VILLAGE OF MCFARLAND *NOTICE OF PUBLIC MEETING*

FINANCE COMMITTEE

Wednesday, May 27, 2020 **6:30 PM** **McFarland Municipal Center**
Community Room

AGENDA

You are invited to this meeting through a Zoom webinar. The Public is strongly encouraged to watch and participate in these meetings remotely through either the webinar or telephone options listed below.

PLEASE CLICK THE LINK BELOW TO JOIN THE ZOOM WEBINAR:
https://us02web.zoom.us/j/81338791173

Or by Telephone:

+1 (301) 715-8592 or +1 (312) 626-6799 or +1 (929) 205-6099 or +1 (253) 215-8782 or +1 (346) 248-7799 or +1 (669) 900-6833

Webinar ID: 813 3879 1173

1. CALL TO ORDER, ROLL CALL.
2. PUBLIC APPEARANCES.
   a. This is an opportunity for members of the public to address the Village Board. Please remember this is a virtual meeting conducted through the Zoom online meeting platform. Zoom meeting attendees wishing to address the board may do so using the Question and Answer feature within the Zoom online meeting platform. You may state your name, address, and provide your comments to the board for their consideration. Members of the public who are present in person and wish to address the board should fill out a public comment form and turn into the meeting chairperson. Members of the public may speak during public appearances or during their selected agenda item as they designate on the public comment form. Please adhere to the 3-minute time limit. Additionally, you may send your public comments to cassandra.suettinger@mcfarland.wi.us to be included as part of the meeting.
3. APPROVAL OF MINUTES.
   a. Discussion and action regarding minutes of the meeting held on March 11, 2020.
4. BUSINESS.

a. Discussion and action to make a recommendation to the Village Board regarding the acceptance of the 2019 Municipal Financial Statements and Audit Results as presented by Baker Tilly Virchow Krause.

b. Update on 2020 Borrowing.

c. Discussion and presentation regarding financial impacts on Village operations during COVID-19 Pandemic.

5. SCHEDULE NEXT MEETING DATE.
   a. Wednesday, June 24, 2020 at 6:30 pm.

6. ADJOURNMENT.

This meeting notice constitutes an official meeting of the above referenced group and was posted in accordance with all applicable laws related to Open Meetings Law. It is possible that members of and possibly a quorum of members of other governmental bodies of the municipality may be in attendance at the above stated meeting to gather information. No action will be taken by any governmental body at the above stated meeting other than the governmental body specifically referred to above in this notice. Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals. For additional information or to request this service, contact the McFarland Municipal Center at (608) 838-3153 or cassandra.suettinger@mcfarland.wi.us.

VILLAGE OF MCFARLAND

Finance Committee Minutes

Wednesday, March 11, 2020 - 6:30 PM

1. **CALL TO ORDER, ROLL CALL.**

   Trustee Mary Pat Lytle called the regular meeting of the Finance Committee to order at 6:30 PM in Conference Room A.

   Members present: Mary Pat Lytle, Clifford Strelow, Eric Kryzenske, Chuck Mulcahy, Curtis Calnin

   Members not present: Rod Clark, Jon Michels

   Staff present: Village Administrator Matt Schuenke, Accountant/Deputy Treasurer Jennifer Haried

2. **PUBLIC APPEARANCES.**

   None.

3. **APPROVAL OF MINUTES.**

   a. *Discussion and action regarding minutes of the meeting held on January 22, 2020.*
   Motion by Clifford Strelow, second by Curtis Calnin, to accept the minutes of the meeting held on January 22, 2020 with the changes noted. Motion carries 5 - 0 - 0 by acclamation.

4. **BUSINESS.**

   a. *Discussion and action to make a recommendation to the Village Board regarding revisions to Chapter 7 the Policy on Expenditure of Parks Capital Projects Fund Revenues.*
   Motion by Clifford Strelow, second by Chuck Mulcahy, to recommend approval to the Village Board regarding revisions to Chapter 7 the Policy on Expenditure of Parks Capital Projects Fund Revenues. Motion carries 5 - 0 - 0 by acclamation.

   b. *Discussion and action to make a recommendation to the Village Board regarding an amendment(s) to the adopted 2020 Budget.*
   Motion by Clifford Strelow, second by Chuck Mulcahy, to recommend approval Discussion and action to make a recommendation to the Village Board regarding an amendment(s) to the adopted 2020 Budget. Motion carries 4 - 1 - 0 by acclamation, with Trustee Kryzenske voting nay.

c. *Discussion and action to make a recommendation to the Village Board regarding updates and revisions to Chapter 3 Debt Management Policy of the Fiscal Policy Manual.*
   Motion by Village Trustee Mary Pat Lytle, second by Clifford Strelow, to recommend approval to the Village Board regarding updates and revisions to Chapter 3 Debt Management Policy of the Fiscal Policy Manual, using a debt utilization limit of 67% and removing the tiered percentages in the current policy. Motion carries 5 - 0 - 0 by acclamation.

d. *Discussion regarding schedule for future meetings.*

5. SCHEDULE NEXT MEETING DATE.

a. *Wednesday, April 22, 2020 at 6:30 pm.*

6. ADJOURNMENT.

Motion by Village Trustee Mary Pat Lytle, second by Curtis Calnin, to adjourn at 7:17pm.

Pursuant to law, written notice of this meeting was given to the public and posted on the public bulletin boards in accordance with Open Meetings Law.

Respectfully submitted,
Jennifer Haried
Accountant/Deputy Treasurer

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE:	**Wednesday, May 27, 2020**
SECTION:	**Business**
DEPARTMENT:	**Administration**
CONTACT:	**Cassandra Suettinger, Village Clerk/Treasurer, Matt Schuenke, Village Administrator**
AGENDA ITEM:	**Discussion and action to make a recommendation to the Village Board regarding the acceptance of the 2019 Municipal Financial Statements and Audit Results as presented by Baker Tilly Virchow Krause.**

PREVIOUS ACTION:
None.

ISSUE SUMMARY:
Included within your packet are the financial statements and audit for the year ended December 31, 2019. These are done collectively to address the financial condition of the Village for everything but for the utilities which is addressed within its own report. The auditor will be present to go over this information for the Committee and address the questions the group may have.

FINANCIAL/BUDGET IMPACT:
Although the statements depict a deficit, the overall performance for the previous year was actually pretty good ending up almost as we had intended too. The Village for the last several years has posted very large surpluses which is good to an extent but should be managed to not constantly have revenues far exceed expenses each year; otherwise the tax levy could be lowered to address this. Especially considering we have a fund balance ratio of near 50% which is where we've been hovering on average for a few years now.

Bottom line, from a budgetary stand point we had budgeted to expend about $35,000 in fund balance for the year (which is normal for the Village). The actual revenues over expenses shows a deficit of $54,972 and when you apply the fund balance we intended to use that decreases to $19,972 which is about as close to balanced as we are going to find ourselves in most years.

Other funds did post some surpluses which demonstrated strong financial growth which will help in other areas of debt, capital, and our tax increment districts.

VILLAGE PLAN REFERENCE:
None.

VILLAGE OF
McFarland

ORDINANCE REFERENCE:
None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:
Recommended that the Committee make recommendation to the Village Board regarding acceptance of the audit and statements as presented.

ATTACHMENTS:
1. FS Highlights and Graphs - Meeting Handout 2019
2. (200) Issued statements
3. (743) Issued IC

Village of McFarland

Financial highlights

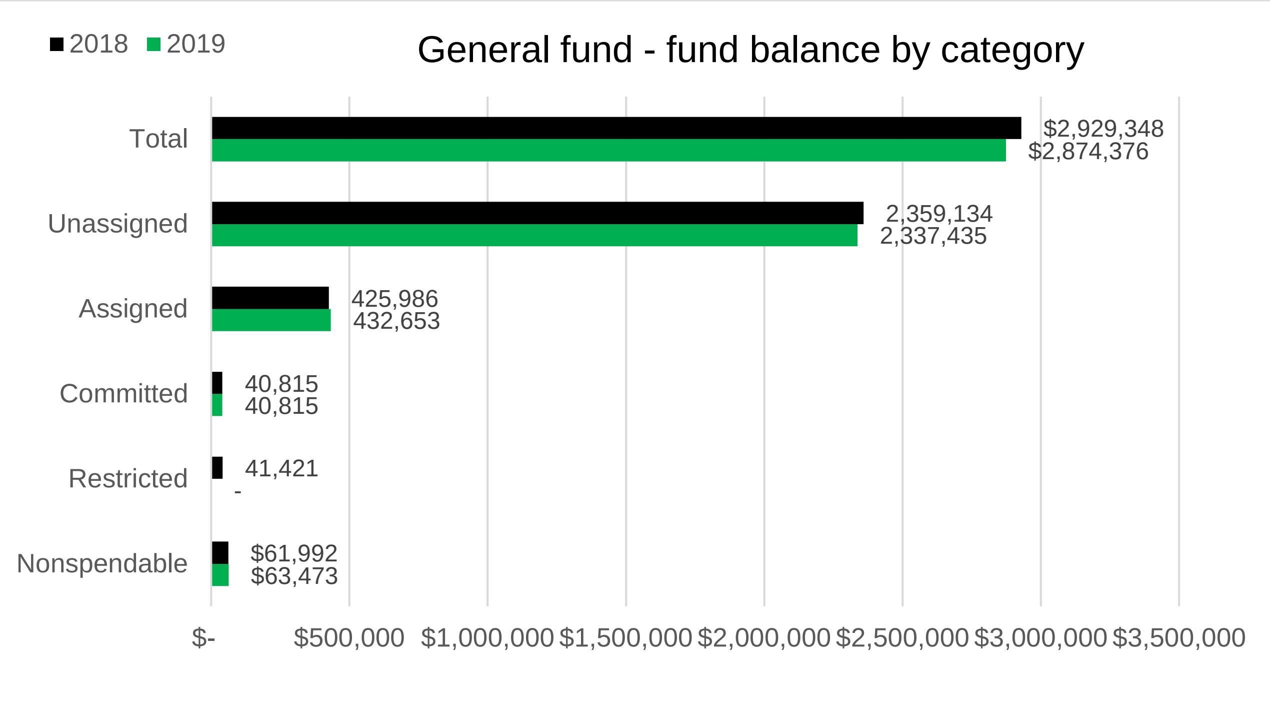
May 27, 2020

Client service team

Carla A. Gogin, CPA, Partner
Casandra C. Chase, CPA, Senior Associate

Village of McFarland

General fund results



Summarized income statement

	Actual	Final budget	Variance
Revenues and other financing sources	$ 6,123,347	$ 5,897,000	$ 226,347
Expenditures and other financing uses	6,178,319	5,932,000	(246,319)
Net change in fund balance	$ (54,972)	$ (35,000)	$ (19,972)

Fund balance category definitions

Nonspendable - amounts cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained in tact.

Restricted - amounts that can be spent only for the specific purposes stipulated by an external source.

Committed - amounts constrained for specific purposes that are internally imposed through formal action of the governing body.

Assigned - spendable amounts that are intended to be used for specific purposes that are not considered restricted or committed.

Unassigned - residual amounts that have not been classified within other categories above.

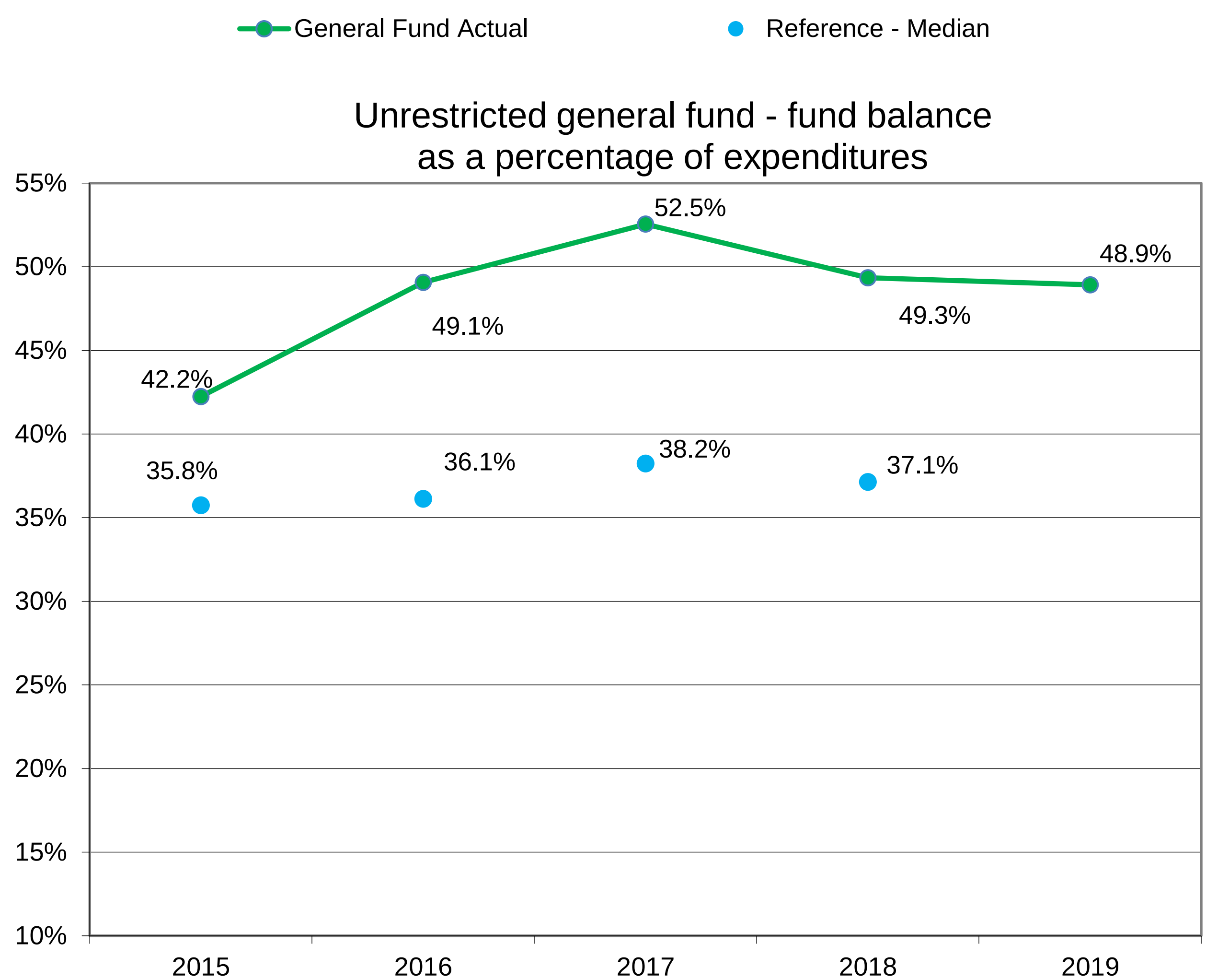
Source: current and prior year financial statement information and other benchmark information as noted.

Village of McFarland

General fund - fund balance trends

Fund balance policy:

The village has a formal minimum fund balance policy. The policy is to maintain a working capital fund of 20% of the subsequent years budgeted general fund expenditures, with a target maximum of 25%. The balance at 12/31/19 was $2,337,435 or 36%.



Other reference values

GFOA recommends a minimum of no less than 2 months (16.7%) of general fund expenditures.

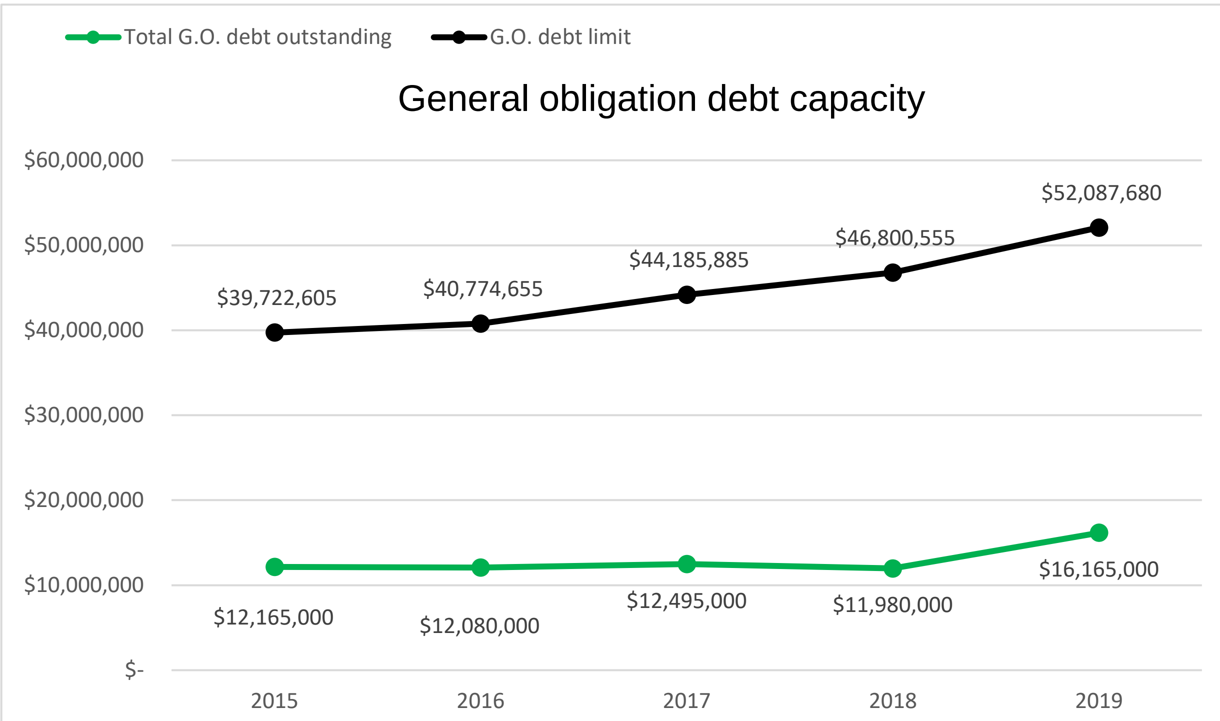
Median reference value generated from 2015 - 2018 Baker Tilly municipal client data for population ranges from 7,500 to 10,000.

Village of McFarland
General obligation debt

Debt management policy:

The Village intends to keep total outstanding general obligations debt within 50% of the legal debt margin capacity (5% of the village's total equalized value), as well as non-utility and non-TIF related GO debt within 40% of the statutory limit.

