,710</u>	<u>95,474</u>
Other Liabilities					
Vested compensated absences	31,978	1,930	-	33,908	-
Total Other Liabilities	<u>31,978</u>	<u>1,930</u>	<u>-</u>	<u>33,908</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 855,014</u>	<u>\$ 21,273</u>	<u>\$ 86,669</u>	<u>\$ 789,618</u>	<u>\$ 95,474</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2019, was \$12,013,615. Total general obligation debt outstanding at year end was \$1,585,375.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. 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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Promissory note	02/16/10	03/01/25	3.80%	\$ 355,000	\$ 139,186
Promissory note	11/18/10	11/18/24	3.80%	378,439	222,230
Promissory note	12/30/11	12/29/21	3.80%	72,000	16,646
Promissory note	01/21/15	09/01/24	3.00%	300,000	246,168
Promissory note	05/20/16	05/20/20	3.50%	30,000	3,986
Promissory note	05/20/16	05/20/21	3.50%	62,000	19,759
Promissory note	05/12/17	05/12/22	3.50%	27,500	14,361
Promissory note	10/17/17	10/17/24	3.30%	74,458	61,473
Promissory note	04/03/18	04/03/23	2.5%	105,000	85,037
Promissory Note	01/15/19	01/15/22	2.85%	40,000	33,206
Promissory Note	01/15/19	01/15/24	2.85%	110,000	110,000
Promissory Note	12/09/19	12/09/22	3.00%	19,343	<u>19,343</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 971,395</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Promissory note	11/10/14	11/01/27	3.00%	\$ 906,491	\$ 580,275
Promissory note	05/12/17	05/12/22	3.50%	27,500	14,361
Promissory note	12/09/19	12/09/22	3.00%	19,344	<u>19,344</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 613,980</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Years	Governmental Activities Notes from Direct Borrowings and Direct Placements		Business-type Activities General Obligation Notes From Direct Borrowings And Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 140,911	\$ 28,112	\$ 82,921	\$ 17,927
2021	134,078	24,069	85,512	15,335
2022	112,028	20,202	85,112	12,715
2023	98,639	17,109	77,770	10,229
2024	409,926	39,209	80,097	7,902
2025-2027	<u>75,813</u>	<u>1,213</u>	<u>202,568</u>	<u>8,942</u>
Totals	<u>\$ 971,395</u>	<u>\$ 129,914</u>	<u>\$ 613,980</u>	<u>\$ 73,050</u>

The village's outstanding debt from direct borrowing and/or direct placements related to governmental and business-type activities contain event of default and/or termination provisions with possible finance-related consequences. All direct borrowings of the village contain terms that in the event of default, the unpaid balance shall automatically mature and become immediately due and payable.

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Water and Sewer Utility .

The water and sewer utilities has pledged future utility revenues, net of specified operating expenses, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for the plant construction capital projects. The bonds are payable solely from water and wastewater revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 5.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$161,457. Principal and interest paid for the current year and total customer net revenues were \$16,172 and \$371,472, respectively.

Revenue debt payable at December 31, 2019, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
<u>Wastewater Utility</u>					
Clean water revenue bonds	11/25/09	05/01/29	2.67%	\$ 252,220	<u>\$ 141,730</u>

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	Principal	Interest
2020	\$ 12,553	\$ 3,614
2021	12,888	3,275
2022	13,232	2,926
2023	13,585	2,568
2024	13,948	2,201
2025-2029	75,524	5,143
Totals	\$ 141,730	\$ 19,727

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

Governmental Activities

Net Investment in Capital Assets		
Land		\$ 403,796
Other capital assets, net of accumulated depreciation		2,812,351
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)		(929,247)
Plus: Noncapital debt proceeds		34,015
Total Net Investment in Capital Assets		2,320,915
Restricted		
Debt service		63,040
Library		209,305
TIF		57,217
Impact fees		94,961
Donations		56,965
Total Restricted		481,488
Unrestricted		487,389
Total Governmental Activities Net Position		\$ 3,289,792

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	General Fund	Debt Service	Nonmajor Funds	Totals
Fund Balances				
Nonspendable:				
Prepaid items	\$ 41,396	\$ -	\$ -	\$ 41,396
Special Assessments	2,067	-	-	2,067
DPP	28,569	-	-	28,569
Sub-total	72,032	-	-	72,032
Restricted for:				
Debt service	42,148	71,676	-	113,824
Library purposes	-	-	209,305	209,305
Impact fees	-	-	94,961	94,961
TIF related projects	-	-	57,217	57,217
Fire/Rescue Donations	56,965	-	-	56,965
Sub-total	99,113	71,676	361,483	532,272
Assigned to:				
Park Projects - Toynton Park Funds	1,037	-	-	1,037
Park projects - transfer from PP trust fund	14,553	-	-	14,553
Property tax equivalent	79,833	-	-	79,833
Capital projects	-	-	104,681	104,681
Assignment for a police vehicle	6,000	-	-	6,000
Sub-total	101,423	-	104,681	206,104
Unassigned (deficit):	239,850	-	-	239,850
Total Fund Balances (Deficit)	\$ 512,418	\$ 71,676	\$ 466,164	\$ 1,050,258

