

# Village of Waunakee, Wisconsin

## ANNUAL FINANCIAL REPORT

December 31, 2019



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# Village of Waunakee, Wisconsin

DECEMBER 31, 2019

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# Village of Waunakee, Wisconsin

DECEMBER 31, 2019

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

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## Independent auditors' report

To the Village Board  
Village of Waunakee, 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 Waunakee, Wisconsin ("the Village") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 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 described in Note 1.C., during 2019, the Village adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the Village established a custodial fund for taxes and specials collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

As described in Note 4.G., the Village recorded a prior period adjustment of \$105,862 in the government wide statements and in the governmental fund statements to reflect a correction in the balance of accrued payroll. Our opinions are not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the general fund budgetary comparison statement and the schedules relating to pensions and other postemployment benefits on pages 66 through 69 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Wausau, Wisconsin  
June 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Year Ended December 31, 2019

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The management of the Village of Waunakee, Wisconsin (village) presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the village for the fiscal year ended December 31, 2019. This Management's Discussion and Analysis (MD&A) is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditors' report.

### **THE 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. You can think of this relationship between revenues and expenses as the village's operating results. You can think of the village's net position, as measured in the Statement of Net Position, as one way to measure the village's financial health, or financial position. Over time, increases or decreases in the village's net position, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the village's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our village.

- The assets and deferred outflows of resources of the village exceeded its liabilities and deferred inflows of resources as of December 31, 2019, by \$117,199,309 (*net position*). Of this amount, \$11,131,984 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure of the governmental funds.
- The village's total net position increased by \$4,470,774.
- As of December 31, 2019, the village's governmental funds reported combined ending fund balances of \$7,371,028 a decrease of \$4,045,554 in comparison with the prior year.
  - 29% of the total or \$2,131,040 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
  - 38% of the total or \$2,781,856 is *Restricted*. This balance relates to fund balances legally restricted.
  - 13% of the total or \$972,666 is *Committed* and relates to funds that relate to open contracts or funds constrained due to formal action of the governing body.
  - 30% of the total or \$2,245,273 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
  - Finally, the balance of \$(759,807), is *Unassigned* and includes residual positive and negative fund balance amounts. Within this amount in the general fund is an amount that the Village Board has set aside as its "Rainy Day Fund." The amount set aside is \$2,942,459 or 29% of the general fund's 2020 operating budget. The village's policy is that this fund be held between 20% and 25% of the subsequent year's general fund operating budget. The village has chosen to exceed this policy to protect the village's cash flow from the TID No. 5 advance effects.
- The village's total general obligation debt decreased by \$2,999,039 (7.6%) during 2019. The village did not borrow any funds during 2019 but paid down its current debt obligations.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This following discussion and analysis is intended to serve as an introduction to the village's basic financial statements. The village's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements.

## **Government-wide financial 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, liabilities, deferred outflows of resources and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the village include the following:

- General government
- Public safety
- Public works
- Health and human services
- Leisure activities
- Conservation and development.

The business-type activities of the village include the following:

- Waunakee Water and Light Commission
- Sewerage Commission.

The government-wide financial statements can be found on pages 12 through 14 of this report.

## **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The village maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service, Capital Improvements, Library Building, Tax Incremental District No. 5 and Tax Incremental District No. 6 fund. Data from the remaining fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.



## OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)

### **Fund financial statements (cont.)**

The village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

**Proprietary funds.** Enterprise funds are 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, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Commission) and the sewer utility (Sewerage Commission), which are considered to be major funds of the village.

The basic proprietary fund financial statements can be found on pages 21 through 25 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 of those funds are not available to support the village's programs. The custodial fund maintained by the village is the Tax Collection Fund which accounts for property taxes and specials collected on behalf of other governments.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 63 of this report.

**Other information.** Required supplementary information related to the pension and postemployment benefit plans and the combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 71 through 74 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village of Waunakee exceeded liabilities and deferred inflows by \$117,199,309 as of December 31, 2019. The Village's net position increased by \$4,077,789 for the year ended December 31, 2019. However, the largest portion (87.0%) reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village of Waunakee uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Waunakee's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Village of Waunakee's net position, \$4,046,726, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,131,984 is unrestricted.

### VILLAGE OF WAUNAKEE'S NET POSITION

	Governmental		Business-type		Totals	
	Activities		Activites			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 23,714,282	\$ 27,132,722	\$ 12,696,160	\$ 14,010,410	\$ 36,410,442	\$ 41,143,132
Capital assets	92,868,544	89,802,140	48,289,347	47,413,748	141,157,891	137,215,888
Noncurrent assets	2,358,377	3,299,718	-	260,116	2,358,377	3,559,834
Total assets	<u>118,941,203</u>	<u>120,234,580</u>	<u>60,985,507</u>	<u>61,684,274</u>	<u>179,926,710</u>	<u>181,918,854</u>
Deferred outflows of resources	3,168,779	1,724,944	947,297	612,542	4,116,076	2,337,486
Long-term liabilities outstanding	(40,872,119)	(42,938,639)	(6,709,223)	(8,453,742)	(47,581,342)	(51,392,381)
Other liabilities	(1,784,617)	(2,907,921)	(1,598,145)	(1,703,694)	(3,382,762)	(4,611,615)
Total liabilities	<u>(42,656,736)</u>	<u>(45,846,560)</u>	<u>(8,307,368)</u>	<u>(10,157,436)</u>	<u>(50,964,104)</u>	<u>(56,003,996)</u>
Deferred inflows of resources	(15,405,970)	(14,894,219)	(473,403)	(523,728)	(15,879,373)	(15,417,947)
Net position:						
Net Investment in capital						
assets	59,637,342	55,215,691	42,383,257	39,646,991	102,020,599	94,862,682
Restricted	2,591,253	6,122,690	1,455,473	2,598,403	4,046,726	8,721,093
Unrestricted	1,818,681	(119,636)	9,313,303	9,370,258	11,131,984	9,250,622
Total net position	<u>\$ 64,047,276</u>	<u>\$ 61,218,745</u>	<u>\$ 53,152,033</u>	<u>\$ 51,615,652</u>	<u>\$ 117,199,309</u>	<u>\$ 112,834,397</u>

### VILLAGE OF WAUNAKEE'S CHANGE IN NET POSITION

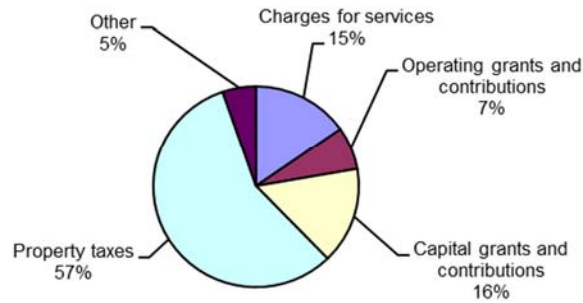
	Governmental		Business-type		Totals	
	Activities		Activites			
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 3,383,908	\$ 3,060,781	\$ 16,981,868	\$ 17,351,120	\$ 20,365,776	\$ 20,411,901
Operating grants and contributions	1,527,178	1,411,390	-	-	1,527,178	1,411,390
Capital grants and contributions	3,421,349	2,191,643	703,882	945,929	4,125,231	3,137,572
General revenues:						
Property taxes	12,582,245	11,784,707	-	-	12,582,245	11,784,707
Other taxes	59,214	37,550	-	-	59,214	37,550
Other general revenues	1,106,162	538,910	353,060	229,607	1,459,222	768,517
Total revenues	<u>22,080,056</u>	<u>19,024,981</u>	<u>18,038,810</u>	<u>18,526,656</u>	<u>40,118,866</u>	<u>37,551,637</u>
Expenses						
General government	1,487,826	1,348,103	-	-	1,487,826	1,348,103
Public safety	4,021,965	4,075,660	-	-	4,021,965	4,075,660
Public works	6,564,656	6,328,671	-	-	6,564,656	6,328,671
Health and human services	608,402	630,968	-	-	608,402	630,968
Leisure activites	4,842,159	3,279,466	-	-	4,842,159	3,279,466
Conservation and development	1,171,529	767,166	-	-	1,171,529	767,166
Interest and fiscal charges	1,198,000	1,304,618	-	-	1,198,000	1,304,618
Electric	-	-	11,770,417	11,911,331	11,770,417	11,911,331
Water	-	-	1,513,646	1,526,177	1,513,646	1,526,177
Sewer	-	-	2,469,492	2,301,688	2,469,492	2,301,688
Total expenses	<u>19,894,537</u>	<u>17,734,652</u>	<u>15,753,555</u>	<u>15,739,196</u>	<u>35,648,092</u>	<u>33,473,848</u>
Increase in net position before transfers	2,185,519	1,290,329	2,285,255	2,787,460	4,470,774	4,077,789
Transfers	748,874	871,695	(748,874)	(871,695)	-	-
Change in net position	2,934,393	2,162,024	1,536,381	1,915,765	4,470,774	4,077,789
Cumulative effect of change in accounting principle	-	(275,876)	-	(101,870)	-	(377,746)
Net position - beginning of year, as originally reported	61,218,745	59,332,597	51,615,652	49,801,757	112,834,397	109,134,354
Prior period adjustment	(105,862)	-	-	-	(105,862)	-
Net position, beginning of year, as restated	<u>61,112,883</u>	<u>59,056,721</u>	<u>51,615,652</u>	<u>49,699,887</u>	<u>112,728,535</u>	<u>108,756,608</u>
Net position - end of year	<u>\$ 64,047,276</u>	<u>\$ 61,218,745</u>	<u>\$ 53,152,033</u>	<u>\$ 51,615,652</u>	<u>\$ 117,199,309</u>	<u>\$ 112,834,397</u>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT.)**

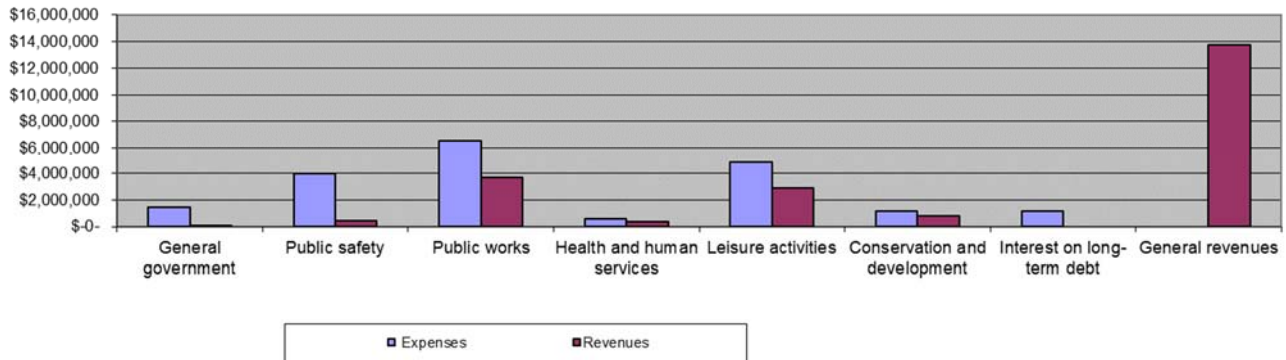
**Governmental activities.** As identified above, property taxes are typically the largest revenue source for governmental activities accounting for approximately 57% of total revenues. Charges for services, operating grants, capital grants and other account 15%, 7%, 16% and 5% of total revenues, respectively.

As shown by the following graph and identified by the Statement of Activities on pages 15 through 16, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

**Revenues by Source - Governmental Activities**



**Expenses and Program Revenues - Governmental Activities**



Governmental activities increased the village's net position by \$2,934,393. In typical years, the village realizes an increase to net position due to the method in which the village finances the purchases of capital assets and debt payments. The village finances some asset purchases through the levy on a pay-as-you-go basis and the village levies for debt payments. This sets the village up for having positive results on an ongoing basis. In years of growth, the village receives many developer related infrastructure assets which significantly increases the capital grant contributions revenue.

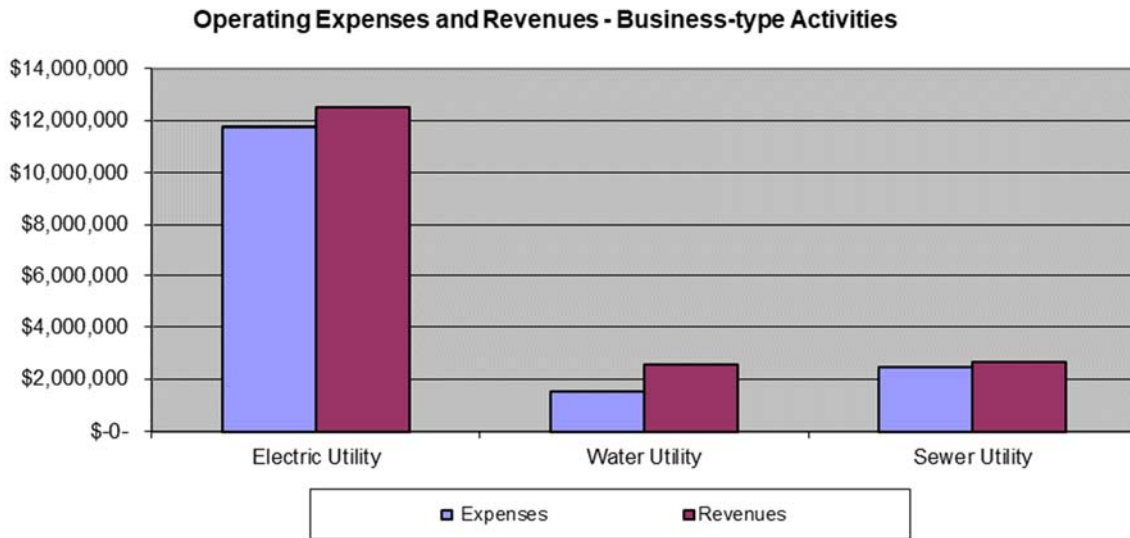
Property taxes increased by \$797,538 (6.77%) during the year. The increase primarily is due to an increase in operating costs in the General Fund.