Total debt as a percentage of the debt limit at 12/31/19:	**31%**
Total non-utility and non-TIF debt as a percentage of the debt limit at 12/31/19:	**20%**



Total debt outstanding by type at 12/31/2019

	General obligation	Revenue debt	Other	Total
City	$ 10,275,000	$ -	$ -	$ 10,275,000
Utility	3,525,000	-	-	3,525,000
TIF	2,365,000	-	-	2,365,000
Total	$ 16,165,000	$ -	$ -	$ 16,165,000

Comparative metrics available online through the Wisconsin Policy Forum.

https://wispolicyforum.org/research/municipal-datatool-examining-and-comparing-wisconsin-cities-and-villages/

Select "Debt" -- options for custom comparisons or comparisons by county

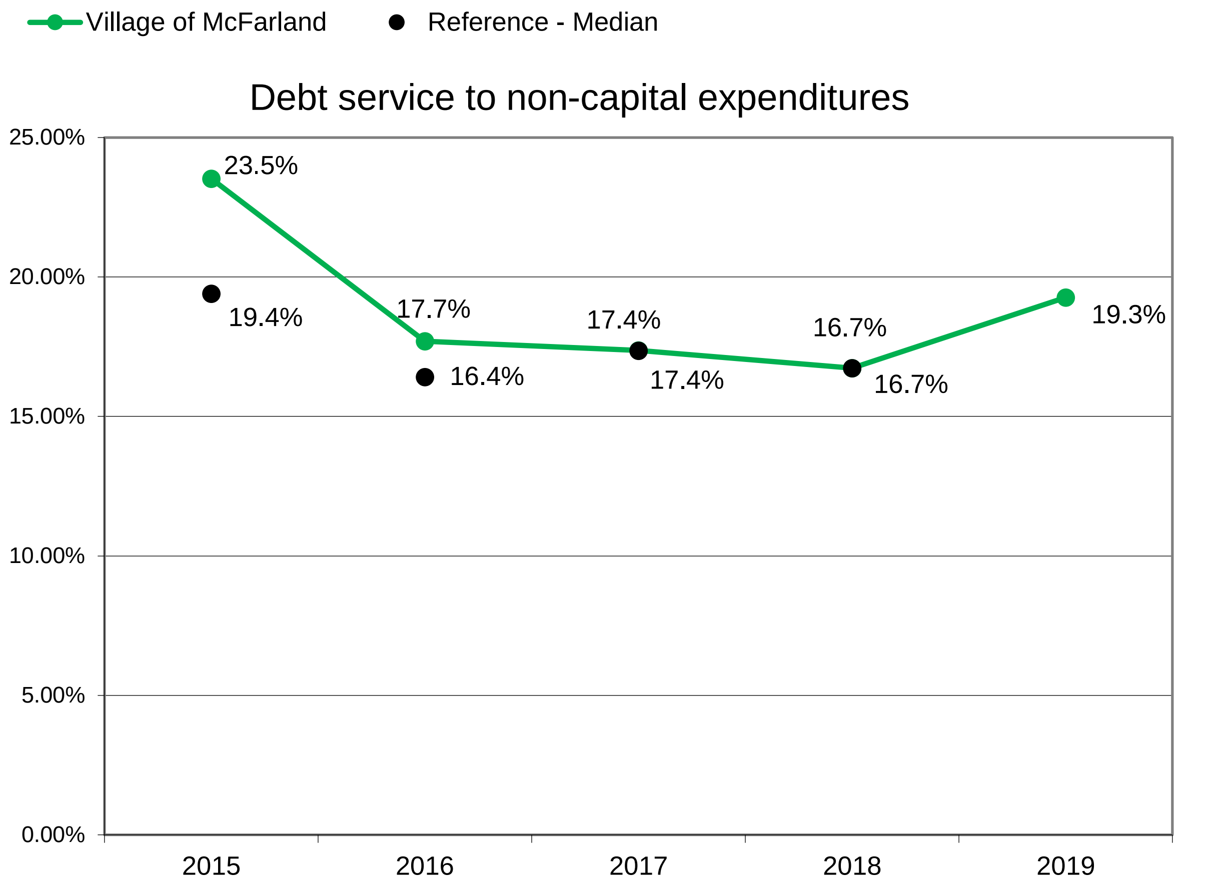
Source: current and prior year financial statement information and other benchmark information as noted.

Debt management policy:

It is the Village's policy that the total annual debt service expense for general obligation debt (exclusive of that funded by proprietary operations) shoul dnot exceed 25% of the Village's total operating expense less capital outlay, unless otherwise authorized by the Village Board.

Village of McFarland

Governmental funds - debt service



Current and prior year data

		2019		2018
Principal	$	1,615,000	$	1,210,000
Interest		388,431		322,677
Total	$	2,003,431	$	1,532,677
Non-capital expenditures	$	10,397,538	$	9,158,994

Other reference values

Median reference value generated from 2015 - 2018 Baker Tilly municipal client data for population ranges from 7,500 to 10,000.

Source: current and prior year financial statement information and other benchmark information as noted.

VILLAGE OF MCFARLAND

McFarland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

VILLAGE OF MCFARLAND

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

VILLAGE OF MCFARLAND

TABLE OF CONTENTS (cont.)
As of and for the Year Ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of McFarland
McFarland, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 19, 2020

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

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

FINANCIAL HIGHLIGHTS

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

> The assets and deferred outflows of resources of the Village of McFarland exceeded its liabilities and deferred inflows of resources as of December 31, 2019 by $61,360,494 (net position). Total net position includes all major infrastructure networks.

> The Village of McFarland's total net position increased by $1,911,812 in 2019.

> As of December 31, 2019, the Village of McFarland's governmental funds reported combined ending fund balances of $7,430,821, an increase of $562,221 (8%) from the prior year. The main contributor to this increase was the decrease in TIF incentives paid in 2019.

> As of December 31, 2019, the unassigned fund balance for the General Fund was $2,337,435 or approximately 36% of total general fund expenditures budgeted for 2020. The total fund balance in the General Fund – also including Nonspendable, Restricted, Committed, and Assigned amounts – was $2,874,376, a decrease of $54,972 (2%) over the previous year.

> The Village of McFarland's total general obligation debt increased by $1,240,000 as of 12/31/19. At year-end, the village was utilizing 30.6% of its general obligation debt capacity, a decrease from 33.9% the previous year. $2,365,000 of the general obligation debt is for TIF No. 3, TIF No. 4, and TIF No. 5 purposes and will be repaid from revenue sources other than general property taxes. If the TIF debt is subtracted out, the village is utilizing 26.1% of its allowable debt capacity for general purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

The government-wide financial statements can be found on pages 1 to 3 of this report.

FUND FINANCIAL STATEMENTS

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

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

The Village maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Debt Service, TIF No. 3, and the Capital Equipment and Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 4 to 9 of this report.

Proprietary Funds – The village maintains two (2) proprietary enterprise funds – the Water and Sewer Utility and the Stormwater Utility, both of which are major funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 10 to 14 of this report.

Custoidal Funds – Custodial funds are used to account for resources held for the benefit of parties outside the government. Custoidal funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The village is the trustee, or fiduciary, for collection of all property taxes within the village for all taxing jurisdictions. These jurisdictions include the McFarland School District, Dane County, Madison Area Technical College, and the State of Wisconsin forestry tax.

The basic fiduciary fund financial statements can be found on pages 15 to 16 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 to 54 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Other Information – In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget and information relating to the village's net pension asset and related contributions. These schedules can be found on pages 55 to 57 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information and can be found on pages 58 to 64 of this report.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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

NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of McFarland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $61,360,494 as of December 31, 2019. This is an increase of $1,911,812 (3.2%) compared to 2018 when the net position improved $4,615,735 (8.4%) over the prior year.

The largest portion of the village's net position (approximately 81%) reflects its investments in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional portion of the village's net position (approximately 5.3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is $8,182,630, a 7.2% increase from the previous year. On the statement of net position there is an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column, the effect of which is explained further in Note I.D.11 on page 27 of the financial statements.

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

NET POSITION (cont.)

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

VILLAGE OF MCFARLAND'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 16,268,534	$ 16,886,914	$ 5,515,105	$ 5,396,953	$ 21,783,639	$ 22,283,867
Capital assets	45,127,950	43,311,889	20,059,872	19,241,682	65,187,822	62,553,571
Total Assets	61,396,484	60,198,803	25,574,977	24,638,635	86,971,461	84,837,438
Deferred Outflows	2,325,505	1,280,804	265,758	132,896	2,591,263	1,413,700
Long-term liabilities	14,314,756	13,254,189	3,787,882	3,543,426	18,102,638	16,797,615
Other liabilities	670,992	823,074	242,513	238,430	913,505	1,061,504
Total Liabilities	14,985,748	14,077,263	4,030,395	3,781,856	19,016,143	17,859,119
Deferred Inflows	9,053,789	8,824,288	132,298	119,049	9,186,087	8,943,337
Net Position:						
Net investment in capital assets	34,348,776	33,502,350	16,418,433	15,798,653	49,946,723	48,480,517
Restricted	2,759,986	2,873,185	471,155	463,637	3,231,141	3,336,822
Unrestricted	2,573,690	2,202,521	4,788,454	4,608,336	8,182,630	7,631,343
TOTAL NET POSITION	$ 39,682,452	$ 38,578,056	$ 21,678,042	$ 20,870,626	$ 61,360,494	$ 59,448,682

The net position section includes an adjustment for capital assets owned by the business-type activities column but financed by the debt of the governmental activities column. See Note I.11.

CHANGES IN NET POSITION

The following table provides a summary of the village's operations for the year ended December 31, 2019. Governmental activities increased the Village of McFarland's net position by $1,104,396 (2.9%). This compares to an increase of $2,317,254 (6.3%) in 2018.

Business-type activities increased the net position by $807,416 (3.9%). This compares to an increase of $2,298,481 (12.4%) in the prior year.

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

CHANGES IN NET POSITION (cont.)

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

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

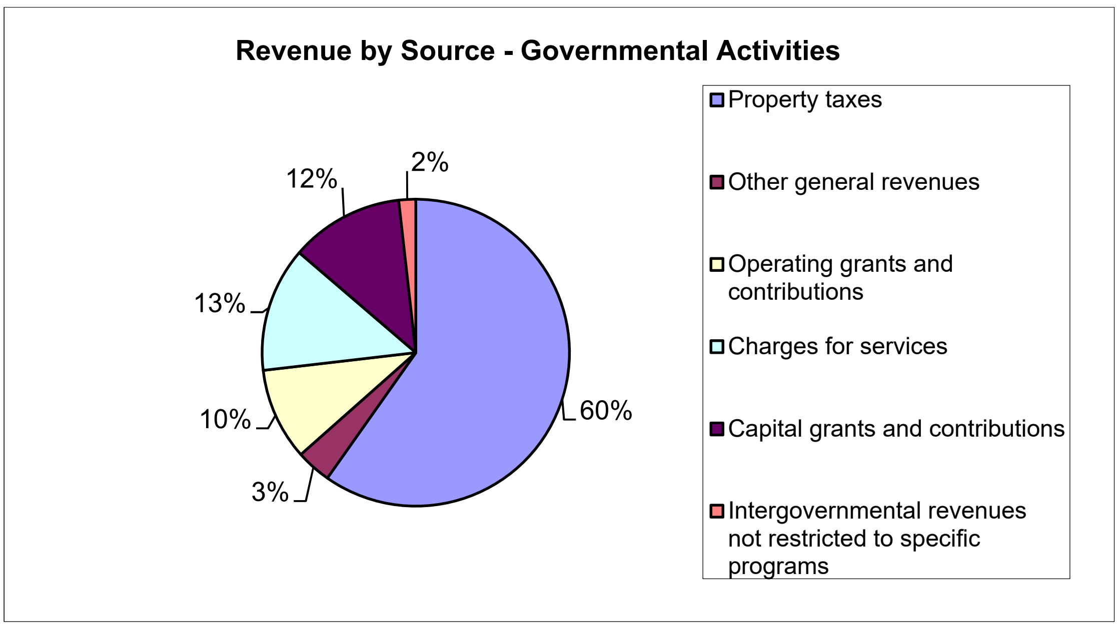
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	$ 1,549,949	$ 1,526,415	$ 2,755,242	$ 2,684,070	$ 4,305,191	$ 4,210,485
Operating grants and contributions	1,145,134	1,978,985	-	-	1,145,134	1,978,985
Capital grants and contributions	1,410,455	264,314	825,182	2,169,846	2,235,637	2,434,160
General Revenues						
Property taxes	7,056,266	6,771,397	-	-	7,056,266	6,771,397
Other taxes	122,281	116,068	-	-	122,281	116,068
Intergovernmental	209,140	196,735	-	-	209,140	196,735
Investment income	278,767	164,811	105,034	130,552	383,801	295,363
Gain on asset disposal	868	9,970	-	-	868	9,970
Miscellaneous	34,304	127,621	8,910	12,768	43,214	140,389
Total Revenues	11,807,164	11,156,316	3,694,368	4,997,236	15,501,532	16,153,552
Expenses						
General government	1,155,104	1,169,324	-	-	1,155,104	1,169,324
Public safety	3,241,869	3,481,791	-	-	3,241,869	3,481,791
Health and social services	242,177	223,581	-	-	242,177	223,581
Public works	3,065,311	1,647,356	-	-	3,065,311	1,647,356
Leisure activities	1,892,912	1,465,255	-	-	1,892,912	1,465,255
Conservation and development	947,313	762,532	-	-	947,313	762,532
Interest and fiscal charges	420,742	338,367	-	-	420,742	338,367
Water, sewer and stormwater	-	-	2,624,292	2,449,611	2,624,292	2,449,611
Total Expenses	10,965,428	9,088,206	2,624,292	2,449,611	13,589,720	11,537,817
Increases in Net Position Before Transfers	841,736	2,068,110	1,070,076	2,547,625	1,911,812	4,615,735
Transfers	262,660	249,144	(262,660)	(249,144)	-	-
Change in Net Position	1,104,396	2,317,254	807,416	2,298,481	1,911,812	4,615,735
NET POSITION – Beginning of Year	38,578,056	36,260,802	20,870,626	18,572,145	59,448,682	54,832,947
NET POSITION – End of Year	$ 39,682,452	$ 38,578,056	$ 21,678,042	$ 20,870,626	$ 61,360,494	$ 59,448,682

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

GOVERNMENTAL ACTIVITIES

The village received a total of $11,807,164 in governmental activity revenues in 2019. This is an increase of $650,848 (5.8%) from the prior year. The overall tax levy increased and capital grants and contributions increased; however, operating grants and contributions decreased. As the following chart indicates, property taxes account for about two-thirds of all revenues.

Revenue by Source – Governmental Activities



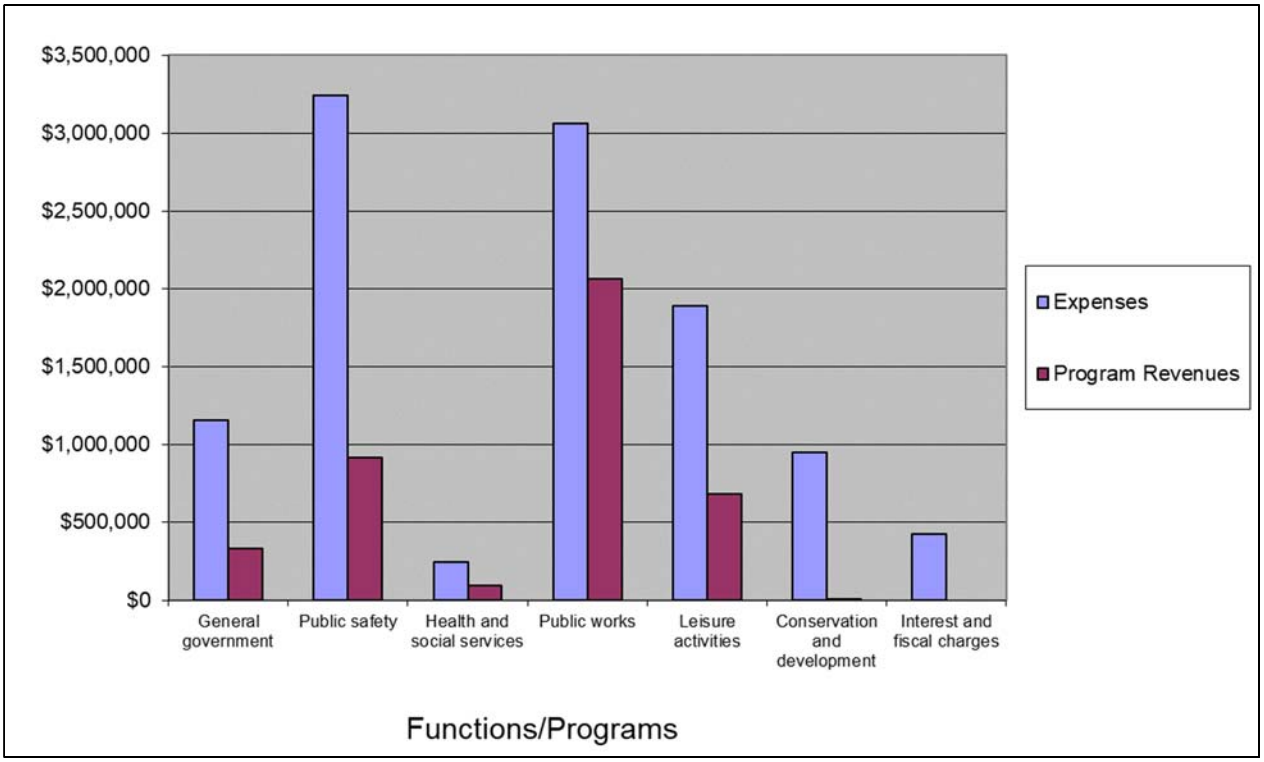
Total governmental activities expenses were $10,965,428 in 2019, an increase of $1,877,222 (20.7%) from the prior year. The increase in 2019 stems from an increase in public works and conservation and development. Revenues exceeded expenses by $841,736, down $1,226,374 from the prior year. After transfers, there was an increase in net position of $1,104,396.

In 2019, Public Safety (police, fire, EMS, emergency management) activities accounted for the largest share of Village expenditures at 29.7%, down from 38.3% the prior year. This was followed by expenditures on Public Works activities at 28%, up from 18%. Other expenditure areas included General Government at 10.5%, Leisure Activities at 17.3%, Conservation and Development at 8.6%, and Health and Social Services at 2.2%. Interest and fiscal charges accounted for the remaining 3.8% of governmental activity expenses, up from 3.7% in 2018.

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

GOVERNMENTAL ACTIVITIES (cont.)

Expenses and Program Revenue – Governmental Activities



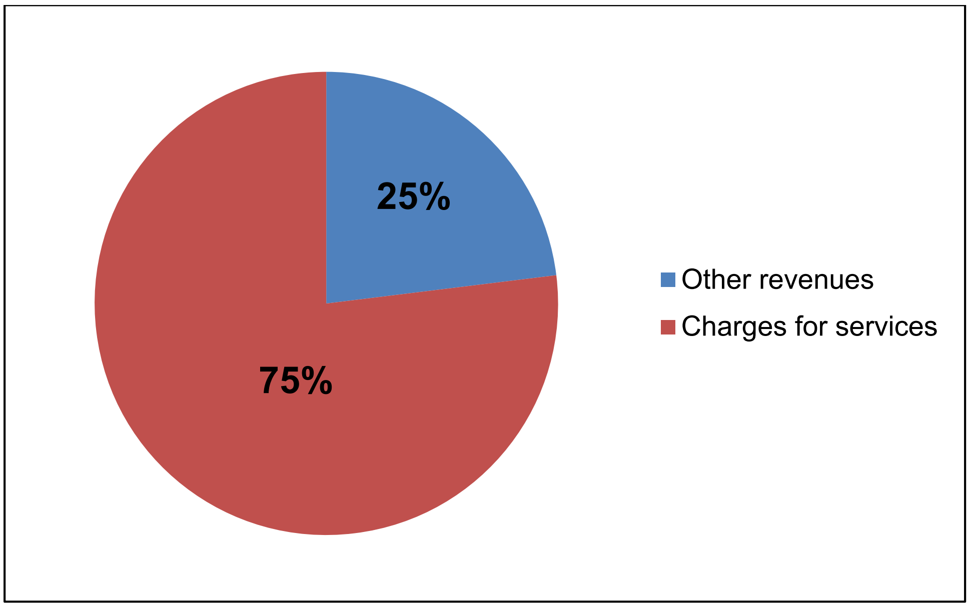
BUSINESS-TYPE ACTIVITIES

The village generated $3,697,368 in business-type activity revenue in 2019 from its Water, Sewer and Stormwater Utility Funds. This is a 26% decrease compared to 2018 when revenues were $4,997,236. Charges for services are the largest revenue source for these operations, representing 75% of revenues.

