

VILLAGE OF UNION GROVE

Union Grove, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

VILLAGE OF UNION GROVE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Union Grove
Union Grove, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Union Grove, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village of Union Grove's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Union Grove, Wisconsin, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Board
Village of Union Grove

Emphasis of Matters

As discussed in Note I, the Village of Union Grove adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note I, the Village of Union Grove adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 29, 2020

BASIC FINANCIAL STATEMENTS

VILLAGE OF UNION GROVE

STATEMENT OF NET POSITION As of December 31, 2019

| | Governmental Activities | Business-type Activities | Total | Community Development Authority |
|---------------------------------------|----------------------------|-----------------------------|----------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 2,437,326 | \$ 3,385,707 | \$ 5,823,033 | \$ - |
| Receivables | | | | |
| Taxes | 2,438,929 | - | 2,438,929 | - |
| Accounts | 106,522 | 541,255 | 647,777 | - |
| Special assessments | 859 | - | 859 | - |
| Loans | 122,626 | - | 122,626 | - |
| Inventories and prepaid items | 24,142 | 28,962 | 53,104 | - |
| Property held for resale | - | 81,713 | 81,713 | - |
| Restricted assets | | | | |
| Cash and investments | - | 1,955,849 | 1,955,849 | - |
| Capital assets | | | | |
| Land | 627,253 | 131,278 | 758,531 | - |
| Construction in progress | 18,182 | - | 18,182 | - |
| Capital assets, being depreciated | 5,892,136 | 14,689,569 | 20,581,705 | - |
| Total Assets | 11,667,975 | 20,814,333 | 32,482,308 | - |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | 377,514 | 154,424 | 531,938 | - |
| LIABILITIES | | | | |
| Accounts payable | 337,938 | 192,121 | 530,059 | - |
| Accrued liabilities and deposits | 57,155 | 27,303 | 84,458 | - |
| Noncurrent Liabilities | | | | |
| Due within one year | 773,826 | 794,399 | 1,568,225 | - |
| Due in more than one year | 5,675,756 | 5,607,944 | 11,283,700 | - |
| Total Liabilities | 6,844,675 | 6,621,767 | 13,466,442 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned revenue | 2,450,131 | 805,888 | 3,256,019 | - |
| Pension related items | 191,895 | 75,459 | 267,354 | - |
| Total Deferred Inflows of Resources | 2,642,026 | 881,347 | 3,523,373 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 839,296 | 8,532,469 | 9,371,765 | - |
| Restricted for | | | | |
| Debt service | - | 694,511 | 694,511 | - |
| Equipment replacement | - | 1,238,023 | 1,238,023 | - |
| Revolving loan fund | 402,188 | - | 402,188 | - |
| Library | 186,245 | - | 186,245 | - |
| TIF | 1,202,191 | - | 1,202,191 | - |
| Unrestricted (Deficit) | (71,132) | 3,000,640 | 2,929,508 | - |
| TOTAL NET POSITION | \$ 2,558,788 | \$ 13,465,643 | \$ 16,024,431 | \$ - |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | | Component Unit Community Development Authority |
|--|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Totals | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 631,283 | \$ 92,977 | \$ 51,651 | \$ - | \$ (486,655) | \$ - | \$ (486,655) | \$ - |
| Public safety | 1,025,330 | 316,951 | 14,453 | - | (693,926) | - | (693,926) | - |
| Public works | 1,289,416 | - | 248,431 | - | (1,040,985) | - | (1,040,985) | - |
| Health and human services | 47,321 | 1,056 | 12,642 | - | (33,623) | - | (33,623) | - |
| Culture, education and recreation | 334,712 | 97,108 | 137,673 | 100,000 | 69 | - | 69 | - |
| Conservation and development | 2,050,800 | - | - | - | (2,050,800) | - | (2,050,800) | - |
| Interest and fiscal charges | 216,295 | - | - | - | (216,295) | - | (216,295) | - |
| Total Governmental Activities | <u>5,595,157</u> | <u>508,092</u> | <u>464,850</u> | <u>100,000</u> | <u>(4,522,215)</u> | <u>-</u> | <u>(4,522,215)</u> | <u>-</u> |
| Business-type Activities | | | | | | | | |
| Water utility | 882,048 | 1,010,018 | - | - | - | 127,970 | 127,970 | - |
| Sewer utility | 1,276,801 | 1,522,945 | - | 425,442 | - | 671,586 | 671,586 | - |
| Stormwater utility | 291,994 | 253,292 | - | - | - | (38,702) | (38,702) | - |
| Total Business-type Activities | <u>2,450,843</u> | <u>2,786,255</u> | <u>-</u> | <u>425,442</u> | <u>-</u> | <u>760,854</u> | <u>760,854</u> | <u>-</u> |
| Total Primary Government | <u>\$ 8,046,000</u> | <u>\$ 3,294,347</u> | <u>\$ 464,850</u> | <u>\$ 525,442</u> | <u>(4,522,215)</u> | <u>760,854</u> | <u>(3,761,361)</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| Community Development Authority | <u>\$ 60,700</u> | <u>\$ -</u> | <u>\$ 32,183</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(28,517)</u> |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,344,371 | - | 1,344,371 | - |
| Property taxes, levied for debt service | | | | | 489,514 | - | 489,514 | - |
| Property taxes, levied for TIF districts | | | | | 559,758 | - | 559,758 | - |
| Other taxes | | | | | 9,867 | - | 9,867 | - |
| Intergovernmental revenues not restricted to specific programs | | | | | 398,811 | - | 398,811 | - |
| Investment income | | | | | 80,833 | 70,524 | 151,357 | 2,111 |
| Gain on sale of capital assets | | | | | 3,000 | - | 3,000 | - |
| Miscellaneous | | | | | 122,014 | 3,101 | 125,115 | - |
| Total General Revenues | | | | | <u>3,008,168</u> | <u>73,625</u> | <u>3,081,793</u> | <u>2,111</u> |
| Transfers | | | | | 195,293 | (195,293) | - | - |
| Total General Revenues and Transfers | | | | | <u>3,203,461</u> | <u>(121,668)</u> | <u>3,081,793</u> | <u>2,111</u> |
| Change in Net Position | | | | | (1,318,754) | 639,186 | (679,568) | (26,406) |
| NET POSITION - Beginning of Year | | | | | <u>3,877,542</u> | <u>12,826,457</u> | <u>16,703,999</u> | <u>26,406</u> |
| NET POSITION - END OF YEAR | | | | | <u>\$ 2,558,788</u> | <u>\$ 13,465,643</u> | <u>\$ 16,024,431</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

| | <u>General Fund</u> | <u>General Debt Service Fund</u> | <u>TID No. 4 Debt Service Fund</u> | <u>TID No. 4 Capital Projects Fund</u> | <u>TID No.5 Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--------------------------------------|--|--|---|--|---|
| ASSETS | | | | | | | |
| Cash and investments | \$ 30,086 | \$ 1,041 | \$ - | \$ - | \$ - | \$ 2,406,199 | \$ 2,437,326 |
| Receivables | | | | | | | |
| Taxes | 1,309,953 | 497,372 | 69,035 | - | - | 562,569 | 2,438,929 |
| Accounts | 78,100 | - | - | 28,422 | - | - | 106,522 |
| Special assessments | 859 | - | - | - | - | - | 859 |
| Loans | - | - | - | - | - | 122,626 | 122,626 |
| Due from other funds | 754,137 | - | - | 868,572 | - | - | 1,622,709 |
| Prepaid items | 24,142 | - | - | - | - | - | 24,142 |
| TOTAL ASSETS | \$ 2,197,277 | \$ 498,413 | \$ 69,035 | \$ 896,994 | \$ - | \$ 3,091,394 | \$ 6,753,113 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT) | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 236,512 | \$ - | \$ - | \$ - | \$ 12,677 | \$ 88,749 | \$ 337,938 |
| Accrued liabilities | 20,151 | - | - | - | - | 2,750 | 22,901 |
| Due to other funds | - | - | - | - | 1,471,668 | 151,041 | 1,622,709 |
| Total Liabilities | <u>256,663</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,484,345</u> | <u>242,540</u> | <u>1,983,548</u> |
| Deferred inflows of resources | | | | | | | |
| Unearned revenues | 1,306,155 | 497,372 | 69,035 | - | - | 577,569 | 2,450,131 |
| Unavailable revenues | - | - | - | - | - | 122,626 | 122,626 |
| Total Deferred Inflows of Resources | <u>1,306,155</u> | <u>497,372</u> | <u>69,035</u> | <u>-</u> | <u>-</u> | <u>700,195</u> | <u>2,572,757</u> |
| Fund Balances (Deficit) | | | | | | | |
| Nonspendable | 25,001 | - | - | 28,422 | - | - | 53,423 |
| Restricted | - | 1,041 | - | 868,572 | - | 1,476,471 | 2,346,084 |
| Assigned | - | - | - | - | - | 859,922 | 859,922 |
| Unassigned (deficit) | 609,458 | - | - | - | (1,484,345) | (187,734) | (1,062,621) |
| Total Fund Balances (Deficit) | <u>634,459</u> | <u>1,041</u> | <u>-</u> | <u>896,994</u> | <u>(1,484,345)</u> | <u>2,148,659</u> | <u>2,196,808</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT) | \$ 2,197,277 | \$ 498,413 | \$ 69,035 | \$ 896,994 | \$ - | \$ 3,091,394 | \$ 6,753,113 |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2019

| | |
|---|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 2,196,808 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A. | 6,537,571 |
| Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements | 122,626 |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 377,514 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (191,895) |
| Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A. | <u>(6,483,836)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 2,558,788</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