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 160,623
Other capital assets, net of accumulated depreciation	4,710,398
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	(755,710)
Total Net Investment in Capital Assets	\$ 4,115,311

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 1,200 hours a year (880 hours 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 executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$75,929 in contributions from the village.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the village reported an liability of \$253,690 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the village's proportion was 0.00713078%, which was an increase of 0.00023107% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the village recognized pension expense of \$168,737.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2019, 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	\$ 197,586	\$ 349,262
Changes in assumptions	42,763	-
Net differences between projected and actual earnings on pension plan investments	370,498	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,792	1,737
Employer contributions subsequent to the measurement date	80,775	-
Totals	\$ 693,414	\$ 350,999

\$80,775 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, 2020. 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 Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 95,002
2021	23,591
2022	41,682
2023	101,365
Thereafter	-

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.00% 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 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Village's proportionate share of the net pension liability (asset)	\$1,008,193	\$253,690	\$(307,340)

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>.

At December 31, 2019, the village reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Fontana-Walworth Water Pollution Control Commission

In 1986, the village entered into an intergovernmental agreement with Fontana Walworth Water Pollution Control Commission (FWWPCC). The FWWPCC, organized as an Intergovernmental Cooperation established under Section 66.30 of the Wisconsin Statutes, is governed by a nine-member commission consisting of four members each from the Villages of Walworth and Fontana, and a nonvoting member from Kikkoman Foods, Inc. The FWWPCC was established to provide a single contractual relationship for the joint participation in the collection, treatment, and disposal of sewage for the participating entities. The municipalities own all property, real and personal, as tenants-in-common. Upon dissolution, the assets are distributed based on the percentages as set forth in the Intergovernmental Agreement, Amended Exhibit "G". This agreement is recorded as a joint venture investment of the proprietary fund with a balance of \$2,248,695 at December 31, 2019. The proprietary share of the joint venture's loss for 2019 was \$81,505.

The equity interest is reported in the business-type activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

Walworth Fire Department

The village has entered into an intergovernmental agreement with the Town of Walworth to share the cost of operating a fire department and rescue squad to provide fire protection and rescue services to the village and township.

E. SUBSEQUENT EVENTS

On June 18, 2020, the village board approved a general obligation promissory note in the amount of \$350,000 with an interest rate of 2.5%. This amount will be used for the purpose of interim financing for the Fontana Walworth Water Pollution Control Commission Sewer Plant Phosphorus Removal project. In 2020 the village board anticipates borrowing \$730,000 funded by the Clean Water Fund and Wisconsin Department of Natural Resources pilot program.

On the village issued general obligation promissory notes in the amount of \$- with an interest rate of %. This amount will be used to finance new accounting and utility software, new ADA accessible Village Hall doors and pay for the costs associated with the codification of the municipal code.

On the village issued general obligation promissory notes in the amount of \$- with an interest rate of %. This amount will be used to purchase a new police car.