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

Business-Type Activities (cont.)

Revenue by Source – Business-type Activities

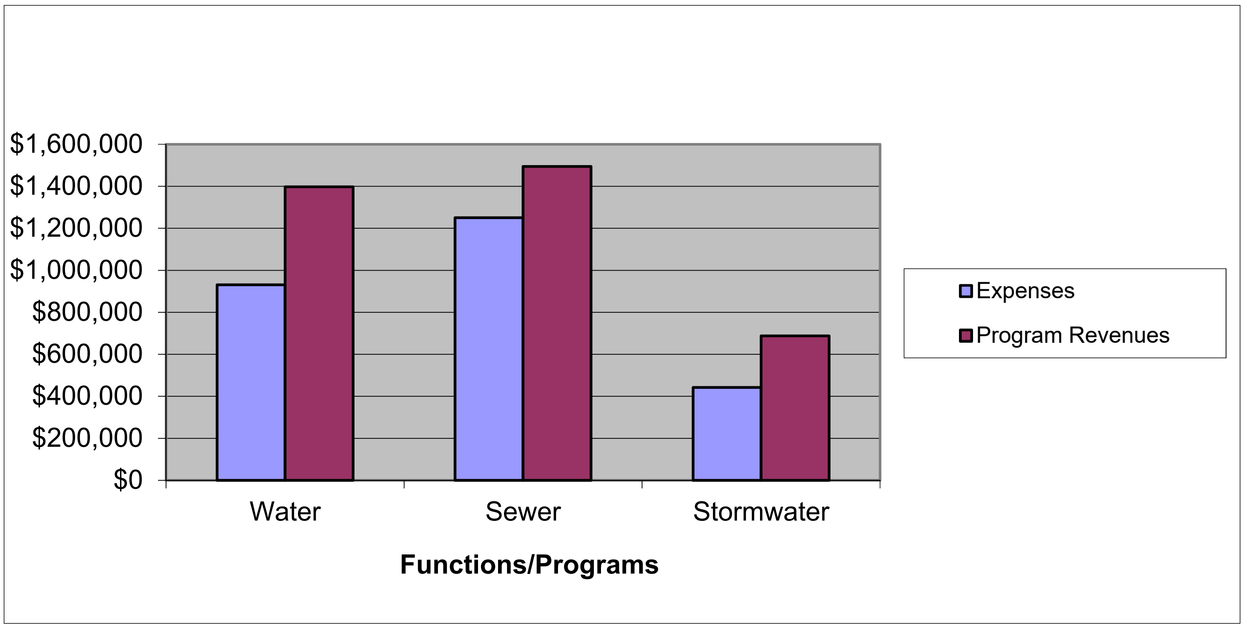


Business-type activities increased the village's net position by $807,416 (3.9%) in 2019. This compares to an increase of $2,298,481 (12%) in 2018. The net operating income of the business-type activities was $217,308, down $88,929 (29%) from the prior year. The following graph compares the charges for services to the operating expenses for each utility. The authorized rate of return for the PSCW regulated Water Utility is 7.25%. The actual rate of return for 2019 was 1.58%, down from 2.39% in 2018. The water rates in effect during 2019 were implemented on November 13, 2019, the sewer and stormwater rates became effective January 1, 2016.

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

BUSINESS-TYPE ACTIVITIES (cont.)

Expenses and Program Revenues – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of the current fiscal year, the Village of McFarland's governmental funds reported combined ending fund balances of $7,430,821, up $562,221 (8.2%) from 2018. Approximately 25% of this total amount ($1,855,739) constitutes unassigned fund balance, an increase of $75,861 from 2018. The remainder of the fund balance, $5,575,082, is reported in the following categories: 1) nonspendable ($63,473), 2) restricted ($3,307,595), 3) committed ($1,154,198), and 4) assigned ($1,049,816).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

General Fund: The General Fund is the main operating fund of the village. The general fund balance decreased from $2,929,348 to $2,874,376, a decrease of $54,972 (1.9%). This is a result of a decrease in revenues such as permit fees, donations and an increase in transfers made to cover capital expenditures.

General Debt Service Fund: The General Debt Service Fund balance increased $62,337 from $837,769 to $900,106.

Tax Incremental District No. 3 – Capital Projects: The district was created in 2004. The district exists to recover project costs from tax increments over its remaining statutory life. The district encompasses the Terminal Drive and Triangle Street areas which parallel the Highway 51 corridor at the northern end of the village. The district has made and will continue to make needed street, sanitary sewer, and storm water public improvements in the area and provides economic development assistance to stimulate development and redevelopment. Fund balance increased by $453,778 during the year. This increase is primarily due to TIF increment exceeding expenditures.

Capital Equipment and Projects Fund: This fund is used to account for financial resources to be used for the acquisition or construction of equipment and major facilities. Fund balance decreased by $389,912 from $1,436,031 to $1,046,119. The main reason for the decrease is due to a spend down of debt proceeds.

PROPRIETARY FUNDS

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

Water and Sewer Utility: The McFarland Water and Sewer Utility is an enterprise fund of the Village of McFarland. The utility's operating expenses in 2019, excluding depreciation, increased by $87,039 from $1,556,858 in 2018 to $1,643,897 in 2019. Operating revenues of the Utility decreased from $2,148,047 in 2018 to $2,214,001 in 2019. The Utility has an unrestricted cash balance of $3,669,468.

Stormwater Utility: The Stormwater Utility was created July 1, 2008 and is an enterprise fund of the Village of McFarland. Operating expenses in 2019, excluding depreciation, were $19,160 higher than those in 2018. Operating revenues increased $5,218 (1%) from the prior year. The unrestricted cash balance at year-end was $1,005,408.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total expenditures and other financing uses in the General Fund budget for 2019 exceeded the approved budget by $246,319. The adopted appropriations were $5,932,000, while the actual expenditures and other financing uses totaled $6,178,319.

On the revenue side, the actual operating revenues and other financing sources of $6,123,347 exceeded the final budgeted revenues and other financing sources by $226,347.

The net operating results for the General Fund budget for 2019 thus generated a net loss of $54,972.

CAPITAL ASSETS

At the end of 2019, the village had invested a total of $65,187,822 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, library improvements/collection, infrastructure and construction work in progress.

Significant capital asset additions during 2019 included the following:

>	Streets	$ 529,013
>	Machinery, equipment, vehicles	1,090,001
>	Soccer shelter building	444,369
>	Library improvements and collections	95,134
>	Water	835,819
>	Sewer	291,886
>	Stormwater	311,461

CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	$ 14,771,751	$ 13,927,157	$ 325,845	$ 325,845	$ 15,097,596	$ 14,253,002
Land improvements	1,520,560	1,443,470	-	-	1,520,560	1,443,470
Buildings	11,696,085	11,251,716	-	-	11,696,085	11,251,716
Machinery and equipment	2,632,182	2,475,474	-	-	2,632,182	2,475,474
Vehicles	4,219,950	3,857,507	-	-	4,219,950	3,857,507
Library improvements/collection	1,296,953	1,209,495	-	-	1,296,953	1,209,495
Intangibles	124,274	124,274	-	-	124,274	124,274
Streets	22,044,167	21,515,154	-	-	22,044,167	21,515,154
Sidewalks	4,641,200	4,465,120	-	-	4,641,200	4,465,120
Water plant	-	-	16,107,770	15,316,573	16,107,770	15,316,573
Sewer plant	-	-	7,255,035	6,963,149	7,255,035	6,963,149
Stormwater	-	-	5,559,278	5,247,817	5,559,278	5,247,817
Construction in progress	495,333	-	-	-	495,333	-
Total Capital Assets	63,442,455	60,269,367	29,247,928	27,853,384	92,690,383	88,122,751
Less: Accumulated depreciation/amortization	(18,314,505)	(16,957,478)	(9,188,056)	(8,611,702)	(27,502,561)	(25,569,180)
Capital Assets – Net of Accumulated Depreciation/Amortization	$ 45,127,950	$ 43,311,889	$ 20,059,872	$ 19,241,682	$ 65,187,822	$ 62,553,571

LONG-TERM DEBT

During 2019, the village issued $2,685,000 of new debt and $1,615,000 of debt was retired. A total of $12,640,000 in general obligation debt for governmental activities was outstanding at the end of 2019, some of which was incurred for future capital projects.

In 2019, the water and sewer utility had $3,010,000 of general obligation debt outstanding. The stormwater utility had total general obligation debt outstanding of $515,000.

Under Wisconsin State Statutes, Chapter 67, the Village of McFarland's aggregate general obligation indebtedness may not exceed 5% of the equalized value of taxable property located in the village. The net amount of debt at year-end that was applicable to the statutory limit was $16,165,000 which was 31% of the maximum allowed of $52,807,680. $995,000 (6%) of the general obligation debt was issued to refund the 2018 State Trust Fund Loan for TIF No. 5 and will be repaid from revenue sources other than general property taxes. $1,690,000 (10%) was issued for the capital projects fund.

VILLAGE OF MCFARLAND'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds and notes payable	$ 12,640,000	$ 12,500,000	$ 3,525,000	$ 3,355,000	$ 16,165,000	$ 15,855,000
Capital lease	53,107	60,270	53,107	60,270	106,214	120,540
Total Outstanding Debt	$ 12,693,107	$ 12,560,270	$ 3,578,107	$ 3,415,270	$ 16,271,214	$ 15,975,540

CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS

The Village of McFarland is located adjacent to the southeast edge of the City of Madison. This proximity to a major regional commercial center which is the capital of state government and home to the flagship campus of the University of Wisconsin produces a very favorable economic climate and has resulted in steady village growth. The local economy has remained relatively stable even during periods of slowdown in the national economy. The market for existing homes strengthened significantly in 2018, and there are promising signs of increased growth in new residential construction. The local unemployment rate is well below state and federal rates. The village's 2019 population was 8,889.

The property tax base remained relatively stable, despite the challenging real estate market. With the exception of sales of certain distressed properties, sales data showed that properties generally maintained their previous value as the market for sales of existing homes continued to rebound in 2019.

The McFarland Village Board adopted the 2020 budget in November 2019. The budget authorizes General Fund expenditures of $6,398,250, up 8.5% over the previous year. The combined property tax levy for all funds is $6,366,250. The General Fund retains unassigned reserves well in excess of the village's policy of maintaining a minimum 20% of budgeted expenditures.

CURRENTLY KNOWN FACTS / ECONOMIC CONDITIONS (cont.)

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. As of the date above, the Village's evaluation of the effects of these events is ongoing; however, we anticipate this situation could result in declines in investment income, room tax, event and building permits as well as an increase in delinquent taxes and Senior Outreach services.

The extent of the impact of COVID-19 on the Village's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have any questions about this report or need any additional information, contact the Village of McFarland, PO Box 110, McFarland, WI 53558-0110 or at (608) 838-3153.

General information relating to the Village of McFarland, Wisconsin, can be found at the village's website, www.mcfarland.wi.us.

VILLAGE OF MCFARLAND

STATEMENT OF NET POSITION
As of December 31, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	$ 7,239,780	$ 4,674,876	$ 11,914,656
Receivables (net)			
Taxes	7,757,780	-	7,757,780
Delinquent personal property taxes	4,531	-	4,531
Accounts	360,555	309,331	669,886
Special assessments	-	36,109	36,109
Delinquent special assessments	860	-	860
Loans	252,201	-	252,201
Internal balances	219,928	(219,928)	-
Assets held for resale	306,320	-	306,320
Materials and supplies	-	19,450	19,450
Prepaid items	58,082	-	58,082
Restricted assets			
Cash and investments	68,497	471,155	539,652
Other assets	-	224,112	224,112
Capital Assets (net of accumulated depreciation/amortization)			
Land	14,771,751	325,845	15,097,596
Construction in progress	495,333	-	495,333
Other capital assets	29,860,866	19,734,027	49,594,893
Total Assets	61,396,484	25,574,977	86,971,461
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related amounts	2,325,505	265,758	2,591,263
LIABILITIES			
Accounts payable	369,026	228,926	597,952
Accrued liabilities	254,949	8,587	263,536
Deposits	46,497	5,000	51,497
Due to other governmental units	520	-	520
Noncurrent Liabilities			
Due within one year	1,817,077	587,403	2,404,480
Due in more than one year	11,636,057	3,115,742	14,751,799
Net pension liability	861,622	84,737	946,359
Total Liabilities	14,985,748	4,030,395	19,016,143
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	7,877,405	-	7,877,405
Pension related amounts	1,176,384	132,298	1,308,682
Total Deferred Inflows of Resources	9,053,789	132,298	9,186,087
NET POSITION			
Net investment in capital assets	34,348,776	16,418,433	49,946,723
Restricted for			
Debt service	781,453	-	781,453
Equipment replacement	-	450,332	450,332
Impact fees	68,497	20,823	89,320
Library	179,957	-	179,957
TIF No. 3	1,681,082	-	1,681,082
Public Canine	48,997	-	48,997
Unrestricted	2,573,690	4,788,454	8,182,630
TOTAL NET POSITION	$ 39,682,452	$ 21,678,042	$ 61,360,494

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	$ 1,107,005	$ 153,865	$ 178,417	$ -
Public safety	3,241,869	873,641	45,286	-
Health and social services	242,177	-	96,946	-
Public works	3,065,311	414,464	440,511	1,210,089
Leisure activities	1,892,912	31,541	383,974	267,027
Conservation and development	947,313	9,777	-	-
Interest and fiscal charges	420,742	-	-	-
Total Governmental Activities	10,917,329	1,483,288	1,145,134	1,477,116
Business-type Activities				
Water and Sewer Utility	2,182,049	2,214,001	-	678,404
Stormwater Utility	442,243	541,241	-	146,778
Total Business-type Activities	2,624,292	2,755,242	-	825,182
Totals	$ 13,541,621	$ 4,238,530	$ 1,145,134	$ 2,302,298

General Revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Property taxes, levied for TIF districts
Other taxes
Intergovernmental revenues not restricted to specific programs
Public gifts and grants
Investment income
Gain on disposal of assets
Miscellaneous
Total General Revenues
Transfers
Total General Revenues and Transfers

Change in Net Position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
$ (774,723)	$ -	$ (774,723)
(2,322,942)	-	(2,322,942)
(145,231)	-	(145,231)
(1,000,247)	-	(1,000,247)
(1,210,370)	-	(1,210,370)
(937,536)	-	(937,536)
(420,742)	-	(420,742)
(6,811,791)	-	(6,811,791)
-	710,356	710,356
-	245,776	245,776
-	956,132	956,132
(6,811,791)	956,132	(5,855,659)
4,677,000	-	4,677,000
1,414,750	-	1,414,750
964,516	-	964,516
122,281	-	122,281
209,140	-	209,140
20,306	-	20,306
278,767	105,034	383,801
868	-	868
13,998	8,910	22,908
7,701,626	113,944	7,815,570
262,660	(262,660)	-
7,964,286	(148,716)	7,815,570
1,152,495	807,416	1,959,911
38,578,056	20,870,626	59,448,682
$ 39,730,551	$ 21,678,042	$ 61,408,593

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	General	General Debt Service	TIF No. 3 Capital Project
ASSETS			
Cash and investments	$ 2,695,038	$ 900,106	$ 1,087,379
Restricted cash and investments	-	-	-
Receivables (net)			
Ensuing year levy	3,863,869	1,449,500	828,009
Delinquent taxes	4,531	-	-
Accounts	302,676	-	29,953
Delinquent special assessments	860	-	-
Loans	-	-	-
Due from other funds	262,660	-	-
Prepaid items	58,082	-	-
Advances to other funds	-	-	595,001
TOTAL ASSETS	$ 7,187,716	$ 2,349,606	$ 2,540,342
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	$ 165,146	$ -	$ 1,298
Accrued liabilities	202,957	-	-
Deposits	46,497	-	-
Due to other governments	520	-	-
Due to other funds	42,732	-	-
Advances from other funds	-	-	-
Total Liabilities	457,852	-	1,298
Deferred Inflows of Resources			
Unearned revenues	3,820,500	1,449,500	857,962
Unavailable revenues	34,988	-	-
Total Deferred Inflows of Resources	3,855,488	1,449,500	857,962
Fund Balance (Deficit)			
Nonspendable	63,473	-	-
Restricted	-	900,106	1,681,082
Committed	40,815	-	-
Assigned	432,653	-	-
Unassigned (deficit)	2,337,435	-	-
Total Fund Balances	2,874,376	900,106	1,681,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,187,716	$ 2,349,606	$ 2,540,342

See accompanying notes to financial statements.

Capital Equipment and Projects	Nonmajor Governmental Funds	Totals
$ 1,294,651	$ 1,262,606	$ 7,239,780
-	68,497	68,497
320,000	1,296,402	7,757,780
-	-	4,531
-	27,926	360,555
-	-	860
-	252,201	252,201
-	-	262,660
-	-	58,082
-	-	595,001
$ 1,614,651	$ 2,907,632	$ 16,599,947
$ 158,039	$ 44,543	$ 369,026
-	-	202,957
-	-	46,497
-	-	520
-	-	42,732
-	595,001	595,001
158,039	639,544	1,256,733
410,493	1,338,950	7,877,405
-	-	34,988
410,493	1,338,950	7,912,393
-	-	63,473
428,956	297,451	3,307,595
-	1,113,383	1,154,198
617,163	-	1,049,816
-	(481,696)	1,855,739
1,046,119	929,138	7,430,821
$ 1,614,651	$ 2,907,632	$ 16,599,947

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

Total Fund Balances - Governmental Funds	$ 7,430,821
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	
Land	14,771,751
Construction in progress	495,333
Other capital assets	48,175,371
Less: Accumulated depreciation	(18,314,505)
Assets held for resale are not reported in funds	306,320
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	34,988
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(861,622)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	2,325,505
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,176,384)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(12,640,000)
Compensated absences	(587,803)
Accrued interest	(51,992)
Capital lease payable	(53,107)
Unamortized premium on bonds and notes	(172,224)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 39,682,452

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

	General	General Debt Service	TIF No. 3 Capital Project
REVENUES			
Taxes	$ 3,748,781	$ 1,414,750	$ 871,381
Intergovernmental	691,050	-	5,681
Licenses and permits	375,516	-	-
Fines, forfeitures and penalties	107,353	-	-
Public charges for services	374,608	66,661	-
Intergovernmental charges for services	255,709	-	-
Investment income	130,756	39,167	32,992
Miscellaneous revenues	136,664	-	-
Total Revenues	5,820,437	1,520,578	910,054
EXPENDITURES			
Current			
General government	907,136	-	40,962
Public safety	3,369,932	-	-
Health and social services	228,796	-	-
Public works	751,925	-	-
Leisure activities	255,513	-	-
Conservation and development	232,370	-	9,695
Capital Outlay	-	-	-
Debt Service			
Principal retirement	-	1,325,000	260,000
Other interest and fiscal charges	-	321,757	66,406
Total Expenditures	5,745,672	1,646,757	377,063
Excess (Deficiency) of Revenues Over Expenditures	74,765	(126,179)	532,991
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Debt premium	-	89,595	-
Sale of capital assets	-	-	-
Transfers in	302,910	98,921	-
Transfers out	(432,647)	-	(79,213)
Total Other Financing Sources (Uses)	(129,737)	188,516	(79,213)
Net Change in Fund Balances	(54,972)	62,337	453,778
FUND BALANCES - Beginning of Year	2,929,348	837,769	1,227,304
FUND BALANCES - END OF YEAR	$ 2,874,376	$ 900,106	$ 1,681,082

See accompanying notes to financial statements.

