

VILLAGE OF YORKVILLE

Annual Financial Report

December 31, 2019

VILLAGE OF YORKVILLE

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Village Board
Village of Yorkville
Union Grove, Wisconsin

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yorkville 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 Yorkville

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System and budgetary comparison - general fund 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

The schedule of detailed budgetary comparison – general fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KerberRose SC
Certified Public Accountants
_____, 2020

BASIC FINANCIAL STATEMENTS

VILLAGE OF YORKVILLE

Statement of Net Position

As of December 31, 2019

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 1,121,833	\$ 1,177,702	\$ 2,299,535
Receivables:			
Taxes	856,279	-	856,279
Accounts	10,453	122,078	132,531
Special Assessments	36,216	-	36,216
Other	-	819	819
Internal Balances	(147,440)	147,440	-
Inventories	-	4,986	4,986
Total Current Assets	<u>1,877,341</u>	<u>1,453,025</u>	<u>3,330,366</u>
Noncurrent Assets			
Restricted Cash	444,623	235,766	680,389
Capital Assets:			
Capital Assets Not Being Depreciated	80,605	28,119	108,724
Capital Assets, Net of Depreciation	<u>3,642,322</u>	<u>3,335,192</u>	<u>6,977,514</u>
Total Noncurrent Assets	<u>4,167,550</u>	<u>3,599,077</u>	<u>7,766,627</u>
Total Assets	<u>6,044,891</u>	<u>5,052,102</u>	<u>11,096,993</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	<u>69,209</u>	<u>-</u>	<u>69,209</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	175,939	55,842	231,781
Accrued Liabilities	2,083	7,388	9,471
Accrued Interest	-	1,788	1,788
Deposits	61,578	-	61,578
Unearned Revenue	36,216	-	36,216
Current Portion of Long-Term Debt	-	26,441	26,441
Total Current Liabilities	<u>275,816</u>	<u>91,459</u>	<u>367,275</u>
Long-Term Liabilities			
Net Pension Liability	24,698	-	24,698
Noncurrent Portion of Long-Term Debt	-	55,096	55,096
Total Long-Term Liabilities	<u>24,698</u>	<u>55,096</u>	<u>79,794</u>
Total Liabilities	<u>300,514</u>	<u>146,555</u>	<u>447,069</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension	35,863	-	35,863
Taxes Levied for Subsequent Year	<u>1,089,254</u>	<u>-</u>	<u>1,089,254</u>
Total Deferred Inflows of Resources	<u>1,125,117</u>	<u>-</u>	<u>1,125,117</u>
NET POSITION			
Investment in Capital Assets	3,722,927	3,363,311	7,086,238
Restricted	8,648	235,766	244,414
Unrestricted	<u>956,894</u>	<u>1,306,470</u>	<u>2,263,364</u>
TOTAL NET POSITION	<u>\$ 4,688,469</u>	<u>\$ 4,905,547</u>	<u>\$ 9,594,016</u>

See Accompanying Notes

VILLAGE OF YORKVILLE
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General Government	\$ 370,339	\$ 255,947	\$ -	\$ -
Public Safety	369,103	-	22,261	-
Public Works	655,620	47,086	126,900	-
Culture and Recreation	21,050	-	-	-
Health and Human Services	23,994	-	-	-
Conservation and Development	39,247	-	-	-
Total Governmental Activities	<u>1,479,353</u>	<u>303,033</u>	<u>149,161</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Water Utility	253,313	228,875	-	165,699
Wastewater Utility	456,663	462,048	-	-
Stormwater Utility	26,588	55,490	-	-
Total Business-Type Activities	<u>736,564</u>	<u>746,413</u>	<u>-</u>	<u>165,699</u>
TOTAL	<u>\$ 2,469,230</u>	<u>\$ 1,278,321</u>	<u>\$ 149,161</u>	<u>\$ 331,398</u>

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Intergovernmental Revenues not Restricted to
Specific Programs

Investment Income

Miscellaneous

Total General Revenues

TRANSFER

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR - RESTATED

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (114,392)	\$ -	\$ (114,392)
(346,842)	-	(346,842)
(481,634)	-	(481,634)
(21,050)	-	(21,050)
(23,994)	-	(23,994)
(39,247)	-	(39,247)
<u>(1,027,159)</u>	<u>-</u>	<u>(1,027,159)</u>
-	141,261	141,261
-	5,385	5,385
-	28,902	28,902
<u>-</u>	<u>175,548</u>	<u>175,548</u>
<u>(1,027,159)</u>	<u>175,548</u>	<u>(885,898)</u>
1,064,835	-	1,064,835
72,995	-	72,995
87,287	-	87,287
33,667	31,196	64,863
1,687	-	1,687
<u>1,260,471</u>	<u>31,196</u>	<u>1,291,667</u>
<u>17,715</u>	<u>(17,715)</u>	<u>-</u>
251,027	189,029	440,056
<u>4,437,442</u>	<u>4,716,518</u>	<u>9,153,960</u>
<u>\$ 4,688,469</u>	<u>\$ 4,905,547</u>	<u>\$ 9,594,016</u>

VILLAGE OF YORKVILLE

Balance Sheet

Governmental Fund

As of December 31, 2019

	<u>General</u>
ASSETS	
Cash and Investments	\$ 1,121,833
Restricted Cash	444,623
Receivables	
Taxes	856,279
Accounts	10,453
Special Assessments	36,216
TOTAL ASSETS	<u><u>\$ 2,469,404</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 175,939
Accrued Liabilities	2,083
Deposits	61,578
Due to Other Funds	147,440
Total Liabilities	<u>387,040</u>
Deferred Inflows of Resources	
Special Assessments	36,216
Taxes Levied for Subsequent Year	1,089,254
Total Deferred Inflows of Resources	<u>1,125,470</u>
Fund Balance	
Assigned	450,579
Unassigned	506,315
Total Fund Balance	<u>956,894</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,469,404</u></u>

VILLAGE OF YORKVILLE

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position
As of December 31, 2019

Total Fund Balance - Governmental Fund		\$	956,894
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Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Assets	4,896,765	
Governmental Accumulated Depreciation	<u>(1,173,838)</u>	3,722,927

The Village's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements.