**Business-type activities.** Business-type activities increased the village's net position by \$1,536,381. The net investment in capital assets increased by approximately 6.9% or \$2,736,266, while unrestricted net position decreased \$56,955. The following graph compares the charges for services to the operating expenses of each utility. Rate increases for the Electric, Water and Sewer Utilities became effective March 1, 2011, December 1, 2015 and January 1, 2016, respectively.

The current sewer rate was designed to be consistent with Madison Metropolitan Sewerage District's (MMSD) rate structure. The sewer rate is designed to meet cash requirements, be consistent with existing rate design structure to maintain equitability between different sizes and classes of customers, be consistent with MMSD requirements and meet debt coverage requirements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT.)**

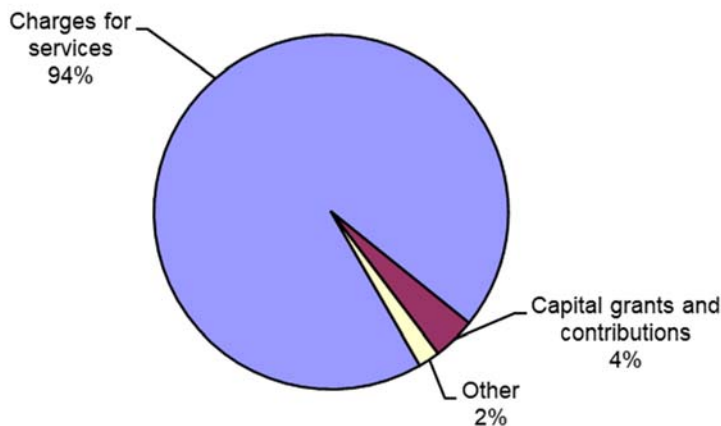
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As shown on the following chart, the revenues of the electric, water, and sewer utility includes capital grants and contributions and investment income in addition to charges for services (operating revenues). Capital grants and contributions and investment income revenues are not identified specifically to an individual program but to the fund as a whole.

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



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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The village's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounted to \$142,157,891 (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, equipment, infrastructure, construction in progress and intangible assets. The total increase in the village's investment in capital assets for the current fiscal year was a total of approximately \$4,942,003 net of depreciation or a 4.53% increase.

Major capital asset events that occurred during the year included the following:

- The village had \$4.8 million in additions to construction in process for the new library. The new library was completed during the year and the construction in process was closed out to land, buildings, and equipment. In addition, the infrastructure inventory increased by \$2.5 million related to developer added streets during 2019.

**Village of Waunakee's Capital Assets**

	Governmental		Business-type		Totals	
	Activities		Activites			
	2019	2018	2019	2018	2019	2018
Land	\$ 19,717,262	\$ 18,040,744	\$ 532,269	\$ 532,269	\$ 20,249,531	\$ 18,573,013
Construction in progress	-	9,042,186	169,196	451,804	169,196	9,493,990
Buildings and improvements	30,089,543	18,052,421	5,551,316	5,553,816	35,640,859	23,606,237
Improvements other than buildings	5,288,441	4,799,422	-	-	5,288,441	4,799,422
Equipment	6,715,872	6,301,820	7,657,341	7,651,923	14,373,213	13,953,743
Intangibles	28,460	81,120	-	-	28,460	81,120
Infrastructure	85,601,804	83,708,553	60,488,463	58,129,156	146,090,267	141,837,709
Total capital assets	147,441,382	140,026,266	74,398,585	72,318,968	221,839,967	212,345,234
Less accumulated depreciation	(53,572,838)	(50,224,126)	(26,109,238)	(24,905,220)	(79,682,076)	(75,129,346)
Capital assets net of depreciation	\$ 93,868,544	\$ 89,802,140	\$ 48,289,347	\$ 47,413,748	\$ 142,157,891	\$ 137,215,888

Additional information of the village's capital assets can be found in Note 3 C. on pages 41 through 42.

**Long-term debt.** At the end of the current fiscal year, the village had total general obligation debt outstanding of \$36,413,774 entirely backed by the full faith and credit of the government with a debt premium of \$1,523,186 for a total of \$37,936,960 of general obligation bonds and notes included in these statements. In addition, the village had \$5,995,000 of revenue debt backed by the earnings of the Water and Light Commission and Sewerage Commission.

During 2002, the village was upgraded from an "A2" rating to an "A1" rating from Moody's for general obligation debt. During this process, the village also had the Water and Light Commission rated for the first time. Moody's Investor Service rated the Water and Light Utility an "A2." Moody's upgraded the Utility rating during the 2011 borrowing process to an "A1". During 2010, Moody's changed to a Global Rating Scale and has placed the village at a new rating of Aa2. This rating was reaffirmed during the 2018 borrowing process.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The current debt limitation for the village is \$103,535,630, which significantly exceeds the village's current outstanding general obligation debt. The Village Board has established a policy whereby the village will not issue debt in excess of 50% of the state authorized debt limit. As of December 31, 2019, the village's outstanding debt was at 35.17% of the state authorized debt. The village is in compliance with the policy for the year ended December 31, 2019.

**Village of Waunakee's Outstanding Debt**

	Governmental		Business-type		Totals	
	Activities		Activites			
	2019	2018	2019	2018	2019	2018
General obligation bonds and notes	\$ 37,936,960	\$ 41,050,138	\$ -	\$ -	\$ 37,936,960	\$ 41,050,138
Leases	10,153	24,249	-	-	10,153	24,249
Revenue bonds	-	-	5,995,000	8,015,000	5,995,000	8,015,000
Total	\$ 37,947,113	\$ 41,074,387	\$ 5,995,000	\$ 8,015,000	\$ 43,942,113	\$ 49,089,387

Additional information of the village's long-term debt can be found in note 3 E. on pages 44 through 47.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONT.)

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of December 31, 2019, the village's governmental funds reported combined ending fund balances of \$7,371,028, a decrease of \$4,045,554 in comparison with the prior year.

- 29% of the total or \$2,131,040 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
- 38% of the total or \$2,781,856 is *Restricted*. This balance relates to fund balances legally restricted.
- 13% of the total or \$972,666 is *Committed* and relates to funds that relate to open contracts or funds constrained due to formal action of the governing body.
- 30% of the total or \$2,245,273 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
- Finally, the balance of \$(759,807), is *Unassigned* and includes residual positive and negative fund balance amounts. Within this amount in the general fund is an amount that the Village Board has set aside as its "Rainy Day Fund." The amount set aside is \$2,942,459 or 29% of the general fund's 2020 operating budget. The village's policy is that this fund be held between 20% and 25% of the subsequent year's general fund operating budget. The village has chosen to exceed this policy to protect the village's cash flow from the TID No. 5 advance effects.

**General Fund.** The General Fund is the chief operating fund of the village. As of December 31, 2019, the total fund balance of the general fund was \$7,162,332.

- 28% of the total or \$1,974,600 is *Nonspendable* and relates mostly to the advance from the General Fund to TID No. 5.
- 31% of the total or \$2,245,273 is *Assigned* and relates to amounts set aside due to financial policies established by the governing body.
- The fund balance of the general fund increased \$193,364 compared to the prior year. This was due, in part, to increased earnings on deposits and investments.
- The village's unassigned fund balance is currently at 29% of the subsequent year's general fund expenditures. The village has a policy in place to maintain or exceed an undesignated fund balance between 20% and 25% of the subsequent year's general fund expenditures.

**Debt Service Fund.** The Debt Service Fund pays debt service requirements of all governmental fund debt except for TIF District debt service requirements which are paid by the individual TIF district. The revenues of the fund consist mostly of property tax revenue, however the fund also receives funding through impact fees, contributions from other municipalities and investment income. The fund was able to cover all obligations. The fund balance in the debt service decreased by \$80,239.

**Capital Improvements Fund.** The Capital Improvements Fund pays for major capital improvements. A summary of these projects can be found in the Capital Asset and Debt Administration section above. This fund pays for most of the capital projects identified in the village's 10-year plan. The decrease to the fund balance is due to the use of carryover funds in 2019 to finance street improvements and bike paths.

**Library Building Fund.** The Library Building Fund pays for construction of a new village library. The fund balance in this fund decreased by \$4,092,724 due to use of remainder of borrowed money to pay for building costs.

**Tax Incremental Financing District (TID) No. 5.** The TID No. 5 Fund pays for major capital improvements planned for redevelopment of the village's downtown. The district has paid for purchase of street right of way, remediation and construction of a street. The newly constructed assets were instrumental in the remediation process. At the present time, TID No. 5 has a \$1,743,374 deficit that future tax increments generated are supposed to replenish. The fund balance of TID No. 5 increased \$387,053. The increase was related to payment of debt obligations and other administrative costs where the tax increment and transfers in are now in excess of the payment.

**Tax Incremental Financing District (TID) No. 6.** The TID No. 6 Fund pays for project costs related to the Kilkenny Farms mixed use district. At the present time, TID No. 6 has a fund balance of \$698,841, which is a decrease of \$138,044 over the prior year. The decrease was related to payment of project costs, developer incentive payments, debt obligations and other administrative costs where the tax increment and borrowed funds were less than the payments.

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

Unrestricted net position of the electric, water and sewer utilities at the end of the year amounted to \$5,605,899, \$2,028,622, and \$1,678,782 respectively. The total growth in net position for the electric, water and sewer utilities was \$524,660, \$760,442, and \$251,279, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the village's business-type activities.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original 2019 annual budget for the village's general fund identified use of \$620,000 of fund balance. The 2019 budget was amended to use \$951,790 of fund balance. Actual expenditures were under the budgeted expenditures by 5.42% or \$551,581. Actual revenues sources exceeded budgeted revenues in the general fund by \$678,417 or approximately 7.59%.

The positive variance for the general fund revenues was primarily associated with unanticipated grant revenues, developer rebillings, building permits, and investment income.

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- The building inspections budget was increased due to increased inspection activity related to a high number of building permits issued.
- The Streets department required a shift in the budget as more time was spent on street work and less time was spent for snow plowing, recycling, and parks.
- Development has been increasing in the village. The village provides services through the village's professional engineers, planners and attorneys to assist in proper development. Because of this activity, the development budget was increased by \$630,124. This cost is offset by billings that the village prepares to the developers.

The net change in fund balance was \$279,452. The village does not anticipate this type of result on an annual basis, but certain revenues and departments had large favorable variances which led to the positive results.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- \$559,660 of the unassigned fund balance in the general fund was appropriated for spending in the 2020 budget. The assigned fund balance of \$1,685,613 was carried forward from the previous budget to pay 2020 expenditures. It is intended that the village will maintain a minimum unassigned fund balance of between 20% and 25% of general fund subsequent years' budgeted expenditures.
- Single family residence (SFR) housing starts for the village in 2019 were 61 compared to 77 in 2018. The current projection is that the village will grow by an average of 125 SFR's per year, however due to past economic housing slowdowns, this average number over the past 10 years has decreased.
- The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the village, program revenues have been reduced, room tax income has decreased, as have other fines and forfeitures. In addition, the village has incurred additional costs for disinfection, personal protective equipment (PPE), and consulting fees related to legal and information technology, among other costs necessary to deal with the pandemic. The village is taking appropriate actions to mitigate the negative impacts on 2020 operations. This includes pursuing reimbursement of eligible costs through the state and federal government and reducing expenditures in other areas to offset the additional costs. Should it be required, the village can tap into additional unassigned fund balance, which is still in excess of our policy at December 31, 2019. The full impact of COVID-19 cannot be reasonably estimated at this time.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 500 West Main Street, PO Box 100, Waunakee, WI 53597. General information relating to the Village of Waunakee, Wisconsin, can be found at the village's website, <http://www.vil.waunakee.wi.us>.