Capital Equipment and Projects	Nonmajor Governmental Funds	Totals
$ 310,000	$ 833,635	$ 7,178,547
-	344,486	1,041,217
-	102,732	478,248
-	-	107,353
-	689,335	1,130,604
-	-	255,709
43,341	32,511	278,767
4,908	74,925	216,497
358,249	2,077,624	10,686,942
-	39,661	987,759
-	13,203	3,383,135
-	-	228,796
-	472,113	1,224,038
-	988,623	1,244,136
-	33,402	275,467
2,732,466	36,644	2,769,110
-	960,000	2,545,000
-	72,945	461,108
2,732,466	2,616,591	13,118,549
(2,374,217)	(538,967)	(2,431,607)
1,690,000	995,000	2,685,000
-	2,672	92,267
2,000	-	2,000
292,305	120,634	814,770
-	(40,250)	(552,110)
1,984,305	1,078,056	3,041,927
(389,912)	539,089	610,320
1,436,031	438,148	6,868,600
$ 1,046,119	$ 977,237	$ 7,478,920

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

Net change in fund balances - total governmental funds	$ 610,320
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 net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,769,110
Some items reported as capital outlay in the fund financial statements were not capitalized on the government wide statements	(166,958)
Depreciation is reported in the government-wide financial statements	(1,786,132)
Net book value of assets retired	(149,421)
Land held for resale is reported as an expenditure in the governmental funds when purchased and revenue when sold. However, in the statement of net position, these assets are capitalized at the lower of cost or market and held until the time of sale.	(671,054)
Contributed capital assets are reported as revenues in the government-wide financial statements	1,149,462
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are not recognized as revenue when earned in the government-wide statements.	(111,740)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(2,685,000)
Principal repaid - debt	2,545,000
Principal repaid - capital lease	7,163
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Debt premium	(89,595)
Amortization of premium	14,942
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	8,545
Accrued interest on debt	22,752
Net pension liability	(1,545,278)
Deferred outflows of resources related to pensions	1,044,701
Deferred inflows of resources related to pensions	185,678
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,104,396

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
ASSETS			
Current Assets			
Cash and investments	$ 3,095,892	$ 1,005,408	$ 4,101,300
Receivables			
Accounts	236,429	72,902	309,331
Due from municipality	42,732	-	42,732
Materials and supplies	19,450	-	19,450
Total Current Assets	3,394,503	1,078,310	4,472,813
Noncurrent Assets			
Restricted Assets			
Replacement account	450,332	-	450,332
Impact fee account	20,823	-	20,823
Capital Assets			
Property and equipment	23,362,805	5,559,278	28,922,083
Land	165,570	160,275	325,845
Less: Accumulated depreciation	(7,246,757)	(1,941,299)	(9,188,056)
Other Assets			
Water tower reserve	494,786	-	494,786
Depreciation reserve	78,790	-	78,790
Special assessment receivable	36,109	-	36,109
Property held for future use	224,112	-	224,112
Total Noncurrent Assets	17,586,570	3,778,254	21,364,824
Total Assets	20,981,073	4,856,564	25,837,637
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related amounts	189,455	76,303	265,758
Total Deferred Outflows of Resources	189,455	76,303	265,758

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	$ 222,007	$ 6,919	$ 228,926
Customer deposits	5,000	-	5,000
Due to municipality	262,660	-	262,660
Accrued interest	6,471	2,116	8,587
Compensated absences	7,238	2,695	9,933
Current portion of lease	4,980	2,490	7,470
Current portion of general obligation debt	415,000	155,000	570,000
Total Current Liabilities	923,356	169,220	1,092,576
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	2,595,000	360,000	2,955,000
Unamortized debt premium	60,867	2,465	63,332
Other Liabilities			
Net pension liability	57,937	26,800	84,737
Compensated absences	43,462	8,311	51,773
Lease obligation	30,425	15,212	45,637
Total Noncurrent Liabilities	2,787,691	412,788	3,200,479
Total Liabilities	3,711,047	582,008	4,293,055
DEFERRED INFLOWS OF RESOURCES			
Pension-related amounts	93,253	39,045	132,298
Total Deferred Inflows of Resources	93,253	39,045	132,298
NET POSITION			
Net investment in capital assets	13,175,346	3,243,087	16,418,433
Restricted for			
Equipment replacement	450,332	-	450,332
Impact fees	20,823	-	20,823
Unrestricted net position	3,719,727	1,068,727	4,788,454
TOTAL NET POSITION	$ 17,366,228	$ 4,311,814	$ 21,678,042

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
OPERATING REVENUES			
Water	$ 1,095,992	$ -	$ 1,095,992
Sewer	1,118,009	-	1,118,009
Stormwater	-	541,241	541,241
Total Operating Revenues	2,214,001	541,241	2,755,242
OPERATING EXPENSES			
Operation and maintenance	1,643,897	294,045	1,937,942
Depreciation	465,984	134,008	599,992
Total Operating Expenses	2,109,881	428,053	2,537,934
Operating Income	104,120	113,188	217,308
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	81,580	23,454	105,034
Interest expense	(56,766)	(14,190)	(70,956)
Debt issuance cost	(15,402)	-	(15,402)
Miscellaneous revenues	-	575	575
Amortization of debt premium	7,256	1,366	8,622
Loss on sale of equipment	(287)	-	(287)
Total Nonoperating Revenues (Expenses)	16,381	11,205	27,586
Income Before Contributions and Transfers	120,501	124,393	244,894
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	678,404	146,778	825,182
Transfers - tax equivalent	(262,660)	-	(262,660)
Total Contributions and Transfers	415,744	146,778	562,522
Change in Net Position	536,245	271,171	807,416
NET POSITION - Beginning of Year	16,829,983	4,040,643	20,870,626
NET POSITION - END OF YEAR	$ 17,366,228	$ 4,311,814	$ 21,678,042

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	$ 1,911,395	$ 542,862	$ 2,454,257
Received from village for services	325,092	-	325,092
Paid to suppliers for goods and services	(1,533,519)	(202,376)	(1,735,895)
Paid to employees for services	(103,537)	(103,537)	(207,074)
Net Cash Flows From Operating Activities	599,431	236,949	836,380
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	81,580	23,454	105,034
Net Cash Flows From Investing Activities	81,580	23,454	105,034
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(404,775)	(152,388)	(557,163)
Interest paid	(54,778)	(14,190)	(68,968)
Net premium and issuance costs	28,793	-	28,793
Proceeds from debt issue	720,000	-	720,000
Acquisition and construction of capital assets	(701,008)	(181,791)	(882,799)
Capital contributions received	251,708	17,108	268,816
Net Cash Flows From Capital and Related Financing Activities	(160,060)	(331,261)	(491,321)
Net Change in Cash and Cash Equivalents	520,951	(70,858)	450,093
CASH AND CASH EQUIVALENTS - Beginning of Year	3,619,672	1,076,266	4,695,938
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,140,623	$ 1,005,408	$ 5,146,031

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water and Sewer Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ 104,120	$ 113,188	$ 217,308
Nonoperating revenue	-	575	575
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	465,984	134,008	599,992
Depreciation charged to other funds	20,696	-	20,696
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Accounts receivable	3,420	746	4,166
Other receivables	812	300	1,112
Accrued wages	-	(23,570)	(23,570)
Other current liabilities	-	(588)	(588)
Compensated absences	(14,533)	-	(14,533)
Due from municipality	(2,442)	-	(2,442)
Pension-related amounts	22,058	9,511	31,569
Accounts payable	(684)	2,779	2,095
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 599,431	$ 236,949	$ 836,380
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments	$ 3,095,892	$ 1,005,408	$ 4,101,300
Restricted cash and investments			
Replacement account	450,332	-	450,332
Other assets			
Impact fee account	20,823	-	20,823
Water tower reserve	494,786	-	494,786
Depreciation reserve	78,790	-	78,790
CASH AND CASH EQUIVALENTS	$ 4,140,623	$ 1,005,408	$ 5,146,031
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Amortization of debt premium	$ 7,265	$ 1,366	
Loss on sale of asset	$ 287	$ -	
Developer financed additions to plant	$ 426,696	$ 129,670	

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

	Tax Collection Fund
ASSETS	
Cash and investments	$ 13,129,714
Taxes	2,008,668
Total Assets	15,138,382
LIABILITIES	
Due to other governments	15,138,382
Total Liabilities	15,138,382
NET POSITION	$ -

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
For the Year Ended December 31, 2019

	Tax Collection Fund
ADDITIONS	
Property taxes collected for other governments	$ 10,617,938
Total Additions	10,617,938
DEDUCTIONS	
Property taxes distributed to other governments	10,617,938
Total Deductions	10,617,938
Change in Fiduciary Net Position	-
NET POSITION - Beginning of Year	-
NET POSITION - END OF YEAR	$ -

See accompanying notes to financial statements.

VILLAGE OF MCFARLAND

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

NOTE			Page

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The village has not identified any organizations that meet this criteria.

B. Government-Wide and Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

B. Government-Wide and Fund Financial Statements (cont.)

Fund Financial Statements

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

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

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and

b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the village believes is particularly important to financial statement users may be reported as a major fund.

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

The village reports the following major governmental funds:

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

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

TIF No. 3 Capital Project Fund - accounts for expenditures outlined in the Tax Incremental Financing (TIF) District project plan and related revenues and proceeds from long-term borrowing.

Capital Equipment and Projects - accounts for financial resources to be used for the acquisition or construction of equipment and/or major facilities.

The village reports the following major enterprise funds:

Water and Sewer Utility - accounts for operations of the water and sewer system

Stormwater Utility - accounts for operations of the stormwater system

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

B. Government-Wide and Fund Financial Statements (cont.)

Fund Financial Statements (cont.)

The village reports the following nonmajor governmental funds:

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

- Cable
- Parks
- Youth Center
- Canine
- Library
- Solid Waste
- Employee Retirement

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

- TIF No. 4
- TIF No. 5

In addition, the village reports the following fund type:

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

- Tax Collection Fund

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (cont.)

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements (cont.)

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

All Financial Statements

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

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

1. Deposits and Investments

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

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

a. Time deposits in any credit union, bank, savings bank or trust company.

b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

c. Bonds or securities issued or guaranteed by the federal government.

d. The local government investment pool.

e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

g. Repurchase agreements with public depositories, with certain conditions.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

1. Deposits and Investments (cont.)

The village has adopted an investment policy. As described in Note III.A., the village is exposed to the following deposit and investment risks: custodial credit risk and credit risk. The village's investment policy addresses each of these risks in the following manner:

Custodial Credit Risk - The village's investment policy addresses custodial credit risk by limiting all checking, savings, certificates of deposit, money market, and overnight sweeps to be covered by FDIC, state guarantee fund, other insurance agreements, or are fully collateralized. Refer to Note III.A. for compliance.

Credit Risk - The village's investment policy addresses credit risk by limiting investments to state statute allowable investments.

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

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

See Note III. A. for further information.

2. Receivables

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

2. Receivables (cont.)

Property tax calendar - 2019 tax roll:

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

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

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $10,000 for general capital assets and $10,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

Buildings	40-85	Years
Land Improvements	15-40	Years
Machinery and Equipment	4-35	Years
Utility System	4-100	Years
Infrastructure	30-50	Years
Vehicles	4-35	Years
Library Improvements and Collection	10-20	Years
Intangibles	10-20	Years

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

5. Capital Assets (cont.)

Fund Financial Statements

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

6. Other Assets

Other assets in the proprietary funds represent preliminary survey and investigation, property held for future use, cash and a long-term receivable.

7. Deferred Outflows of Resources

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

8. Compensated Absences

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

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

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

9. Long-Term Obligations

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

9. Long-Term Obligations/Conduit Debt (cont.)

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

10. Deferred Inflows of Resources

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

11. Equity Classifications

Government-Wide Statements

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

a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	$ 34,348,776	$ 16,418,433	$ (820,486)	$ 49,946,723
Unrestricted	2,573,690	4,788,454	820,486	8,182,630

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.

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

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

11. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.

d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts. Assignments may take place after the end of the reporting period.

e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

The village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 20% of the subsequent years budgeted general fund expenditures, with a targeted maximum of 25%. The balance at year end was $2,337,435 or 36%, and is included in unassigned general fund balance.

See Note III. H. for further information.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

12. Pension

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

13. Basis for Existing Rates

Water

Current water rates became effective on November 13, 2019. The authorized rate of return is 7.25%

Sewer

Current sewer rates were approved by the village board on December 28, 2015 and implemented on January 1, 2016.

Stormwater

Current stormwater utility rates were approved by the village board on December 28, 2015 and implemented on January 1, 2016.

14. Assets Held for Resale

Land held for resale consists of land and land improvements and is valued at cost of acquisition, demolition, and site improvements. Properties include both land intended for resale and land designated as a public area. Land held for resale is recorded at lower of cost or market value.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Excess Expenditures Over Appropriations

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General	$ 5,932,000	$ 6,178,319	$ 246,319
General debt service	1,610,750	1,646,757	36,007
TIF No. 5 capital project	30,500	1,047,842	1,017,342

The village controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

B. Deficit Balances

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

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

Fund	Amount	Reason
TIF No. 4 capital project	$ 334,061	Excess expenditures over appropriations
TIF No. 5 capital project	147,635	Excess expenditures over appropriations

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

C. Limitations On The Village's Tax Levy

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	$ 15,753,961	$ 14,871,448	Custodial credit risk
LGIP	9,829,614	9,810,807	Credit risk
Petty cash	447	-	N/A
Total Deposits and Investments	$ 25,584,022	$ 24,682,255	

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 11,914,656
Restricted cash and investments	539,652
Per statement of assets and liabilities - agency fund	
Tax collection fund	13,129,714
Total Deposits and Investments	$ 25,584,022

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

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

The village maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of $14,530,918 to secure the village's deposits.

Custodial Credit Risk

Deposits

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

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

A. *Deposits and Investments* (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2019, $80,036 of the village's total bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 80,036
Total	$ 80,036

Credit Risk

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

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

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

B. *Receivables*

All receivable balances are expected to be collected within one year with the exception of: delinquent property taxes ($4,531), delinquent special assessments ($860), and loans receivable ($252,201). Receivables in the general fund are reported net of uncollectible ambulance receivables in the amount of $71,237.

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	$ 7,714,411	$ -
Accounts receivable	-	34,988
Youth center revenue	40,250	-
Loans not yet due	2,298	-
Developer payments	120,446	-
Total Unearned/Unavailable Revenue for Governmental Funds	$ 7,877,405	$ 34,988

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

C. Restricted Assets

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

Impact Fee Account

The village has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

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

	Restricted Assets
Replacement account	$ 450,332
Impact fee account	89,320
Total	$ 539,652

D. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	$ 13,927,157	$ 844,594	$ -	$ 14,771,751
Construction in progress	-	495,333	-	495,333
Total Capital Assets Not Being Depreciated/Amortized	13,927,157	1,339,927	-	15,267,084

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

D. Capital Assets (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated/amortized				
Land improvements	$ 1,443,470	$ 77,090	$ -	$ 1,520,560
Buildings	11,251,716	444,369	-	11,696,085
Machinery and equipment	2,475,474	326,968	170,260	2,632,182
Streets	21,515,154	529,013	-	22,044,167
Sidewalks	4,465,120	176,080	-	4,641,200
Vehicles	3,857,507	763,033	400,590	4,219,950
Library improvements and collection	1,209,495	95,134	7,676	1,296,953
Intangibles	124,274	-	-	124,274
Total Capital Assets Being Depreciated/Amortized	46,342,210	2,411,687	578,526	48,175,371
Total Capital Assets	60,269,367	3,751,614	578,526	63,442,455
Less: Accumulated depreciation/amortization for				
Land improvements	(389,711)	(58,482)	-	(448,193)
Buildings	(2,013,517)	(147,329)	-	(2,160,846)
Machinery and equipment	(922,603)	(179,313)	153,234	(948,682)
Streets	(8,124,061)	(616,977)	-	(8,741,038)
Sidewalks	(3,115,284)	(141,845)	-	(3,257,129)
Vehicles	(1,725,852)	(559,009)	268,195	(2,016,666)
Library improvements and collection	(642,609)	(76,612)	7,676	(711,545)
Intangibles	(23,841)	(6,565)	-	(30,406)
Total Accumulated Depreciation/Amortization	(16,957,478)	(1,786,132)	429,105	(18,314,505)
Net Capital Assets Being Depreciated/Amortized	29,384,732	625,555	149,421	29,860,866
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	$ 43,311,889	$ 1,965,482	$ 149,421	$ 45,127,950

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities	
General government	$ 113,162
Public safety	313,278
Public works, which includes the depreciation of infrastructure	1,110,403
Leisure activities	249,289
Total Governmental Activities Depreciation/Amortization Expense	$ 1,786,132

VILLAGE OF MCFARLAND

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

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

D. Capital Assets (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Water				
Capital assets not being depreciated				
Land and land rights	$ 87,550	$ -	$ -	$ 87,550
Total Capital Assets Not Being Depreciated	87,550	-	-	87,550
Capital assets being depreciated				
Source of supply	211,239	-	-	211,239
Pumping	357,710	-	-	357,710
Water treatment	4,498	-	-	4,498
Transmission and distribution	14,316,916	780,397	44,622	15,052,691
General	426,210	55,422	-	481,632
Total Capital Assets Being Depreciated	15,316,573	835,819	44,622	16,107,770
Total Capital Assets	15,404,123	835,819	44,622	16,195,320
Less: Accumulated depreciation for				
Water	(4,521,588)	(335,816)	44,622	(4,812,782)
Total Accumulated Depreciation	(4,521,588)	(335,816)	44,622	(4,812,782)
Net Capital Assets Being Depreciated	10,794,985	500,003	-	11,294,988
Net Water Capital Assets	$ 10,882,535	$ 500,003	$ -	$ 11,382,538

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

D. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated				
Land and land rights	$ 78,020	$ -	$ -	$ 78,020
Total Capital Assets Not Being Depreciated	78,020	-	-	78,020
Capital assets being depreciated				
Collecting system	5,589,066	236,464	-	5,825,530
Collecting system pumping	1,043,088	-	-	1,043,088
General	330,995	55,422	-	386,417
Total Capital Assets Being Depreciated	6,963,149	291,886	-	7,255,035
Total Capital Assets	7,041,169	291,886	-	7,333,055
Less: Accumulated depreciation for				
Collecting system pumping	(102,137)	-	-	(102,137)
Sewer	(2,180,686)	(151,152)	-	(2,331,838)
Total Accumulated Depreciation	(2,282,823)	(151,152)	-	(2,433,975)
Net Capital Assets Being Depreciated	4,680,326	140,734	-	4,821,060
Net Sewer Capital Assets	$ 4,758,346	$ 140,734	$ -	$ 4,899,080

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

D. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Stormwater				
Capital assets not being depreciated				
Land and land rights	$ 160,275	$ -	$ -	$ 160,275
Total Capital Assets Not Being Depreciated	160,275	-	-	160,275
Capital assets being depreciated				
Stormwater	5,247,817	311,461	-	5,559,278
Total Capital Assets Being Depreciated	5,247,817	311,461	-	5,559,278
Total Capital Assets	5,408,092	311,461	-	5,719,553
Less: Accumulated depreciation for				
Stormwater	(1,807,291)	(134,008)	-	(1,941,299)
Total Accumulated Depreciation	(1,807,291)	(134,008)	-	(1,941,299)
Net Capital Assets Being Depreciated	3,440,526	177,453	-	3,617,979
Net Stormwater Capital Assets	$ 3,600,801	$ 177,453	$ -	$ 3,778,254
Business-type Capital Assets, Net of Accumulated Depreciation	$ 19,241,682	$ 818,190	$ -	$ 20,059,872

Depreciation/amortization expense was charged to functions as follows:

Business-type Activities	
Water	$ 314,832
Sewer	151,152
Stormwater	134,008
Total Business-type Activities Depreciation Expense	$ 599,992

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

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

E. Interfund Receivables/Payables, Advances and Transfers

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Water and sewer utility	General fund	$ 42,732
General fund	Water and sewer utility	262,600
Total - Fund Financial Statements		305,332
Less: Government-wide eliminations		(85,464)
Total Internal Balances - Government-Wide Statement of Net Position		$ 219,868

Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	$ 262,600
Business-type Activities	Governmental Activities	(42,732)
Total Government-Wide Financial Statements		$ 219,868

All amounts are due within one year.