Deferred Outflows of Resources Related to Pension	69,209
Deferred Inflows of Resources Related to Pension	(35,863)

The pension liability is not due in the current period and therefore not reported in the fund statements.

Net Pension Liability	<u>(24,698)</u>
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Total Net Position - Governmental Activities		\$	<u>4,688,469</u>
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VILLAGE OF YORKVILLE
Statement of Revenues, Expenditures, and Change
in Fund Balance - Governmental Fund
For the Year Ended December 31, 2019

	<u>General</u>
REVENUES	
Taxes	\$ 1,137,830
Intergovernmental	236,448
Licenses and Permits	254,091
Fines, Forfeitures and Penalties	896
Public Charges for Services	48,046
Miscellaneous	35,354
Total Revenues	<u>1,712,665</u>
EXPENDITURES	
Current:	
General Government	376,538
Public Safety	369,103
Public Works	503,794
Culture and Recreation	21,050
Health and Human Services	23,994
Conservation and Development	39,247
Capital Outlay	79,753
Total Expenditures	<u>1,413,479</u>
EXCESS OF REVENUES OVER EXPENDITURES	299,186
OTHER FINANCING SOURCE	
Transfer In	<u>17,715</u>
NET CHANGE IN FUND BALANCE	316,901
FUND BALANCE - BEGINNING	<u>639,993</u>
FUND BALANCE - ENDING	<u><u>\$ 956,894</u></u>

VILLAGE OF YORKVILLE

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Fund	\$ 316,901
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay reported in governmental fund statements	79,753	
Depreciation expense reported in the statement of activities	<u>(151,826)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(72,073)

Amounts related to the pension that do not use current financial resources and therefore, are not reported in the fund financial statements.

<u>6,199</u>

Change in Net Position - Governmental Activities

<u><u>\$ 251,027</u></u>

VILLAGE OF YORKVILLE

Statement of Net Position

Proprietary Funds

As of December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Total
CURRENT ASSETS				
Cash and Investments	\$ 710,522	\$ 424,864	\$ 42,316	\$ 1,177,702
Customer Accounts Receivable	24,340	97,738	-	122,078
Other Accounts Receivable	-	819	-	819
Due From Other Funds	91,950	-	55,490	147,440
Inventories	4,986	-	-	4,986
Total Current Assets	831,798	523,421	97,806	1,453,025
NON-CURRENT ASSETS				
Restricted Cash	201,330	34,436	-	235,766
Capital Assets:				
Land	10,000	18,119	-	28,119
Plant in Service	2,981,801	1,960,756	-	4,942,557
Accumulated Depreciation	(843,779)	(763,586)	-	(1,607,365)
Total Non-Current Assets	2,349,352	1,249,725	-	3,599,077
Total Assets	3,181,150	1,773,146	97,806	5,052,102
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	-	-	26,441	26,441
Accounts Payable	23,101	32,741	-	55,842
Accrued Liabilities	3,071	4,317	-	7,388
Accrued Interest	-	-	1,788	1,788
Total Current Liabilities	26,172	37,058	28,229	91,459
NON-CURRENT LIABILITIES				
Noncurrent Portion of Long-Term Obligations	-	-	55,096	55,096
Total Liabilities	26,172	37,058	83,325	146,555
NET POSITION				
Investment in Capital Assets	2,148,022	1,215,289	-	3,363,311
Restricted	201,330	34,436	-	235,766
Unrestricted	805,626	486,363	14,481	1,306,470
TOTAL NET POSITION	\$ 3,154,978	\$ 1,736,088	\$ 14,481	\$ 4,905,547

VILLAGE OF YORKVILLE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Total
OPERATING REVENUES	<u>\$ 193,324</u>	<u>\$ 462,048</u>	<u>\$ 55,490</u>	<u>\$ 710,862</u>
OPERATING EXPENSES				
Operation and Maintenance	192,801	426,366	24,186	643,353
Depreciation	57,504	30,297	-	87,801
Taxes	3,008	-	-	3,008
Total Operating Expenses	<u>253,313</u>	<u>456,663</u>	<u>24,186</u>	<u>734,162</u>
OPERATING INCOME (LOSS)	<u>(59,989)</u>	<u>5,385</u>	<u>31,304</u>	<u>(23,300)</u>
NON-OPERATING REVENUES (EXPENSE)				
Rental Income	35,551	-	-	35,551
Investment Income	20,966	10,065	165	31,196
Interest Expense	-	-	(2,402)	(2,402)
Total Non-Operating Revenues (Expense)	<u>56,517</u>	<u>10,065</u>	<u>(2,237)</u>	<u>64,345</u>
INCOME (LOSS) BEFORE TRANSFER AND CAPITAL CONTRIBUTIONS	<u>(3,472)</u>	<u>15,450</u>	<u>29,067</u>	<u>41,045</u>
TRANSFER OUT	<u>(17,421)</u>	<u>(294)</u>	<u>-</u>	<u>(17,715)</u>
CAPITAL CONTRIBUTIONS	<u>165,699</u>	<u>-</u>	<u>-</u>	<u>165,699</u>
CHANGE IN NET POSITION	<u>144,806</u>	<u>15,156</u>	<u>29,067</u>	<u>189,029</u>
NET POSITION - BEGINNING - RESTATED	<u>3,010,172</u>	<u>1,720,932</u>	<u>(14,586)</u>	<u>4,716,518</u>
NET POSITION - ENDING	<u><u>\$ 3,154,978</u></u>	<u><u>\$ 1,736,088</u></u>	<u><u>\$ 14,481</u></u>	<u><u>\$ 4,905,547</u></u>