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

| | General Fund | General Debt Service Fund | TID No. 4 Debt Service Fund | TID No. 4 Capital Projects Fund | TID No.5 Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|---------------------------|-----------------------------|---------------------------------|--------------------------------|-----------------------------|--------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 1,344,852 | \$ 489,514 | \$ 170,023 | \$ - | \$ - | \$ 399,602 | \$ 2,403,991 |
| Intergovernmental | 714,252 | - | - | 6,891 | - | 228,699 | 949,842 |
| Licenses and permits | 285,192 | - | - | - | - | 76,345 | 361,537 |
| Fines, forfeitures and penalties | 78,847 | - | - | - | - | - | 78,847 |
| Public charges for services | 1,056 | - | - | - | - | 69,477 | 70,533 |
| Investment income | 38,114 | - | - | 32,729 | - | 9,509 | 80,352 |
| Micellaneous revenues | 83,448 | - | - | - | 18,571 | 36,214 | 138,233 |
| Total Revenues | 2,545,761 | 489,514 | 170,023 | 39,620 | 18,571 | 819,846 | 4,083,335 |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | 575,196 | - | - | - | - | - | 575,196 |
| Public safety | 1,011,550 | - | - | - | - | - | 1,011,550 |
| Public works | 760,475 | - | - | - | - | - | 760,475 |
| Health and human services | 47,321 | - | - | - | - | - | 47,321 |
| Culture, recreation and education | - | - | - | - | - | 362,196 | 362,196 |
| Conservation and development | 43,292 | - | - | 34,497 | 823,604 | 270,246 | 1,171,639 |
| Capital Outlay | - | - | - | 1,360 | 877,801 | 302,273 | 1,181,434 |
| Debt Service | | | | | | | |
| Principal | - | 407,237 | 175,000 | - | - | 135,000 | 717,237 |
| Interest and fiscal charges | - | 81,785 | 69,615 | - | 41,476 | 24,840 | 217,716 |
| Total Expenditures | 2,437,834 | 489,022 | 244,615 | 35,857 | 1,742,881 | 1,094,555 | 6,044,764 |
| Excess (deficiency) of revenues over expenditures | 107,927 | 492 | (74,592) | 3,763 | (1,724,310) | (274,709) | (1,961,429) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | - | 5,500 | 5,500 |
| Debt issued | - | - | - | - | 1,080,000 | - | 1,080,000 |
| Premium on debt issued | - | - | - | - | 15,348 | - | 15,348 |
| Transfers in | 195,293 | - | 74,592 | - | - | 636,818 | 906,703 |
| Transfers out | (636,818) | - | - | (74,592) | - | - | (711,410) |
| Total Other Financing Sources (Uses) | (441,525) | - | 74,592 | (74,592) | 1,095,348 | 642,318 | 1,296,141 |
| Net change in fund balances | (333,598) | 492 | - | (70,829) | (628,962) | 367,609 | (665,288) |
| FUND BALANCES (DEFICIT) - Beginning of Year | 968,057 | 549 | - | 967,823 | (855,383) | 1,781,050 | 2,862,096 |
| FUND BALANCES (DEFICIT) - END OF YEAR | \$ 634,459 | \$ 1,041 | \$ - | \$ 896,994 | \$ (1,484,345) | \$ 2,148,659 | \$ 2,196,808 |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ (665,288) |
|--|--------------|

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

| | |
|--|-----------|
| Capital outlay is reported as an expenditure in the fund financial statements but is reported in the government-wide financial statements as capital or other assets | 1,181,434 |
| Less: Some items reported as capital outlay were not capitalized | (962,575) |
| Depreciation is reported in the government-wide statements | (554,162) |
| Net book value of assets retired | (2,500) |

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements

| | |
|-----------------|---------|
| Revolving loans | (5,225) |
|-----------------|---------|

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

| | |
|------------------|-------------|
| Debt issued | (1,080,000) |
| Principal repaid | 717,237 |

Governmental funds report premiums and discounts associated with issuance of long term debt as other financing sources and uses but these items are amortized over the life of the debt issue on the statement of activities.

| | |
|-------------------------|----------|
| Premium on debt issued | (15,348) |
| Amortization of premium | 498 |

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.

| | |
|--|-----------|
| Compensated absences | 124,633 |
| Accrued interest on debt | 922 |
| Net pension liability | (252,628) |
| Deferred outflows of resources related to pensions | 157,788 |
| Deferred inflows of resources related to pensions | 36,460 |

| | |
|--|------------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (1,318,754)</u> |
|--|------------------------------|

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2019

| | Water Utility | Sewer Utility | Stormwater Utility | Totals |
|---|------------------|------------------|-----------------------|----------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 1,302,363 | \$ 1,489,354 | \$ 593,990 | \$ 3,385,707 |
| Receivables | | | | |
| Customers | 156,392 | 203,210 | 63,169 | 422,771 |
| Other | - | 118,484 | - | 118,484 |
| Materials and supplies | 28,962 | - | - | 28,962 |
| Restricted Assets | | | | |
| Cash and investments | 209,113 | 283,802 | - | 492,915 |
| Total Current Assets | 1,696,830 | 2,094,850 | 657,159 | 4,448,839 |
| Non-Current Assets | | | | |
| Restricted Assets | | | | |
| Cash and investments | 374,155 | 1,088,779 | - | 1,462,934 |
| Capital Assets | | | | |
| Land | 29,955 | 440 | 100,883 | 131,278 |
| Other capital assets | 11,167,963 | 15,415,663 | 3,217,312 | 29,800,938 |
| Less: Accumulated depreciation/amortization | (3,997,449) | (9,106,424) | (2,007,496) | (15,111,369) |
| Other Assets | | | | |
| Property held for future use | 12,713 | - | - | 12,713 |
| Preliminary survey and investigation | 55,000 | 14,000 | - | 69,000 |
| Total Non-Current Assets | 7,642,337 | 7,412,458 | 1,310,699 | 16,365,494 |
| Total Assets | 9,339,167 | 9,507,308 | 1,967,858 | 20,814,333 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | 77,081 | 77,343 | - | 154,424 |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2019