The principal purpose of this interfund is for utility items placed on the tax roll and the tax equivalent.

Advances

TIF No. 3 capital project fund is advancing funds to TIF No. 4 capital project fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing uses. TIF No. 3 capital project fund is charging interest on the 2017 advance based on the average outstanding advance balance during the year at a floating interest rate. The interest rate charged during 2019 was 0.45%. A repayment schedule was established in 2017 for a portion of the advance. An additional amount ($43,763) was advanced in 2018. TIF No. 3 is also advancing funds to TIF No. 5. The amount advanced is determined by the amount of deficit cash as of December 31, 2019. No repayment schedule has been established for the TIF No. 5 advance.

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

E. Interfund Receivables/Payables, Advances and Transfers (cont.)

Advances (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
TIF No. 3 capital projects	TIF No. 4 capital projects	$ 403,603	$ 353,943
TIF No. 3 capital projects	TIF No. 4 capital projects	43,763	43,763
TIF No. 3 capital projects	TIF No. 5 capital projects	147,635	147,635
Total - Fund Financial Statements		595,001	
Less: Fund eliminations		(595,001)	
Total - Interfund Advances - Government-Wide Statement of Net Position		$ -	

The principal purpose of this advance is to make up for excess expenditures over revenues.

Years	Principal	Interest
2020	$ 49,660	$ 1,820
2021	49,883	1,596
2022	50,108	1,371
2023	50,334	1,145
2024	50,561	918
2025-2027	153,057	1,383
Totals	$ 403,603	$ 8,233

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

E. Interfund Receivables/Payables, Advances and Transfers (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water and sewer utility	$ 262,660	2019 Water PILOT
General fund	Youth center	40,250	Reimburse for youth center costs incurred by general fund
TIF #4	TIF #3	79,213	Transfer from donor district TIF #3 to donee district TIF #4 per amendment to project plan
Debt service fund	General fund	98,921	To transfer funds from developers
Other capital projects fund	General fund	292,305	Reimburse capital costs incurred by capital project fund
Canine fund	General fund	41,421	Initial transfer of cash restricted for canine use to create the canine special revenue fund
Total - Fund Financial Statements		814,770	
Less: Fund eliminations		(552,110)	
Total Transfers - Government-Wide Statement of Activities		$ 262,660	

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

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

F. Long-Term Obligations

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	$ 11,570,000	$ 2,685,000	$ 1,615,000	$ 12,640,000	$ 1,740,000
General obligation notes from direct borrowings and direct placements	930,000	-	930,000	-	-
(Discounts)/Premiums	97,571	89,595	14,942	172,224	20,542
Sub-totals	12,597,571	2,774,595	2,559,942	12,812,224	1,760,542
Other Liabilities					
Vested compensated absences	596,348	47,030	55,575	587,803	49,065
Capital leases	60,270	-	7,163	53,107	7,470
Total Other Liabilities	656,618	47,030	62,738	640,910	56,535
Total Governmental Activities Long-Term Liabilities	$ 13,254,189	$ 2,821,625	$ 2,622,680	$ 13,453,134	$ 1,817,077
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	$ 3,355,000	$ 720,000	$ 550,000	$ 3,525,000	$ 570,000
(Discounts)/Premiums	27,759	44,195	8,622	63,332	-
Sub-totals	3,382,759	764,195	558,622	3,588,332	570,000
Other Liabilities					
Vested compensated absences	100,397	3,290	41,981	61,706	9,933
Capital leases	60,270	-	7,163	53,107	7,470
Total Other Liabilities	160,667	3,290	49,144	114,813	17,403
Total Business-type Activities Long-Term Liabilities	$ 3,543,426	$ 767,485	$ 607,766	$ 3,703,145	$ 587,403

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2019, was $52,807,680. Total general obligation debt outstanding at year end was $16,165,000.

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

F. Long-Term Obligations (cont.)

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
G.O. refunding bonds	12/15/08	12/01/23	4.50-4.875%	$ 1,415,000	$ 1,155,000
State trust fund loan	03/25/08	03/15/20	2.30%	640,000	140,000
G.O. promissory notes	06/23/15	12/01/24	1.75-2.15%	2,460,000	1,775,000
G.O. refunding bonds	11/07/16	12/01/20	2.00-2.25%	1,710,000	220,000
G.O. promissory notes	07/20/17	12/01/26	2.00-2.25%	3,620,000	3,260,000
G.O. Promissory Note	06/21/18	12/01/27	3.00%	3,550,000	3,405,000
G.O. Promissory Note	07/22/19	12/01/28	2.00-3.00%	1,690,000	1,690,000
G.O. refunding bonds	07/22/19	04/01/38	2.10-3.05%	995,000	995,000
Total Governmental Activities - General Obligation Debt					$ 12,640,000

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
G.O. promissory notes	12/01/11	09/01/21	2.00-2.50%	$ 875,000	$ 190,000
G.O. promissory notes	06/23/15	12/01/24	1.75-2.15%	2,995,000	1,940,000
G.O promissory notes	07/20/17	12/01/25	2.00-2.25%	845,000	675,000
G.O. Promissory Note	07/22/19	12/01/28	2.00-3.00%	720,000	720,000
Total Business-type Activities - General Obligation Debt					$ 3,525,000

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

F. Long-Term Obligations (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt				Business-type Activities General Obligation Debt			
Years	Principal		Interest		Principal		Interest	
2020	$	1,740,000	$	357,941	$	570,000	$	83,250
2021		1,535,000		293,254		660,000		64,983
2022		1,615,000		249,648		575,000		51,093
2023		2,030,000		205,948		480,000		39,715
2024		1,030,000		161,422		620,000		27,915
2025-2029		4,110,000		314,003		620,000		31,550
2030-2034		305,000		65,400		-		-
2035-2038		275,000		16,988		-		-
Totals	$	12,640,000	$	1,664,604	$	3,525,000	$	298,506

Capital Leases

Refer to Note III. G.

Other Debt Information

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

See Note IV. for the net pension liability (asset) information.

Current Refunding

On July 22, 2019, the village issued $995,000 in general obligation bonds with an average coupon rate of 2.63% to refund $930,000 of an outstanding state trust fund loan with an average coupon rate of 4.75%. The net proceeds along with existing funds of the village were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was $1,460,176 from 2020 through 2038. The cash flow requirements on the refunding bonds are $1,317,305 from 2020 through 2038. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $142,871.

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2017 the Village acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is $213,349, which are included in capital assets in the governmental and business-type activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2019, are as follows:

	Governmental Activities			Business-type Activities		
Years	Principal	Interest	Totals	Principal	Interest	Totals
2020	$ 7,470	$ 2,088	$ 9,558	$ 7,470	$ 2,088	$ 9,558
2021	45,637	160	45,797	45,637	160	45,797
Totals	$ 53,107	$ 2,248	$ 55,355	$ 53,107	$ 2,248	$ 55,355

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	$ 14,771,751
Construction in progress	495,333
Other capital assets, net of accumulated depreciation/amortization	29,860,866
Less: Long-term capital debt outstanding	(11,208,130)
Plus: Unspent capital related debt proceeds	428,956
Total Net Investment in Capital Assets	$ 34,348,776

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

H. Net Position/Fund Balances (cont.)

Governmental Funds

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

	General Fund	General Debt Service	TIF No. 3 Capital Projects	Capital Equipment and Projects	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Delinquent taxes and specials	$ 5,391	$ -	$ -	$ -	$ -	$ 5,391
Prepaid items	58,082	-	-	-	-	58,082
Sub-total	63,473	-	-	-	-	63,473
Restricted for:						
Debt service	-	900,106	-	-	-	900,106
TIF related purposes	-	-	1,681,082	-	-	1,681,082
Capital projects - unspent proceeds	-	-	-	428,956	-	428,956
Library purposes	-	-	-	-	179,957	179,957
Canine costs	-	-	-	-	48,997	48,997
Impact fees	-	-	-	-	68,497	68,497
Sub-total	-	900,106	1,681,082	428,956	297,451	3,307,595
Committed to:						
Youth center	-	-	-	-	2,751	2,751
Employee retirement	-	-	-	-	137,690	137,690
EAB response/tree planting	40,815	-	-	-	-	40,815
Cable TV	-	-	-	-	90,205	90,205
Solid waste	-	-	-	-	201,149	201,149
Parks	-	-	-	-	681,588	681,588
Sub-total	40,815	-	-	-	1,113,383	1,154,198
Assigned to:						
General capital projects	-	-	-	95,744	-	95,744
Carryovers	25,000	-	-	-	-	25,000
PILOT	262,660	-	-	-	-	262,660
Developer capital project deposits	103,228	-	-	-	-	103,228
Outreach	9,969	-	-	-	-	9,969
Vehicle replacement	-	-	-	54,796	-	54,796
Police grants	14,202	-	-	-	-	14,202
Act 102	10,588	-	-	-	-	10,588
Election equipment	7,006	-	-	-	-	7,006
Property	-	-	-	40,000	-	40,000
Facilities	-	-	-	426,623	-	426,623
Sub-total	432,653	-	-	617,163	-	1,049,816
Unassigned (deficit):	2,337,435	-	-	-	(481,696)	1,855,739
Total Fund Balances (Deficit)	$ 2,874,376	$ 900,106	$ 1,681,082	$ 1,046,119	$ 929,138	$ 7,430,821

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets		
Land	$	325,845
Other capital assets, net of accumulated depreciation		19,734,027
Less: Long-term debt outstanding		(3,578,107)
Less: Unamortized debt premium		(63,332)
Total Net Investment in Capital Assets		16,418,433
Restricted		
Equipment replacement		450,332
Impact fee		20,823
Total Restricted		471,155
Unrestricted		4,788,454
Total Business-type Activities Net Position	$	21,678,042

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

NOTE IV - OTHER INFORMATION (cont.)

A. *EMPLOYEES' RETIREMENT SYSTEM* (cont.)

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

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

The WRS also provides death and disability benefits for employees.

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

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

NOTE IV - OTHER INFORMATION (cont.)

A. *EMPLOYEES' RETIREMENT SYSTEM* (cont.)

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

During the reporting period, the WRS recognized $290,212 in contributions from the village.

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

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

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

At December 31, 2019, the village reported a liability of $946,359 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 0.02660430%, which was an increase of 0.00134087% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the village recognized pension expense of $640,403.

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 737,071	$ 1,302,873
Changes in assumptions	159,521	-
Net differences between projected and actual earnings on pension plan investments	1,382,094	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,886	5,809
Employer contributions subsequent to the measurement date	303,691	-
Totals	$ 2,591,263	$ 1,308,682

$303,691 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resourcesrelated to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	$ 358,260
2021	89,179
2022	153,348
2023	378,103

NOTE IV - OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

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

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

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

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

NOTE IV - OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

Sensitivity of the village's proportionate share of the net pension liability to changes in the discount rate. The following presents the village's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the village's proportionate share of the net pension liability 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	$3,760,933	$946,359	$(1,146,493)

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

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

B. Risk Management

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

C. Commitments and Contingencies

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

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

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

NOTE IV - OTHER INFORMATION (cont.)

D. TAX ABATEMENT

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

The village is disclosing all abatement agreements individually.

The village through its Tax Incremental Financing Districts (TID) Nos. 3 and 4 has entered into tax abatement agreements with a developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plans. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

Agreement Description	Calculation Method	Developer Commitment	2019 Payments
Farwell Place LLC Development Agreement	Excess Increment	Developer guarantees value set by agreement, 75% of tax payment goes towards loan retirement	$ -
84 Lumber Development Agreement	Excess Increment	Developer guarantees value set by agreement, 50% of tax payment goes towards loan retirement	-
Waubesa Village Development Agreement - Phase 1	Excess Increment	Developer guarantees value set by agreement, 65% of tax payment goes towards loan retirement	-
High Track Development Agreement	Excess Increment	Developer guarantees value set by agreement, 50% of tax payment goes towards loan retirement	-
Spartan Properties Development Agreement	Excess Increment	Developer guarantees value set by agreement, 50% of tax payment goes towards loan retirement	-
Hillcrest Rental LLC Development Agreement	Excess Increment	Developer guarantees value set by agreement, 100% of tax payment goes towards loan retirement	-
Waubesa Village Development Agreement - Phase 2	Excess Increment	Developer guarantees value set by agreement, 65% of tax payment goes towards loan retirement	9,200
The Atwater, LLC & Lakesonte, LLC Developer Agreement	Excess Increment	Developer guarantees value set by agreement, 100% of tax payment goes toward loan retirement	-
Ezra Properties, LLC Agreement	Excess Increment	Developer guarantees value set by agreement, 100% of tax payment goes toward loan retirement	-

NOTE IV - OTHER INFORMATION (cont.)

E. Effect of New Accounting Standards on Current-Period Financial Statements

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

> Statement No. 87, *Leases*

> Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

> Statement No. 91, *Conduit Debt Obligations*

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MCFARLAND

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,738,250	$ 3,738,250	$ 3,748,781	$ 10,531
Intergovernmental	674,250	674,250	691,050	16,800
Licenses and permits	337,500	337,500	375,516	38,016
Fines, forfeitures and penalties	89,000	89,000	107,353	18,353
Public charges for services	313,250	313,250	374,608	61,358
Intergovernmental charges for services	256,750	256,750	255,709	(1,041)
Investment income	40,000	40,000	130,756	90,756
Miscellaneous revenues	147,750	147,750	136,664	(11,086)
Total Revenues	5,596,750	5,596,750	5,820,437	223,687
EXPENDITURES				
Current				
General government	870,000	870,000	907,136	(37,136)
Public safety	3,390,000	3,390,000	3,369,932	20,068
Health and social services	241,750	241,750	228,796	12,954
Public works	861,000	861,000	751,925	109,075
Leisure activities	356,500	356,500	255,513	100,987
Conservation and development	212,750	212,750	232,370	(19,620)
Total Expenditures	5,932,000	5,932,000	5,745,672	186,328
Excess (deficiency) of revenues over expenditures	(335,250)	(335,250)	74,765	410,015
OTHER FINANCING SOURCES (USES)				
Transfers in	300,250	300,250	302,910	2,660
Transfers out	-	-	(432,647)	(432,647)
Total Other Financing Sources (Uses)	300,250	300,250	(129,737)	(429,987)
Net Change in Fund Balance	(35,000)	(35,000)	(54,972)	(19,972)
FUND BALANCE - Beginning of Year	2,929,348	2,929,348	2,929,348	-
FUND BALANCE - END OF YEAR	$ 2,894,348	$ 2,894,348	$ 2,874,376	$ (19,972)

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

VILLAGE OF MCFARLAND

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.02466399%	$ (605,815)	$ 2,735,705	22.14%	102.74%
12/31/16	0.02415237%	392,471	2,901,661	13.53%	98.20%
12/31/17	0.02403967%	198,144	2,943,233	6.73%	99.12%
12/31/18	0.02526343%	(750,101)	3,178,136	23.60%	102.93%
12/31/19	0.02660430%	946,359	3,365,238	28.12%	96.45%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	$ 234,105	$ 234,105	$ -	$ 2,902,870	8.06%
12/31/16	232,586	232,586	-	2,944,883	7.90%
12/31/17	275,790	275,790	-	3,178,137	8.68%
12/31/18	293,935	293,935	-	3,365,238	8.73%
12/31/19	303,691	303,691	-	3,570,057	8.51%