VILLAGE OF YORKVILLE
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Stormwater Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 194,625	\$ 457,938	\$ 55,223	\$ 707,786
Cash Paid to Suppliers for Goods and Services	(144,373)	(361,899)	(24,186)	(530,458)
Cash Paid to Employees for Services	(36,431)	(54,051)	-	(90,482)
Net Cash Flows From Operating Activities	13,821	41,988	31,037	86,846
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to Other Funds	(17,421)	(294)	-	(17,715)
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental Income Received	35,551	-	-	35,551
Investment Income Received	20,966	10,065	165	31,196
Net Cash Flows From Investing Activities	56,517	10,065	165	66,747
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(71,262)	-	-	(71,262)
Principal Paid	-	-	(25,740)	(25,740)
Interest Paid	-	-	(2,950)	(2,950)
Net Cash Flows From Capital and Related Financing Activities	(71,262)	-	(28,690)	(99,952)
NET CHANGE IN CASH AND INVESTMENTS	(18,345)	51,759	2,512	35,926
CASH AND INVESTMENTS - BEGINNING	930,197	407,541	39,804	1,377,542
CASH AND INVESTMENTS - ENDING	\$ 911,852	\$ 459,300	\$ 42,316	\$ 1,413,468
RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF NET POSITION TO STATEMENT OF CASH FLOWS				
Unrestricted Cash and Investments	\$ 710,522	\$ 424,864	\$ 42,316	\$ 1,177,702
Restricted Cash and Investments	201,330	34,436	-	235,766
CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS	\$ 911,852	\$ 459,300	\$ 42,316	\$ 1,413,468
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (59,989)	\$ 5,385	\$ 31,304	\$ (23,300)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Non-Cash Items Included in Income:				
Depreciation	58,663	29,138	-	87,801
Meter Expense	(1,159)	1,159	-	-
Changes in Operating Assets and Liabilities:				
Accounts Receivable	142	(4,110)	-	(3,968)
Due from Other Funds	-	-	(267)	(267)
Accounts Payable	15,093	9,607	-	24,700
Accrued Liabilities	1,071	809	-	1,880
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 13,821	\$ 41,988	\$ 31,037	\$ 86,846
NONCASH CAPITAL AND FINANCING ACTIVITIES				
Contributed Capital Assets	\$ 165,699	\$ -	\$ -	\$ 165,699

VILLAGE OF YORKVILLE

Statement of Net Position

Fiduciary Fund

As of December 31, 2019

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
ASSETS	
Restricted Cash and Investments	\$ 2,918,452
Taxes Receivable	<u>6,524,285</u>
Total Assets	<u><u>9,442,737</u></u>
LIABILITIES	
Due to Other Taxing Units	<u>9,442,737</u>
NET POSITION	
Restricted	<u><u>\$ -</u></u>

See Accompanying Notes

VILLAGE OF YORKVILLE
Statement of Change in Net Position
Fiduciary Fund
For the Year Ended December 31, 2019

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
ADDITIONS	
Taxes Collected on Behalf of Other Taxing Entities	\$ 6,533,601
DEDUCTIONS	
Taxes Remitted to Other Taxing Entities	<u>6,533,601</u>
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSITION - ENDING	<u><u>\$ -</u></u>

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Village of Yorkville (Village) is presented to assist in understanding the Village's financial statements. The financial statements and notes are representations of the Village's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements, except for the implementation of the new standard discussed later within this footnote. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The Village has no component units.

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included as program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges which would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

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

Governmental Fund

General Fund

The general fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Enterprise Funds

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprise activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, or (b) where laws or regulations require that the costs of the activity be recovered with fees and charges or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support Village programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Because by definition these assets are being held for the benefit of a third party (such as other local governments) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

Custodial Funds

Custodial funds are used to account for assets held by the Village as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The Village reports the following major governmental fund:

General Fund - which accounts for the Village's primary operating activities.

The Village reports the following major proprietary funds:

Water Utility - which operates the water distribution system.

Wastewater Utility - which operates the sewage treatment plant, sewage pumping stations and collection systems.

Stormwater Utility - which operates the stormwater system.

Fiduciary Fund

The Village reports the following custodial fund:

Tax Collection Fund - which accounts for taxes and deposits collected by the Village, acting in the capacity of a custodian, for distribution to other governmental units or designated beneficiaries.

The Village has adopted GASB Statement No. 84, *Fiduciary Activities* for the year ended December 31, 2019. This statement revised the criteria on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Four types of fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. As a result of adopting this statement, the Village has reclassified the tax collection fund to a custodial fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources) or economic resources (all assets, deferred outflows of resources, liabilities, and deferred inflows of resources). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Cash and Investments

Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition are considered to be cash equivalents.

The Village also has funds invested in the Wisconsin Local Government Investment Pool.

Restricted Cash

Governmental Funds - Certain assets of the governmental funds are classified as restricted assets because their use is restricted for tax collections for the subsequent year budget as well as cash that has been collected for building deposits.

Enterprise Funds - Cash has been set aside to provide for replacement of certain water and sewer utility plant equipment.

Fiduciary Funds - Cash has been set aside to provide for advance tax collections of other taxing units.

Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

Inventories

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

Deferred Special Assessments

Deferred special assessments consist of capital projects constructed through village capital. In governmental fund financial statements, special assessments are recorded as receivables and deferred inflows of resources when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and unearned revenue when the capital outlays are made. All special assessments will become due if the parcels of land are used for purposes other than residential housing or farming. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general Village taxes.

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$2,500 or higher for governmental activities. Infrastructure improvements with a cost of \$20,000 or more are capitalized. For business-type activities, the threshold for capitalization is based on the Wisconsin Public Service Commission. Both also have an estimated useful life in excess of one year.