VILLAGE OF WALWORTH

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

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

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

- > Statement No. 87, *Leases*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests*
- > Statement No. 91, *Conduit Debt Obligations*
- > Statement No. 92, *Omnibus*
- > Statement No. 93, *Replacement of Interbank Offered Rates*
- > Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property taxes for village purposes	\$ 1,324,817	\$ 1,324,817	\$ 1,345,228	\$ 20,411
Interest on taxes	-	-	5	5
Totals	<u>1,324,817</u>	<u>1,324,817</u>	<u>1,345,233</u>	<u>20,416</u>
INTERGOVERNMENTAL				
Transportation aid	106,324	106,324	106,275	(49)
State shared revenues	100,942	100,942	100,741	(201)
Local road improvement program	25,538	25,538	24,419	(1,119)
Personal property aid	3,173	3,173	3,173	-
Fire insurance from state	8,000	8,000	9,500	1,500
Exempt computer aid	7,209	7,209	7,384	175
State aid - police training	1,000	1,000	1,280	280
State aid - police grants	-	-	6,259	6,259
State aid - recycling	8,500	8,500	8,522	22
Police service/crossing guards	10,000	10,000	9,576	(424)
County drug enforcement unit	100	100	94	(6)
County traffic task force	-	-	4,260	4,260
Fire service	99,650	99,650	102,336	2,686
Rescue service	32,235	32,235	29,548	(2,687)
Totals	<u>402,671</u>	<u>402,671</u>	<u>413,367</u>	<u>10,696</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	5,800	5,800	6,492	692
Operator licenses	1,600	1,600	1,865	265
Cigarette licenses	700	700	800	100
Other licenses	400	400	860	460
Building permits	35,000	35,000	65,550	30,550
Dog licenses	200	200	257	57
Court penalties and fees	125,000	125,000	122,091	(2,909)
Parking violations	2,500	2,500	1,490	(1,010)
Totals	<u>171,200</u>	<u>171,200</u>	<u>199,405</u>	<u>28,205</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Publication fees	\$ 65	\$ 65	\$ 94	\$ 29
Awards and judgements	-	-	50	50
Clerk fees	1,500	1,500	1,793	293
Police fees	150	150	3,330	3,180
Rescue squad fees	60,000	60,000	102,276	42,276
Public works fees	-	-	684	684
Park reservation fees	1,000	1,000	925	(75)
Rezoning and planning fees	750	750	2,971	2,221
Cost recovery reimbursements	33,404	33,404	48,129	14,725
Miscellaneous	4,500	4,500	11,919	7,419
Totals	<u>101,369</u>	<u>101,369</u>	<u>172,171</u>	<u>70,802</u>
INVESTMENT INCOME				
Interest on investments	4,500	4,500	23,654	19,154
Totals	<u>4,500</u>	<u>4,500</u>	<u>23,654</u>	<u>19,154</u>
MISCELLANEOUS REVENUES				
Donations & gifts	-	-	106,401	106,401
Utility rent revenue	18,000	18,000	18,000	-
Cablevision fees	33,000	33,000	34,464	1,464
Miscellaneous	-	-	6,376	6,376
Refund of prior year expenditures	-	-	3,868	3,868
Totals	<u>51,000</u>	<u>51,000</u>	<u>169,109</u>	<u>118,109</u>
OTHER FINANCING SOURCES				
Debt proceeds	150,000	150,000	169,343	19,343
Transfer in - Water - tax equivalent	82,000	82,000	79,833	(2,167)
Totals	<u>232,000</u>	<u>232,000</u>	<u>249,176</u>	<u>17,176</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>2,287,557</u>	<u>2,287,557</u>	<u>2,572,115</u>	<u>284,558</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (cont.) For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Village board	\$ 28,444	\$ 28,444	\$ 25,626	\$ 2,818
Village president	8,550	8,550	8,069	481
Municipal court	45,186	45,186	37,736	7,450
Clerk/treasurer	99,392	99,392	107,230	(7,838)
Elections	7,100	7,100	2,957	4,143
Assessment of property	13,700	13,700	13,695	5
Accounting and auditing	16,080	16,080	14,213	1,867
Legal	19,000	19,000	15,249	3,751
Prosecution expense	10,000	10,000	9,025	975
Flexible spending	1,500	1,500	1,279	221
Municipal building	46,130	46,130	45,422	708
Codification expense	-	-	3,215	(3,215)
Insurance expense	-	-	2,042	(2,042)
Totals	<u>295,082</u>	<u>295,082</u>	<u>285,758</u>	<u>9,324</u>
PUBLIC SAFETY				
Police	893,102	893,102	849,942	43,160
Crossing guards	22,670	22,670	21,213	1,457
Fire suppression	207,039	207,039	199,391	7,648
Building inspection	35,000	35,000	44,395	(9,395)
Emergency government	6,806	6,806	4,051	2,755
Rescue squad	178,513	178,513	240,704	(62,191)
Jail detention	2,500	2,500	2,880	(380)
Fire / Rescue donation expense	-	-	49,438	(49,438)
Totals	<u>1,345,630</u>	<u>1,345,630</u>	<u>1,412,014</u>	<u>(66,384)</u>
PUBLIC WORKS				
Engineering	12,000	12,000	7,498	4,502
Streets and alleys	170,275	170,275	188,466	(18,191)
Snow and ice control	39,384	39,384	46,590	(7,206)
Traffic control	4,000	4,000	2,172	1,828
Street lighting	29,000	29,000	26,807	2,193
Sidewalks and crosswalks - other	4,000	4,000	711	3,289
Storm sewer - other	4,500	4,500	45,049	(40,549)
Garbage and refuse collection	89,000	89,000	90,266	(1,266)
Recycling	52,156	52,156	64,194	(12,038)
Totals	<u>404,315</u>	<u>404,315</u>	<u>471,753</u>	<u>(67,438)</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF WALWORTH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (cont.)
 For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE, EDUCATION, AND RECREATION				
Recreation	\$ 100	\$ 100	\$ 100	\$ -
Maintenance	17,000	17,000	10,265	6,735
Parks and playgrounds	44,891	44,891	62,025	(17,134)
Totals	<u>61,991</u>	<u>61,991</u>	<u>72,390</u>	<u>(10,399)</u>
CONSERVATION AND DEVELOPMENT				
Weed control	2,500	2,500	810	1,690
Plan commission	7,073	7,073	7,249	(176)
Zoning	500	500	-	500
Development	1,800	1,800	5,158	(3,358)
Totals	<u>11,873</u>	<u>11,873</u>	<u>13,217</u>	<u>(1,344)</u>
OTHER FINANCING USES				
Transfer out - library	173,656	173,656	181,332	(7,676)
Totals	<u>173,656</u>	<u>173,656</u>	<u>181,332</u>	<u>(7,676)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES				
	<u>2,292,547</u>	<u>2,292,547</u>	<u>2,436,464</u>	<u>(143,917)</u>
Net change in fund balance	(4,990)	(4,990)	135,651	140,641
FUND BALANCE - Beginning of Year	<u>376,767</u>	<u>376,767</u>	<u>376,767</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 371,777</u>	<u>\$ 371,777</u>	<u>\$ 512,418</u>	<u>\$ 140,641</u>