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

Budgetary Information

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

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

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

Wisconsin Retirement System

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

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

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

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

SUPPLEMENTARY INFORMATION

VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
TAXES				
General property taxes	$ 3,634,000	$ 3,634,000	$ 3,626,500	$ (7,500)
Payments in lieu of taxes	102,500	102,500	107,649	5,149
Interest and penalties on taxes	1,750	1,750	7,531	5,781
Public accommodation (room) taxes	-	-	7,101	7,101
Total Taxes	3,738,250	3,738,250	3,748,781	10,531
INTERGOVERNMENTAL				
State shared revenues	109,750	109,750	109,704	(46)
Fire insurance tax (2% fire dues)	35,000	35,000	36,523	1,523
Other state shared taxes	24,250	24,250	27,428	3,178
State aid - law enforcement improvement	1,000	1,000	2,010	1,010
State aid - other public safety	6,000	6,000	6,753	753
State aid - general transportation aids	419,250	419,250	418,924	(326)
Payments for municipal services	8,750	8,750	5,207	(3,543)
In lieu of taxes on state conservation lands	250	250	118	(132)
Grants from local governments	50,500	50,500	50,351	(149)
State aid - law enforcement	19,500	19,500	19,595	95
Federal grants	-	-	14,437	14,437
Total Intergovernmental	674,250	674,250	691,050	16,800
LICENSES AND PERMITS				
Liquor and malt beverage licenses	12,000	12,000	11,530	(470)
Operators' license	6,500	6,500	6,925	425
Other business and occupational licenses	3,000	3,000	4,265	1,265
Bicycle licenses	500	500	4,470	3,970
Dog and cat licenses	3,000	3,000	3,884	884
Other nonbusiness licenses	5,000	5,000	5,551	551
Nonbusiness licenses	2,000	2,000	2,722	722
Building permits	105,000	105,000	115,764	10,764
Heating and air conditioning permits	45,000	45,000	31,034	(13,966)
Plumbing permits	45,000	45,000	37,370	(7,630)
Electrical permits	50,000	50,000	47,101	(2,899)
Other regulatory permits and fees	500	500	190	(310)
Other permits	60,000	60,000	104,710	44,710
Total Licenses and Permits	337,500	337,500	375,516	38,016
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	85,000	85,000	101,178	16,178
Parking violations	4,000	4,000	6,175	2,175
Total Fines, Forfeitures and Penalties	89,000	89,000	107,353	18,353

VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
PUBLIC CHARGES FOR SERVICES				
Clerk's fees	$ 9,000	$ 9,000	$ 11,095	$ 2,095
Publication fees	500	500	1,440	940
Law enforcement fees	4,000	4,000	3,294	(706)
Fire protection fees	3,500	3,500	7,173	3,673
Ambulance fees	265,000	265,000	321,066	56,066
County highway maintenance and construction	1,250	1,250	729	(521)
Park rental	16,000	16,000	16,934	934
Plan review fees	10,000	10,000	9,777	(223)
Other public charges for services	4,000	4,000	3,100	(900)
Total Public Charges for Services	313,250	313,250	374,608	61,358
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - law enforcement services	51,000	51,000	60,680	9,680
Local - fire services	179,250	179,250	168,029	(11,221)
Local - other services	26,500	26,500	27,000	500
Total Intergovernmental Charges for Services	256,750	256,750	255,709	(1,041)
INVESTMENT INCOME				
Interest on investments	40,000	40,000	130,756	90,756
MISCELLANEOUS				
Rent	80,500	80,500	78,120	(2,380)
Insurance recoveries	5,000	5,000	9,083	4,083
Other miscellaneous	11,000	11,000	1,211	(9,789)
Other utility non-operating revenue one	46,000	46,000	46,000	-
Donations	5,250	5,250	2,250	(3,000)
Total Miscellaneous	147,750	147,750	136,664	(11,086)
OTHER FINANCING SOURCES				
Transfers in	300,250	300,250	302,910	2,660
Total Other Financing Sources	300,250	300,250	302,910	2,660
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 5,897,000	$ 5,897,000	$ 6,123,347	$ 226,347

VILLAGE OF MCFARLAND

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
GENERAL GOVERNMENT				
Council/Board	$ 71,000	$ 71,000	$ 73,114	$ (2,114)
Judicial	60,250	60,250	56,852	3,398
Administrator	75,750	75,750	78,434	(2,684)
Clerk	266,000	266,000	265,681	319
Elections	8,000	8,000	7,453	547
Data processing	48,750	48,750	57,646	(8,896)
Finance	5,500	5,500	5,479	21
Assessor	40,500	40,500	40,561	(61)
Legal	96,000	96,000	115,686	(19,686)
General buildings/plant/hall	82,000	82,000	89,068	(7,068)
Risk and property management	116,250	116,250	117,162	(912)
Total General Government	870,000	870,000	907,136	(37,136)
PUBLIC SAFETY				
Police	2,094,250	2,094,250	2,095,188	(938)
Fire protection	950,750	950,750	907,488	43,262
Hydrant rental	315,000	315,000	325,092	(10,092)
Ambulance	20,750	20,750	35,113	(14,363)
Emergency government	9,250	9,250	7,051	2,199
Total Public Safety	3,390,000	3,390,000	3,369,932	20,068
HEALTH AND SOCIAL SERVICES				
Contributions to local organizations	-	-	100	(100)
Senior outreach	241,750	241,750	228,696	13,054
Total Health and Social Services	241,750	241,750	228,796	12,954
PUBLIC WORKS				
Engineering	15,000	15,000	13,593	1,407
Highway and street maintenance for local	727,000	727,000	613,673	113,327
Street lighting	119,000	119,000	124,659	(5,659)
Total Public Works	861,000	861,000	751,925	109,075
LEISURE ACTIVITIES				
Parks	356,500	356,500	255,513	100,987
CONSERVATION AND DEVELOPMENT				
Planning	212,750	212,750	232,370	(19,620)
OTHER FINANCING USES				
Transfers out	-	-	432,647	(432,647)
TOTAL EXPENDITURES	$ 5,932,000	$ 5,932,000	$ 6,178,319	$ (246,319)

VILLAGE OF MCFARLAND

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

	Special Revenue Funds			
	Cable	Library	Parks	Solid Waste
ASSETS				
Cash and investments	$ 63,778	$ 208,034	$ 491,590	$ 200,520
Restricted cash and investments	-	-	68,497	-
Receivables				
Ensuing year levy	24,500	575,750	-	516,809
Accounts	26,617	504	-	805
Loans	-	-	192,296	-
TOTAL ASSETS	$ 114,895	$ 784,288	$ 752,383	$ 718,134
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	$ 190	$ 28,581	$ -	$ 176
Advances from other funds	-	-	-	-
Total Liabilities	190	28,581	-	176
Deferred Inflows of Resources				
Unearned revenues	24,500	575,750	2,298	516,809
Total Deferred Inflows of Resources	24,500	575,750	2,298	516,809
Fund Balances				
Restricted	-	179,957	68,497	-
Committed	90,205	-	681,588	201,149
Unassigned (deficit)	-	-	-	-
Total Fund Balances	90,205	179,957	750,085	201,149
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 114,895	$ 784,288	$ 752,383	$ 718,134

Special Revenue Funds			Capital Project Funds		
Employee Retirement Fund	Youth Center	Canine	TIF No. 4 Capital Project	TIF No. 5 Capital Project	Total Nonmajor Govern-mental Funds
$ 137,690	$ 43,001	$ 49,651	$ 68,342	$ -	$ 1,262,606
-	-	-	-	-	68,497
50,000	25,000	-	86,635	17,708	1,296,402
-	-	-	-	-	27,926
-	-	-	59,905	-	252,201
$ 187,690	$ 68,001	$ 49,651	$ 214,882	$ 17,708	$ 2,907,632
$ -	$ -	$ 654	$ 14,942	$ -	$ 44,543
-	-	-	447,366	147,635	595,001
-	-	654	462,308	147,635	639,544
50,000	65,250	-	86,635	17,708	1,338,950
50,000	65,250	-	86,635	17,708	1,338,950
-	-	48,997	-	-	297,451
137,690	2,751	-	-	-	1,113,383
-	-	-	(334,061)	(147,635)	(481,696)
137,690	2,751	48,997	(334,061)	(147,635)	929,138
$ 187,690	$ 68,001	$ 49,651	$ 214,882	$ 17,708	$ 2,907,632

VILLAGE OF MCFARLAND

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

	Special Revenue Funds			
	Cable	Library	Parks	Solid Waste
REVENUES				
Taxes	$ 24,500	$ 544,500	$ -	$ 95,750
Intergovernmental	-	281,242	-	21,587
Licenses and permits	102,732	-	-	-
Public charges for services	-	14,607	260,993	413,735
Investment income	1,458	9,086	7,870	8,694
Miscellaneous revenues	322	-	-	-
Total Revenues	129,012	849,435	268,863	539,766
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Leisure activities	-	-	-	472,113
Culture, recreation and education	121,086	827,256	-	-
Conservation and development	-	-	-	-
Capital Outlay	7,991	-	-	11,629
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	129,077	827,256	-	483,742
Excess (Deficiency) of Revenues Over Expenditures	(65)	22,179	268,863	56,024
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(65)	22,179	268,863	56,024
FUND BALANCES - Beginning of Year	90,270	157,778	481,222	145,125
FUND BALANCES - END OF YEAR	$ 90,205	$ 179,957	$ 750,085	$ 201,149

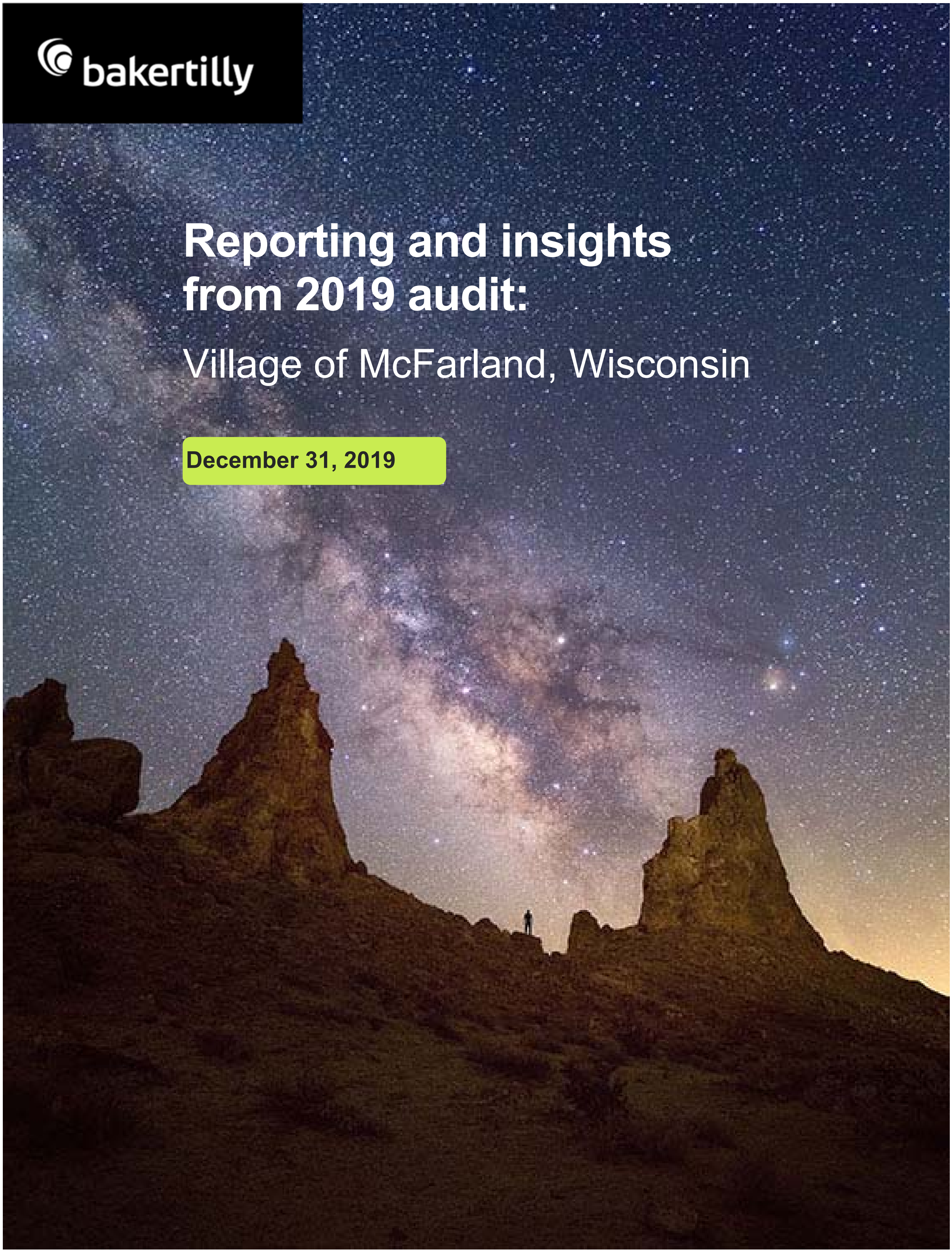
Special Revenue Funds			Capital Project Funds		
Employee Retirement Fund	Youth Center	Canine	TIF No. 4 Capital Project	TIF No. 5 Capital Project	Total Nonmajor Govern-mental Funds
$ 50,000	$ 25,750	$ -	$ 93,135	$ -	$ 833,635
-	40,250	-	1,407	-	344,486
-	-	-	-	-	102,732
-	-	-	-	-	689,335
3,471	782	473	677	-	32,511
-	15,000	20,306	-	39,297	74,925
53,471	81,782	20,779	95,219	39,297	2,077,624
-	-	-	20,928	18,733	39,661
-	-	13,203	-	-	13,203
-	-	-	-	-	472,113
-	40,281	-	-	-	988,623
-	-	-	-	33,402	33,402
-	-	-	17,024	-	36,644
-	-	-	30,000	930,000	960,000
-	-	-	7,238	65,707	72,945
-	40,281	13,203	75,190	1,047,842	2,616,591
53,471	41,501	7,576	20,029	(1,008,545)	(538,967)
-	-	-	-	995,000	995,000
-	-	-	-	2,672	2,672
-	-	41,421	79,213	-	120,634
-	(40,250)	-	-	-	(40,250)
-	(40,250)	41,421	79,213	997,672	1,078,056
53,471	1,251	48,997	99,242	(10,873)	539,089
132,318	1,500	-	(433,303)	(136,762)	438,148
$ 185,789	$ 2,751	$ 48,997	$ (334,061)	$ (147,635)	$ 977,237

bakertilly

Reporting and insights from 2019 audit:

Village of McFarland, Wisconsin

December 31, 2019



Executive summary

We have completed our audit of the financial statements of the Village of McFarland (the Village) for the year ended December 31, 2019, and have issued our report thereon dated May 19, 2019. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Village's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the Village of McFarland should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Carla Gogin, Partner: carla.gogin@bakertilly.com +1 (608) 240 2460
- Casandra Chase, Senior Associate: casandra.chase@bakertilly.com or +1 (608) 240 6785

Sincerely,

Baker Tilly Virchow Krause, LLP

Baker Tilly Virchow Krause, LLP

Carla A. Gogin, CPA, Partner

Table of contents

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

Audit objectives

Audit objectives

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Village's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Village Board:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Qualitative aspects of the Village's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

Management	Auditor
Prepare and fairly present the financial statements	Our audit does not relieve management or those charged with governance of their responsibilities
Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
Provide us with written representations at the conclusion of the audit	See Appendix B for a copy of management's representations

Audit status

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Village and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Village's current year results.

Implementation of GASB No. 84 reporting fiduciary activities

During the current year, your government implemented GASB Statement No. 84 – *Fiduciary Activities*. This standard was issued to provide a clear foundation and reduce inconsistencies in reporting of fiduciary activities. Implementation of this standard required the evaluation of various activities and application of specific criteria to determine the fiduciary activities that required reporting. As a result of this standard you will note the following changes in your financial statements from prior years:

- Change in the activity that is reported through the tax collection custodial fund
- Presentation of additions and deductions on the statement of changes in fiduciary net position

Implementation of GASB No. 88 certain disclosures related to debt

During the current year, your government implemented GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The standard requires additional footnote disclosures which have been included in your financial statements.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Long-term debt	Net position calculations
Capital assets including infrastructure	Financial reporting and required disclosures	

Internal control matters

We considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or 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 identified the following deficiencies as material weaknesses:

- **Missing Key Controls**

There are certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls are listed below.

Financial Statement Close Process

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, material misstatements in the general ledger were identified during the financial audit.

Other comments and recommendations

- **Water Department Earnings**

The water utility's net operating income decreased from $295,000 in 2018 to $237,000 in 2019. Operating revenues increased $30,000 primarily due to an increase in metered sales revenue. In addition, there was an increase of $89,000 in operating expenses mostly due to an increase in administrative and general expenses. The rate of return for 2019 was 1.58% compared to 2018 was 2.39%.

- **Sewer Department Earnings**

The sewer utility recognized an operating loss of $133,000 in 2019 compared to an operating loss of $126,000 in 2018. Sewer operating revenues increased by $36,000 due to an increase in commercial customer charges. Operating expenses increased $41,000 primarily due to an increase in treatment charges from MMSD.

- **Storm water Department Earnings**

The utility recognized net operating income of $113,000 in 2019 compared to $137,000 in 2018. Operating expenses increased $29,000 primarily due to an increase in administrative and general expenses. Operating revenues increased $5,000 due to an approximate increase of 160 ERU's in 2019.

Prior Year Points

- **Bank Accounts Not Recorded on the Books**

During our testing of cash, we noted there were nine bank accounts that were not recorded in the Village's general ledger. The accounts are public safety related. These accounts are not material to the financial statements as a whole; however, we recommend management investigate the nature of these accounts to understand if these accounts should be recorded on the Village's books. In addition, if these accounts should be on the Village's books, controls should be put in place to monitor and reconcile the activity related to these cash accounts.

Status (12/31/2019)

This is still applicable.

Other comments and recommendations (cont.)

- **Monitoring Expenditures Charged to the TIF Districts**

The Village has three active TIF districts. Per state statute, a project plan is adopted and approved for each district. Included within the project plan, is a detailed listing of the approved projects and the estimated expenditures. We recommend that the Village review the actual costs being charged to the TIF districts and compare the costs to the approved project plan. An amendment to the project plan may be required if the costs incurred are not specifically allowed for in the project plan itself. This relates to capital expenditures, administrative costs and other costs incurred in the TIF districts. We also recommend that the Village track the actual costs compared to the individual project plan line items.

Status (12/31/2019)

This is still applicable.

- **Ambulance Receivables**

The Village provides ambulance services to its citizens and bills for those services. Prior to 2006, the Village handled the billing and collections internally and many uncollectible accounts have remained in the ambulance receivable balance since that time. Many uncollectible ambulance accounts result from Medicare or Medicaid disallowances. Those disallowances should be written off on a periodic basis.

Starting in 2006, the Village contracted with an ambulance billing service provider who provides the Village with the uncollectible amounts so that the current billings can be adjusted accordingly.

We recommend that the Village review the outstanding ambulance receivables balance and if necessary approve a resolution writing off old outstanding amounts from the ambulance receivable balance. Fortunately, the write-offs will have no effect on the general fund's fund balance as these amounts are also set-up in an allowance account. After writing off the uncollectible amounts, there will be no need for Village staff to continue tracking these old outstanding balances.

Status (12/31/2019)

The Village has continued to evaluate outstanding balances held at the third party service providers. The Village wrote off uncollectible balances in 2019. This point has been resolved.

- **Decentralized Cash Collections**

Many governments collect cash at numerous decentralized locations that are separate from the primary system of accounting procedures and controls. The opportunity for theft is often higher at those locations because one person is frequently involved in most, if not all, aspects of a transaction (i.e. lack of segregation of duties).

Examples in your government that fit this situation include: police department, municipal court, community development, library, outreach, fire department and public works.

Other comments and recommendations (cont.)

- **Decentralized Cash Collections** (cont.)

Management is responsible for designing and implementing controls and procedures to detect and prevent fraud. As a result, we recommend that management review its decentralized cash collection procedures and controls on a periodic basis and make changes as necessary to strengthen the internal control environment. Reviewing the adequacy of the controls is a responsibility of the governing body.