Capital assets are reported at actual or estimated historical cost. Donated assets are reported at estimated acquisition value at the time received.

General infrastructure assets acquired or constructed prior to January 1, 2004 are not reported in the financial statements as allowed by accounting principles generally accepted in the United States of America.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Fund Financial Statements

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

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

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

Assets	Years	
	Governmental Activities	Business-Type Activities
Buildings	20 - 40	20 - 50
Improvements	10 - 20	20 - 100
Plant, Machinery and Equipment	2 - 15	4 - 10
Infrastructure	20 - 50	-

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Village has one item that qualifies for reporting in this category. Accordingly, deferred outflows related to the pension plan are reported in the statement of net position. See Note 9 for details on the pension plan.

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The government-wide financial statement has two items that qualify for reporting in this category. Accordingly, taxes levied for subsequent year and deferred inflows related to the pension plan are reported in the statement of net position. The governmental fund reports taxes levied for subsequent year and special assessments as deferred inflows of resources on the balance sheet. See Note 9 for details on the pension plan.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt for the governmental funds is not reported as a liability in the governmental fund financial statements.

Regulated Municipal Utility

Yorkville Water Utility operates under service rules which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Commission. The accounting records of the utility are maintained in accordance with the Uniform System of Accounts prescribed by the Public Service Commission.

The Yorkville Wastewater and Stormwater Utilities are not regulated.

Water, wastewater, and stormwater revenues are recorded based on actual service rendered; billings are made to customers through quarterly billings.

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis for Existing Rates

Water Utility - The Public Service Commission of Wisconsin approved a water rate increase in February 1998.

Wastewater Utility - The utility board approved the current rates during March 2019.

Stormwater Utility - The utility board approved the current rates during July 2011.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are reported as nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncement are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide and proprietary funds statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Equity Classifications

Government-Wide Statements

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

- Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- Restricted component of net position - Consists of resources with constraints placed on the 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.
- Unrestricted component of net position - Net amount that does not meet the definition of "restricted" or "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.

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts) or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The Village Board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance, in the general fund, represents amounts constrained by the Village Board for a specific intended purpose. The Village has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance, in the general fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The Village, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The Village has not adopted a formal minimum fund balance policy.

Use of Estimates

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

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 2 - Cash and Investments

The Village is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- 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, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The Local Government Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating Custodial.
- Securities of an open-end management investment company or investment trust subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of the Village.

At December 31, 2019, the Village's bank balance of cash was \$340,203. The Village maintains its cash accounts at four financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2019, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2019:

Fully insured deposits	\$ 311,513
Uninsured	28,690
Total	<u>\$ 340,203</u>

For all deposits and investments shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at December 31, 2019.

The Local Government Investment Pool (LGIP) is not registered with the U.S. Securities and Exchange Commission and does not publish credit quality ratings. An investment in the Fund is not a deposit with any bank and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation, the United States Government or any state governmental agency of the Fund. Upon demand, cash can be withdrawn with interest from the Local Government Investment Pool. Investments in the Local Government Investment Pool are valued at amortized cost. The balance in the local government investment pool at December 31, 2019 was \$5,517,411.

Investments in the local government investment pool are not insured against losses arising from principal defaults on securities acquired by the pool.

VILLAGE OF YORKVILLE
Notes to Basic Financial Statements
December 31, 2019

Note 3 - Property Taxes

The Village bills and collects its own property taxes and also levies for the Yorkville School District, Union Grove School District, Gateway Technical College, and Racine County.

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

Under 2011 Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

Note 4 - Interfund Receivables, Payables and Transfers

Interfund receivables and payables between individual funds of the Village as of December 31, 2019, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water Utility	General Fund	\$ 91,950	Public Fire Protection on Tax Roll
Stormwater Utility	General Fund	55,490	Special Charges on Tax Roll
		<u>\$ 147,440</u>	

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water Utility	\$ 17,421	Property Tax Equivalent
General Fund	Wastewater Utility	294	Property Tax Equivalent
		<u>\$ 17,715</u>	

Note 5 - Restricted Assets

Restricted assets on December 31, 2019 totaled \$3,598,841 and consisted of cash and investments held for the following purposes:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Governmental Fund:		
General Fund	<u>444,623</u>	Advance tax collections to finance 2020 operations and building bond deposits
Fiduciary Fund:		
Tax Collection	<u>2,918,452</u>	Advance tax collections for other taxing jurisdictions
Enterprise Funds:		
Water Utility	201,330	To provide funds for equipment to maintain plant capacity
Wastewater Utility	<u>34,436</u>	To provide funds for equipment to maintain plant capacity
Total Enterprise Funds	<u>235,766</u>	
Total Restricted Assets	<u>\$ 3,598,841</u>	

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 6 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2019 were as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Governmental Activities				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 20,992	\$ -	\$ -	\$ 20,992
Construction in Progress	-	59,613	-	59,613
Total Capital Assets Not Being Depreciated	20,992	59,613	-	80,605
Other Capital Assets:				
Buildings and Improvements	9,516	-	-	9,516
Machinery and Equipment	28,902	-	-	28,902
Infrastructure	4,757,602	20,140	-	4,777,742
Total Capital Assets Being Depreciated	4,796,020	20,140	-	4,816,160
Total Capital Assets	4,817,012	79,753	-	4,896,765
Less Accumulated Depreciation for:				
Buildings and Improvements	9,516	-	-	9,516
Machinery and Equipment	27,008	691	-	27,699
Infrastructure	985,488	151,135	-	1,136,623
Total Accumulated Depreciation	1,022,012	151,826	-	1,173,838
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,795,000	\$ (72,073)	\$ -	\$ 3,722,927

Depreciation expense was charged to the following function:

Governmental Activities	
Public Works	<u>\$ 151,826</u>

VILLAGE OF YORKVILLE

Notes to Financial Statements

December 31, 2019

Note 6 - Capital Assets (Continued):**Business-Type Activities**

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Water				
Capital Assets not Being Depreciated:				
Land and Land Rights	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital Assets Being Depreciated:				
Pumping Plant	353,889	25,787	-	379,676
Water Treatment Plant	3,060	-	-	3,060
Transmission and Distribution Plant	2,322,809	165,699	-	2,488,508
General Plant	65,082	45,475	-	110,557
Total Capital Assets Being Depreciated	2,744,840	236,961	-	2,981,801
Total Capital Assets	2,754,840	236,961	-	2,991,801
Less: Accumulated Depreciation	785,116	58,663	-	843,779
Net Utility Plant	\$ 1,969,724	\$ 178,298	\$ -	\$ 2,148,022
	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Wastewater				
Capital Assets, not Being Depreciated:				
Land	\$ 18,119	\$ -	\$ -	\$ 18,119
Capital Assets Being Depreciated:				
Plant and Lift Station	1,726,805	-	-	1,726,805
Equipment	228,789	-	-	228,789
Office Equipment	5,162	-	-	5,162
Total Capital Assets Being Depreciated	1,960,756	-	-	1,960,756
Total Capital Assets	1,978,875	-	-	1,978,875
Less: Accumulated Depreciation	734,448	29,138	-	763,586
Net Utility Plant	\$ 1,244,427	\$ (29,138)	\$ -	\$ 1,215,289

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 6 - Capital Assets (Continued)

Business-Type Activities	
Water Depreciation Charged to Accumulated Depreciation	\$ 58,663
Less: Share of Meter Depreciation	<u>(1,159)</u>
Water Depreciation Expense	<u>57,504</u>
Wastewater Depreciation Charged to Accumulated Depreciation	29,138
Plus: Share of Meter Depreciation	<u>1,159</u>
Wastewater Depreciation Expense	<u>30,297</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 87,801</u></u>

Note 7 - Long-Term Obligations

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Governmental Activities					
Other Liabilities:					
Net Pension Liability	<u>\$ -</u>	<u>\$ 40,175 *</u>	<u>\$ 15,477</u>	<u>\$ 24,698</u>	<u>\$ -</u>

*The net pension liability additions have been adjusted for the beginning net pension asset balance at December 31, 2018.

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Business-Type Activities					
General Obligation Debt					
State Trust Fund Loan	<u>\$ 107,277</u>	<u>\$ -</u>	<u>\$ 25,740</u>	<u>\$ 81,537</u>	<u>\$ 26,441</u>

Interest paid during the year on long-term debt totaled \$2,950 for the business-type activities.

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
Business-Type Activities					
2013 State Trust Fund Loan	01/14/13	03/15/22	2.75%	\$ 225,000	<u>\$ 81,537</u>

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 7 - Long-Term Obligations (Continued):

Debt service requirements to maturity are as follows:

	Business Type	
	Long-Term Debt	
	Principal	Interest
2020	\$ 26,441	\$ 2,250
2021	27,175	1,515
2022	27,921	768
	<u>\$ 81,537</u>	<u>\$ 4,533</u>

Estimated payments of accumulated employee benefits are not included in the above schedule.

The 2019 equalized valuation of the Village as certified by the Wisconsin Department of Revenue is \$558,456,900. The legal debt limit and margin of indebtedness as of December 31, 2019, in accordance with Section 67.03 of the Wisconsin Statutes follows:

Debt Limit (5% of \$558,456,900)	\$ 27,922,845
Deduct long-term debt applicable to debt margin	<u>(81,537)</u>
Remaining Margin of Indebtedness Available	<u>\$ 27,841,308</u>

Note 8 - Net Position and Fund Balance

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

	Governmental	Business-Type	Total
Investment in Capital Assets			
Net Capital Assets	\$ 3,722,927	\$ 3,363,311	\$ 7,086,238
Less: Related Long-Term Debt Outstanding	-	-	-
Investment in Capital Assets	<u>3,722,927</u>	<u>3,363,311</u>	<u>7,086,238</u>
Net Position Restricted For			
Equipment Replacement Fund	-	235,766	235,766
Pension Benefits	8,648	-	8,648
Total Restricted	<u>8,648</u>	<u>235,766</u>	<u>244,414</u>
Unrestricted	<u>956,894</u>	<u>1,306,470</u>	<u>2,263,364</u>
Total Net Position - Government-Wide Statements	<u>\$ 4,688,469</u>	<u>\$ 4,905,547</u>	<u>\$ 9,594,016</u>

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 8 - Net Position and Fund Balance (Continued)

Fund balances reported on the governmental fund balance sheet at December 31, 2019 are classified as follows:

Assigned	
General Fund	
Village Hall Maintenance	\$ 124,579
Construction Projects	<u>326,000</u>
Total Assigned	450,579
Unassigned	
General Fund	<u>506,315</u>
Total Governmental Fund Fund Balance	<u><u>\$ 956,894</u></u>

Note 9 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The Wisconsin Retirement System (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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

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

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

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

During the reporting period, the WRS recognized \$7,319 in contributions from the Village.

Contribution rates utilized as part of the actuarial valuation for the fiscal year ended December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.7%	6.7%

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

At December 31, 2019, the Village reported a liability of \$24,698 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 0.00069422%, which was an increase of 0.00000078% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized pension expense of \$15,477.

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 19,236	\$ 34,002
Changes in actuarial assumptions	4,163	-
Net differences between projected and actual earnings on pension plan investments	36,070	-
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	2,421	1,861
Employer contributions subsequent to the measurement date	7,319	-
	<u>\$ 69,209</u>	<u>\$ 35,863</u>

The \$7,319 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ 8,707
2021	2,601
2022	4,828
2023	9,891
	<u>\$ 26,027</u>

VILLAGE OF YORKVILLE

Notes to Financial Statements

December 31, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

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
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.