BASIC FINANCIAL STATEMENTS

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# Village of Waunakee, Wisconsin

## STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 6,740,923	\$ 8,135,581	\$ 14,876,504
Receivables			
Taxes and special charges, net	13,762,020	-	13,762,020
Delinquent taxes	245	-	245
Accounts	713,435	1,595,483	2,308,918
Special assessments	677	-	677
Loans	500,000	-	500,000
Other	54,424	157,537	211,961
Internal balances	61,675	(61,675)	-
Due from other governments	1,783	-	1,783
Inventories and prepaid items	387,666	420,998	808,664
Investment in joint venture	2,358,377	-	2,358,377
Restricted assets			
Cash and investments	491,434	2,448,236	2,939,670
Capital assets, nondepreciable	19,717,262	701,465	20,418,727
Capital assets, depreciable, net	74,151,282	47,587,882	121,739,164
	<u>118,941,203</u>	<u>60,985,507</u>	<u>179,926,710</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on advance refunding	-	88,910	88,910
Pension related amounts	3,083,430	836,247	3,919,677
Other postemployment related amounts	85,349	22,140	107,489
	<u>3,168,779</u>	<u>947,297</u>	<u>4,116,076</u>
<b>LIABILITIES</b>			
Accounts payable	302,685	1,233,915	1,536,600
Accrued and other current liabilities	573,546	92,963	666,509
Due to other governments	84,246	-	84,246
Accrued interest payable	190,603	32,752	223,355
Deposits	170,782	63,893	234,675
Commitment to community	-	66,257	66,257
Unearned revenues	462,755	108,365	571,120
Long-term obligations			
Due within one year			
Long-term debt	3,105,379	750,000	3,855,379
Compensated absences	215,665	35,355	251,020
Due in more than one year			
Long-term debt	34,841,734	5,245,000	40,086,734
Compensated absences	1,232,334	237,745	1,470,079
Net pension liability	1,128,556	309,599	1,438,155
Other postemployment benefits	348,451	110,289	458,740
Other liabilities	-	21,235	21,235
	<u>42,656,736</u>	<u>8,307,368</u>	<u>50,964,104</u>
Total liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	13,749,240	-	13,749,240
Pension related amounts	1,563,523	433,931	1,997,454
Other postemployment related amounts	93,207	39,472	132,679
	<u>15,405,970</u>	<u>473,403</u>	<u>15,879,373</u>
<b>NET POSITION</b>			
Net investment in capital assets	59,637,342	42,383,257	102,020,599
Restricted	2,591,253	1,455,473	4,046,726
Unrestricted	1,818,681	9,313,303	11,131,984
	<u>\$ 64,047,276</u>	<u>\$ 53,152,033</u>	<u>\$ 117,199,309</u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 1,487,826	\$ 98,974	\$ -	\$ -
Public safety	4,021,965	319,680	137,972	-
Public works	6,564,656	866,737	845,797	2,028,740
Health and human services	608,402	95,346	243,774	-
Culture and recreation	4,842,159	1,228,168	299,635	1,392,609
Conservation and development	1,171,529	775,003	-	-
Interest and fiscal charges	1,198,000	-	-	-
Total governmental activities	19,894,537	3,383,908	1,527,178	3,421,349
<b>BUSINESS-TYPE ACTIVITIES</b>				
Electric Utility	11,770,417	12,234,842	-	274,121
Water Utility	1,513,646	2,270,455	-	265,483
Sewer Utility	2,469,492	2,476,571	-	164,278
Total business-type activities	15,753,555	16,981,868	-	703,882
<b>Total</b>	<b>\$ 35,648,092</b>	<b>\$ 20,365,776</b>	<b>\$ 1,527,178</b>	<b>\$ 4,125,231</b>

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

Total general revenues and transfers

### Change in net position

Net position - January 1, as originally reported

Prior period adjustment

Net position - January 1, as restated

Net position - December 31

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

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ (1,388,852)	\$ -	\$ (1,388,852)
(3,564,313)	-	(3,564,313)
(2,823,382)	-	(2,823,382)
(269,282)	-	(269,282)
(1,921,747)	-	(1,921,747)
(396,526)	-	(396,526)
(1,198,000)	-	(1,198,000)
<u>(11,562,102)</u>	<u>-</u>	<u>(11,562,102)</u>
-	738,546	738,546
-	1,022,292	1,022,292
-	171,357	171,357
<u>-</u>	<u>1,932,195</u>	<u>1,932,195</u>
<u>(11,562,102)</u>	<u>1,932,195</u>	<u>(9,629,907)</u>
10,522,080	-	10,522,080
2,060,165	-	2,060,165
59,214	-	59,214
244,532	-	244,532
598,095	353,060	951,155
261,714	-	261,714
1,821	-	1,821
748,874	(748,874)	-
<u>14,496,495</u>	<u>(395,814)</u>	<u>14,100,681</u>
2,934,393	1,536,381	4,470,774
61,218,745	51,615,652	112,834,397
<u>(105,862)</u>	<u>-</u>	<u>(105,862)</u>
<u>61,112,883</u>	<u>51,615,652</u>	<u>112,728,535</u>
<u>\$ 64,047,276</u>	<u>\$ 53,152,033</u>	<u>\$ 117,199,309</u>

# Village of Waunakee, Wisconsin

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Library Building</u>
<b>ASSETS</b>				
Cash and investments	\$ 4,310,490	\$ 401,296	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Receivables				
Taxes and special charges, net	6,046,465	2,367,055	1,180,155	-
Delinquent personal property taxes	245	-	-	-
Accounts	504,558	-	-	202,095
Special assessments	677	-	-	-
Loans	-	500,000	-	-
Other	54,424	-	-	-
Due from other funds	1,546,756	-	-	-
Advance to other funds	1,743,374	-	-	-
Due from other governments	1,783	-	-	-
Prepaid items	231,226	-	-	-
	<u>14,439,998</u>	<u>3,268,351</u>	<u>1,180,155</u>	<u>202,095</u>
Total assets	<u>\$ 14,439,998</u>	<u>\$ 3,268,351</u>	<u>\$ 1,180,155</u>	<u>\$ 202,095</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 140,650	\$ -	\$ 66,485	\$ 56,680
Accrued and other current liabilities	550,107	-	-	-
Due to other funds	11,397	-	2,083	1,097,026
Advance from other funds	-	-	-	-
Due to other governments	84,246	-	-	-
Special deposits	170,782	-	-	-
Unearned revenues	286,644	-	-	175,089
	<u>1,243,826</u>	<u>-</u>	<u>68,568</u>	<u>1,328,795</u>
Total liabilities	<u>1,243,826</u>	<u>-</u>	<u>68,568</u>	<u>1,328,795</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	6,033,840	2,367,055	1,180,000	-
	<u>6,033,840</u>	<u>2,367,055</u>	<u>1,180,000</u>	<u>-</u>
Fund balances				
Nonspendable	1,974,600	-	-	-
Restricted	-	901,296	-	-
Committed	-	-	-	-
Assigned	2,245,273	-	-	-
Unassigned (deficit)	2,942,459	-	(68,413)	(1,126,700)
	<u>7,162,332</u>	<u>901,296</u>	<u>(68,413)</u>	<u>(1,126,700)</u>
Total fund balances	<u>7,162,332</u>	<u>901,296</u>	<u>(68,413)</u>	<u>(1,126,700)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,439,998</u>	<u>\$ 3,268,351</u>	<u>\$ 1,180,155</u>	<u>\$ 202,095</u>

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

<u>TID No. 5</u>	<u>TID No. 6</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 698,841	\$ 1,330,296	\$ 6,740,923
-	-	491,434	491,434
472,446	915,604	2,780,295	13,762,020
-	-	-	245
-	-	6,782	713,435
-	-	-	677
-	-	-	500,000
-	-	-	54,424
-	-	-	1,546,756
-	-	381,373	2,124,747
-	-	-	1,783
-	-	156,440	387,666
<u>\$ 472,446</u>	<u>\$ 1,614,445</u>	<u>\$ 5,146,620</u>	<u>\$ 26,324,110</u>
\$ -	\$ -	\$ 38,870	\$ 302,685
-	-	23,439	573,546
-	-	374,575	1,485,081
1,743,374	-	381,373	2,124,747
-	-	-	84,246
-	-	-	170,782
-	-	1,022	462,755
<u>1,743,374</u>	<u>-</u>	<u>819,279</u>	<u>5,203,842</u>
<u>472,446</u>	<u>915,604</u>	<u>2,780,295</u>	<u>13,749,240</u>
-	-	156,440	2,131,040
-	698,841	1,181,719	2,781,856
-	-	972,666	972,666
-	-	-	2,245,273
<u>(1,743,374)</u>	<u>-</u>	<u>(763,779)</u>	<u>(759,807)</u>
<u>(1,743,374)</u>	<u>698,841</u>	<u>1,547,046</u>	<u>7,371,028</u>
<u>\$ 472,446</u>	<u>\$ 1,614,445</u>	<u>\$ 5,146,620</u>	<u>\$ 26,324,110</u>

# Village of Waunakee, Wisconsin

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

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### RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 7,371,028
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	93,868,544
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	2,358,377
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.	
Deferred outflows related to pensions	3,083,430
Deferred inflows related to pensions	(1,563,523)
Deferred outflows related to other postemployment benefits	85,349
Deferred inflows related to other postemployment benefits	(93,207)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(36,413,774)
Premium on debt	(1,523,186)
Compensated absences	(1,447,999)
Net pension liability	(1,128,556)
Capital lease payable	(10,153)
Other postemployment benefit	(348,451)
Accrued interest on long-term obligations	<u>(190,603)</u>
Net position of governmental activities as reported on the statement of net position (see page 12)	<u>\$ 64,047,276</u>

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

# Village of Waunakee, Wisconsin

## 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>Capital Improvements</u>
<b>REVENUES</b>			
Taxes	\$ 5,516,757	\$ 2,564,093	\$ 1,280,000
Intergovernmental	1,337,810	-	57,000
Licenses and permits	567,016	109,512	-
Fines and forfeitures	67,400	-	-
Public charges for services	1,378,542	-	15,730
Intergovernmental charges for services	110,788	-	-
Miscellaneous	641,338	16,763	22,883
	<u>9,619,651</u>	<u>2,690,368</u>	<u>1,375,613</u>
Total revenues			
<b>EXPENDITURES</b>			
Current			
General government	1,391,589	-	-
Public safety	3,456,974	-	-
Public works	2,309,254	-	-
Health and human services	-	-	-
Culture and recreation	1,641,467	-	-
Conservation and development	823,159	-	-
Debt service			
Principal	-	1,949,039	-
Interest and fiscal charges	-	876,179	-
Capital outlay	-	-	2,753,754
	<u>9,622,443</u>	<u>2,825,218</u>	<u>2,753,754</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>(2,792)</u>	<u>(134,850)</u>	<u>(1,378,141)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	-	-
Transfers in	887,244	54,611	710,870
Transfers out	(605,000)	-	-
	<u>282,244</u>	<u>54,611</u>	<u>710,870</u>
Total other financing sources (uses)			
<b>Net change in fund balances</b>	279,452	(80,239)	(667,271)
<b>Fund balances - January 1, as originally reported</b>	<u>6,968,968</u>	<u>981,535</u>	<u>598,858</u>
<b>Prior period adjustment</b>	<u>(86,088)</u>	<u>-</u>	<u>-</u>
<b>Fund balances - January 1, as restated</b>	<u>6,882,880</u>	<u>981,535</u>	<u>598,858</u>
<b>Fund balances - December 31</b>	<u>\$ 7,162,332</u>	<u>\$ 901,296</u>	<u>\$ (68,413)</u>

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

<b>Library Building</b>	<b>TID No. 5</b>	<b>TID No. 6</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ -	\$ 320,793	\$ 309,609	\$ 2,342,626	\$ 12,333,878
-	3,173	11,074	116,243	1,525,300
-	-	-	104,624	781,152
-	-	-	-	67,400
-	-	-	881,631	2,275,903
-	-	-	26,599	137,387
1,566,195	-	22,946	419,152	2,689,277
<u>1,566,195</u>	<u>323,966</u>	<u>343,629</u>	<u>3,890,875</u>	<u>19,810,297</u>
-	-	-	-	1,391,589
-	-	-	-	3,456,974
-	-	-	-	2,309,254
-	-	-	580,671	580,671
-	-	-	1,282,171	2,923,638
-	-	-	16,461	839,620
-	110,000	240,000	700,000	2,999,039
-	114,288	239,138	220,048	1,449,653
5,658,919	2,275	2,535	278,659	8,696,142
<u>5,658,919</u>	<u>226,563</u>	<u>481,673</u>	<u>3,078,010</u>	<u>24,646,580</u>
<u>(4,092,724)</u>	<u>97,403</u>	<u>(138,044)</u>	<u>812,865</u>	<u>(4,836,283)</u>
-	-	-	9,347	9,347
-	289,650	-	8,647	1,951,022
-	-	-	(458,778)	(1,063,778)
-	289,650	-	(440,784)	896,591
(4,092,724)	387,053	(138,044)	372,081	(3,939,692)
2,966,024	(2,130,427)	836,885	1,194,739	11,416,582
-	-	-	(19,774)	(105,862)
2,966,024	(2,130,427)	836,885	1,174,965	11,310,720
<u>\$ (1,126,700)</u>	<u>\$ (1,743,374)</u>	<u>\$ 698,841</u>	<u>\$ 1,547,046</u>	<u>\$ 7,371,028</u>



# Village of Waunakee, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

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### RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ (3,939,692)

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

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

Capital assets reported as capital outlay in governmental fund statements	8,696,142
Items reported as capital outlay, but not capitalized	(2,436,310)
Contributed capital assets	1,951,010
Depreciation expense reported in the statement of activities	(4,012,571)
Net book value of disposals	(131,867)