Below are example procedures and controls to help mitigate the risk of loss at decentralized cash collection points:

- Implement a centralized receipting process with adequate segregation of duties
- For cash collections, ensure pre-numbered receipts are being used and all receipts in the sequence are being reviewed by someone other than the person receipting the cash and receipts tie to deposits
- Perform surprise procedures at decentralized locations (cash counts, walkthrough of processes, etc.)
- Require regular cash deposits to minimize collection on-hand
- Limit the number of separate bank accounts
- Segregate duties as much as possible – the person receipting cash should be separate from the person preparing deposits and the person reconciling bank accounts should be separate from the cash collection activity
- Perform a month-to-month or year-to-year comparison to look for unusual changes in collections
- If collecting from a drop box site, consider sending two people to collect the funds, especially during peak times

As always, the cost of controls and staffing must be weighed against the benefits of safeguarding your assets.

Status (12/31/2019)

This is still applicable.

- **Impact Fee Tracking**

State Statute 66.0617 allows impact fees to be charged for specific public facilities, including parks. The Village has been charging park impact fees since 2004. According to the impact statute, impact fees must be tracked in a separate interest bearing account and spent within 10 years. In order to adequately monitor the collection and the spend down of impact fees we recommend that the Village create a tracking sheet to monitor the impact fee revenue being collected along with tracking any related expenses reducing the impact fee balance. In addition, any supporting documentation used in the calculation of park impact fee billing should be maintained by the Village.

Status (12/31/2019)

This is considered resolved.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of McFarland are described in Note 1 to the financial statements. As described in Note 1, the Village changed accounting policies related to financial reporting for fiduciary activities by adopting Governmental Accounting Standards Board (GASB) No. 84 - *Fiduciary Activities* and for debt disclosures by adopting Governmental Accounting Standards Board (GASB) No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in 2019. Accordingly, the accounting changes have been retrospectively applied to the prior periods. We noted no transactions entered into by the Village during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension liability and related deferrals	Evaluation of information provided by the Wisconsin Retirement System (modify as necessary)	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

  There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Village or that otherwise appear to be unusual due to their timing, size or nature

Difficulties encountered during the audit

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

Required communications (cont.)

Disagreements with management

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

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the draft of the management representation letter.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The schedule within the Appendix summarizes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management and the material corrected misstatements that, in our judgment, may not have been detected except through our auditing procedures.

The internal control matters section of this report describes the effects on the financial reporting process indicated by the uncorrected misstatements and corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Village's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement

Required communications (cont.)

Independence

We are not aware of any relationships between Baker Tilly and the Village that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Village's related parties.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

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.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Compiled TIF financial statements
- Compiled regulatory reports
- Civic Systems software
- Continuing property records development and maintenance
- Park impact fee needs assessment

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

bakertilly

Accounting changes relevant to Village of McFarland

Accounting changes relevant to the Village of McFarland

Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/20
89	Accounting for Interest Incurred before the End of a Construction Period	✓	12/31/20
91	Conduit Debt	✓	12/31/21

Further information on upcoming GASB pronouncements.

Due to COVID-19, GASB has issued an exposure draft to delay the effective dates of these standards by one year.

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for the upcoming year. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the Village review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the Village should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about GASB 87.

Accounting changes relevant to the Village of McFarland (cont.)

Planning for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party, which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The Village should identify any existing debt arrangements involving third party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

Trending challenges for organizations

Trending challenges for organizations

Management and the governing body of the Village must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Continue the discussion with your management team to find your path to your future.

COVID-19 Risks and ongoing response

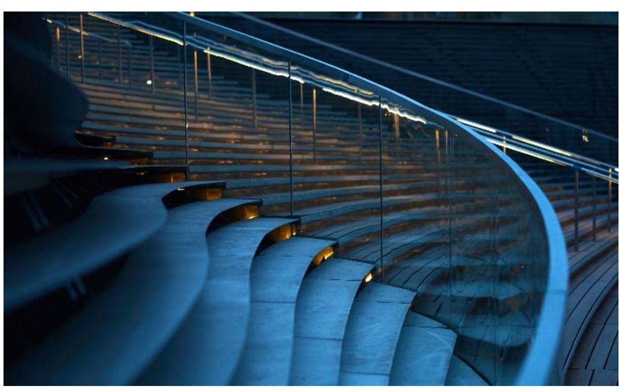
Staying nimble and resilient during unprecedented disruption

COVID-19 has challenged all organizations and the effects continue to unfold. It is critical that management and governing bodies stay nimble to respond to direct and indirect effects of this disruption on operations, cash flow, and people. Some best practices to consider include:

- Establish mechanisms to track COVID-19 related expenses, lost revenues or delayed revenues
- Monitor cash flow projections and seek short term liquidity help
- Create a policy and forms for compliance with Family First Coronavirus Response Act
- Compare anticipated results to bond covenants and track any continuing disclosure items
- Re-evaluate TIF projections with revised development scenarios
- Develop a strategy for leading your community through the crisis

Learn about public sector Coronavirus resources, including the latest news on business continuity and cash flow management, Federal stimulus and tax developments, and more.

2020 strategic risks for boards



Evaluating and mitigating the greatest risks

Public sector organizations face a multitude of internal and external risks in an evolving landscape. Risks can stem from strategy, finances, legal situations, operations, regulatory compliance, information technology, economic environment, and/or fraud, waste and abuse.

By employing a risk assessment, areas with the greatest needs and highest risks are evaluated. Then a risk mitigation plan can be developed and deployed.

Learn about risk assessment types, tools and strategies.

Cybersecurity

Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

WATCH: On demand webinar about board governance over cybersecurity.

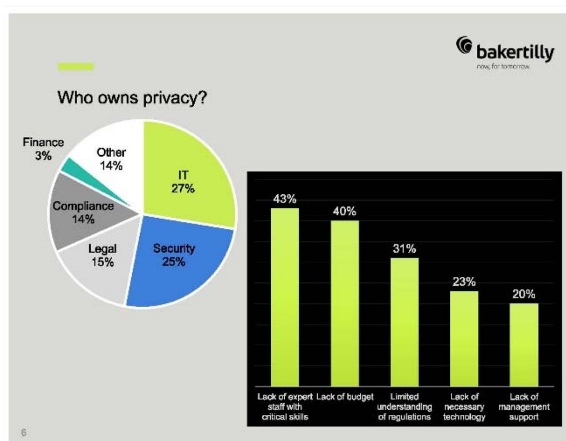
Learn more about cybersecurity risk management.

Data privacy

Elevating privacy risks to the forefront of board agendas

Organizations around the world are still scrambling to comply with the General Data Protection Regulation in the European Union, which went into effect in May 2018. While the data privacy regulatory environment changes rapidly, organizations can take proactive steps to ensure that they stay informed of the existing regulations and of those developing on the near horizon.

Adequate oversight remains a key part of staying on top of data privacy developments. Some regulations specify oversight requirements, and can depend on the type of the organization, the quantity and type of personal data processed, and the locations where operations take place. In many cases, a data protection officer (DPO) must lead the effort. Since the DPO is responsible for overseeing practices related to data protection strategy and implementation, having one in place early on will help ensure that the privacy program is comprehensive and consistent.



WATCH: On demand webinar about a risk-based approach to oversight, compliance and management of privacy

Learn more about data privacy risk management.

The talent problem

Establishing a lifeline for your shifting workforce

Employee recruitment and retention challenges are an all too common struggle in the public sector:

- Aging workers with institutional knowledge retire
- High demand for small qualified candidate pool
- Perception of geographic disadvantages
- Wage/benefit competition with private sector
- Lean operations exclude investments in recruitment, on-the-job training and technology
- Unclear growth and career advancement tracks

Download

Sustainable organizations must have a robust workforce development and succession planning program. Learn how to get started and incorporate a workforce/succession planning program with existing operational practices.

Public sector executive recruitment

Navigating recruitments and smart hiring

Competing for top executive talent in the public sector space takes industry knowledge, familiarity with the general applicant pool and experience navigating recruitments. Search consultants draw upon their understanding of organizational management and human resources to serve as a successful agent for government entities. In turn, public sector organizations can adopt a foundational understanding about search firms to ensure optimal collaboration on hiring opportunities.

Read the three part series to learn what your entity should be thinking about.

Three part series on public sector executive recruitment

Navigate the changing workforce landscape with confidence, read the executive recruitment series.

1. Five myths about search firms
2. Recruiting for difficult positions
3. Hiring recommendations for government entities

Operational and organizational sustainability

Aligning resources with strategy

As new demands confront the public sector industry, it's easy to solve an immediate problem instead of pausing to take a holistic view. Rippling inefficiencies, increasing financial pressures, taxing staff resources and plummeting constituent satisfaction can pile atop organizations already facing pressure to improve efficiency, effectiveness, relevance and financial viability.

An operational review follows a systematic, strategic approach to understanding an entity's operations and performance. Opportunities to improve processes, bolster internal controls and reduce costs are uncovered in order to realign organizational resources and strategic objectives.

Learn invaluable methods for executing an operational review while maintaining day-to-day operations.

Appendix A: Client service team

Client service team

Carla A. Gogin, CPA

Partner

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 2460 | Madison
carla.gogin@bakertilly.com

Casandra Chase, CPA

Senior Associate

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 6785 | Madison
casandra.chase@bakertilly.com

Jodi Dobson, CPA

Partner

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 2469 | Madison
jodi.dobson@bakertilly.com

Jeff Hurda, CPA

Senior Associate

10 Terrace Ct
Madison, WI 53707
United States

T +1 (608) 240 6794 | Madison
jeff.hurda@bakertilly.com

Appendix B: Management representation letter

VILLAGE OF McFarland

www.mcfarland.wi.us | 5915 Milwaukee St, McFarland, WI 53558 | 608.838.3153

May 19, 2020

Baker Tilly Virchow Krause, LLP

Ten Terrace Court
P.O. Box 7398
Madison, Wisconsin 53707-7398

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Village of McFarland as of December 31, 2019 and for the then ended and for the Water, Sewer and Stormwater Utilities as of December 31, 2019 and 2018 and for the years then endedfor the purpose of expressing opinions as to whether the financial statements 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 McFarland and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, if any, are reasonable.

6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

8) We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. The Village chose not to record the GASB No. 75 activity related to OPEB as of 12/31/9. As a result, the total noncurrent liabilities and expenses are understated and total net position and the change in net position is overstated by the following amounts in the respective opinion units: Governmental activities: $574,505 ; Business type activities: $49,506 ; Water and Sewer: $34,494 ; and Stormwater: $15,012. In addition, the Village accrued estimated costs for work to be completed in the subsequent year. As a result, the current liabilities are overstated and total fund balance is understated by $12,783 in the capital projects fund.In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.

9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of Village board, finance committee and utility comments or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

   a) Management,

   b) Employees who have significant roles in internal control, or

   c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15)We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) There are no known related parties or related party relationships and transactions of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22) There are no:

   a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

   b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

a) Financial statement preparation

b) Adjusting journal entries

c) Compiled TIF financial statements

d) Compiled regulatory reports

e) Civic Systems software

f) Continuing property records development and maintenance

g) Park impact fee needs assessment

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards.*

24) The Village of McFarland has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The Village of McFarland has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) There are no component units that should be reported in the financial statements, as well as no joint ventures with an equity interest, or other joint ventures or other related organizations that should be reported in the financial statements.

27) The financial statements properly classify all funds and activities.

28) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

29) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

30) The Village of McFarland has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

31) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

33) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

34) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

35) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

37) Tax-exempt bonds issued have retained their tax-exempt status.

38) We have appropriately disclosed the Village of McFarland's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

39) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

40) With respect to the supplementary information, (SI):

    a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

41) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

42) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.

43) We believe that the Village's liability for other post-employment benefits under GASB No. 75 is not material to the financial statements as outlined above.

44) All activities that meet the criteria in GASB Statement No. 84 for presentation as fiduciary activities have been identified and presented as such.

45) Any direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed.

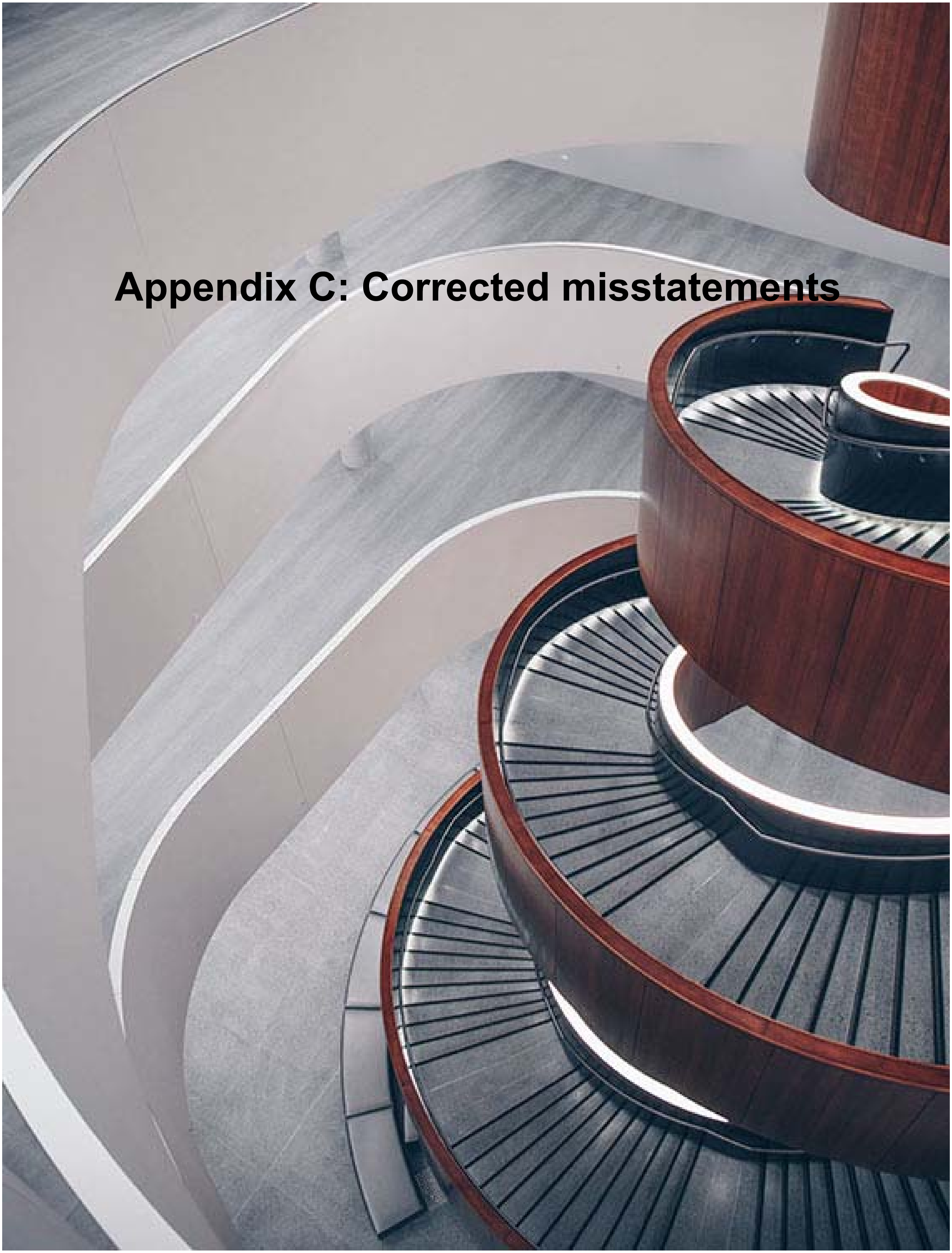
Sincerely,

Village of McFarland

Signed: ______________________
Matthew Schuenke, village Administrator

Signed: ______________________
Cassandra Suettinger, Village Clerk/Treasurer

Appendix C: Corrected misstatements



Material corrected misstatements

Description	Opinion unit(s)	Amount
Correction related to prior year tax equivalent	Water and Sewer Utility	$249,144
Adjust tax equivalent and interfunds	General Fund, Water and Sewer Utility	$262,660*
Record water, sewer, and stormwater developer contributions, and additions and retirements related to street projects	Stormwater, Water and Sewer Utility	$1,258,907*

*This is a reoccurring material audit adjustment that the Village prefers to be proposed as part of the external audit process.

The remaining misstatements that were identified and corrected by management were not material individually or in the aggregate to the financial statements taken as a whole.

Uncorrected misstatements

- The Village chose not to record the GASB No. 75 activity related to OPEB as of December 31, 2019. The Village is planning to update the OPEB study every 3 to 5 years as changes to benefits and the liability warrant it. In other years, the Village will review the OPEB to determine if any material changes took place that would warrant updating the study. As a result, the total noncurrent liabilities and expenses are understated and total net position and the change in net position is overstated by the amounts listed in the first four rows in the table below.
- The Village accrued estimated costs for work to be completed in the subsequent year. As a result, the current liabilities are overstated and total fund balance is understated by $12,783 in the capital projects fund.

Financial statement effects – debit (credit) to financial statement total:

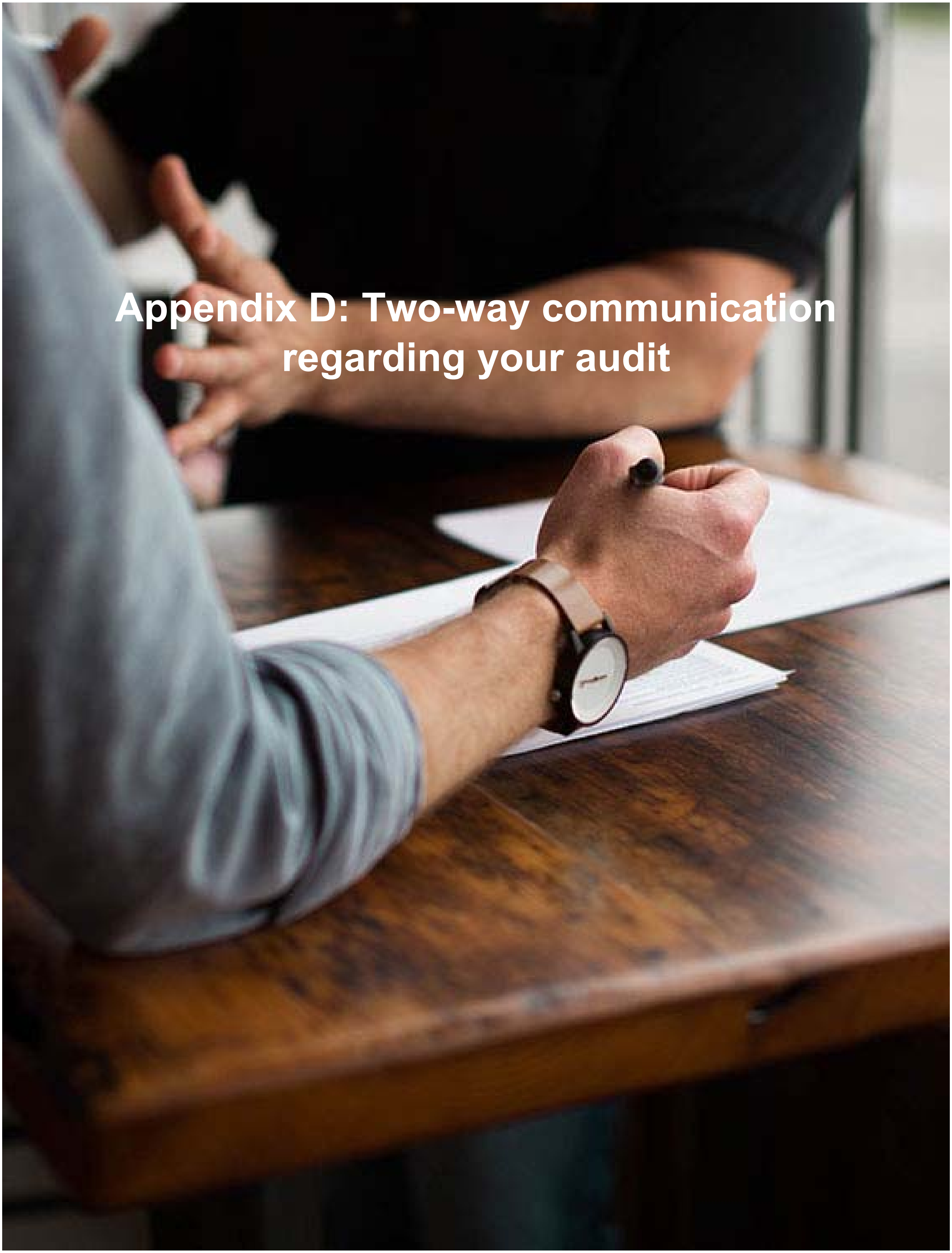
Opinion unit	Current assets	Noncurrent assets	Total assets/ deferred outflows	Current liabilities	Noncurrent liabilities	Net position/ fund balance
Governmental activities					(574,505)	574,505
Business-type activities					(49,506)	49,506
Water & Sewer					(34,494)	34,494
Storm					(15,012)	15,012
Capital Projects				12,873		(12,783)

Uncorrected misstatements (cont.)