| | Water Utility | Sewer Utility | Stormwater Utility | Totals |
|--|---------------------|---------------------|-----------------------|----------------------|
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 20,329 | \$ 62,333 | \$ 109,459 | \$ 192,121 |
| Accrued liabilities | - | 3,988 | - | 3,988 |
| Current portion of general obligation debt | - | 90,000 | - | 90,000 |
| Liabilities Payable from Restricted Assets | | | | |
| Current portion of revenue bonds | 288,020 | 416,379 | - | 704,399 |
| Accrued interest payable | 17,099 | 6,216 | - | 23,315 |
| Total Current Liabilities | <u>325,448</u> | <u>578,916</u> | <u>109,459</u> | <u>1,013,823</u> |
| Noncurrent Liabilities | | | | |
| Long-Term Debt | | | | |
| Revenue bonds | 3,067,918 | 869,346 | - | 3,937,264 |
| General obligation bonds | - | 1,570,000 | - | 1,570,000 |
| Net pension liability | 30,425 | 30,117 | - | 60,542 |
| Compensated absences | 23,760 | 22,994 | 6,669 | 53,423 |
| Unamortized debt discount | (6,275) | (7,010) | - | (13,285) |
| Total Noncurrent Liabilities | <u>3,115,828</u> | <u>2,485,447</u> | <u>6,669</u> | <u>5,607,944</u> |
| Total Liabilities | <u>3,441,276</u> | <u>3,064,363</u> | <u>116,128</u> | <u>6,621,767</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related items | 37,614 | 37,845 | - | 75,459 |
| Unearned revenue | 805,888 | - | - | 805,888 |
| Total Deferred Inflows of Resources | <u>843,502</u> | <u>37,845</u> | <u>-</u> | <u>881,347</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 3,850,806 | 3,370,964 | 1,310,699 | 8,532,469 |
| Restricted for | | | | |
| Debt service | 416,925 | 277,586 | - | 694,511 |
| Equipment replacement | 149,244 | 1,088,779 | - | 1,238,023 |
| Unrestricted | <u>714,495</u> | <u>1,745,114</u> | <u>541,031</u> | <u>3,000,640</u> |
| TOTAL NET POSITION | <u>\$ 5,131,470</u> | <u>\$ 6,482,443</u> | <u>\$ 1,851,730</u> | <u>\$ 13,465,643</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|--|---------------------|-----------------------|----------------------|
| | Water Utility | Sewer Utility | Stormwater Utility | |
| OPERATING REVENUES | <u>\$ 1,010,018</u> | <u>\$ 1,522,945</u> | <u>\$ 253,292</u> | <u>\$ 2,786,255</u> |
| OPERATING EXPENSES | | | | |
| Operation and maintenance | 503,555 | 671,990 | 166,583 | 1,342,128 |
| Depreciation | <u>273,242</u> | <u>513,741</u> | <u>125,411</u> | <u>912,394</u> |
| Total Operating Expenses | <u>776,797</u> | <u>1,185,731</u> | <u>291,994</u> | <u>2,254,522</u> |
| Operating Income (Loss) | <u>233,221</u> | <u>337,214</u> | <u>(38,702)</u> | <u>531,733</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 37,300 | 25,709 | 7,515 | 70,524 |
| Miscellaneous income | 77 | - | - | 77 |
| Insurance recovery | - | - | 3,024 | 3,024 |
| Interest expense | (104,826) | (90,534) | - | (195,360) |
| Amortization of debt discount | <u>(425)</u> | <u>(536)</u> | <u>-</u> | <u>(961)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(67,874)</u> | <u>(65,361)</u> | <u>10,539</u> | <u>(122,696)</u> |
| Income (Loss) Before Contributions and Transfers | <u>165,347</u> | <u>271,853</u> | <u>(28,163)</u> | <u>409,037</u> |
| CONTRIBUTIONS AND TRANSFERS | | | | |
| Capital contributions | - | 425,442 | - | 425,442 |
| Transfers out | <u>(195,293)</u> | <u>-</u> | <u>-</u> | <u>(195,293)</u> |
| Total Contributions and Transfers | <u>(195,293)</u> | <u>425,442</u> | <u>-</u> | <u>230,149</u> |
| Change in Net Position | (29,946) | 697,295 | (28,163) | 639,186 |
| NET POSITION – Beginning of Year | <u>5,161,416</u> | <u>5,785,148</u> | <u>1,879,893</u> | <u>12,826,457</u> |
| NET POSITION – END OF YEAR | <u>\$ 5,131,470</u> | <u>\$ 6,482,443</u> | <u>\$ 1,851,730</u> | <u>\$ 13,465,643</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|--|---------------------|-----------------------|---------------------|
| | Water Utility | Sewer Utility | Stormwater Utility | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Received from customers | \$ 695,293 | \$ 1,599,570 | \$ 256,584 | \$ 2,551,447 |
| Received from municipality of services | 314,599 | - | - | 314,599 |
| Paid to suppliers for goods and services | (343,508) | (477,120) | (84,143) | (904,771) |
| Paid to employees for services | (163,910) | (167,086) | (79,696) | (410,692) |
| Net Cash Flows From Operating Activities | <u>502,474</u> | <u>955,364</u> | <u>92,745</u> | <u>1,550,583</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | <u>37,300</u> | <u>25,709</u> | <u>7,515</u> | <u>70,524</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Paid to municipality for tax equivalent | <u>(195,293)</u> | <u>-</u> | <u>-</u> | <u>(195,293)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Debt retired | (284,602) | (484,640) | - | (769,242) |
| Interest paid | (105,943) | (92,624) | - | (198,567) |
| Acquisition and construction of capital assets | (113,156) | (2,411) | (7,300) | (122,867) |
| Hook-up fees received | <u>-</u> | <u>425,442</u> | <u>-</u> | <u>425,442</u> |
| Net Cash Flows From Capital and Related Financing Activities | <u>(503,701)</u> | <u>(154,233)</u> | <u>(7,300)</u> | <u>(665,234)</u> |
| Net Change in Cash and Cash Equivalents | (159,220) | 826,840 | 92,960 | 760,580 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>2,044,851</u> | <u>2,035,095</u> | <u>501,030</u> | <u>4,580,976</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,885,631</u> | <u>\$ 2,861,935</u> | <u>\$ 593,990</u> | <u>\$ 5,341,556</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|--|---------------------|-----------------------|---------------------|
| | Water Utility | Sewer Utility | Stormwater Utility | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 233,221 | \$ 337,214 | \$ (38,702) | 531,733 |
| Nonoperating revenue | 77 | - | 3,024 | 3,101 |
| Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities | | | | |
| Depreciation | 273,242 | 513,741 | 125,411 | 912,394 |
| Depreciation charged to other funds | 7,953 | (7,953) | - | - |
| Change in Assets, deferred outflows, liabilities, and deferred outflows | | | | |
| Customer accounts receivable | 8,469 | 3,503 | 268 | 12,240 |
| Other accounts receivable | 643 | 73,122 | - | 73,765 |
| Due from other funds | - | - | - | - |
| Accounts payable | (366) | 24,614 | 1,598 | 25,846 |
| Accrued Wages | - | - | - | - |
| Accrued Sick | (11,881) | 2,663 | 1,146 | (8,072) |
| Unearned revenues | (17,268) | - | - | (17,268) |
| Pension related deferrals and assets | 8,384 | 8,460 | - | 16,844 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 502,474 | \$ 955,364 | \$ 92,745 | \$ 1,550,583 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS | | | | |
| Cash and investments | \$ 1,302,363 | \$ 1,489,354 | \$ 593,990 | \$ 3,385,707 |
| Restricted cash and investments | 583,268 | 1,372,581 | - | 1,955,849 |
| CASH AND CASH EQUIVALENTS | \$ 1,885,631 | \$ 2,861,935 | \$ 593,990 | \$ 5,341,556 |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| None | | | | |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

STATEMENT OF FIDUCIARY NET POSITION As of December 31, 2019

| | <u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u> |
|---------------------------|---|
| ASSETS | |
| Cash and investments | \$ 4,137,974 |
| Taxes receivable | <u>1,502,981</u> |
| Total Assets | <u>5,640,955</u> |
| LIABILITIES | |
| Due to other taxing units | <u>5,640,955</u> |
| NET POSITION | |
| Total Net Position | <u>\$ -</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

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

| | <u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u> |
|-----------------------------------|---|
| ADDITIONS | |
| Tax collections | \$ <u>3,775,906</u> |
| DEDUCTIONS | |
| Payments to overlying districts | <u>3,775,906</u> |
| Change in Fiduciary Net Position | - |
| NET POSITION - Beginning of Year | <u>-</u> |
| NET POSITION - END OF YEAR | <u>\$ -</u> |

See accompanying notes to financial statements.

VILLAGE OF UNION GROVE

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VILLAGE OF UNION GROVE

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended, or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Discretely Presented Component Unit

Union Grove Community Development Authority

The government-wide financial statements include the Union Grove 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 board. 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. See Note IV.H. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2019. The CDA does not issue separate financial statements.

VILLAGE OF UNION GROVE

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

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

VILLAGE OF UNION GROVE

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

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

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

Fund Financial Statements (cont.)

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

- General Fund - accounts for the Village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Tax Incremental District (TID) No. 4 Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of TID general long-term debt principal, interest, and related costs.
- Tax Incremental District (TID) No. 4 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of TID general long-term debt principal, interest, and related costs.
- Tax Incremental District (TID) No. 5 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The Village reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system.
- Sewer Utility - accounts for operations of the sewer system.
- Stormwater Utility - accounts for operations of the stormwater system.

VILLAGE OF UNION GROVE

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

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

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

Fund Financial Statements (cont.)

The Village reports the following nonmajor governmental funds:

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

Revolving Loan Fund
Library Fund

Impact Fee Fund
Recreation and Parks Fund

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

Tax Incremental District (TID) No. 3
Tax Incremental District (TID) No. 5

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

Tax Incremental District (TID) No. 3
Tax Incremental District (TID) No. 6
Capital Improvements Fund

In addition, the Village reports the following fund types:

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

Tax Collection Fund

VILLAGE OF UNION GROVE

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Intergovernmental aids and grants are recognized as revenues in the period the Village is entitled the resources and the amounts are available. Amounts owed to the Village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

VILLAGE OF UNION GROVE

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

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

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

Fund Financial Statements (cont.)

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

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

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

All Financial Statements

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

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

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

VILLAGE OF UNION GROVE

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

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

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

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The Village has adopted an investment policy. That policy follows the state statute for allowable investments and collateralization. The policy does not address the other risks described by GASB No. 40. The policy requires collateralization on two types of investments: certificates of deposit and time deposits. The village is not in compliance with this requirement, as it has not collateralized all of its investments.

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

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

See Note IV. A. for further information.

VILLAGE OF UNION GROVE

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

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

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

2. Receivables

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

Property tax calendar - 2019 tax roll:

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

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll.

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

The Village has received federal grant funds for economic development loan programs to various businesses and individuals. The Village records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has not been reduced by an allowance for uncollectible accounts.

It is the Village's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

VILLAGE OF UNION GROVE

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

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$1,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

VILLAGE OF UNION GROVE

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

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

| | |
|-------------------------|-------------|
| Buildings | 15-75 Years |
| Land improvements | 15-75 Years |
| Machinery and equipment | 3-20 Years |
| Utility system | 4-77 Years |
| Infrastructure | 25-60 Years |

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

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

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 UNION GROVE

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

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

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

8. Long-Term Obligations

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

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

10. Unearned Revenues

During 2016, the water utility entered into an agreement provided an easement, assignment of existing water tower lease contracts and the rights to future tower lease revenue. the utility received \$860,573 as a lump sum payment.

Existing contracts had remaining terms of three to six years. Annual revenue under these agreement was approximately \$60,000. Future revenues cannot be determined due to changing conditions in the telecommunications industry.

VILLAGE OF UNION GROVE

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

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

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

11. Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.

VILLAGE OF UNION GROVE

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

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Village Board has, by resolution, adopted a financial policy authorizing the Clerk-Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

The Village has a formal fund balance policy. That policy is to maintain unassigned general fund balance of 25% of current general fund expenditures. The Village is at 37% as of December 31, 2019. Unassigned general fund balance that exceeds this range shall be used to clear other fund deficits and the remainder is to be transferred to capital improvement funds.

See Note IV. G. for further information.

VILLAGE OF UNION GROVE

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

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

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

12. Pension

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

13. Basis for Existing Rates

Charges for Services

Billings are rendered and recorded quarterly based on metered usage for water and sewer and Equivalent Runoff Units (ERUs) for stormwater; the utilities do not accrue revenues beyond billing dates.

Current water rates were approved by the PSCW effective March 1, 2018.

Current sewer rates were approved by the utility commission effective January 1, 2010.

Current stormwater rates were approved by the utility commission effective January 1, 2011.