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	49.0	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9.0	6.5	3.9
Private Equity/Debt	8.0	9.4	6.7
Multi-Asset	4.0	6.7	4.1
Total Core Fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.6%	5.0%
International Equities	30.0	8.5	5.9
Total Variable Fund	100.0%	8.0%	5.4%

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

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

VILLAGE OF YORKVILLE

Notes to Financial Statements

December 31, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

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.

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)	\$ 98,153	\$ 24,698	(\$ 29,921)

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

Payables to the Pension Plan. The Village is required to remit the monthly required contribution for both the employee and Village portions by the last day of the following month. The Village had no outstanding payables to the pension plan as of December 31, 2019.

Note 10 - 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; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Village purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past year.

Note 11 - Commitments and Contingencies

From time to time the Village is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of Village management, these issues, and any other proceedings known to exist at December 31, 2019, are not likely to have a material adverse impact on the Village's financial position.

VILLAGE OF YORKVILLE
Notes to Financial Statements
December 31, 2019

Note 11 - Commitments and Contingencies (Continued)

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

The Village has entered into an agreement for a road construction and drainage project in the amount of \$369,000. The Village has approximately \$326,000 remaining on the project.

Note 12 - Upcoming Accounting Pronouncement

GASB Statement No. 87, Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The pronouncement will be effective for years ending December 31, 2021.

The Village is evaluating the impact these standards will have on the financial statements when adopted.

Note 13 - Restatement of Beginning Net Position

The restatement of beginning net position in the water utility and business-type activities is due to the prior reporting of other deferred credits related to unearned cell tower rent and taxes accrued liabilities. The Village has determined that all cell tower rent has been earned in the prior years and the taxes accrued liability is unnecessary as the tax equivalent is paid annually.

Net Position - Water Utility - December 31, 2018 (as previously reported)	\$ 2,978,720
Removal of Other Deferred Credits	13,737
Removal of Taxes Accrued Liability	17,715
Net Position – As Restated December 31, 2018	<u>\$ 3,010,172</u>
Net Position - Business-Type Activities - December 31, 2017 (as previously reported)	\$ 4,685,066
Removal of Other Deferred Credits	13,737
Removal of Taxes Accrued Liability	17,715
Net Position – As Restated December 31, 2018	<u>\$ 4,716,518</u>

The effect on the Village's change in net position for the year ended December 31, 2018 was not readily determinable.

Note 14 - Subsequent Event

The Village's operations may be affected by the recent outbreak of COVID-19 which was declared as a pandemic. The ultimate disruption which may be caused by the outbreak is uncertain and the related financial impact and duration cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF YORKVILLE
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	Village's Proportion of the Net Pension Asset/Liability	Village's Proportionate Share of the Net Pension (Asset)/Liability	Village's Covered Payroll	Village's Proportionate Share of the Net Pension Asset/Liability as a percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2018	0.00069422%	\$ 24,698	\$ 106,822	23.12%	96.45%
12/31/2017	0.00069344%	(20,589)	103,469	-19.90%	102.93%
12/31/2016	0.00090950%	7,496	99,872	7.51%	99.12%

Schedule of Employer Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

Village 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
12/31/2019	\$ 7,319	\$ 7,319	\$ -	\$ 111,737	6.55%
12/31/2018	7,157	7,157	-	106,822	6.70%
12/31/2017	7,035	7,035	-	103,469	6.80%
12/31/2016	6,591	6,591	-	99,872	6.60%

*The amounts presented for each year were determined as of the calendar year-end from the prior calendar year. Ten years of data will be accumulated beginning with 2016.

VILLAGE OF YORKVILLE
Schedule of Budgetary Comparison
General Fund
For the Year Ended December 31, 2019

	Original & Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,155,748	\$ 1,137,830	\$ (17,918)
Intergovernmental	241,411	236,448	(4,963)
Licenses and Permits	154,275	254,091	99,816
Fines, Forfeitures and Penalties	50	896	846
Public Charges for Services	49,691	48,046	(1,645)
Miscellaneous	19,325	35,354	16,029
Total Revenues	<u>1,620,500</u>	<u>1,712,665</u>	<u>92,165</u>
EXPENDITURES			
General Government	316,700	376,538	(59,838)
Public Safety	326,953	369,103	(42,150)
Public Works	544,247	503,794	40,453
Culture and Recreation	20,650	21,050	(400)
Health and Human Services	27,144	23,994	3,150
Conservation and Development	27,500	39,247	(11,747)
Capital Outlay	357,306	79,753	277,553
Total Expenditures	<u>1,620,500</u>	<u>1,413,479</u>	<u>207,021</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	299,186	299,186
OTHER FINANCING SOURCE			
Transfer In	-	17,715	17,715
NET CHANGE IN FUND BALANCE	-	316,901	316,901
FUND BALANCE - BEGINNING	<u>639,993</u>	<u>639,993</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 639,993</u>	<u>\$ 956,894</u>	<u>\$ 316,901</u>

VILLAGE OF YORKVILLE
Notes to Required Supplementary Information
December 31, 2019

Defined Benefit Pension Plan

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

Changes of 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.

Budgetary Process

The Village follows these procedures in establishing the budgetary data:

- During October, Village management submits to the Village Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.