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

Capital leases issued	14,096
Principal repaid	2,999,039

The proportionate share of the change in net position related to joint ventures reported in the statement of net position neither provides or uses current financial resources and are not reported in the fund statements

(53,654)

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

Accrued interest on long-term debt	137,514
Amortization of premiums, discounts and loss on advance refunding	114,139
Compensated absences	39,955
Net pension liability (asset)	(2,016,243)
Deferred outflows of resources related to pensions	1,423,281
Deferred inflows of resources related to pensions	189,058
Other postemployment benefits	27,847
Deferred outflows of resources related to other postemployment benefits	20,554
Deferred inflows of resources related to other postemployment benefits	(87,905)

Change in net position of governmental activities as reported in the statement of activities (see pages 13 - 14)

\$ 2,934,393

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

# Village of Waunakee, Wisconsin

## STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2019

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 5,389,497	\$ 1,544,630	\$ 1,201,454	\$ 8,135,581
Receivables				
Customer accounts	1,019,232	190,738	385,513	1,595,483
Other	141,411	7,683	8,443	157,537
Due from other funds	9,762	736	899	11,397
Inventories and prepaid items	383,524	37,474	-	420,998
Total current assets	<u>6,943,426</u>	<u>1,781,261</u>	<u>1,596,309</u>	<u>10,320,996</u>
Noncurrent assets				
Restricted assets				
Cash and investments	385,922	627,524	1,434,790	2,448,236
Capital assets				
Nondepreciable	446,977	178,295	76,193	701,465
Depreciable, net	15,879,932	19,803,717	11,904,233	47,587,882
Total capital assets	<u>16,326,909</u>	<u>19,982,012</u>	<u>11,980,426</u>	<u>48,289,347</u>
Total assets	<u>23,656,257</u>	<u>22,390,797</u>	<u>15,011,525</u>	<u>61,058,579</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on advance refunding	24,670	44,016	20,224	88,910
Pension related amounts	526,136	231,525	78,586	836,247
Other postemployment related amounts	13,890	6,205	2,045	22,140
Total deferred outflows of resources	<u>564,696</u>	<u>281,746</u>	<u>100,855</u>	<u>947,297</u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2019

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,233,915	\$ -	\$ -	\$ 1,233,915
Accrued and other current liabilities	72,103	10,607	10,253	92,963
Due to other funds	73,072	-	-	73,072
Customer deposits	17,777	34,476	-	52,253
Commitment to community	66,257	-	-	66,257
Unearned revenue	-	108,365	-	108,365
Payable from restricted assets				
Accrued interest	9,325	16,359	7,068	32,752
Customer advances for construction	11,640	-	-	11,640
Current portion of long-term debt	227,000	378,000	145,000	750,000
<b>Total current liabilities</b>	<u>1,711,089</u>	<u>547,807</u>	<u>162,321</u>	<u>2,421,217</u>
Long-term obligations, less current portion				
Revenue bonds	1,363,000	2,311,000	1,571,000	5,245,000
Compensated absences	112,000	81,900	79,200	273,100
Net pension liability	194,232	86,770	28,597	309,599
Other postemployment benefits	69,192	30,910	10,187	110,289
Other liabilities	21,235	-	-	21,235
<b>Total long-term liabilities</b>	<u>1,759,659</u>	<u>2,510,580</u>	<u>1,688,984</u>	<u>5,959,223</u>
<b>Total liabilities</b>	<u>3,470,748</u>	<u>3,058,387</u>	<u>1,851,305</u>	<u>8,380,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related amounts	272,234	121,616	40,081	433,931
Other postemployment related amounts	24,763	11,063	3,646	39,472
<b>Total deferred inflows of resources</b>	<u>296,997</u>	<u>132,679</u>	<u>43,727</u>	<u>473,403</u>
<b>NET POSITION</b>				
Net investment in capital assets	14,761,579	17,337,028	10,284,650	42,383,257
Restricted	85,730	115,827	1,253,916	1,455,473
Unrestricted	5,605,899	2,028,622	1,678,782	9,313,303
<b>Total net position</b>	<u>\$ 20,453,208</u>	<u>\$ 19,481,477</u>	<u>\$ 13,217,348</u>	<u>\$ 53,152,033</u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 12,234,842	\$ 2,270,455	\$ 2,476,571	\$ 16,981,868
Total operating revenues	<u>12,234,842</u>	<u>2,270,455</u>	<u>2,476,571</u>	<u>16,981,868</u>
<b>OPERATING EXPENSES</b>				
Operations and maintenance	10,507,789	809,415	2,140,454	13,457,658
Depreciation	896,317	574,523	271,722	1,742,562
Taxes	101,421	17,959	11,095	130,475
Total operating expenses	<u>11,505,527</u>	<u>1,401,897</u>	<u>2,423,271</u>	<u>15,330,695</u>
Operating income	<u>729,315</u>	<u>868,558</u>	<u>53,300</u>	<u>1,651,173</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	198,901	74,237	79,922	353,060
Interest and fiscal charges	(53,209)	(98,921)	(42,513)	(194,643)
Amortization of loss on refinancing	(7,296)	(12,828)	(3,708)	(23,832)
Loss on disposal of capital assets	(201,917)	-	-	(201,917)
Other nonoperating expenses	(2,468)	-	-	(2,468)
Total nonoperating revenues (expenses)	<u>(65,989)</u>	<u>(37,512)</u>	<u>33,701</u>	<u>(69,800)</u>
Income before contributions and transfers	663,326	831,046	87,001	1,581,373
Capital contributions	306,238	371,736	164,278	842,252
Transfers out	(444,904)	(442,340)	-	(887,244)
<b>Change in net position</b>	<u>524,660</u>	<u>760,442</u>	<u>251,279</u>	<u>1,536,381</u>
<b>Net position - January 1</b>	<u>19,928,548</u>	<u>18,721,035</u>	<u>12,966,069</u>	<u>51,615,652</u>
<b>Net position - December 31</b>	<u>\$ 20,453,208</u>	<u>\$ 19,481,477</u>	<u>\$ 13,217,348</u>	<u>\$ 53,152,033</u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 12,292,152	\$ 2,361,254	\$ 2,397,773	\$ 17,051,179
Cash received from other funds for fire protection and street lighting	141,842	8,333		150,175
Cash paid for employee wages and benefits	(630,362)	(297,270)	(119,194)	(1,046,826)
Cash paid to suppliers	(9,977,742)	(539,935)	(2,032,600)	(12,550,277)
Net cash provided by operating activities	<u>1,825,890</u>	<u>1,532,382</u>	<u>245,979</u>	<u>3,604,251</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer out	<u>(444,904)</u>	<u>(442,340)</u>	-	<u>(887,244)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,756,683)	(455,624)	(261,849)	(2,474,156)
Proceeds from the sale of capital assets	46,371	1,926	540	48,837
Capital contributions	181,222	-	-	181,222
Principal paid on long-term debt	(617,000)	(1,259,000)	(144,000)	(2,020,000)
Interest paid on long-term debt	(58,453)	(110,084)	(43,015)	(211,552)
Net cash used by capital and related financing activities	<u>(2,204,543)</u>	<u>(1,822,782)</u>	<u>(448,324)</u>	<u>(4,475,649)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Return on investments	199,825	74,237	79,922	353,984
Investments sold (purchased)	271,304	465,682	99,997	836,983
Net cash provided by investing activities	<u>471,129</u>	<u>539,919</u>	<u>179,919</u>	<u>1,190,967</u>
<b>Change in cash and cash equivalents</b>	(352,428)	(192,821)	(22,426)	(567,675)
<b>Cash and cash equivalents - January 1</b>	<u>2,421,706</u>	<u>1,317,847</u>	<u>1,306,264</u>	<u>5,045,817</u>
<b>Cash and cash equivalents - December 31</b>	<u>\$ 2,069,278</u>	<u>\$ 1,125,026</u>	<u>\$ 1,283,838</u>	<u>\$ 4,478,142</u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Electric Utility	Water Utility	Sewer Utility	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 729,315	\$ 868,558	\$ 53,300	\$ 1,651,173
Miscellaneous nonoperating income	(2,468)	-	-	(2,468)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	896,317	574,523	271,722	1,742,562
Depreciation charged to clearing and other Utilities	62,400	32,533	-	94,933
Change in asset (liability) and deferred outflows and inflows of resources				
Change in WRS asset (liability)	357,430	159,305	52,980	569,715
Change in WRS deferred inflow (outflow)	(230,036)	(97,879)	(34,428)	(362,343)
Change in WRS deferred inflow (outflow)	(55,104)	(23,873)	(8,827)	(87,804)
Change in OPEB asset (liability)	(19,517)	(8,517)	(3,067)	(31,101)
Change in OPEB deferred inflow (outflow)	2,357	1,016	383	3,756
Change in OPEB deferred inflow	23,513	10,507	3,459	37,479
Change in operating assets and liabilities				
Customer accounts receivables	32,538	(1,659)	(98,891)	(68,012)
Other receivables	12,833	3,760	437	17,030
Accrued and other current liabilities	13,451	7,374	6,100	26,925
Due from other funds	17,050	(389)	(506)	16,155
Inventories and prepaid items	2,175	923	-	3,098
Accounts payable	(32,634)	-	-	(32,634)
Due to other funds	11,595	-	-	11,595
Customer deposits	(3,925)	-	-	(3,925)
Compensated absences	8,600	6,200	3,317	18,117
Net cash provided by operating activities	<u>\$ 1,825,890</u>	<u>\$ 1,532,382</u>	<u>\$ 245,979</u>	<u>\$ 3,604,251</u>
Reconciliation of cash and cash equivalents				
Cash and cash equivalents in current assets	\$ 5,389,497	\$ 1,544,630	\$ 1,201,454	\$ 8,135,581
Cash and cash equivalents in restricted assets	385,922	627,524	1,434,790	2,448,236
Total cash and investments	<u>5,775,419</u>	<u>2,172,154</u>	<u>2,636,244</u>	<u>10,583,817</u>
Less: noncash equivalents	<u>(3,706,141)</u>	<u>(1,047,128)</u>	<u>(1,352,406)</u>	<u>(6,105,675)</u>
Total cash and cash equivalents	<u>\$ 2,069,278</u>	<u>\$ 1,125,026</u>	<u>\$ 1,283,838</u>	<u>\$ 4,478,142</u>
Noncash capital and related financing activities				
Capital assets financed by developer/municipality	\$ -	\$ 371,736	\$ 164,278	\$ 536,014
Adjustment of investments to fair value	33,330	9,417	12,162	54,909

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

# Village of Waunakee, Wisconsin

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019**

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	<b>Tax Collection Custodial Fund</b>
<b>ASSETS</b>	
Cash and investments	<u>\$ 21,639,873</u>
<b>LIABILITIES</b>	
Due to other governments	<u>21,639,873</u>
<b>NET POSITION</b>	
Fiduciary net position - held for others	<u><u>\$ -</u></u>

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

# Village of Waunakee, Wisconsin

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

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	<b>Tax Collection Custodial Fund</b>
<b>ADDITIONS</b>	
Property tax collections	<u>\$ 31,276,292</u>
<b>DEDUCTIONS</b>	
Payments to taxing jurisdictions	<u>31,276,292</u>
<b>Change in net position</b>	-
<b>Net position - January 1</b>	<u>-</u>
<b>Net position - December 31</b>	<u><u>\$ -</u></u>

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



# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. REPORTING ENTITY**

The Village is a municipal corporation governed by an elected seven member board. In accordance with GAAP, the basic financial statements are required to include the Village and any separate component units that have a significant operational or financial relationship with the Village. The Village has identified the following component unit:

#### ***Component Unit Not Presented***

##### **Community Development Authority**

The government-wide financial statements include the Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the village president. Wisconsin Statutes provide for circumstances whereby the village can impose its will on the CDA, and also create a potential financial benefit to or burden on the village. The CDA is part of the reporting entity of the Village of Waunakee. However, the CDA had no financial transactions during 2019 which are material to these financial statements. Also, the CDA does not own any assets nor is it liable for any debt. Therefore, no financial statements are presented in this report. The CDA does not issue separate financial statements.

### **B. JOINT VENTURE**

#### **1. EMS**

The Village of Waunakee and the Towns of Westport, Dane, Vienna and Springfield, jointly operate the local EMS District, which is called the WWDVS, and provides ambulance and rescue service. The communities share in the operation of the district based on population. The governing body is made up of board members from each community. Local representatives are appointed by the local board. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village made payments totaling \$239,213 to the District for 2019. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2019 is \$1,869,694. Financial information of the district as of December 31, 2019 is available directly from the district's office.

#### **2. Fire**

The Village of Waunakee and Towns of Westport, Vienna and Springfield jointly operate the local fire district, which is called the Waunakee Fire District, and provides fire protection service. The communities share in the operation of the district based on equalized values. The governing body is made up of two trustees from the Village Board and one member from each Town Board and the presiding officer of the fire department. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village made payments totaling \$443,862 to the district for 2019. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2019 is \$847,594. Financial information of the district as of December 31, 2019 is available directly from the district's office.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 3. Refuse

The Village of Waunakee, City of Middleton and Village of Shorewood Hills jointly operate the local Refuse District, which is called the Metropolitan Refuse District, and provides landfill services. The communities share in the operation of the district based on equalized values. The governing body is made up of citizens from each community. Local representatives are appointed by the board or council. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2019 is (\$358,911), which is based upon the most recent available financial information. Financial information of the district as of December 31, 2019 is available directly from the district's office.