VILLAGE OF UNION GROVE

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

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

| | | |
|--|----|---------------------|
| Land | \$ | 627,253 |
| Buildings and improvements | | 2,179,494 |
| Machinery and equipment | | 1,819,124 |
| Roads | | 13,179,802 |
| Construction in progress | | 18,182 |
| Less: Accumulated depreciation | | <u>(11,286,284)</u> |
| Combined Adjustment for Capital Assets | \$ | <u>6,537,571</u> |

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

| | | |
|---|----|------------------|
| Bonds and notes payable | \$ | 6,268,751 |
| Compensated absences | | 32,327 |
| Accrued interest | | 34,254 |
| Unamortized premium | | 14,851 |
| Net pension liability | | <u>133,653</u> |
| Combined Adjustment for Long-Term Liabilities | \$ | <u>6,483,836</u> |

VILLAGE OF UNION GROVE

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

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the General Fund, Revolving Loan Special Revenue Fund, Library Special Revenue Fund, the Debt Service Funds, and the Capital Project Funds. A budget has not been formally adopted for Impact Fee Special Revenue Fund, Recreation and Parks Special Revenue Fund and Tax Incremental District #6 Capital Project Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

| <u>Funds</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess Expenditures Over Budget</u> |
|--------------------------------------|------------------------------|----------------------------|--|
| TID No. 4 Capital Projects | \$ 49,150 | \$ 110,449 | \$ 61,299 |
| Library | 286,156 | 310,496 | 24,340 |
| TID No. 5 Debt Service | - | 15,840 | 15,840 |
| TID No. 3 Capital Projects | 59,650 | 95,800 | 36,150 |
| TID No. 5 Capital Projects | 350 | 1,742,880 | 1,742,530 |
| Revolving Loan | 1,538 | 1,549 | 11 |
| Capital Improvement Capital Projects | 240,000 | 297,993 | 57,993 |

The Village controls expenditures at the function level in the General Fund. For all other funds, the Village controls expenditures at the fund level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

VILLAGE OF UNION GROVE

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

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2019, the following individual funds held a deficit balance:

| <u>Fund</u> | <u>Amount</u> | <u>Reason</u> |
|---|---------------|--|
| Tax Incremental Financing District No. 5 Debt Service Fund | \$ 14,837 | Debt payments were higher than increments collected |
| Tax Incremental Financing District No. 5 Capital Projects Fund | 1,484,345 | Expenditures exceeded revenues |
| Tax Incremental Financing District No. 6 Capital Projects Fund | 172,897 | Expenditures exceeded revenues |

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

D. LIMITATIONS ON THE VILLAGE'S TAX LEVY

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

VILLAGE OF UNION GROVE

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

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

| | Carrying Value | Statement Balances | Associated Risks |
|--|-------------------|-----------------------|------------------|
| Deposits | \$ 5,761,320 | \$ 5,568,110 | Custodial credit |
| LGIP | 6,155,536 | 6,155,536 | Credit |
| Total Deposits and Investments | \$ 11,916,856 | \$ 11,723,646 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 5,823,033 | | |
| Restricted cash and investments | 1,955,849 | | |
| Per statement of net position - fiduciary fund | | | |
| Tax Collection Fund | 4,137,974 | | |
| Total Deposits and Investments | \$ 11,916,856 | | |

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

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

Custodial Credit Risk

Deposits

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

As of December 31, 2019, \$5,068,110 of the Village's total bank balances were exposed to custodial credit risk as follows:

| | |
|--------------------------------|--------------|
| Uninsured and uncollateralized | \$ 5,068,110 |
|--------------------------------|--------------|

VILLAGE OF UNION GROVE

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

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

B. RECEIVABLES

Receivables as of year end for the government's individual major funds, nonmajor funds and agency funds in the aggregate. All amounts are expected to be collected within one year except for \$859 of special assessments, \$28,422 of accounts and \$114,241 of loan receivables, respectively.

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

| | <u>Unearned</u> | <u>Unavailable</u> |
|--|---------------------|--------------------|
| Property taxes receivable for subsequent year | \$ 2,450,131 | \$ - |
| Loans | <u>-</u> | <u>122,626</u> |
| Total Unearned/Unavailable Revenue for Governmental Funds | <u>\$ 2,450,131</u> | <u>\$ 122,626</u> |

For economic development loans, the Village is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain to be loaned to other businesses and/or the amount of time for which funds may be held without use. Program income includes the principal and interest received from economic development loans repayments.

At December 31, 2019, the Village has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

VILLAGE OF UNION GROVE

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

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

Bond Redemption Account

Used to segregate resources accumulated for debt service payments over the next twelve months. This account was underfunded as of December 31, 2019.

Depreciation Account

Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Bond Reserve Account

Used to report resources set aside to make up potential future deficiencies in the redemption account. Following is a list of restricted assets at December 31, 2019:

| | |
|--|---------------------|
| Restricted Assets | |
| Redemption account | \$ 492,915 |
| Reserve account | 224,911 |
| Depreciation account | 149,244 |
| Replacement account | <u>1,088,779</u> |
| Total Restricted Assets | <u>1,955,849</u> |
| Less: Current Liabilities Payable From Restricted Assets | <u>(23,315)</u> |
| Total Restricted Net Position as Reported | <u>\$ 1,932,534</u> |

VILLAGE OF UNION GROVE

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

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

D. CAPITAL ASSETS

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 627,253 | \$ - | \$ - | \$ 627,253 |
| Construction in progress | 13,182 | 5,000 | - | 18,182 |
| Total Capital Assets Not Being Depreciated | 640,435 | 5,000 | - | 645,435 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 2,179,494 | - | - | 2,179,494 |
| Machinery and equipment | 1,661,883 | 213,859 | 56,618 | 1,819,124 |
| Roads | 13,179,802 | - | - | 13,179,802 |
| Total Capital Assets Being Depreciated | 17,021,179 | 213,859 | 56,618 | 17,178,420 |
| Total Capital Assets | 17,661,614 | 218,859 | 56,618 | 17,823,855 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | (705,299) | (51,482) | - | (756,781) |
| Machinery and equipment | (1,212,870) | (51,989) | 54,118 | (1,210,741) |
| Roads | (8,868,071) | (450,691) | - | (9,318,762) |
| Total Accumulated Depreciation | (10,786,240) | (554,162) | 54,118 | (11,286,284) |
| Net Capital Assets Being Depreciated | 6,234,939 | (340,303) | 2,500 | 5,892,136 |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | \$ 6,875,374 | \$ (335,303) | \$ 2,500 | \$ 6,537,571 |

Depreciation expense was charged to functions as follows:

| | |
|---|------------|
| Governmental Activities | |
| General government | \$ 13,945 |
| Public safety | 13,780 |
| Public works, which includes the depreciation of infrastructure | 504,107 |
| Leisure activities | 22,330 |
| Total Governmental Activities Depreciation Expense | \$ 554,162 |

VILLAGE OF UNION GROVE

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| <u>Water</u> | | | | |
| Capital assets not being depreciated/amortized | | | | |
| Land and land rights | \$ 29,955 | \$ - | \$ - | \$ 29,955 |
| Intangible | 61,679 | - | - | 61,679 |
| Total Capital Assets Not Being Depreciated/Amortized | 91,634 | - | - | 91,634 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 2,166,870 | - | - | 2,166,870 |
| Machinery and equipment | 2,220,065 | 5,500 | - | 2,225,565 |
| Infrastructure | 6,650,492 | 77,066 | 13,709 | 6,713,849 |
| Total Capital Assets Being Depreciated | 11,037,427 | 82,566 | 13,709 | 11,106,284 |
| Total Capital Assets | 11,129,061 | 82,566 | 13,709 | 11,197,918 |
| Less: Accumulated depreciation for | | | | |
| Water | (3,729,963) | (281,195) | 13,709 | (3,997,449) |
| Total Accumulated Depreciation | (3,729,963) | (281,195) | 13,709 | (3,997,449) |
| Net Capital Assets Being Depreciated | 7,307,464 | (198,629) | - | 7,108,835 |
| Net Water Capital Assets | \$ 7,399,098 | \$ (198,629) | \$ - | \$ 7,200,469 |

VILLAGE OF UNION GROVE

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| <u>Sewer</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 440 | \$ - | \$ - | \$ 440 |
| Total Capital Assets Not Being Depreciated | 440 | - | - | 440 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 3,341,857 | - | - | 3,341,857 |
| Machinery and equipment | 8,501,083 | - | - | 8,501,083 |
| Infrastructure | 3,572,723 | - | - | 3,572,723 |
| Total Capital Assets Being Depreciated | 15,415,663 | - | - | 15,415,663 |
| Total Capital Assets | 15,416,103 | - | - | 15,416,103 |
| Less: Accumulated depreciation for | | | | |
| Sewer | (8,600,636) | (505,788) | - | (9,106,424) |
| Total Accumulated Depreciation | (8,600,636) | (505,788) | - | (9,106,424) |
| Net Capital Assets Being Depreciated | 6,815,027 | (505,788) | - | 6,309,239 |
| Net Sewer Capital Assets | \$ 6,815,467 | \$ (505,788) | \$ - | \$ 6,309,679 |