Excess of Actual Expenditures Over Budget in Individual Funds

The Village had the following functions with an excess of actual expenditures over budget for the year ended December 31, 2019:

General Government	\$ 59,838
Public Safety	42,150
Culture and Recreation	400
Conservation and Development	11,747

SUPPLEMENTARY INFORMATION

VILLAGE OF YORKVILLE

Schedule of Water, Wastewater, and Stormwater Utilities Operating Revenues and Expenses For the Year Ended December 31, 2019

OPERATING REVENUES

Sales:

	Water	Wastewater	Stormwater	Total
Metered Sales:				
Residential	\$ -	\$ 46,686	\$ -	\$ 46,686
Commercial	90,470	341,862	-	432,332
Irrigation	9,650	-	-	9,650
Total Metered Sales	100,120	388,548	-	488,668
Unmetered Sales	168	-	-	168
Public Fire Protection	91,950	-	-	91,950
Total Sales	192,238	388,548	-	580,786

Other Operating Revenues

Miscellaneous	1,086	-	-	1,086
Connection Fees	-	73,500	-	73,500
Special Charges	-	-	55,490	55,490
Total Operating Revenues	193,324	462,048	55,490	710,862

OPERATING EXPENSES

Operation, Maintenance and General Expenses

Operation and Maintenance Expenses:

Supervision and Labor	36,875	49,868	-	86,743
Maintenance and Repairs	22,031	99,132	20,000	141,163
Power Purchased for Pumping	15,248	-	-	15,248
Chemicals	2,546	1,000	-	3,546
Operating Supplies and Expenses	5,993	1,865	-	7,858
Sludge Hauling	-	50,636	-	50,636
Lab Testing	-	43,395	-	43,395
Utilities	-	18,591	-	18,591
Transportation Expenses	744	626	-	1,370
Total Operating and Maintenance Expenses	83,437	265,113	20,000	368,550

Administrative and General Expenses

Administrative Salaries and Wages	625	4,992	600	6,217
Office Supplies and Expenses	4,171	31,269	-	35,440
Professional Services	100,340	116,111	3,586	220,037
Property Insurance	4,228	4,731	-	8,959
Miscellaneous	-	4,150	-	4,150
Total Administrative and General Expenses	109,364	161,253	4,186	274,803

Total Operation, Maintenance and

General Expenses

192,801	426,366	24,186	643,353
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Other Operating Expenses

Depreciation	57,504	30,297	-	87,801
Taxes	3,008	-	-	3,008
Total Other Operating Expenses	60,512	30,297	-	90,809

Total Operating Expenses

253,313	456,663	24,186	734,162
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OPERATING INCOME (LOSS)

\$ (59,989)	\$ 5,385	\$ 31,304	\$ (23,300)
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VILLAGE OF YORKVILLE
Schedule of Detailed Budgetary Comparison
General Fund
For the Year Ended December 31, 2019

	Original & Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUE AND OTHER FINANCING SOURCE			
TAXES			
General Property Taxes	\$ 1,064,763	\$ 1,064,837	\$ 74
Other Taxes	90,985	66,584	(24,401)
Room Tax	-	6,409	6,409
Total Taxes	1,155,748	1,137,830	(17,918)
INTERGOVERNMENTAL			
Shared Revenues	39,740	40,902	1,162
Fire Insurance Dues	20,250	22,261	2,011
General Highway Aids	135,614	119,142	(16,472)
Computer Aid	6,597	6,597	-
Recycling Grant	5,500	7,758	2,258
Personal Property Aid	33,710	33,710	-
Other State Aids	-	6,078	6,078
Total Intergovernmental	241,411	236,448	(4,963)
LICENSES AND PERMITS			
Business Licenses	7,150	8,157	1,007
Nonbusiness Licenses	3,250	3,289	39
Building Permits	127,000	225,801	98,801
Other Permits	16,875	16,844	(31)
Total Licenses and Permits	154,275	254,091	99,816
FINES AND FORFEITS			
Fines, Forfeitures, and Penalties	50	896	846
PUBLIC CHARGES FOR SERVICES			
General Government Fees	2,005	960	(1,045)
Wastewater Utility Fees	36,000	36,000	-
Water Utility Fees	11,086	11,086	-
Stormwater Utility Fees	600	-	(600)
Total Public Charges for Services	49,691	48,046	(1,645)
MISCELLANEOUS REVENUES			
Interest	18,325	33,667	15,342
Insurance Recoveries	1,000	1,087	87
Other Miscellaneous Revenues	-	600	600
Total Miscellaneous Revenues	19,325	35,354	16,029
OTHER FINANCING SOURCE			
Transfer In	-	17,715	17,715
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$ 1,620,500	\$ 1,730,380	\$ 109,880

VILLAGE OF YORKVILLE
Schedule of Detailed Budgetary Comparison - Continued
General Fund
For the Year Ended December 31, 2019

	Original & Final Budget	Actual Amounts	Variance Positive (Negative)
EXPENDITURES			
GENERAL GOVERNMENT			
Legislative			
Village Board	\$ 49,056	\$ 57,656	\$ (8,600)
Planning Commission	2,584	1,899	685
Printing and Publications	3,500	7,820	(4,320)
Ordinance Codification	1,000	3,974	(2,974)
Dues, Conventions, and Education	4,500	2,839	1,661
Municipal Court	2,500	2,888	(388)
Legal	40,000	71,593	(31,593)
Clerk-Treasurer	73,965	78,515	(4,550)
Deputy Clerk-Treasurer	54,139	51,752	2,387
Elections	6,000	3,707	2,293
Audit	4,550	4,250	300
Assessor	25,750	25,088	662
Village Hall Expenses	29,958	48,002	(18,044)
Property and Liability Insurance	19,198	16,555	2,643
Total General Government	316,700	376,538	(59,838)
PUBLIC SAFETY			
Constable	16,848	15,521	1,327
Fire Protection and Rescue Squad	208,555	209,355	(800)
Address Signs	750	-	750
Building Inspections	100,800	144,227	(43,427)
Total Public Safety	326,953	369,103	(42,150)
PUBLIC WORKS			
Highway Maintenance	175,000	125,537	49,463
Snow Removal	120,000	147,106	(27,106)
Highway Mowing	20,250	20,250	-
Bridges and Culverts	44,000	4,509	39,491
Stormwater Drainage	178	786	(608)
Street Lighting	15,000	13,476	1,524
Engineering	40,000	48,955	(8,955)
Sanitation	85,773	94,164	(8,391)
Recycling	43,723	48,688	(4,965)
Weed and Nuisance Control	323	323	-
Total Public Works	544,247	503,794	40,453
CULTURE AND RECREATION			
Recreation Programs	20,650	21,050	(400)
HEALTH AND HUMAN SERVICES			
Animal Control	4,409	1,259	3,150
Public Health Services	22,735	22,735	-
Total Health and Human Services	27,144	23,994	3,150
CONSERVATION AND DEVELOPMENT			
Planning	20,000	39,247	(19,247)
Bus Service	7,500	-	7,500
Total Conservation and Development	27,500	39,247	(11,747)
CAPITAL OUTLAY			
General Government	15,000	-	15,000
Public Works	342,306	79,753	262,553
Total Capital Outlay	357,306	79,753	277,553
Total Expenditures	1,620,500	1,413,479	207,021
NET CHANGE IN FUND BALANCE	-	316,901	316,901
FUND BALANCE - BEGINNING	639,993	639,993	-
FUND BALANCE - ENDING	\$ 639,993	\$ 956,894	\$ 316,901