### C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

#### General Fund

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

#### Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

#### Capital Improvement Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.

#### Library Building Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the acquisition of land and construction of a new library building.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### **TID No. 5 Capital Projects Fund**

This fund is used to account for the project plan costs of the Village's TID No. 5.

### **TID No. 6 Capital Projects Fund**

This fund is used to account for the project plan costs of the Village's TID No. 6.

The Village reports the following major enterprise funds:

### **Electric Utility Fund**

This fund accounts for the operations of the Village's electric utility.

### **Water Utility Fund**

This fund accounts for the operations of the Village's water utility.

### **Sewer Utility Fund**

This fund accounts for the operations of the Village's sewer utility.

The Village also reports the following fiduciary fund:

### **Custodial Fund**

The custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

## **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

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

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

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

#### **1. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

#### **2. Property Taxes and Special Charges/Receivable**

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Village properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village. Special charges not paid by January 31 are held in trust by the County and remitted to the Village, including interest, when collected by the County.

In addition to its levy, the Village also levies taxes for the Waunakee Community School District, Dane County and Madison Area Technical College.

#### **3. Accounts Receivable**

Accounts receivable are recorded at gross amount with uncollectable amounts recognized under the direct write-off method. The municipal court receivable has been shown net of an allowance of \$23,228, which represents uncollectable accounts. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the water, sewer and electric utilities have the right by law to place delinquent bills on the tax roll.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as “advances to other funds” and are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

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

### 5. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements or internal Village requirements.

### 6. Inventories

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

### 7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

### 8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year for general capital assets and 25 years for infrastructure assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	10-50
Machinery and Equipment	4-50
Utility System	3-100
Infrastructure	25-50
Intangibles	10

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### 9. Compensated Absences

#### *Governmental Funds*

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 available resources.

The village provides postemployment health insurance benefits for all eligible employees. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Under the personnel handbook, employees hired prior to May 16, 2013, may convert unused sick leave up to 1,168 hours upon retirement to pay health insurance premiums. The conversion rate shall be the employee's hourly rate of pay at the time of retirement. Certain employees hired prior to May 16, 2013 have separate agreements which allows for a conversion of up to 1,188 hours at a rate of one and one-half times the employees rate of pay upon retirement. Employees hired after May 16, 2013 are not eligible for this benefit. Employees under the police union contract may convert 1,188 accumulated sick leave hours at a rate of one and one half the employees pay rate at the time of retirement for employees hired prior to January 1, 1996 and at straight time for employees hired after this date to pay for health care premiums.

Premiums paid for employees who have converted sick leave upon retirement are recognized as an expenditure as the premiums are paid. The entire cost is paid by the village. Funding for those costs are provided by an annual levy of \$53,075 plus a reserve account set up which currently has a balance of \$1,329,874. Total costs for such benefits during 2019 were \$111,063. The number of participants currently eligible to receive benefits is seven. The total amount outstanding at year end to be paid in the future is \$201,744 and is included in the government wide statement of net position.

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. The amount of accumulated sick leave is \$1,128,130.

Vested vacation, holiday, and other compensatory pay is required to be used in the year earned, unless approved by the village administrator to be carried over. Carryovers of unused vacation leave are limited to a maximum of one week. Accumulated vacation, holiday, and other compensatory pay carryover as of December 31, 2019, is estimated to be \$118,125.

#### *Proprietary Funds*

Employees earn one day of sick leave per month and varying amounts of vacation annually. Employees may convert an unlimited amount of accumulated sick leave to pay for health insurance premiums upon retirement. Payments made in 2019 for postretirement benefits were not material. The estimated liability at December 31, 2019 is \$273,100.

Vested vacation, holiday, and other compensatory pay is required to be used in the year earned, unless approved by the utility general manager to be carried over. Carryovers of unused vacation leave are limited to a maximum of one week. Accumulated vacation, holiday, and other compensatory pay carryover as of December 31, 2019, is estimated to be \$35,356.

#### *All Funds*

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.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### **10. Deferred Outflows/Inflows of Resources**

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

### **11. Long-term Obligations**

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

### **12. Pensions**

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

### **13. Other Postemployment Benefits Other Than Pensions (OPEB)**

#### ***Local Retiree Life Insurance Fund***

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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 Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 14. Fund Equity

#### *Governmental Fund Financial Statements*

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

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** 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.
- ▶ **Assigned fund balance.** 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 village board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

#### *Government-Wide and Proprietary Fund Statements*

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
  - ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

### F. USE OF ESTIMATES

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



# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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## NOTE 2: STEWARDSHIP AND COMPLIANCE

### A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. During November, Village management submits to the Village Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.
5. Encumbrance accounting is not used by the Village to record commitments related to unperformed contracts for goods or services.

The Village did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2019.

### B. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2019:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Capital Improvements	\$ 68,413
Library Building	1,126,700
TID No. 3	737,527
TID No. 5	1,743,374
TID No. 9	18,421

The Village anticipates future revenues and tax increments will finance the deficits in the funds.

### C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2019 and 2020 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2019 budget was 4.11%. The actual limit for the Village for the 2020 budget was 4.07%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## NOTE 3: DETAILED NOTES ON ALL FUNDS

### A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the Village's cash and investments totaled \$39,456,047 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 23,374
Deposits with financial institutions	27,075,468
Investments	
US Government Treasury Bonds	349,836
Corporate Bonds	6,525,589
State and Municipal Bonds	3,619,591
Federal Home Loan Mortgage Corporation	197,198
Negotiable Certificates of Deposit	1,322,981
Wisconsin Local Government Investment Pool	342,010
	<u>\$ 39,456,047</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 14,876,504
Restricted cash and investments	2,939,670
Fiduciary fund statement of net position	
Custodial Fund	21,639,873
	<u>\$ 39,456,047</u>

### Fair Value Measurements

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Village currently has the following fair value measurements as of December 31, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
US Government Treasury Bonds	\$ -	\$ 349,836	\$ -
Corporate Bonds	-	6,525,589	-
State and Municipal Bonds	-	3,619,591	-
Federal Home Loan Mortgage Corporation	-	197,198	-
Negotiable Certificates of Deposit	-	1,322,981	-
	<u>\$ -</u>	<u>\$ 12,015,195</u>	<u>\$ -</u>

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

### **Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Village's custodial credit policy requires the Village to minimize custodial credit risk by fully collateralizing all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit or obtaining a Federal Home Loan Bank irrevocable Letter of Credit equal to 100 percent (at market) of the funds on deposit.

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

As of December 31, 2019, \$24,404,734 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits. \$24,404,734 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Village's name.

### **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Village's credit risk policy will minimize credit risk by:

- ▶ Limiting investments to the types of securities purchased to allowable legal investments.
- ▶ Performing due diligence on the financial institutions, broker/dealers, intermediaries and advisers with which the Village of Waunakee will do business.
- ▶ Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
- ▶ Ensuring all investments held by an entity or its agent, or counterparty's trust department or agent, are held in the name of the Village.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	A	Not Rated
US Government Treasury Bonds	\$ 349,836	\$ 349,836	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	6,525,589	-	176,565	5,918,611	430,413	-
State and Municipal Bonds	3,619,591	-	120,744	3,297,505	-	201,342
Federal Home Loan Mortgage Corporation	197,198	-	-	197,198	-	-
Negotiable Certificates of Deposit	1,322,981	-	-	-	-	1,322,981
Wisconsin local government investment pool	342,010	-	-	-	-	342,010
<b>Totals</b>	<b>\$ 12,357,205</b>	<b>\$ 349,836</b>	<b>\$ 297,309</b>	<b>\$ 9,413,314</b>	<b>\$ 430,413</b>	<b>\$ 1,866,333</b>

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village investment policy limits the exposure to interest rate risk by:

- ▶ Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- ▶ Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio to less than 3 years.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
US Government Treasury Bonds	\$ 349,836	\$ -	\$ 349,836	\$ -	\$ -
Corporate Bonds	6,525,589	1,271,948	1,283,276	3,970,365	-
State and Municipal Bonds	3,619,591	1,313,077	1,170,047	1,136,467	-
Federal Home Loan Mortgage Corporation	197,198	-	-	197,198	-
Negotiable Certificates of Deposit	1,322,981	628,033	410,481	284,467	-
Wisconsin local government investment pool	342,010	342,010	-	-	-
<b>Totals</b>	<b>\$ 12,357,205</b>	<b>\$ 3,555,068</b>	<b>\$ 3,213,640</b>	<b>\$ 5,588,497</b>	<b>\$ -</b>

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. At December 31, 2019, the portfolio was concentrated as follows:

Issuer	Investment Type	Percent of Total Investments
West Pac	Corporate Bond	6%
Wells Fargo	Corporate Bond	6%

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

The Village has investments in the Wisconsin Local Government Investment Pool of \$342,010 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2019, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

### B. RESTRICTED ASSETS

Restricted assets on December 31, 2019 totaled \$2,939,670 and consisted of cash and investments held for the following purposes:

<u>Funds</u>	<u>Amount</u>
Governmental Funds	
Park Reservation	\$ 45,255
Park Impact	446,179
Enterprise funds	
Electric Utility	
Redemption account	66,067
Reserve account	290,867
Depreciation account	28,988
Water Utility	
Redemption account	111,174
Reserve account	495,338
Depreciation account	21,012
Sewer Utility	
Redemption account	97,543
Reserve account	173,806
Replacement account	1,163,441
Total	<u>\$ 2,939,670</u>

Park Reservation	Fees in lieu of parkland that must be spent in accordance with local and state statutes. Funds may only be used for the purchase of parkland.
Park Impact	Impact fees that must be spent in accordance with local ordinances and state statutes. Unspent funds must be refunded to the current property owner
Redemption account	Segregated resources accumulated for debt service payment over the next twelve months.
Reserve account	Resources set aside to make up potential future deficiencies in the redemption account.
Depreciation account	Segregated resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the
Replacement account	Used to report resources set aside to fund future plant replacement needs

# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## C. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 18,040,744	\$ 1,676,518	\$ -	\$ 19,717,262
Construction in progress	9,042,186	5,183,905	14,226,091	-
Total capital assets, nondepreciable	<u>27,082,930</u>	<u>6,860,423</u>	<u>14,226,091</u>	<u>19,717,262</u>
Capital assets, depreciable:				
Buildings and improvements	18,052,421	12,042,422	5,300	30,089,543
Improvements other than buildings	4,799,422	728,919	239,900	5,288,441
Equipment	6,301,820	888,258	474,206	6,715,872
Intangibles	81,120	9,900	62,560	28,460
Infrastructure	83,708,553	1,893,251	-	85,601,804
Subtotals	<u>112,943,336</u>	<u>15,562,750</u>	<u>781,966</u>	<u>127,724,120</u>
Less accumulated depreciation for:				
Buildings and improvements	9,339,749	894,801	4,327	10,230,223
Improvements other than buildings	2,367,807	181,358	167,409	2,381,756
Equipment	4,232,822	418,940	433,957	4,217,805
Intangibles	69,911	5,560	58,166	17,305
Infrastructure	34,213,837	2,511,912	-	36,725,749
Subtotals	<u>50,224,126</u>	<u>4,012,571</u>	<u>663,859</u>	<u>53,572,838</u>
Total capital assets, depreciable, net	<u>62,719,210</u>	<u>11,550,179</u>	<u>118,107</u>	<u>74,151,282</u>
Governmental activities capital assets, net	<u>\$ 89,802,140</u>	<u>\$ 18,410,602</u>	<u>\$ 14,344,198</u>	93,868,544
Less: Capital related debt				(32,635,863)
Less: Capital leases				(10,153)
Less: Debt premium				(1,523,186)
Less: Capital related payables and retainages				<u>(62,000)</u>
Net investment in capital assets				<u>\$ 59,637,342</u>

# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 532,269	\$ -	\$ -	\$ 532,269
Construction in progress	451,804	86,087	368,695	169,196
Total capital assets, nondepreciable	<u>984,073</u>	<u>86,087</u>	<u>368,695</u>	<u>701,465</u>
Capital assets, depreciable:				
Buildings and improvements	5,553,816	-	2,500	5,551,316
Equipment	7,651,923	248,915	243,497	7,657,341
Infrastructure	58,129,156	2,997,543	638,236	60,488,463
Subtotals	<u>71,334,895</u>	<u>3,246,458</u>	<u>884,233</u>	<u>73,697,120</u>
Less accumulated depreciation for:				
Buildings and improvements	2,150,732	152,490	1,960	2,301,262
Equipment	5,700,451	280,476	219,709	5,761,218
Infrastructure	17,054,037	1,404,529	411,808	18,046,758
Subtotals	<u>24,905,220</u>	<u>1,837,495</u>	<u>633,477</u>	<u>26,109,238</u>
Total capital assets, depreciable, net	<u>46,429,675</u>	<u>1,408,963</u>	<u>250,756</u>	<u>47,587,882</u>
Business-type activities capital assets, net	<u>\$47,413,748</u>	<u>\$ 1,495,050</u>	<u>\$ 619,451</u>	48,289,347
Less: Capital related debt				(5,995,000)
Add: Deferred charge on refunding				<u>88,910</u>
Net investment in capital assets				<u>\$ 42,383,257</u>

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

Governmental activities	
General government	\$ 66,141
Public safety	244,904
Public works	2,748,078
Health and human services	968
Culture and recreation	949,860
Conservation and development	2,620
Total depreciation expense - governmental activities	<u>\$ 4,012,571</u>
Business-type activities	
Electric utility	\$ 896,317
Water utility	574,523
Sewer utility	271,722
Total depreciation expense - business-type activities	<u>1,742,562</u>
Depreciation charged to operating accounts	94,933
Total increase in accumulated depreciation	<u>\$ 1,837,495</u>

# Village of Waunakee, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the Village, as reported in the fund financial statements, as of December 31, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Operating accounts between funds		
Governmental fund		
General	\$ 73,072	\$ 11,397
Enterprise funds		
Electric Utility	9,762	73,072
Water Utility	736	-
Wastewater Utility	899	-
Subtotal	<u>84,469</u>	<u>84,469</u>
Temporary cash advances to finance operating cash deficits		
Governmental funds		
General	1,473,684	-
Capital Improvements	-	2,083
Library Building	-	1,097,026
TID No. 3	-	356,154
TID No. 9	-	18,421
Subtotal	<u>1,473,684</u>	<u>1,473,684</u>
Long-term advances for repayment of general obligation debt and capital projects		
Governmental funds		
General	1,743,374	-
Equipment Replacement	381,373	-
TID No. 3	-	381,373
TID No. 5	-	1,743,374
Subtotal	<u>2,124,747</u>	<u>2,124,747</u>
Totals	<u>\$ 3,682,900</u>	<u>\$ 3,682,900</u>

The general fund is advancing funds to TID No. 5. The amount of the advance is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is charging the TID district interest on the advance based on the average outstanding balance during the year at the rate of 5.61%. No repayment schedule has been established.



# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Interfund transfers for the year ended December 31, 2019 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 887,244	\$ 605,000
Debt Service	70,219	-
Capital Improvements	710,870	-
Park Impact	-	105,870
Senior Center	8,647	-
Senior Center Fundraising	-	8,647
Village Center	-	70,219
TID No. 2	-	289,650
TID No. 5	289,650	-
Electric Utility	-	444,904
Water Utility	-	442,340
	<u>\$ 1,966,630</u>	<u>\$ 1,966,630</u>

Interfund transfers were made for the following purposes:

Tax equivalent payment made by electric and water utility to general fund	\$ 887,244
Tax increment sharing	289,650
Transfer of revenues to fund authorized to spend	789,736
	<u>\$ 1,966,630</u>

### E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 39,280,000	\$ -	\$ 2,975,000	\$ 36,305,000	\$ 3,070,000
Notes from direct borrowings					
State trust fund loans	132,813	-	24,039	108,774	25,226
Total general obligation debt	39,412,813	-	2,999,039	36,413,774	3,095,226
Debt premium	1,637,325	-	114,139	1,523,186	-
Capital leases	24,249	-	14,096	10,153	10,153
Compensated absences	1,487,954	133,450	173,405	1,447,999	215,665
Governmental activities					
Long-term obligations	<u>\$ 42,562,341</u>	<u>\$ 133,450</u>	<u>\$ 3,300,679</u>	<u>\$ 39,395,112</u>	<u>\$ 3,321,044</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 8,015,000	\$ -	\$ 2,020,000	\$ 5,995,000	\$ 750,000
Compensated absences	276,117	20,900	-	297,017	35,355
Other liabilities	21,235	-	-	21,235	-
Business-type activities					
Long-term obligations	<u>\$ 8,312,352</u>	<u>\$ 20,900</u>	<u>\$ 2,020,000</u>	<u>\$ 6,313,252</u>	<u>\$ 785,355</u>

Total interest paid during the year on long-term debt totaled \$1,566,371.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
State trust fund loan	5/28/03	3/15/23	5.00%	\$385,931	\$ 108,774
General obligation bond	5/22/08	6/1/23	3.50 - 3.90%	1,330,000	440,000
General obligation bond	6/1/10	6/1/30	2.00 - 4.00%	5,665,000	125,000
General obligation bond	11/8/11	11/1/31	2.00 - 3.60%	3,945,000	2,395,000
General obligation bond	11/8/11	11/1/31	1.50 - 4.80%	1,345,000	1,005,000
General obligation bond	4/18/12	4/1/32	4.00%	13,245,000	7,410,000
General obligation bond	4/18/12	4/1/32	3.00 - 3.50%	1,355,000	1,305,000
General obligation bond	1/6/16	4/1/35	2.00 - 3.00%	6,055,000	5,250,000
General obligation bond	12/15/16	5/1/29	1.20 - 2.50%	2,920,000	2,760,000
General obligation bond	1/12/17	6/1/36	3.00 - 4.00%	8,855,000	8,320,000
General obligation bond	6/7/18	6/1/38	3.00 - 3.55%	7,450,000	7,295,000
Total outstanding general obligation debt					<u>\$ 36,413,774</u>

The Village's outstanding notes from direct borrowings related to governmental activities of \$108,774 are subject to a statutory provision that in an event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

Annual principal and interest maturities of the outstanding general obligation debt of \$36,413,774 on December 31, 2019 are detailed below:

Year Ended	Governmental Activities				
	Bonded Debt		Notes from Direct Borrowings		Totals
	Principal	Interest	Principal	Interest	
December 31, 2020	\$ 3,070,000	\$ 1,133,406	\$ 25,226	\$ 5,454	\$ 4,234,086
2021	3,300,000	1,024,072	26,502	4,177	4,354,751
2022	3,415,000	907,633	27,827	2,852	4,353,312
2023	3,590,000	786,084	29,219	1,461	4,406,764
2024	2,590,000	680,122	-	-	3,270,122
2025 - 2029	9,960,000	2,464,589	-	-	12,424,589
2030 - 2034	7,330,000	1,061,451	-	-	8,391,451
2035 - 2038	3,050,000	160,131	-	-	3,210,131
	<u>\$36,305,000</u>	<u>\$ 8,217,488</u>	<u>\$ 108,774</u>	<u>\$ 13,944</u>	<u>\$44,645,206</u>

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2019 was \$68,038,760 as follows:

Equalized valuation of the Village		\$2,070,712,600
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		103,535,630
Total outstanding general obligation debt applicable to debt limitation		36,413,774
Less: Amounts available for financing general obligation debt		
Debt service fund	901,296	
Net outstanding general obligation debt applicable to debt limitation		35,512,478
Legal margin for new debt		<u>\$ 68,023,152</u>

### Revenue Bonds

Revenue bonds outstanding on December 31, 2019 was comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
2011 water and light	12/21/11	10/1/26	0.80 - 3.20 %	\$ 3,845,000	\$ 2,330,000
2013 water and light	3/14/13	10/1/25	2.00 - 2.35 %	3,385,000	1,315,000
2013 sewer bonds	3/14/13	5/1/30	2.00 - 2.85 %	2,325,000	1,625,000
2016 water and light	9/1/16	10/1/26	1.50 - 2.00 %	1,000,000	725,000
Total outstanding revenue bonds					<u>\$ 5,995,000</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$5,995,000 on December 31, 2019 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 750,000	\$ 142,873	\$ 892,873
2021	790,000	127,193	917,193
2022	825,000	110,033	935,033
2023	865,000	91,233	956,233
2024	875,000	70,501	945,501
2025-2029	1,720,000	112,984	1,832,984
2030	170,000	2,423	172,423
	<u>\$ 5,995,000</u>	<u>\$ 657,240</u>	<u>\$ 6,652,240</u>

### Utility Revenues Pledged

The Village has pledged future customer revenues, net of specified operating expenses, to repay the water, electric and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The water and electric bonds are payable solely from customer net revenues and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$4,684,710. Principal and interest paid for the current year and total customer net revenues were \$864,531 and \$3,341,851, respectively. An additional \$1,180,000 of revenue bonds were called and retired during 2019. The sewer bonds are payable solely from customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$1,967,530. Principal and interest paid for the current year and total customer net revenues were \$187,015 and \$404,944, respectively.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Capital Lease

The Village is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The cost of the capital assets under the capital lease is \$62,339 as of December 31, 2019.

The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at December 31, 2019:

<u>Year Ending</u>	<u>Governmental Activities</u>
2020	\$ 10,363
Less: Amount representing interest	210
Present value of future minimum lease payments	<u>\$ 10,153</u>

### Operating Lease

The village has entered into a lease with the Waunakee Area Fire District for the portion of the Waunakee Public Safety Building that is occupied by the district. The lease period covers the period commencing January 1, 2020 and ending on December 31, 2020. The annual rental payment is \$35,000 for 2019 for the leased property.

### Conduit Debt

The village has approved the issuance of multifamily housing revenue bonds (MHRB) for the benefit of a private business enterprise. MHRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of MHRB's outstanding at the end of the year is approximately \$2,144,043, made up of the Series 2003 Multifamily Housing Revenue Bonds.

The village has approved the issuance of Community Development Authority Revenue Bonds (CDARB) for the benefit of a non-profit organization. CDARB's are secured loan agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of CDARB's outstanding at the end of the year is approximately \$597,735, made up of the 2011 Community Development Authority Revenue Bonds.

### F. PENSION PLAN

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. 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 or after 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.

### 1. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

### 2. Contributions

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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The Village of Waunakee and Waunakee Utilities (“the Utilities”) make separate contributions to the WRS. Separate information is presented below for the Village and the utilities’ pension activity

During the year ending December 31, 2019, the WRS recognized \$393,096 in contributions from the Village and \$90,781 from the Utilities.

Contribution rates for the reporting period are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers, executives and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.95%
Protective without Social Security	6.55%	14.95%

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

At December 31, 2019, the Village reported a liability of \$1,128,556 and the Utilities reported a liability of \$309,599 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 asset 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 0.03172163%, which was an increase of 0.00182430% from its proportion measured as of December 31, 2017. At December 31, 2018, the Utilities’ proportion was 0.00870228%, which was a decrease of 0.00005844% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized pension expense of \$392,814 and the Utilities reported pension expense of 205,186.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

At December 31, 2019, the Village and Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Village of Waunakee</b>		
Differences between expected and actual experience	\$ 878,973	\$ 1,553,709
Net differences between projected and actual earnings on pension plan investments	1,648,178	-
Changes in assumptions	190,232	9,814
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,951	-
Employer contributions subsequent to the measurement date	363,096	-
<b>Total</b>	<u>\$ 3,083,430</u>	<u>\$ 1,563,523</u>
<b>Waunakee Utilities</b>		
Differences between expected and actual experience	\$ 241,130	\$ 426,233
Net differences between projected and actual earnings on pension plan investments	452,149	-
Changes in assumptions	52,187	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,698
Employer contributions subsequent to the measurement date	90,781	-
<b>Total</b>	<u>\$ 836,247</u>	<u>\$ 433,931</u>

\$363,096 reported as deferred outflows related to pension resulting from the Village's contributions and \$90,781 reported as deferred outflows related to pension resulting from the Utilities' 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 related to the Village reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2020	\$ 420,632
2021	103,931
2022	182,086
2023	450,162
<b>Total</b>	<u>\$ 1,156,811</u>

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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Other amounts related to the Utilities reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended</b> <b>December 31,</b>	<b>Expense</b>
2020	\$ 112,020
2021	26,722
2022	49,275
2023	123,518
Total	<u>\$ 311,535</u>

### 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
Actuarial cost method:	Entry Age
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 the 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 Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**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:

	<b>Current Asset Allocation %</b>	<b>Long-term Expected Nominal Rate of Return %</b>	<b>Long-term Expected Real Rate of Return %</b>
<u>Core Fund Asset Class</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, as opposed to a discount rate of 7.20% for the prior year. 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 members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**Sensitivity of the Village's and Utilities' proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the Village's and Utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the Village's Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase to Discount Rate (8.0%)</b>
Village's proportionate share of the net pension liability (asset)	\$ 4,485,000	\$ 1,128,556	\$ (1,367,220)
Utilities' proportionate share of the net pension liability (asset)	1,230,382	309,599	(375,073)

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

### **Payables to the Pension Plan**

At December 31, 2019, the Village reported a payable of \$79,116 and the Utilities reported a payable of \$0 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

### **G. OTHER POSTEMPLOYMENT BENEFITS**

#### *Plan Description*

The LRLIF is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

#### *OPEB Plan Fiduciary Net Position*

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

#### *Benefits Provided*

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

#### *Contributions*

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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Contribution rates as of December 31, 2019 are:

Coverage Type	Employer Contribution
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

<b>Life Insurance</b>		
<b>Employee Contribution Rates*</b>		
<b>For the Year Ended December 31, 2018</b>		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

\*Disabled members under age 70 receive a waiver-of-premium benefits

The Village of Waunakee and Waunakee Utilities (“the Utilities”) make separate contributions to the LRLIF. Separate information is presented below for the Village and the Utilities.