VILLAGE OF UNION GROVE

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| <u>Stormwater</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 100,883 | \$ - | \$ - | \$ 100,883 |
| Total Capital Assets Not Being Depreciated | 100,883 | - | - | 100,883 |
| Capital assets being depreciated | | | | |
| Land improvements | 75,305 | - | - | 75,305 |
| Machinery and equipment | 394,218 | - | - | 394,218 |
| Stormsewer mains | 2,649,559 | 104,378 | 6,148 | 2,747,789 |
| Total Capital Assets Being Depreciated | 3,119,082 | 104,378 | 6,148 | 3,217,312 |
| Total Capital Assets | 3,219,965 | 104,378 | 6,148 | 3,318,195 |
| Less: Accumulated depreciation for | | | | |
| Stormwater | (1,888,233) | (125,411) | 6,148 | (2,007,496) |
| Total Accumulated Depreciation | (1,888,233) | (125,411) | 6,148 | (2,007,496) |
| Net Capital Assets Being Depreciated | 1,230,849 | (21,033) | - | 1,209,816 |
| Net Stormwater Capital Assets | \$ 1,331,732 | \$ (21,033) | \$ - | \$ 1,310,699 |
| Business-type Capital Assets, Net of Accumulated Depreciation | \$ 15,546,297 | \$ (725,450) | \$ - | \$ 14,820,847 |

Depreciation expense was charged to functions as follows:

Business-type Activities

| | |
|---|----------------|
| Water | \$ 273,242 |
| Sewer | 513,741 |
| Storm | 125,411 |
| Total Business-type Activities Depreciation Expense | \$ 912,394 |

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

VILLAGE OF UNION GROVE

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

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---------------------------------|--------------------|
| General Fund | TID No. 6 Capital Projects Fund | \$ 136,204 |
| General Fund | TID No. 5 Capital Projects Fund | 603,096 |
| General Fund | TID No. 5 Debt Service Fund | 14,837 |
| TID No. 4 Capital Projects Fund | TID No. 5 Capital Projects Fund | <u>868,572</u> |
| Total - Fund Financial Statements | | 1,622,709 |
| Less: Fund eliminations | | <u>(1,622,709)</u> |
| Total Internal Balances - Government-Wide Statement of Net Position | | <u>\$ -</u> |

All amounts are due within one year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. TID No. 5 and No. 6 will repay this interfund with 2020 bond proceeds. See Note V.E.

VILLAGE OF UNION GROVE

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

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

| <u>Fund Transferred To</u> | <u>Fund Transferred From</u> | <u>Amount</u> | <u>Principal Purpose</u> |
|--|---|-------------------|--|
| General Fund TID No. 4 - Debt Service Fund | Water Utility TID No. 4 - Capital Projects Fund | \$ 195,293 | Payment in lieu of taxes Address the deficit in the TID Debt Service Fund. |
| Special Revenue Fund - Library Fund | General Fund | 143,000 | Operating levy |
| Recreation and Parks Fund | General Fund | 20,665 | To create fund |
| Capital Improvement Fund | General Fund | <u>473,153</u> | To transfer excess fund balance |
| Total - Fund Financial Statements | | 906,703 | |
| Less: Fund eliminations | | <u>(711,410)</u> | |
| Total Transfers - Government-Wide Statement of Activities | | <u>\$ 195,293</u> | |

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

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|----------------------|---------------------|-------------------|---------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 5,615,000 | \$ 1,080,000 | \$ 595,000 | \$ 6,100,000 | \$ 640,000 |
| General obligation notes from direct borrowings and direct placements | 257,981 | - | 105,977 | 152,004 | 109,934 |
| Notes payable | 33,007 | - | 16,260 | 16,747 | 16,747 |
| (Discounts)/Premiums | - | 15,348 | 497 | 14,851 | - |
| Sub-totals | <u>5,905,988</u> | <u>1,095,348</u> | <u>717,734</u> | <u>6,283,602</u> | <u>766,681</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 156,960 | 29,055 | 153,688 | 32,327 | 7,145 |
| Net pension liability | - | 133,653 | - | 133,653 | - |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 6,062,948</u> | <u>\$ 1,258,056</u> | <u>\$ 871,422</u> | <u>\$ 6,449,582</u> | <u>\$ 773,826</u> |
| Business-type Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 1,740,000 | - | \$ 80,000 | \$ 1,660,000 | \$ 90,000 |
| Revenue bonds | 5,330,905 | - | 689,242 | 4,641,663 | 704,399 |
| Less: Unamortized debt discount | (14,246) | - | (961) | (13,285) | - |
| Sub-totals | <u>7,056,659</u> | <u>-</u> | <u>768,281</u> | <u>6,288,378</u> | <u>794,399</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 61,495 | 23,888 | 31,960 | 53,423 | - |
| Net pension liability | - | 60,542 | - | 60,542 | - |
| Total Other Liabilities | <u>61,495</u> | <u>84,430</u> | <u>31,960</u> | <u>113,965</u> | <u>-</u> |
| Total Business-type Activities Long-Term Liabilities | <u>\$ 7,118,154</u> | <u>\$ 84,430</u> | <u>\$ 800,241</u> | <u>\$ 6,402,343</u> | <u>\$ 794,399</u> |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5% of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2019, was \$17,968,990. Total general obligation debt outstanding at year end was \$7,912,004.

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

| <u>General Obligation Debt</u> | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance December 31, 2019</u> |
|---|----------------------|-----------------------|-----------------------|------------------------------|----------------------------------|
| General Obligation Street Improvement Bonds | 3/1/06 | 3/1/21 | 3.85-4.00% | \$ 1,500,000 | \$ 285,000 |
| State Trust Fund Loan-Direct | 2/16/11 | 3/15/20 | 3.75% | 540,000 | 69,396 |
| State Trust Fund Loan-Direct | 4/29/11 | 3/15/21 | 3.75% | 360,000 | 82,608 |
| General Obligation Refunding Bonds | 3/29/12 | 12/1/28 | 2.00-3.10% | 4,065,000 | 2,635,000 |
| General Obligation Refunding Bonds | 6/24/15 | 4/1/30 | .55-3.4% | 2,645,000 | 2,100,000 |
| General Obligation Community Development Bonds | 6/5/19 | 6/1/37 | 3.00% | 1,080,000 | <u>1,080,000</u> |
| Total Governmental Activities - General Obligation Debt | | | | | <u>\$ 6,252,004</u> |

Business-type Activities

| <u>General Obligation Debt</u> | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance December 31, 2019</u> |
|--|----------------------|-----------------------|-----------------------|------------------------------|----------------------------------|
| General Obligation Refunding Bonds | 3/29/12 | 12/1/28 | 2.00-3.10% | \$ 1,995,000 | <u>\$ 1,660,000</u> |
| Total Business-type Activities - General Obligation Debt | | | | | <u>\$ 1,660,000</u> |

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

| Years | Governmental Activities General Obligation Debt | | Business-type Activities General Obligation Debt | |
|-----------|--|---------------------|---|-------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 640,000 | \$ 167,833 | \$ 90,000 | \$ 47,855 |
| 2021 | 705,000 | 151,368 | 95,000 | 45,830 |
| 2022 | 450,000 | 136,181 | 100,000 | 43,693 |
| 2023 | 480,000 | 125,250 | 205,000 | 41,193 |
| 2024 | 515,000 | 111,948 | 215,000 | 35,350 |
| 2025-2029 | 2,645,000 | 312,225 | 955,000 | 73,900 |
| 2030-2034 | 420,000 | 65,640 | - | - |
| 2035-2037 | 245,000 | 11,325 | - | - |
| Totals | <u>\$ 6,100,000</u> | <u>\$ 1,081,770</u> | <u>\$ 1,660,000</u> | <u>\$ 287,821</u> |

| Years | Governmental Activities Debt from Direct Borrowings and Direct Placements | |
|--------|---|-----------------|
| | Principal | Interest |
| 2020 | \$ 109,934 | \$ 5,716 |
| 2021 | 42,070 | 1,578 |
| Totals | <u>\$ 152,004</u> | <u>\$ 7,294</u> |

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

The water utility has pledged future water revenues to repay revenue bonds issued in the current and prior years. Proceeds from the bonds provided financing for the waterworks system. The bonds are payable solely from water utility revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require 57.00% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$4,013,972. Principal and interest paid for the current year and total customer gross revenues were \$390,545 and \$1,047,395, respectively.

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The sewer utility has pledged future sewer revenues to repay revenue bonds issued in prior years. Proceeds from the bonds provided financing for the modifications to the treatment facility. The bonds are payable solely from sewer utility revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 51% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$1,342,384. Principal and interest paid for the current year and total customer gross revenues were \$447,638 and \$1,974,095, respectively.