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF WALWORTH

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2019

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) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	0.00713078%	\$ 253,690	\$ 868,127	29.22%	96.45%
12/31/18	0.00689971%	(204,861)	802,046	(25.54%)	102.93%
12/31/17	0.00694347%	57,231	793,471	7.21%	99.12%
12/31/16	0.00683877%	111,129	788,578	14.09%	98.20%
12/31/15	0.00695964%	(170,948)	792,252	(21.58)%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2019

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/19	\$ 80,775	\$ 80,775	\$ -	914,302	8.83%
12/31/18	70,803	70,803	-	868,834	8.15%
12/31/17	79,161	79,161	-	802,046	9.87%
12/31/16	66,759	66,759	-	793,471	8.06%
12/31/15	64,598	64,598	-	788,578	8.19%

See independent auditors' report and accompanying notes to the required supplementary information.

VILLAGE OF WALWORTH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

BUDGETARY INFORMATION

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

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year-end unless specifically carried over. There were carryovers to the following year of \$120,703. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

VILLAGE OF WALWORTH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

	Special Revenue	Capital Projects		Total Nonmajor Governmental Funds
	Memorial Library	Capital Projects	TID No. 1	
ASSETS				
Cash and investments	\$ 212,269	\$ 199,642	\$ 57,217	\$ 469,128
Receivables (net)				
Taxes	-	-	27,543	27,543
TOTAL ASSETS	\$ 212,269	\$ 199,642	\$ 84,760	\$ 496,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,964	\$ -	\$ -	\$ 2,964
Total Liabilities	2,964	-	-	2,964
Deferred Inflows of Resources				
Unearned tax revenue	-	-	27,543	27,543
Total Deferred Inflows of Resources	-	-	27,543	27,543
Fund Balances				
Restricted	209,305	94,961	57,217	361,483
Assigned	-	104,681	-	104,681
Total Fund Balances	209,305	199,642	57,217	466,164
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 212,269	\$ 199,642	\$ 84,760	\$ 496,671

VILLAGE OF WALWORTH

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>		Total
	Memorial Library	Capital Projects	TID No. 1	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 23,247	\$ 23,247
Intergovernmental	70,660	-	15,935	86,595
Public charges for services	4,035	-	-	4,035
Investment income	3,597	1,148	-	4,745
Miscellaneous	12,096	21,956	-	34,052
Total Revenues	<u>90,388</u>	<u>23,104</u>	<u>39,182</u>	<u>152,674</u>
EXPENDITURES				
Current				
General government	-	-	935	935
Culture, education, and recreation	236,495	-	-	236,495
Total Expenditures	<u>236,495</u>	<u>-</u>	<u>935</u>	<u>237,430</u>
Excess (deficiency) of revenues over expenditures	<u>(146,107)</u>	<u>23,104</u>	<u>38,247</u>	<u>(84,756)</u>
OTHER FINANCING SOURCES				
Transfers in	181,332	-	-	181,332
Total Other Financing Sources	<u>181,332</u>	<u>-</u>	<u>-</u>	<u>181,332</u>
Net Change in Fund Balances	35,225	23,104	38,247	96,576
FUND BALANCES - Beginning of Year	<u>174,080</u>	<u>176,538</u>	<u>18,970</u>	<u>369,588</u>
FUND BALANCES - END OF YEAR	<u>\$ 209,305</u>	<u>\$ 199,642</u>	<u>\$ 57,217</u>	<u>\$ 466,164</u>