During the reporting period, the LRLIF recognized \$2,931 in contributions from the Village and \$831 from the Utilities.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### ***OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At December 31, 2019, the Village reported a liability of \$348,451 and the Utilities reported a liability of \$110,289 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. Each entity's proportion of the net OPEB liability was based on each entity's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Village's proportion was 0.13504100%, which was an increase of 0.00996600% from its proportion measured as of December 31, 2017. At December 31, 2018, the Utility's proportion was 0.04274200%, which was a decrease of 0.00425400% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized OPEB expense of \$42,107. For the year ended December 31, 2019, the Utilities recognized OPEB expense of \$10,959.

At December 31, 2019, the Village and the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Village of Waunakee</b>		
Differences between expected and actual experience	\$ -	\$ 17,677
Net differences between projected and actual earnings on OPEB plan investments	8,328	-
Changes in assumptions	33,248	75,530
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,773	-
Total	<u>\$ 85,349</u>	<u>\$ 93,207</u>
<b>Waunakee Utilities</b>		
Differences between expected and actual experience	\$ -	\$ 5,594
Net differences between projected and actual earnings on OPEB plan investments	2,636	-
Changes in assumptions	10,523	23,906
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,981	9,972
Total	<u>\$ 22,140</u>	<u>\$ 39,472</u>

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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Amounts related to the Village reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2020	\$ 632
2021	632
2022	632
2023	(537)
2024	(1,742)
Thereafter	(7,475)
Total	<u>\$ (7,858)</u>

Amounts related to the Utilities reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2020	\$ (2,169)
2021	(2,169)
2022	(2,169)
2023	(2,539)
2024	(2,920)
Thereafter	(5,366)
Total	<u>\$ (17,332)</u>

**Actuarial assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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 OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The total OPEB liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**Long-term expected return on plan assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1.0%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

**Single discount rate.** A single discount rate of 4.22% was used to measure the total OPEB liability, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

**Sensitivity of the proportionate share of net OPEB liability (asset) to changes in the discount rate.** The following presents the Village's and the Utilities' proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22%, as well as what the Village's and the Utilities' proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	<u>1% Decrease to Discount Rate (3.22%)</u>	<u>Current Discount Rate (4.22%)</u>	<u>1% Increase to Discount Rate (5.22%)</u>
Village's proportionate share of the net OPEB liability (asset)	\$ 495,695	\$ 348,451	\$ 234,886
Utilities' proportionate share of the net OPEB liability (asset)	156,893	110,289	74,344

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### *Payable to the OPEB Plan*

At December 31, 2019, the Village reported a payable of \$46 and the Utilities reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

### **H. FUND EQUITY**

#### **Nonspendable Fund Balance**

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	\$ 231,226
Advances to other funds	1,743,374
Total general fund nonspendable fund balance	<u>1,974,600</u>
Capital Projects Funds	
Nonspendable	
Prepaid items	<u>156,440</u>
Total nonspendable fund balance	<u>\$ 2,131,040</u>

#### **Restricted Fund Balance**

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2019, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Park reservation	\$ 45,255
Park impact	446,179
Library	55,508
Senior Center	367,155
Community Development	37,307
Total special revenue funds	<u>951,404</u>
Debt Service Fund	
Restricted for	
Retirement of long term debt	<u>901,296</u>
Capital Project Funds	
Restricted for	
TIF expenditures	<u>929,156</u>
Total restricted fund balance	<u>\$ 2,781,856</u>

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Village Board action. At December 31, 2019, Governmental fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Senior Center fundraising	\$ 5,659
Village Center	327,689
Capital Improvements Fund	
Committed for	
Equipment replacement	<u>639,318</u>
Total committed fund balance	<u><u>\$ 972,666</u></u>

### Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, fund balance was assigned as follows:

General Fund	
Assigned for	
Reassessment	\$ 87,134
Elections	156,793
Waunaboom	15,128
Creative Economy initiatives	6,681
2020 budget impact of 12/1/19 wage increase	32,500
Village Board strategic planning	3,843
Compensation study	4,250
Citizen survey	14,120
Parks non-lapsing fund	35,290
Accumulated sick leave conversion	1,329,874
Fund balance applied to 2020 budget	559,660
Total	<u><u>\$ 2,245,273</u></u>

### Minimum General Fund Balance Policy

The Village has also adopted a minimum fund balance policy of 20 - 25% of subsequent year's general fund budgeted expenditures. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Subsequent year budgeted General Fund expenditures	\$ 10,263,507
Minimum Fund Balance %	(x) 20 - 25%
Minimum Fund Balance Amount	<u><u>\$ 2,052,701 - 2,565,876</u></u>

The Village's unassigned general fund balance of \$2,942,459 is above the minimum fund balance amount.



# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Net Position

The Village reports restricted net position at December 31, 2019 as follows:

#### Governmental activities

Restricted for	
Park reservation	\$ 45,255
Park impact	446,179
Library	55,508
Senior Center	367,155
Community development	37,307
TIF expenditures	929,156
Long term debt	710,693
Total governmental activities restricted net position	<u>2,591,253</u>

#### Business-type activities

Restricted for	
Debt redemption account	274,784
Depreciation account	50,000
Capital asset replacement	1,130,689
Total business-type activities restricted net position	<u>1,455,473</u>

Total restricted net position	<u><u>\$ 4,046,726</u></u>
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### NOTE 4: OTHER INFORMATION

#### A. TAX INCREMENTAL FINANCING DISTRICTS

The Village has established separate capital projects funds for Tax Incremental Financing District (TID) Nos. 2, 3, 4, 5, 6, 7, 8, and 9 which were created by the Village in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TIDs were created, the property tax base within the TIDs was “frozen” and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the Village to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The Village’s TIDs are still eligible to incur project costs.

Since creation of the above TIDs, the Village has provided various financing sources to the TIDs. The foregoing amounts are not recorded as liabilities in the TID capital project funds but can be recovered by the Village from any future excess tax increment revenues. As of December 31, 2019, the Village can recover \$15,395,166 from future excess tax increment revenues of the following:

	<u>Recoverable Costs</u>
TID No.2	\$ -
TID No.3	3,412,527
TID No.4	267,142
TID No.5	3,338,374
TID No.6	7,361,159
TID No.7	(42,708)
TID No.8	1,040,251
TID No.9	18,421

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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The intent of the Village is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective TIDs. Unless terminated by the Village prior thereto, each TID has a statutory termination year as follows:

	<b>Termination Year</b>
TID No.2	2023
TID No.3	2023
TID No.4	2029
TID No.5	2031
TID No.6	2035
TID No.7	2044
TID No.8	2046
TID No.9	2039

### **B. TAX ABATEMENTS**

The Village has created tax incremental financing districts (the "Districts") in accordance with Wisconsin State Statute 66.1105, *Tax Increment Law*. As part of the project plan for the Districts, the Village entered into agreements with developers for a creation of tax base within the Districts. The agreements require the Village to make annual repayments of property taxes collected within the Districts to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

For the year ended December 31, 2019, the Village abated property taxes totaling \$552,183 under this program, including the following tax abatement agreement:

- ▶ \$22,757 to a developer for acquiring property and constructing a building.
- ▶ \$23,824 to a developer for acquiring property and renovating a building.
- ▶ \$92,884 to a developer for acquiring property and constructing a building.
- ▶ \$74,686 to a developer for acquiring property and constructing a building.
- ▶ \$260,000 to a developer for acquiring and developing a property.
- ▶ \$78,032 to a developer for acquiring property and renovating a building

### **C. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage.

### **D. CONTINGENCIES**

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

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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As stated in Note 1.B.3., the village jointly operates a municipal landfill district (district). For the year ending September 30, 1994, the landfill was required to adopt Governmental Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The implementation of this standard required the district to restate (reduce) its September 30, 1993 fund balance by \$2,230,627. The district's most recent information is as of December 31, 2018. At that date, the fund balance was in a deficit position (\$954,834). Reporting standards require the village to report its share of any net deficit. The village's proportionate share in the operations of the landfill is approximately 38%, which as of December 31, 2019 amounts to \$358,911 of the district's net deficit which is based upon the most recent available financial information. The village's proportionate share of the budget for 2020 is \$62,620.

### ***Purchased Power Contract***

Waunakee Utilities is one of 51 WPPI member municipalities located throughout the State of Wisconsin, Michigan and Iowa. On December 31, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility for an initial thirty-five-year term. The contract was amended during 2002 and subsequently during 2015 to extend the term of the contract through 2055.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

The long-term contract may be terminated by either party upon five years' prior written notice effective at the end of the initial thirty-five-year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

The electric operation purchases power through WPPI Energy for distribution to its customers. Total purchases under this arrangement amounted to approximately \$9.2 million in 2019.

### **E. ENTERPRISE FUNDS - SIGNIFICANT CUSTOMERS**

During 2019, one customer was billed \$407,821 by the sewer utility. This represents 16% of the sewer utility operating revenue. No other utility customer accounted for more than 10% of operating revenue.

### **F. UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. However, in May 2020, Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued which changes GASB No. 87 to be effective for reporting periods beginning after June 15, 2021. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

### **G. PRIOR PERIOD ADJUSTMENT**

The Village recorded a prior period adjustment of \$105,862 in the government wide statements and in the governmental fund statements to reflect a correction in the calculation of accrued payroll liability.

# Village of Waunakee, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### **H. SUBSEQUENT EVENTS**

The Village approved issuance of \$9,620,000 General Obligation Corporate Purpose bonds, Series 2020A with interest rates of 2.00-3.00% on April 29, 2020 to refund all or portions of the 2011A and 2012A GO Bond issuances and for street and park projects.

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Village, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Village is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

During the period from January 1, 2020 through June 17, 2020 both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year end and are still developing.

## REQUIRED SUPPLEMENTARY INFORMATION

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# Village of Waunakee, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,491,834	\$ 5,491,834	\$ 5,516,757	\$ 24,923
Intergovernmental	1,291,135	1,294,182	1,337,810	43,628
Licenses and permits	309,065	382,602	567,016	184,414
Fines and forfeits	61,150	61,150	67,400	6,250
Public charges for services	734,190	1,373,224	1,378,542	5,318
Intergovernmental charges for services	85,500	85,500	110,788	25,288
Miscellaneous	150,450	252,742	641,338	388,596
Total revenues	<u>8,123,324</u>	<u>8,941,234</u>	<u>9,619,651</u>	<u>678,417</u>
<b>EXPENDITURES</b>				
Current				
General government				
Village Board	80,242	80,242	76,399	3,843
Municipal Court	100,406	100,406	81,190	19,216
Legal	45,000	51,215	51,215	-
Administrator	204,748	209,726	209,726	-
Clerk	238,775	241,775	227,215	14,560
Elections	70,067	195,948	39,527	156,421
Network administration	10,000	10,000	11,305	(1,305)
Assessor	29,787	196,907	109,306	87,601
Finance	368,362	368,362	348,160	20,202
Village hall	82,913	84,948	84,948	-
Contingency	50,000	50,000	-	50,000
Uncollectible Receivables	-	-	582	(582)
Risk Management	211,031	211,031	152,016	59,015
Total General government	<u>1,491,331</u>	<u>1,800,560</u>	<u>1,391,589</u>	<u>408,971</u>
Public safety				
Police	2,687,060	2,687,060	2,568,675	118,385
Fire protection	456,113	456,113	454,695	1,418
Ambulance	241,813	241,813	241,813	-
Inspections	118,000	191,537	191,537	-
Emergency management	288	288	254	34
Total public safety	<u>3,503,274</u>	<u>3,576,811</u>	<u>3,456,974</u>	<u>119,837</u>
Public works				
Engineering	392,279	392,279	378,748	13,531
Street Maintenance	534,431	676,928	694,579	(17,651)
Snow and Ice Control	271,620	248,415	248,415	-
Public Works Facility	42,151	42,151	34,081	8,070
Street Lighting	144,000	144,000	136,870	7,130
Sidewalks	2,000	2,000	-	2,000
Stormwater	57,530	57,530	57,436	94
Garbage and refuse	470,620	479,530	479,530	-
Recycling	303,070	279,545	279,545	-
Weed Control Services	500	500	50	450
Total public works	<u>2,218,201</u>	<u>2,322,878</u>	<u>2,309,254</u>	<u>13,624</u>

# Village of Waunakee, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

### EXPENDITURES (Continued)

Culture and recreation				
Library	1,125,809	1,155,438	1,155,438	-
Parks	457,974	406,081	404,403	1,678
WaunaBoom	16,759	66,212	66,212	-
Forestry	12,500	12,500	10,782	1,718
Cable TV	9,886	9,886	4,270	5,616
Other	500	500	362	138
Total culture and recreation	<u>1,623,428</u>	<u>1,650,617</u>	<u>1,641,467</u>	<u>9,150</u>
Conservation and development				
Development	188,090	823,158	823,159	(1)
Total expenditures	<u>9,024,324</u>	<u>10,174,024</u>	<u>9,622,443</u>	<u>551,581</u>
Excess of revenues under expenditures	<u>(901,000)</u>	<u>(1,232,790)</u>	<u>(2,792)</u>	<u>1,229,998</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	886,000	886,000	887,244	1,244
Transfers out	<u>(605,000)</u>	<u>(605,000)</u>	<u>(605,000)</u>	<u>-</u>
Total other financing sources	<u>281,000</u>	<u>281,000</u>	<u>282,244</u>	<u>1,244</u>
<b>Net change in fund balance</b>	<u>(620,000)</u>	<u>(951,790)</u>	<u>279,452</u>	<u>1,231,242</u>
<b>Fund balances - January 1, as originally reported</b>	6,968,968	6,968,968	6,968,968	-
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>(86,088)</u>	<u>-</u>
<b>Fund balances - January 1, as restated</b>	<u>6,968,968</u>	<u>6,968,968</u>	<u>6,882,880</u>	<u>-</u>
<b>Fund balance - December 31</b>	<u>\$ 6,348,968</u>	<u>\$ 6,017,178</u>	<u>\$ 7,162,332</u>	<u>\$ 1,231,242</u>

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

# Village of Waunakee, Wisconsin

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

### Village of Waunakee

<u>Plan Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.02851252%	\$ (700,345)	\$ 3,382,014	20.71%	102.74%
12/31/15	0.02820314%	458,296	3,505,954	13.07%	98.20%
12/31/16	0.02845406%	234,529	3,659,081	6.41%	99.12%
12/31/17	0.02989733%	(887,687)	3,961,612	22.41%	102.93%
12/31/18	0.03172163%	1,128,556	4,252,603	26.54%	96.45%

### Waunakee Utilities

<u>Plan Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.00793881%	\$ (194,998)	\$1,108,688	17.59%	102.74%
12/31/15	0.00815094%	132,451	1,217,988	10.87%	98.20%
12/31/16	0.00840833%	69,306	1,263,667	5.48%	99.12%
12/31/17	0.00876072%	(260,116)	1,330,336	19.55%	102.93%
12/31/18	0.00870228%	309,599	1,293,695	23.93%	96.45%

See notes to required supplementary information.