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

Business-type Activities Revenue Debt

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance December 31, 2019</u> |
|---|--------------------------|---------------------------|---------------------------|----------------------------------|--|
| <u>Water Utility</u> | | | | | |
| Waterworks System-Direct | 11/9/05 | 5/1/25 | 2.37% | \$ 1,486,390 | \$ 523,608 |
| Waterworks System-Direct | 4/25/07 | 5/1/26 | 2.48% | 516,994 | 218,862 |
| Waterworks System-Direct | 12/9/09 | 5/1/29 | 2.67% | 652,175 | 358,476 |
| Waterworks System | 3/12/12 | 5/1/32 | 2 - 3.96% | 3,150,000 | <u>2,254,992</u> |
| | | | | Total Water Utility | <u>3,355,938</u> |
| <u>Sewer Utility</u> | | | | | |
| Sewer System-Direct | 6/12/02 | 5/1/22 | 2.90% | \$ 6,513,550 | <u>\$ 1,285,725</u> |
| | | | | Total Sewer Utility | <u>1,285,725</u> |
| Total Business-type Activities - Revenue Debt | | | | | <u>\$ 4,641,663</u> |

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

| <u>Years</u> | Business-type Activities Revenue Debt | |
|--------------|--|------------|
| | Principal | Interest |
| | 2020 | \$ 145,000 |
| 2021 | 150,000 | 69,360 |
| 2022 | 155,000 | 64,785 |
| 2023 | 160,000 | 60,060 |
| 2024 | 165,000 | 55,103 |
| 2025-2029 | 870,000 | 191,955 |
| 2030-2032 | 609,992 | 35,970 |
| Totals | \$ 2,254,992 | \$ 550,656 |

| <u>Years</u> | Business-type Activities Revenue Debt from Direct Borrowings and Direct Placements | |
|--------------|---|------------|
| | Principal | Interest |
| | 2020 | \$ 559,399 |
| 2021 | 574,989 | 41,060 |
| 2022 | 591,016 | 24,809 |
| 2023 | 153,813 | 14,683 |
| 2024 | 157,589 | 10,861 |
| 2025-2029 | 349,865 | 15,756 |
| Totals | \$ 2,386,671 | \$ 164,037 |

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Notes Payable

Notes Payable at December 31, 2019 consist of the following:

| Governmental Activities | | | | | Balance |
|---|------------------|-------------------|-------------------|--------------------------|-------------------------|
| Notes Payable | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | December 31, 2019 |
| Fire Truck Agreement with Yorkville | 8/24/15 | 3/15/20 | 3% | \$ 80,030 | <u>\$ 16,747</u> |
| Total Governmental Activities Notes Payable | | | | | <u><u>\$ 16,747</u></u> |

Debt service requirements to maturity are as follows:

| <u>Years</u> | <u>Governmental Activities Notes Payable</u> | |
|--------------|--|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | <u>\$ 16,747</u> | <u>\$ 504</u> |
| Totals | <u><u>\$ 16,747</u></u> | <u><u>\$ 504</u></u> |

Other Debt Information

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

Bond Covenant Disclosures

Insurance

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

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

The utilities are covered under the following insurance policies at December 31, 2019:

| Type | Coverage | Expiration |
|----------------------|--------------------------------|------------|
| General Liability | \$ 2,000,000 EMI Insurance Co. | 1/1/2020 |
| Automobile | 2,000,000 EMI Insurance Co. | 1/1/2020 |
| Workers Compensation | 500,000 EMI Insurance Co. | 1/1/2020 |
| Property Insurance | 27,830,240 EMI Insurance Co. | 1/1/2020 |

Debt Coverage - Water

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2019 as follows:

| | |
|---|-------------------|
| Operating revenues | \$ 1,010,018 |
| Investment income | 37,300 |
| Miscellaneous nonoperating income | 77 |
| Less: Operation and maintenance expenses | <u>(503,555)</u> |
| Net Defined Earnings | <u>\$ 543,840</u> |
| Minimum Required Earnings per Resolution: | |
| Highest annual debt service | \$ 388,556 |
| Coverage factor | <u>1.25</u> |
| Minimum Required Earnings | <u>\$ 485,695</u> |
| Actual Debt Coverage | <u>1.40</u> |

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Debt Coverage - Sewer

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.10 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2019 as follows:

| | | |
|---|----|-----------------------|
| Operating revenues | \$ | 1,522,945 |
| Investment income | | 25,709 |
| Less: Operation and maintenance expenses | | <u>(671,990)</u> |
| Net Defined Earnings | \$ | <u><u>876,664</u></u> |
| Minimum Required Earnings per Resolution: | | |
| Highest annual debt service | \$ | 447,638 |
| Coverage factor | | <u>1.10</u> |
| Minimum Required Earnings | \$ | <u><u>492,402</u></u> |
| Actual Debt Coverage | | <u><u>1.96</u></u> |

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2019:

| | <u>Customers</u> | <u>Sales (000 gals)</u> |
|--------------------------|---------------------|-------------------------|
| Residential | 1,321 | 56,780 |
| Commercial | 151 | 19,645 |
| Industrial | 15 | 11,963 |
| Public authority | 11 | 5,623 |
| Multi-family residential | <u>47</u> | <u>14,461</u> |
| Totals | <u><u>1,545</u></u> | <u><u>108,472</u></u> |

VILLAGE OF UNION GROVE

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Number of Customers and Billed Volumes - Sewer

The utility has the following number of customers and billed volumes for 2019:

| | <u>Customers</u> | <u>Sales (000 gals)</u> |
|------------------|---------------------|-------------------------|
| Residential | 1,318 | 56,274 |
| Commercial | 194 | 33,784 |
| Industrial | 14 | 3,377 |
| Public authority | <u>11</u> | <u>2,210</u> |
| Totals | <u><u>1,537</u></u> | <u><u>95,645</u></u> |

G. NET POSITION/FUND BALANCES

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

Governmental Activities

| | |
|---|--------------------------|
| Net Investment in Capital Assets | |
| Land | \$ 627,253 |
| Construction in progress | 18,182 |
| Other capital assets, net of accumulated depreciation | 5,892,136 |
| Less: Long-term debt outstanding | (6,268,751) |
| Plus: Unspent capital related debt proceeds | 568,580 |
| Plus: Noncapital debt proceeds | 16,747 |
| Less: Unamortized debt premium | <u>(14,851)</u> |
| Total Net Investment in Capital Assets | <u><u>\$ 839,296</u></u> |

VILLAGE OF UNION GROVE

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

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

| | General Fund | General Debt Service Fund | TID No. 4 Capital Projects Fund | TID No. 5 Capital Projects Fund | Nonmajor Funds | Totals |
|--------------------------------------|-------------------|------------------------------|---------------------------------------|---------------------------------------|---------------------|---------------------|
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | \$ 24,142 | \$ - | \$ - | \$ - | \$ - | \$ 24,142 |
| Non-current interfunds | <u>859</u> | <u>-</u> | <u>28,422</u> | <u>-</u> | <u>-</u> | <u>29,281</u> |
| Sub-total | <u>25,001</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,423</u> |
| Restricted for: | | | | | | |
| TID activities | - | - | 868,572 | - | - | 868,572 |
| Revolving loans | - | - | - | - | 279,562 | 279,562 |
| Impact fees | - | - | - | - | 114,166 | 114,166 |
| Library activities | - | - | - | - | 186,245 | 186,245 |
| Debt service | - | 1,041 | - | - | 843,617 | 844,658 |
| Recreation and Parks | - | - | - | - | 21,464 | 21,464 |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,417</u> | <u>31,417</u> |
| Sub-total | <u>-</u> | <u>1,041</u> | <u>868,572</u> | <u>-</u> | <u>1,476,471</u> | <u>2,346,084</u> |
| Assigned to: | | | | | | |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>859,922</u> | <u>859,922</u> |
| Sub-total | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>859,922</u> | <u>859,922</u> |
| Unassigned (deficit): | <u>609,458</u> | <u>-</u> | <u>-</u> | <u>(1,484,345)</u> | <u>(187,734)</u> | <u>(1,062,621)</u> |
| Total Fund Balances (Deficit) | <u>\$ 634,459</u> | <u>\$ 1,041</u> | <u>\$ 896,994</u> | <u>\$ (1,484,345)</u> | <u>\$ 2,148,659</u> | <u>\$ 2,196,808</u> |

Business-type Activities

| | |
|---|---------------------|
| Net Investment in Capital Assets | |
| Other capital assets, net of accumulated depreciation | \$ 14,820,847 |
| Less: Long-term debt outstanding | (6,301,663) |
| Plus: Unamortized debt discount | <u>13,285</u> |
| Total Net Investment in Capital Assets | <u>\$ 8,532,469</u> |

VILLAGE OF UNION GROVE

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

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

H. COMPONENT UNIT

UNION GROVE COMMUNITY DEVELOPMENT AUTHORITY

This report contains the Union Grove Community Development Authority (CDA), which is included as a component unit.

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

a. Basis of Accounting/Measurement Focus

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was zero.

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Final average earnings is the average of the participant's three highest annual 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.

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

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$54,085 in contributions from the Village.

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

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

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

At December 31, 2019, the Village reported a liability of \$194,195 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Village's proportion was 0.00545849%, which was a decrease of 0.00029476% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized pension expense of \$129,458.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 151,249 | \$ 267,354 |
| Changes in assumptions | 32,734 | - |
| Net differences between projected and actual earnings on pension plan investments | 283,610 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 5,234 | - |
| Employer contributions subsequent to the measurement date | 59,111 | - |
| Totals | \$ 531,938 | \$ 267,354 |

\$59,111 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources and Deferred Inflows of Resources (net) |
|----------------------------|---|
| 2020 | \$ 74,915 |
| 2021 | 19,855 |
| 2022 | 32,551 |
| 2023 | 78,152 |

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

Single discount rate. A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Sensitivity of the Village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase to Discount Rate (8.00%) |
|--|--|----------------------------------|--|
| Village's proportionate share of the net pension liability (asset) | \$771,755 | \$194,195 | \$(235,264) |

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

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

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

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

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

TIF Reimbursable Expenditures

In 2012, the Village issued \$3,150,000 Waterworks System Revenue Bonds, Series 2012A (2012A Bonds). The 2012A Bonds were issued to pay-off a portion of the 2007 Bond Anticipation Notes (2007 BANS) in 2012. A portion of the original proceeds from the 2007 BANS were recorded in TIF No. 4 and were used to finance TIF eligible water projects. Due to the uncertainty of TIF No. 4 being able to pay the principal and interest payments on the 2012A Bonds, the 2012A Bonds were recorded in the water utility. The water utility is making the principal and interest payments on the 2012A Bonds. However, if future tax increments in TIF No. 4 are sufficient, TIF No. 4 will reimburse the water utility for the principal and interest payments that have been made on the 2012A Bonds as well as any issuance costs. As of December 31, 2019, the total reimbursable expenditures are:

| | Year End 2019 | Cumulative |
|----------------|-------------------|---------------------|
| Principal | \$ 145,000 | \$ 895,000 |
| Interest | 76,866 | 651,611 |
| Issuance costs | - | 49,551 |
| Totals | \$ 221,866 | \$ 1,596,162 |