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To the Village Board
Village of Yorkville
Union Grove, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yorkville, Wisconsin (Village) as of and for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to the audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the schedules of proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System and schedule of budgetary comparison – general fund as indicated in the financial statement's table of contents, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedule of water, wastewater, and stormwater utilities operating revenues and expenses as indicated in the financial statement's table of contents, which accompany the financial statements but are not RSI. Our responsibility for the supplementary information as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary, was fairly stated, in all material aspects, in relation to their financial statements as a whole.

The budgetary information included in the supplementary information was not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we did not express an opinion or provide assurance on it.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Yorkville are described in Note 1 to the financial statements. As described in Note 1, The Village adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* as of and for the the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Village's financial statements were:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the pension liability is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the pension liability in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

The disclosure of deposits and the related risks with them in Note 2 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risks associated with the Village's cash.

The disclosure of the net pension liability and the related risks associated with it may be found in Note 9 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the Village's net pension liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. We proposed adjustments to the Village's general ledger some of which were material to the financial statements taken as a whole. Management has corrected all such misstatements. A list of corrected misstatements is attached to this management letter. There were no uncorrected misstatements.

Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit

Management Representations

We have requested certain representations from management that are included in the management representation letter, dated _____, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Yorkville’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yorkville as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Village’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Village of Yorkville’s internal control to be material weaknesses.

Segregation of Duties - The Village has a limited number of people who are responsible for and perform substantially all of the bookkeeping and accounting functions. Good internal control requires a complete separation of duties with respect to the handling and recording of transactions. In order to provide for an adequate segregation of duties, additional personnel may have to be involved in the performance of the accounting and bookkeeping functions. We recognize that this may not be practical based on the size of the Village and limited resources. Because some procedural controls do not exist, the board has compensating controls such as approval of invoices and review of receipts and revenues which allow it to rely on its knowledge of the Village’s operations in order to safeguard assets.

Financial Reporting - One of the components of internal control over financial reporting is that staff of the Village be sufficiently knowledgeable to prepare the entity's financial statements including the footnotes in accordance with generally accepted accounting principles (GAAP). The Village's staff does not have the training in GAAP to prepare financial statements including the related notes in accordance with GAAP. The Village's management does review the financial statements and footnotes and accepts responsibility for them. This matter is common in most small organizations since they do not have the resources to devote to this area of internal control.

Other Matters

In addition, we felt the other matters described in the following paragraphs were important to the operation of the Village. These matters may involve internal controls, general operations, recommendations for the adoption of policies and other such items that we feel will enhance the Village of Yorkville.

Other Items

Rates of Returns

The water and wastewater department's rate of returns are as follows:

	Water		Wastewater	
	2019	2018	2019	2018
UTILITY PLANT				
Beginning	\$ 1,047,090	\$ 1,041,654	\$ 1,978,875	\$ 1,972,131
Ending	1,118,352	1,047,090	1,978,875	1,978,875
Average	1,082,721	1,044,372	1,978,875	1,975,503
ACCUMULATED DEPRECIATION				
Beginning	(231,243)	(227,460)	(734,448)	(742,710)
Ending	(263,651)	(231,243)	(763,586)	(734,448)
Average	(247,447)	(229,352)	(749,017)	(738,579)
INVENTORY - MATERIALS AND SUPPLIES				
Beginning	4,986	4,986	-	-
Ending	4,986	4,986	-	-
Average	4,986	4,986	-	-
REGULATORY LIABILITY				
Beginning	(43,060)	(51,672)	-	-
Ending	(34,446)	(43,060)	-	-
Average	(38,753)	(47,366)	-	-
AVERAGE NET RATE BASE	\$ 801,507	\$ 772,640	\$ 1,229,858	\$ 1,236,924
OPERATING INCOME	\$ (15,588)	\$ 54,869	\$ 5,385	\$ (30,517)
RATES OF RETURN	-1.94%	7.10%	0.44%	-2.47%

The rate of return for both the water and wastewater utilities are low. We recommend that the Village consider preparing a rate case with the Public Service Commission to raise the water rates and passing an increase to the sewer utility rates through the sewer commission.

Current Year Observation

Cash – Concentration of Risk

The Board should consider the large amounts of cash uninsured and the associated risk. All deposits currently are at four banks. Deposits are insured by a federal agency in the amount of \$250,000 for all time and savings accounts (including NOW accounts); up to \$250,000 for the combined amount of all interest-bearing and non-interest-bearing demand accounts per financial institution. The Board should consider looking into obtaining additional collateral to fully insure all deposits or place deposits in various banks for greater protection of cash and investments. The amount of uninsured cash as of December 31, 2019 was \$28,690.

Closing

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestion with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We thank you for allowing us to be of service to the Village of Yorkville. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the Village Board, management, and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

KerberRose SC
Certified Public Accountants
_____, 2020