# Village of Waunakee, Wisconsin

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

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### Village of Waunakee

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 271,905	\$ 271,905	\$ -	\$ 3,505,954	7.76%
12/31/16	280,004	280,004	-	3,659,081	7.65%
12/31/17	324,080	324,080	-	3,961,612	8.18%
12/31/18	351,398	351,398	-	4,252,603	8.26%
12/31/19	393,096	363,096	-	4,487,358	8.09%

### Waunakee Utilities

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 82,823	\$ 82,823	\$ -	\$ 1,217,988	6.80%
12/31/16	83,402	83,402	-	1,263,667	6.60%
12/31/17	90,463	90,463	-	1,330,337	6.80%
12/31/18	92,028	92,028	-	1,293,696	7.11%
12/31/19	90,781	90,781	-	1,385,961	6.55%

See notes to required supplementary information.

# Village of Waunakee, Wisconsin

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)  
LOCAL RETIREE LIFE INSURANCE FUND  
LAST 10 FISCAL YEARS**

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**Village of Waunakee**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.12507500%	\$ 376,298	\$ 3,961,612	9.50%	44.81%
12/31/18	0.13504100%	348,451	3,739,000	9.32%	48.69%

**Waunakee Utilities**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.04699600%	\$ 141,390	\$ 1,330,336	10.63%	44.81%
12/31/18	0.04274200%	110,289	1,201,000	9.18%	48.69%

*See notes to required supplementary information.*

# Village of Waunakee, Wisconsin

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

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### Village of Waunakee

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
12/31/17	\$ 2,608	\$ 2,608	\$ -	\$ 4,252,603	0.06%
12/31/18	2,931	2,931	-	4,487,358	0.07%

### Waunakee Utilities

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
12/31/18	\$ 826	\$ 826	\$ -	\$ 1,293,696	0.06%
12/31/19	831	831	-	1,385,961	0.06%

See notes to required supplementary information.

# Village of Waunakee, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019

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## **1. WISCONSIN RETIREMENT SYSTEMS**

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

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

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

## **2. OTHER POSTEMPLOYMENT BENEFITS**

There were no changes of benefits terms for any participating employer in the LRLIF.

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 the Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

## SUPPLEMENTARY INFORMATION

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# Village of Waunakee, Wisconsin

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2019

	Special Revenue					
	Park Reservation	Park Impact	Library	Senior Center	Senior Center Fundraising	
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ 55,508	\$ 372,925	\$ 5,691	\$ 362,424
Restricted cash and investments	45,255	446,179	-	-	-	-
Receivables						
Taxes and special charges	-	-	-	395,447	-	568,253
Accounts	-	-	-	-	-	1,879
Advance to other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 45,255</b>	<b>\$ 446,179</b>	<b>\$ 55,508</b>	<b>\$ 768,372</b>	<b>\$ 5,691</b>	<b>\$ 932,556</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 4,748	\$ 32	\$ 21,006
Accrued and other current liabilities	-	-	-	7,831	-	15,608
Due to other funds	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Unearned revenues	-	-	-	1,022	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,601</b>	<b>32</b>	<b>36,614</b>
Deferred inflows of resources						
Property taxes levied for subsequent year	-	-	-	395,447	-	568,253
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	45,255	446,179	55,508	367,155	-	-
Committed	-	-	-	-	5,659	327,689
Unassigned (deficit)	-	-	-	(7,831)	-	-
<b>Total fund balances</b>	<b>45,255</b>	<b>446,179</b>	<b>55,508</b>	<b>359,324</b>	<b>5,659</b>	<b>327,689</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 45,255</b>	<b>\$ 446,179</b>	<b>\$ 55,508</b>	<b>\$ 768,372</b>	<b>\$ 5,691</b>	<b>\$ 932,556</b>

**Capital Projects**

<b>Community Development/ Betterment</b>	<b>Equipment Replacement</b>	<b>TID No. 2</b>	<b>TID No. 3</b>	<b>TID No. 4</b>	<b>TID No. 7</b>	<b>TID No. 8</b>	<b>TID No. 9</b>	<b>Total</b>
\$ 32,404	\$ 271,029	\$ -	\$ -	\$ 152,858	\$ 42,708	\$ 34,749	\$ -	\$ 1,330,296
-	-	-	-	-	-	-	-	491,434
-	340,000	413,305	812,425	100,698	100,923	49,244	-	2,780,295
4,903	-	-	-	-	-	-	-	6,782
-	381,373	-	-	-	-	-	-	381,373
-	156,440	-	-	-	-	-	-	156,440
<b>\$ 37,307</b>	<b>\$ 1,148,842</b>	<b>\$ 413,305</b>	<b>\$ 812,425</b>	<b>\$ 253,556</b>	<b>\$ 143,631</b>	<b>\$ 83,993</b>	<b>\$ -</b>	<b>\$ 5,146,620</b>
\$ -	\$ 13,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,870
-	-	-	-	-	-	-	-	23,439
-	-	-	356,154	-	-	-	18,421	374,575
-	-	-	381,373	-	-	-	-	381,373
-	-	-	-	-	-	-	-	1,022
-	13,084	-	737,527	-	-	-	18,421	819,279
-	340,000	413,305	812,425	100,698	100,923	49,244	-	2,780,295
-	156,440	-	-	-	-	-	-	156,440
37,307	-	-	-	152,858	42,708	34,749	-	1,181,719
-	639,318	-	-	-	-	-	-	972,666
-	-	-	(737,527)	-	-	-	(18,421)	(763,779)
37,307	795,758	-	(737,527)	152,858	42,708	34,749	(18,421)	1,547,046
<b>\$ 37,307</b>	<b>\$ 1,148,842</b>	<b>\$ 413,305</b>	<b>\$ 812,425</b>	<b>\$ 253,556</b>	<b>\$ 143,631</b>	<b>\$ 83,993</b>	<b>\$ -</b>	<b>\$ 5,146,620</b>

# Village of Waunakee, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue				
	Park Reservation	Park Impact	Library	Senior Center	Senior Center Fundraising
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 356,022	\$ -
Intergovernmental	-	-	-	95,547	-
Licenses and permits	-	104,624	-	-	-
Public charges for services	-	-	14,420	68,747	-
Intergovernmental charges for services	-	-	-	26,599	-
Miscellaneous	785	7,638	2,053	149,936	6,440
Total revenues	<u>785</u>	<u>112,262</u>	<u>16,473</u>	<u>696,851</u>	<u>6,440</u>
<b>EXPENDITURES</b>					
Current					
Health and human services	-	-	-	576,914	3,757
Culture and recreation	-	-	450	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>450</u>	<u>576,914</u>	<u>3,757</u>
Excess of revenues over (under) expenditures	<u>785</u>	<u>112,262</u>	<u>16,023</u>	<u>119,937</u>	<u>2,683</u>
<b>OTHER FINANCING USES</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	8,647	-
Transfers out	-	(105,870)	-	-	(8,647)
Total other financing sources (uses)	<u>-</u>	<u>(105,870)</u>	<u>-</u>	<u>8,647</u>	<u>(8,647)</u>
<b>Net change in fund balances</b>	785	6,392	16,023	128,584	(5,964)
<b>Fund balances - January 1, as originally reported</b>	44,470	439,787	39,485	237,099	11,623
<b>Prior period adjustment</b>	-	-	-	(6,359)	-
<b>Fund balances - January 1, as restated</b>	<u>44,470</u>	<u>439,787</u>	<u>39,485</u>	<u>230,740</u>	<u>11,623</u>
<b>Fund balances - December 31</b>	<u>\$ 45,255</u>	<u>\$ 446,179</u>	<u>\$ 55,508</u>	<u>\$ 359,324</u>	<u>\$ 5,659</u>



**Capital Projects**

<b>Village Center</b>	<b>Community Development/ Betterment</b>	<b>Equipment Replacement</b>	<b>TID No. 2</b>	<b>TID No. 3</b>	<b>TID No. 4</b>	<b>TID No. 7</b>	<b>TID No. 8</b>	<b>TID No. 9</b>	<b>Total</b>
\$ 510,251	\$ 22,953	\$ 320,000	\$ 282,512	\$ 670,545	\$ 100,583	\$ 79,760	\$ -	\$ -	\$ 2,342,626
-	-	-	5,000	15,252	410	34	-	-	116,243
-	-	-	-	-	-	-	-	-	104,624
798,464	-	-	-	-	-	-	-	-	881,631
-	-	-	-	-	-	-	-	-	26,599
16,464	485	39,106	4,414	126,815	3,032	1,548	60,436	-	419,152
<u>1,325,179</u>	<u>23,438</u>	<u>359,106</u>	<u>291,926</u>	<u>812,612</u>	<u>104,025</u>	<u>81,342</u>	<u>60,436</u>	<u>-</u>	<u>3,890,875</u>
-	-	-	-	-	-	-	-	-	580,671
1,281,721	-	-	-	-	-	-	-	-	1,282,171
-	16,461	-	-	-	-	-	-	-	16,461
-	-	-	-	635,000	65,000	-	-	-	700,000
-	-	-	-	153,193	18,100	-	48,755	-	220,048
-	-	223,456	2,276	3,622	21,423	2,276	23,331	2,275	278,659
<u>1,281,721</u>	<u>16,461</u>	<u>223,456</u>	<u>2,276</u>	<u>791,815</u>	<u>104,523</u>	<u>2,276</u>	<u>72,086</u>	<u>2,275</u>	<u>3,078,010</u>
<u>43,458</u>	<u>6,977</u>	<u>135,650</u>	<u>289,650</u>	<u>20,797</u>	<u>(498)</u>	<u>79,066</u>	<u>(11,650)</u>	<u>(2,275)</u>	<u>812,865</u>
-	-	9,347	-	-	-	-	-	-	9,347
-	-	-	-	-	-	-	-	-	8,647
<u>(54,611)</u>	<u>-</u>	<u>-</u>	<u>(289,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(458,778)</u>
<u>(54,611)</u>	<u>-</u>	<u>9,347</u>	<u>(289,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,784)</u>
(11,153)	6,977	144,997	-	20,797	(498)	79,066	(11,650)	(2,275)	372,081
352,257	30,330	650,761	-	(758,324)	153,356	(36,358)	46,399	(16,146)	1,194,739
<u>(13,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,774)</u>
<u>338,842</u>	<u>30,330</u>	<u>650,761</u>	<u>-</u>	<u>(758,324)</u>	<u>153,356</u>	<u>(36,358)</u>	<u>46,399</u>	<u>(16,146)</u>	<u>1,174,965</u>
<u>\$ 327,689</u>	<u>\$ 37,307</u>	<u>\$ 795,758</u>	<u>\$ -</u>	<u>\$ (737,527)</u>	<u>\$ 152,858</u>	<u>\$ 42,708</u>	<u>\$ 34,749</u>	<u>\$ (18,421)</u>	<u>\$ 1,547,046</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Village Board  
Village of Waunakee, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Waunakee, Wisconsin, (the "Village") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated June 17, 2020.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

**COMPLIANCE AND OTHER MATTERS**


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

**VILLAGE OF WAUNAKEE'S RESPONSE TO FINDING**

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

**PURPOSE OF THIS REPORT**

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



**CliftonLarsonAllen LLP**

Wausau, Wisconsin  
June 17, 2020

# Village of Waunakee, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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### SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2019-001	<b>Segregation of Duties</b> Repeat of Finding 2018-001
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	The Village has a limited number of employees to essentially complete all financial and recordkeeping duties of the Village. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Context:	While performing audit procedures, it was noted that the Village does not have proper segregation of duties over financial procedures and transactions.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the Village operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Village Board continue to monitor the transactions and the financial records of the Village.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

### SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2019.