In 2012, the Village also issued \$6,060,000 General Obligations Refunding Bonds, Series 2012B (2012B Bonds). The 2012B bonds were issued to pay-off a portion of the 2007 BANS through a current refunding in 2012. A portion of the original proceeds from the 2007 BANS were recorded in TIF No. 4 and were used to finance TIF eligible sewer projects. Due to the uncertainty of TIF No. 4 being able to pay the principal and interest payments on the 2012B Bonds related to sewer projects, the sewer portion of the 2012B bonds were recorded in the sewer utility. The sewer utility is making the principal and interest payments. However, if future tax increments in TIF No. 4 are sufficient, TIF No. 4 will reimburse the sewer utility for the principal and interest payments that have been made on the 2012B Bonds as well as any issuance costs. As of December 31, 2019, the total reimbursable expenditures are:

| | Year End 2019 | Cumulative |
|----------------|-------------------|-------------------|
| Principal | \$ 80,000 | \$ 335,000 |
| Interest | 49,455 | 406,958 |
| Issuance costs | - | 30,439 |
| Totals | \$ 129,455 | \$ 772,397 |

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Fire Commission Joint Venture

The Village of Union Grove and Town of Yorkville jointly operate the fire commission, which is called the Union Grove - Yorkville Fire Commission (fire commission) and provides fire protection and rescue service. The communities share in the operation of the district based on a percentage of total equalized value.

The governing body is made up of citizens from each community. Local representatives are appointed by the Village Board. The governing body has authority to adopt its own budget and control the financial affairs of the fire commission. The Village is obligated by the joint venture agreement to remit an amount annually to the fire commission. The Village made a payment to the fire commission of \$115,099 in 2019.

Financial information of the fire commission as of December 31, 2019 is available directly from the fire commission's office.

Debt is being repaid with resources of the fire commission and is secured by the taxing power of the participants. The transactions of the fire commission are not reflected in these financial statements.

The Village does not have an equity interest in the fire commission

E. SUBSEQUENT EVENTS

On February 19, 2020, the Village issued \$1,755,000 of Taxable General Obligation Community Development Bonds, Series 2020A to fund TID #5 costs. Interest rates over the life of the borrowing range from 1.85% to 2.75%.

On February 19, 2020, the Village issued \$1,315,000 of General Obligation Community Development Bonds, Series 2020B to fund TID #6 infrastructure and creation costs. Interest rates over the life of the borrowing range from 2.00% to 2.25%.

On April 27, 2020, the Village authorized the issuance of a State Trust Fund Loan for an amount not to exceed \$725,000 for the purchase of a fire truck.

F. ECONOMIC DEPENDENCY

Sewer Utility

The Sewer Utility has one significant customer who was responsible for 47% of operating revenues in 2019.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

G. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

“Pay-As-You-Go” Municipal Revenue Obligations

Over the years, the Village has authorized the issuance of Municipal Revenue Obligations (MRO's) for the purpose of encouraging development. The MRO's are non-interest bearing and are paid solely from the tax increments on the respective properties of the tax incremental districts. In conjunction with authorization of these debt issues, the village entered into developer agreements with local businesses to provide development incentives to assist in undertaking the projects. The details related to the debt issues are:

TIF No. 3

Dated April 14, 2014

Payments to the Company will be made in years 2015 through 2024. However, the first payment occurred in 2016. The village paid \$43,868 in 2019. Total payments made to-date are \$181,731.

The Village and Company will share the Property Tax Increment on a 60/40 basis with the Company receiving 60% and the Village receiving 40% assuming that the property meets or exceeds the Guaranteed Minimum Assessed Value of \$3,624,100.

Dated November 3, 2015

Payments to the Company will be made in years 2018 through 2024. The village paid \$34,840 in 2019. Total payments made to-date are \$34,840.

The Village and Company will share the Property Tax Increment on an 80/20 basis with the Company receiving 80% and the Village receiving 20% assuming that the property meets or exceeds the Guaranteed Minimum Assessed Value of \$3,436,662.

Dated May 1, 2017

Payments to the Company are scheduled to be made in years 2019 through 2024. The maximum payout will be \$229,000.

The Village and Company will share the Property Tax Increment on a 90/10 basis with the Company receiving 90% and the Village receiving 10% assuming that the property meets or exceeds the Guaranteed Minimum Assessed Value of \$4,063,900.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

G. TAX ABATEMENT (cont.)

TIF No. 4

Dated February 19, 2013

Payments to the Company will be made in years 2014 through 2027. However, the first payment occurred in 2015. The village paid \$15,904 in 2019. Total payments made to-date are \$32,514.

The Village and Company will share the Property Tax Increment on a 50/50 basis with the Company receiving 50% and the Village receiving 50% assuming that the property meets or exceeds the Guaranteed Minimum Assessed Value of \$2,025,000.

The bonds do not constitute indebtedness of the Village. The Bond Payments are payable solely from Property Tax Increments received by the Village with respect to the Tax Incremental Districts. The bonds are not considered a general obligation of the Village.

TIF No. 5

Dated August 8, 2018

Two separate one-time payments of \$1,200,000 and \$200,000 were paid to the company by the village in 2018 upon the company meeting previously agreed-upon terms and conditions.

Subject to further terms and conditions, the village is to pay five equal payments of \$193,333 for each multi-family residential building in the development and \$193,335 for one commercial building. Three of the multi-family payments and the one commercial payment have been made for a total of \$773,334 in 2019.

The village and the company will share the Property Tax Increment on a 75/25 basis with the village receiving 75% and the company receiving 25% assuming that the property meets or exceeds the Guaranteed Minimum Assessed Value of \$10,000,000.

TIF No. 6

Dated September 17, 2019

The Village entered into a Developers agreement that had multiple phases and conditions for each MRO as noted below.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

G. TAX ABATEMENT (cont.)

Conditioned upon the Developer meeting its Phase 1 Guaranteed Minimum Assessed Value of \$20,670,000 with \$14,520,000 by December 31, 2021 and an additional \$6,150,000 by December 31, 2022, the Village shall pay excess Phase 1 Property Tax Increment to Developer on an annual "pay-as-you-go" basis as reimbursement for the actual cost of its Phase 1 Internal Infrastructure Improvements estimated at One Million Eight Hundred Ninety Two Thousand Three Hundred Fifty and 00/100 Dollars (\$1,892,350.00), together with interest at the rate of Five Percent (5%) per annum, subject to a maximum incentive of Two Million Six Hundred Seventy Seven Thousand Four Hundred Eleven and 00/100 Dollars (\$2,677,411.00). No payments were made in 2019.

Conditioned upon the Developer meeting its Phase 2 Guaranteed Minimum Assessed Value of \$14,175,000, the Village shall pay excess Phase 2 Property Tax Increment to Developer on an annual "pay-as-you-go" basis as reimbursement for the actual cost of its Phase 2 Internal Infrastructure Improvements estimated at One Million Three Hundred Sixty-One Thousand and 00/100 Dollars, together with interest at the rate of Five Percent (5%) per annum, subject to a maximum incentive of \$1,918,096. No payments were made in 2019.

Conditioned upon the Developer meeting its Phases 1 and 2 Guaranteed Minimum Assessed Values, any Property Tax Increment available after payment of the Village's loan payments, Administrative Costs, and the Phase 1 and Phase 2 Developer Infrastructure Incentives, shall be paid to the Developer as additional incentive on an annual "pay-as-you-go" basis, subject to a cumulative maximum of Two Million and 00/100 Dollars (\$2,000,000.00) based on a 70% Developer and 30% Village split. No payments were made in 2019.

VILLAGE OF UNION GROVE

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

NOTE V - OTHER INFORMATION (cont.)

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF UNION GROVE

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

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------------------|-------------------|---------------------------------------|
| REVENUES | | | |
| Taxes | \$ 1,334,138 | \$ 1,344,852 | \$ 10,714 |
| Intergovernmental | 698,870 | 714,252 | 15,382 |
| Licenses and permits | 121,300 | 285,192 | 163,892 |
| Fines, forfeitures and penalties | 65,000 | 78,847 | 13,847 |
| Public charges for services | - | 1,056 | 1,056 |
| Investment income | 11,000 | 38,114 | 27,114 |
| Micellaneous revenues | <u>129,500</u> | <u>83,448</u> | <u>(46,052)</u> |
| Total Revenues | <u>2,359,808</u> | <u>2,545,761</u> | <u>185,953</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 637,182 | 575,196 | 61,986 |
| Public safety | 950,424 | 1,011,550 | (61,125) |
| Public works | 747,291 | 760,475 | (13,184) |
| Health and human services | 47,555 | 47,321 | 234 |
| Culture, recreation and education | 20,665 | - | 20,665 |
| Conservation and development | - | 43,292 | (43,292) |
| Total Expenditures | <u>2,403,117</u> | <u>2,437,834</u> | <u>(34,717)</u> |
| Excess (Deficiency) of revenues over (under) expenditures | <u>(43,309)</u> | <u>107,927</u> | <u>151,237</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in | 203,309 | 195,293 | (8,016) |
| Transfers out | <u>(160,000)</u> | <u>(636,818)</u> | <u>(476,818)</u> |
| Total Other Financing Sources (Uses) | <u>43,309</u> | <u>(441,525)</u> | <u>(484,834)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>(333,598)</u> | <u>\$ (333,597)</u> |
| FUND BALANCE - Beginning of Year | | <u>968,057</u> | |
| FUND BALANCE - END OF YEAR | | <u>\$ 634,459</u> | |

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

VILLAGE OF UNION GROVE

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

| WRS Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------|--|---|--------------------|--|--|
| 12/31/18 | 0.005458490% | \$ 194,195 | \$ 807,254 | 24.06% | 96.45% |
| 12/31/17 | 0.005753250% | (170,820) | 783,779 | 21.79% | 102.93% |
| 12/31/16 | 0.006088770% | 50,186 | 849,123 | 5.91% | 99.12% |
| 12/31/15 | 0.006290300% | 102,216 | 871,037 | 11.73% | 98.20% |
| 12/31/14 | 0.006401980% | (157,250) | 875,648 | 17.96% | 102.74% |

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

| Village Fiscal Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------------------------------------|--|---|--|--------------------|---|
| 12/31/19 | \$ 59,111 | \$ 59,111 | - | \$ 902,454 | 6.55% |
| 12/31/18 | 54,234 | 54,234 | - | 807,255 | 6.72% |
| 12/31/17 | 53,297 | 53,297 | - | 783,780 | 6.80% |
| 12/31/16 | 56,029 | 56,029 | - | 849,123 | 6.60% |
| 12/31/15 | 61,295 | 61,295 | - | 874,037 | 7.04% |

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

VILLAGE OF UNION GROVE

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

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

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

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

WISCONSIN RETIREMENT SYSTEM

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

The Village of Union Grove is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

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

SUPPLEMENTARY INFORMATION

VILLAGE OF UNION GROVE

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

| | Special Revenue Funds | | | |
|---|--------------------------|--------------------------|---------------------------------|--------------------------|
| | Revolving Loan Fund | Impact Fee Fund | Recreation and Parks Fund | Library Fund |
| ASSETS | | | | |
| Cash and investments | \$ 279,946 | \$ 114,166 | \$ 25,002 | \$ 193,474 |
| Receivables | | | | |
| Taxes | - | - | - | - |
| Loans | 122,626 | - | - | - |
| TOTAL ASSETS | <u>\$ 402,572</u> | <u>\$ 114,166</u> | <u>\$ 25,002</u> | <u>\$ 193,474</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 384 | \$ - | \$ 3,538 | \$ 4,479 |
| Accrued liabilities | - | - | - | 2,750 |
| Due to other funds | - | - | - | - |
| Total Liabilities | <u>384</u> | <u>-</u> | <u>3,538</u> | <u>7,229</u> |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | - | - | - | - |
| Unavailable revenues | 122,626 | - | - | - |
| Total Deferred Inflows of Resources | <u>122,626</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | |
| Restricted | 279,562 | 114,166 | 21,464 | 186,245 |
| Assigned | - | - | - | - |
| Unassigned (Deficit) | - | - | - | - |
| Total Fund Balances | <u>279,562</u> | <u>114,166</u> | <u>21,464</u> | <u>186,245</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 402,572</u> | <u>\$ 114,166</u> | <u>\$ 25,002</u> | <u>\$ 193,474</u> |

| Debt Service Funds | | Capital Project Funds | | | Total Nonmajor Governmental Funds |
|-----------------------------|-----------------------------|---------------------------------|---------------------------------|--------------------------|-----------------------------------|
| TID No. 3 Debt Service Fund | TID No. 5 Debt Service Fund | TID No. 3 Capital Projects Fund | TID No. 6 Capital Projects Fund | Capital Improvement Fund | |
| \$ 843,617 | \$ - | \$ 31,417 | \$ - | \$ 918,577 | \$ 2,406,199 |
| 419,212 | 88,473 | - | - | 54,884 | 562,569 |
| - | - | - | - | - | 122,626 |
| <u>\$ 1,262,829</u> | <u>\$ 88,473</u> | <u>\$ 31,417</u> | <u>\$ -</u> | <u>\$ 973,461</u> | <u>\$ 3,091,394</u> |
| \$ - | \$ - | \$ - | \$ 36,693 | \$ 43,655 | \$ 88,749 |
| - | - | - | - | - | 2,750 |
| - | 14,837 | - | 136,204 | - | 151,041 |
| - | 14,837 | - | 172,897 | 43,655 | 242,540 |
| 419,212 | 88,473 | - | - | 69,884 | 577,569 |
| - | - | - | - | - | 122,626 |
| <u>419,212</u> | <u>88,473</u> | <u>-</u> | <u>-</u> | <u>69,884</u> | <u>700,195</u> |
| 843,617 | - | 31,417 | - | - | 1,476,471 |
| - | - | - | - | 859,922 | 859,922 |
| - | (14,837) | - | (172,897) | - | (187,734) |
| <u>843,617</u> | <u>(14,837)</u> | <u>31,417</u> | <u>(172,897)</u> | <u>859,922</u> | <u>2,148,659</u> |
| <u>\$ 1,262,829</u> | <u>\$ 88,473</u> | <u>\$ 31,417</u> | <u>\$ -</u> | <u>\$ 973,461</u> | <u>\$ 3,091,394</u> |

VILLAGE OF UNION GROVE

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

| | Special Revenue Funds | | | |
|---|------------------------|--------------------|---------------------------------|-------------------|
| | Revolving Loan Fund | Impact Fee Fund | Recreation and Parks Fund | Library Fund |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | 125,673 |
| Public charges for services | - | - | 56,779 | 10,879 |
| Licenses and permits | - | 76,345 | - | - |
| Investment income | 1,888 | 997 | - | 2,768 |
| Miscellaneous | 5,225 | - | - | 5,531 |
| Total Revenues | <u>7,113</u> | <u>77,342</u> | <u>56,779</u> | <u>144,851</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture, recreation and education | - | - | 55,980 | 306,216 |
| Conservation and development | 1,549 | - | - | - |
| Capital Outlay | - | - | - | 4,280 |
| Debt Service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>1,549</u> | <u>-</u> | <u>55,980</u> | <u>310,496</u> |
| Excess (deficiency) of revenues over expenditures | <u>5,564</u> | <u>77,342</u> | <u>799</u> | <u>(165,645)</u> |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | - | - | - |
| Transfers in | - | - | 20,665 | 143,000 |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>20,665</u> | <u>143,000</u> |
| Net Change in Fund Balances | 5,564 | 77,342 | 21,464 | (22,645) |
| FUND BALANCES - Beginning of Year | <u>273,998</u> | <u>36,824</u> | <u>-</u> | <u>208,890</u> |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u>\$ 279,562</u> | <u>\$ 114,166</u> | <u>\$ 21,464</u> | <u>\$ 186,245</u> |

| Debt Service Funds | | Capital Projects Funds | | | | Total Nonmajor Funds |
|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|---------------------------------|---------------------|----------------------------|
| TID No. 3 Debt Service Fund | TID No. 5 Debt Service Fund | TID No. 3 Capital Projects Fund | TID No. 6 Capital Projects Fund | Capital Improvements Fund | | |
| \$ 388,768 | \$ 967 | \$ - | \$ - | \$ 9,867 | \$ 399,602 | |
| - | - | 3,026 | - | 100,000 | 228,699 | |
| - | - | 1,819 | - | - | 69,477 | |
| - | - | - | - | - | 76,345 | |
| - | - | 3,856 | - | - | 9,509 | |
| - | - | - | - | 25,458 | 36,214 | |
| <u>388,768</u> | <u>967</u> | <u>8,701</u> | <u>-</u> | <u>135,325</u> | <u>819,846</u> | |
| - | - | - | - | - | 362,196 | |
| - | - | 95,800 | 172,897 | - | 270,246 | |
| - | - | - | - | 297,993 | 302,273 | |
| 135,000 | - | - | - | - | 135,000 | |
| 9,000 | 15,840 | - | - | - | 24,840 | |
| <u>144,000</u> | <u>15,840</u> | <u>95,800</u> | <u>172,897</u> | <u>297,993</u> | <u>1,094,555</u> | |
| <u>244,768</u> | <u>(14,873)</u> | <u>(87,099)</u> | <u>(172,897)</u> | <u>(162,668)</u> | <u>(274,709)</u> | |
| - | - | - | - | 5,500 | 5,500 | |
| - | - | - | - | 473,153 | 636,818 | |
| - | - | - | - | 478,653 | 642,318 | |
| 244,768 | (14,873) | (87,099) | (172,897) | 315,985 | 367,609 | |
| <u>598,849</u> | <u>36</u> | <u>118,516</u> | <u>-</u> | <u>543,937</u> | <u>1,781,050</u> | |
| <u>\$ 843,617</u> | <u>\$ (14,837)</u> | <u>\$ 31,417</u> | <u>\$ (172,897)</u> | <u>\$ 859,922</u> | <u>\$ 2,148,659</u> | |

VILLAGE OF UNION GROVE

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2019

| | Community Development Authority |
|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Paid to suppliers for goods and services | \$ (34,294) |
| Net Cash Flows from Operating Activities | <u>(34,294)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Contribution from primary government | <u>32,183</u> |
| Net Cash Flows from Noncapital Financing Activities | <u>32,183</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment income | <u>2,111</u> |
| Net Cash Flows from Operating Activities | <u>2,111</u> |
| Net Change in Cash and Cash Equivalents | - |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>-</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ -</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating loss | \$ (60,700) |
| Changes in assets and liabilities | |
| Property held for resale | 42,000 |
| Due to primary government | <u>(15,594)</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ (34,294)</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | |
| None. | |