Financial statement effects – debit (credit) to financial statement total (cont.):

Opinion unit	Total revenues	Total expenses/ expenditures	Change in net position/ fund balance
Governmental activities		28,748	(28,748)
Business-type activities		2,479	(2,479)
Water & Sewer		1,726	(1,726)
Storm		753	(753)

Appendix D: Two-way communication regarding your audit



As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that the Village will receive an unmodified/a modified/an adverse/a disclaimer of opinion on its financial statements.

e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of November-December, and sometimes early January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, May 27, 2020**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT: **Matt Schuenke, Village Administrator**

AGENDA ITEM: **Update on 2020 Borrowing.**

PREVIOUS ACTION:
None.

ISSUE SUMMARY:
Typically in April the Finance Committee meets to initiate the borrowing process for the year. This year; however, has been all but typical. With nearly all Committee meetings cancelled in April as a result of the virus, the Village Board kept this process moving so that it could still be completed as planned for the year. Interest rates initially in March were frankly very bad as the economy was very volatile in the middle to end of March. The Federal Government was able to stabilize this and rates have since been very good, better than anything we presently have on record. This item is provided as an update to the Committee as to how the process has proceeded and what some of the estimated debt service costs we are looking at.

- Village Board Presentation - Attached is the presentation that Carol provided to the Village Board on April 13th. This outlines a lot of the preliminary information that was available at that time regarding the structure of the loan and what we might expect. The timeline enclosed within this presentation is what we are presently following to completion.
- Parameters Resolution - This was recommended by Carol at the initial meeting and then adopted by the Village Board on April 27th. It provides parameters to authorize the Administrator to complete the borrowing under certain conditions. Namely to delay the sale if interest rates are not favorable. We are still following our normal schedule but consider this another tool for this year given the fluctuations in the marketplace we have seen.
- Updated Schedules - The updated schedules are included to show the final borrowing that is proposed. Interest rates still appear very favorable for this borrowing as the last month has progressed. The total amount is less than what we started with and we were fortunate to be able to reduce the overall borrowing to sharpen this up with lower than expected project costs.

The Moody's Rating call is scheduled for the week of May 25th and the Official Statement will be released to Underwriters shortly thereafter. Presently we are a bit ahead of schedule. The final sale results will be adopted at the Village Board meeting on June 8th. Interest rates are still trending less than 2% and hovering close to 1.5% which would be lower than anything we presently have on record. The sale is being conducted as a public sale option (closed bids).

FINANCIAL/BUDGET IMPACT:

Presently the Village intends to borrow $3.9 million to funds its capital projects in 2020 which about at the same level as what was anticipated in the budget. For the water utility, it is proposed to borrow $645,000 which is under what was budgeted for this amount.

The interest rate projected for the sale is 1.63% which over the life of the ten year note would generate a total cost of $561,174.50. The capital portion is funded by the tax levy while the water portion is paid by charges for service within the utility.

VILLAGE PLAN REFERENCE:

2020-2024 Capital Improvement Plan

ORDINANCE REFERENCE:

None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

No action required on this item.

ATTACHMENTS:

1. Report on Financing 2020 CIP Projects
2. 2020-10 McFarland Village Parameters Resolution Exhibits
3. $4,545,000 G.O. Notes Prelim 5-13-20

WISCONSIN PUBLIC FINANCE PROFESSIONALS, LLC
1025 SOUTH MOORLAND ROAD, SUITE 504
BROOKFIELD, WI 53005
414-434-9644
FAX: 414-226-2014

Village of McFarland

Village Board

Report on Financing
2020 CIP Projects

Dated: April 13, 2020

Prepared by: Carol Ann Wirth, President

Existing General Obligation Debt Service Schedule

Village Purposes

Year Due	$3,700,000 G.O. Prom. Notes – 12/01/11 Principal (09/01)	Interest	$2,005,000 G.O. Prom. Notes – 06/23/15 Principal (12/01)	Interest	$1,710,000 G.O. Ref. Bonds – 11/07/16 Principal (12/01)	Interest	$3,345,000 G.O. Prom. Notes – 07/20/17 Principal (12/01)	Interest
2020	$ 140,000	$ 3,220	$ 350,000	$ 35,698	$ 220,000	$ 4,400	$ 300,000	$ 64,713
2021			350,000	28,697			345,000	57,962
2022			350,000	21,698			400,000	50,200
2023			360,000	15,047			400,000	41,200
2024			365,000	7,848			400,000	33,200
2025							600,000	25,200
2026							600,000	13,200
	$140,000	$3,220	$1,775,000	$108,988	$220,000	$4,400	$3,045,000	$285,675
Callable	09/01/2018		12/01/2022				12/01/2024	
Interest Rates	2.30		2.00-2.15				2.00-2.20	

Year Due	$3,550,000 G.O. Prom. Notes – 06/21/18 Principal (12/01)	Interest	$1,690,000 G.O. Prom. Notes – 08/01/19 Principal (12/01)	Interest	Total Village Purposes Total Principal	Total Interest	Total Debt Service
2020	$ 200,000	$ 102,150	$ 230,000	$ 57,400	$1,440,000	$ 267,581	$ 1,707,581
2021	325,000	96,150	200,000	38,450	1,220,000	221,259	1,441,259
2022	325,000	86,400	165,000	34,450	1,240,000	192,748	1,432,748
2023	350,000	76,650	170,000	31,150	1,280,000	164,047	1,444,047
2024	375,000	66,150	175,000	27,750	1,315,000	134,948	1,449,948
2025	575,000	54,900	180,000	22,500	1,355,000	102,600	1,457,600
2026	600,000	37,650	185,000	17,100	1,385,000	67,950	1,452,950
2027	655,000	19,650	190,000	11,550	845,000	31,200	876,200
2028			195,000	5,850	195,000	5,850	200,850
	$3,405,000	$539,700	$1,690,000	$246,200	$10,275,000	$1,188,183	$11,463,183
Callable	12/01/2025		12/01/2026				
Interest Rates	3.00		3.00				

Existing General Obligation Debt Service Schedule - (Continued)

Water Utility Purposes

Year Due	$1,360,000 G.O. Prom. Notes – 06/23/15 Principal (12/01)	Interest	$595,000 G.O. Prom. Notes – 07/20/17 Principal (12/01)	Interest	$720,000 G.O. Prom. Notes – 08/01/19 Principal (12/01)	Interest	Total Water Utility Purposes Total Principal	Total Interest	Total Debt Service
2020	$ 170,000	$ 17,703	$ 70,000	$ 9,625		$ 25,467	$ 240,000	$ 52,795	$ 292,795
2021	170,000	14,302	70,000	8,050	$ 80,000	19,100	320,000	41,452	361,452
2022	175,000	10,903	70,000	6,475	85,000	17,500	330,000	34,878	364,878
2023	180,000	7,577	75,000	4,900	85,000	15,800	340,000	28,277	368,277
2024	185,000	3,977	80,000	3,400	90,000	14,100	355,000	21,477	376,477
2025			90,000	1,800	90,000	11,400	180,000	13,200	193,200
2026					95,000	8,700	95,000	8,700	103,700
2027					95,000	5,850	95,000	5,850	100,850
2028					100,000	3,000	100,000	3,000	103,000
	$880,000	$54,462	$455,000	$34,250	$720,000	$120,917	$2,055,000	$209,629	$2,264,629

Callable	12/01/2022	12/01/2025	12/01/2026
Interest Rates	2.00-2.15	2.00	3.00

Storm Water Purposes

Year Due	$875,000 G.O. Prom. Notes – 12/01/11 Principal (09/01)	Interest	$ 500,000 G.O. Prom. Notes – 06/23/15 Principal (12/01)	Interest	Total Storm Water Purposes Total Principal	Total Interest	Total Debt Service
2020	$ 95,000	$ 4,560	$ 60,000	$ 6,540	$ 155,000	$ 11,100	$ 166,100
2021	95,000	2,375	65,000	5,340	160,000	7,715	167,715
2022			65,000	4,040	65,000	4,040	69,040
2023			65,000	2,805	65,000	2,805	67,805
2024			70,000	1,505	70,000	1,505	71,505
	$190,000	$6,935	$325,000	$20,230	$515,000	$27,165	$542,165

Callable	09/01/2018	12/01/2022
Interest Rates	2.10-2.50	2.00-2.15

Existing General Obligation Debt Service Schedule - (Continued)

Sewer Utility Purposes

Year Due	$1,135,000 G.O. Prom. Notes – 06/23/15 Principal (12/01)	Interest	$250,000 G.O. Prom. Notes – 07/20/17 Principal (12/01)	Interest	Total Sewer Utility Purposes Total Principal	Total Interest	Total Debt Service
2020	$ 140,000	$ 14,787	$ 35,000	$ 4,663	$ 175,000	$ 19,450	$ 194,450
2021	145,000	11,988	35,000	3,875	180,000	15,863	195,863
2022	145,000	9,087	35,000	3,088	180,000	12,175	192,175
2023	150,000	6,333	35,000	2,300	185,000	8,633	193,633
2024	155,000	3,332	40,000	1,600	195,000	4,932	199,932
2025			40,000	800	40,000	800	40,800
	$735,000	$45,527	$220,000	$16,326	$955,000	$61,853	$1,106,853

Callable	09/01/2018	12/01/2022
Interest Rates	2.10-2.50	2.00-2.15

TID #3 Purpose

Year Due	$1,415,000 G.O. Ref. Bonds – 12/15/08 Principal (12/01)	Interest	Total TID #3 Debt Service
2020	$ 270,000	$ 54,056	$ 324,056
2021	285,000	40,894	325,894
2022	295,000	27,000	322,000
2023	305,000	13,725	318,725
2024			
2025			
2026			
	$1,155,000	$135,675	$1,290,675

Callable	09/01/2018
Interest Rates	2.10-2.50

TID #4 Purpose

Year Due	$275,000 G.O. Prom. Notes – 07/20/17 Principal (12/01)	Interest	Total TID #4 Debt Service
2020	$ 30,000	$ 4,595	$ 34,595
2021	30,000	3,920	33,920
2022	30,000	3,245	33,245
2023	30,000	2,570	32,570
2024	30,000	1,970	31,970
2025	30,000	1,370	31,370
2026	35,000	770	35,770
	$215,000	$18,440	$233,440

Callable	12/01/2022
Interest Rates	2.00-2.15

Existing General Obligation Debt Service Schedule - (Continued)

	TID #5 Purpose			ALL GENERAL OBLIGATION DEBT		
	$995,000 G.O. Ref Bonds – 08/01/19					
Year Due	Principal (04/01)	Interest	Total TID #5 Debt Service	Total Principal	Total Interest	Total Debt Service
2020		$ 31,700	$ 31,700	$ 2,310,000	$ 441,277	$ 2,751,277
2021		27,180	27,180	2,195,000	358,283	2,553,283
2022	$ 50,000	26,655	76,655	2,190,000	300,741	2,490,741
2023	50,000	25,605	75,605	2,255,000	245,662	2,500,662
2024	50,000	24,505	74,505	2,015,000	189,337	2,204,337
2025	50,000	23,355	73,355	1,655,000	141,325	1,796,325
2026	50,000	22,205	72,205	1,565,000	99,625	1,664,625
2027	55,000	20,942	75,942	995,000	57,992	1,052,992
2028	55,000	19,568	74,568	350,000	28,418	378,418
2029	55,000	18,192	73,192	55,000	18,192	73,192
2030	55,000	16,680	71,680	55,000	16,680	71,680
2031	60,000	14,955	74,955	60,000	14,955	74,955
2032	60,000	13,155	73,155	60,000	13,155	73,155
2033	65,000	11,280	76,280	65,000	11,280	76,280
2034	65,000	9,330	74,330	65,000	9,330	74,330
2035	65,000	7,380	72,380	65,000	7,380	72,380
2036	70,000	5,338	75,338	70,000	5,338	75,338
2037	70,000	3,202	73,202	70,000	3,202	73,202
2038	70,000	1,068	71,068	70,000	1,608	71,608
	$995,000	$322,295	$1,317,295	$20,835,000	$2,542,432	$23,377,432

Callable	04/01/2028
Interest Rates	2.50-3.05

Capital Projects – 2020

Village Purpose Projects	Dept.	Borrowing Amount
Community Room	Facilities	$ 40,000
Facility Plan/Design	Facilities	560,000
Public Works Facility	Facilities	750,000
Foam Trailer	Fire/EMS	38,000
Radios	Fire/EMS	226,000
Utility (Squad)	Fire/EMS	345,000
Budget Truck	DPW	100,000
County MN – Phase 4	DPW	125,000
Mower -Small	DPW	3,250
Mower -Big	DPW	100,000
Pedestrian Ways	DPW	125,000
Pickup Truck	DPW	10,000
Street Construction	DPW	366,500
Street Maintenance	DPW	200,000
Aquatics Plan/Design	Parks	25,000
Community Park	Parks	25,000
Larson Park	Parks	15,000
McDaniel Park	Parks	150,000
McFarland Park	Parks	25,000
Park Design	Parks	17,000
Siggelkow Park	Parks	15,000
Urso/Schuetz Park	Parks	500,000
Afforable Housing Study	CD	25,000
Brand Development	CD	125,000
Sustainability Plan	CD	25,000
TOTAL		$ 3,935,750

Capital Projects – 2020 (Continued)

Water Utility Purposes		
Network Equipment	Facilities	$ 2,000
Public Works Facility	Facilities	75,000
Leased Equipment	DPW	4,250
Mower -Small	DPW	3,750
Pickup Truck	DPW	10,000
Pipe Cutter	DPW	20,000
Sinking Fund	DPW	1,000
Street Maintenance	DPW	550,000
Technology	DPW	2,500
Utility Van	DPW	30,000
Well Maintenance	DPW	35,000
TOTAL		$733,500

$4,670,000 2020 G.O. Notes - Sources & Uses of Funds

Dated 06/22/2020 | Delivered 06/22/2020

	Village Purpose	Water Utility	2020 G.O. Notes
Sources Of Funds			
Par Amount of Notes	$3,935,000.00	$735,000.00	$4,670,000.00
Reoffering Premium (Est.)	89,706.00	16,225.50	105,931.50
Total Sources	**$4,024,706.00**	**$751,225.50**	**$4,775,931.50**
Uses Of Funds			
Total Issuance Expense Paid by Underwriter (Est.)	70,240.17	13,119.83	83,360.00
Deposit to Project Construction Fund	3,935,000.00	735,000.00	4,670,000.00
Premium Deposited to Debt Service (Est.)	19,465.83	3,105.67	22,571.50
Total Uses	**$4,024,706.00**	**$751,225.50**	**$4,775,931.50**

$4,670,000 Estimated Combined Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/22/2020	-	-	-	-	-
06/01/2021	-	-	87,951.67	87,951.67	-
12/01/2021	355,000.00	2.000%	46,700.00	401,700.00	489,651.67
06/01/2022	-	-	43,150.00	43,150.00	-
12/01/2022	325,000.00	2.000%	43,150.00	368,150.00	411,300.00
06/01/2023	-	-	39,900.00	39,900.00	-
12/01/2023	380,000.00	2.000%	39,900.00	419,900.00	459,800.00
06/01/2024	-	-	36,100.00	36,100.00	-
12/01/2024	440,000.00	2.000%	36,100.00	476,100.00	512,200.00
06/01/2025	-	-	31,700.00	31,700.00	-
12/01/2025	500,000.00	2.000%	31,700.00	531,700.00	563,400.00
06/01/2026	-	-	26,700.00	26,700.00	-
12/01/2026	505,000.00	2.000%	26,700.00	531,700.00	558,400.00
06/01/2027	-	-	21,650.00	21,650.00	-
12/01/2027	665,000.00	2.000%	21,650.00	686,650.00	708,300.00
06/01/2028	-	-	15,000.00	15,000.00	-
12/01/2028	720,000.00	2.000%	15,000.00	735,000.00	750,000.00
06/01/2029	-	-	7,800.00	7,800.00	-
12/01/2029	780,000.00	2.000%	7,800.00	787,800.00	795,600.00
Total	**$4,670,000.00**	**-**	**$578,651.67**	**$5,248,651.67**	**-**

Callable: December 1, 2028 and 2029 principal payments are callable beginning December 1, 2027.

Preliminary Pricing Summary - Market Week of 4/6/20

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		YTM	Call Date	Call Price	Dollar Price
12/01/2021	Serial Coupon	2.000%	1.300%	355,000.00	100.996%		-	-	-	358,535.80
12/01/2022	Serial Coupon	2.000%	1.350%	325,000.00	101.555%		-	-	-	330,053.75
12/01/2023	Serial Coupon	2.000%	1.400%	380,000.00	102.008%		-	-	-	387,630.40
12/01/2024	Serial Coupon	2.000%	1.450%	440,000.00	102.357%		-	-	-	450,370.80
12/01/2025	Serial Coupon	2.000%	1.500%	500,000.00	102.603%		-	-	-	513,015.00
12/01/2026	Serial Coupon	2.000%	1.550%	505,000.00	102.748%		-	-	-	518,877.40
12/01/2027	Serial Coupon	2.000%	1.600%	665,000.00	102.795%		-	-	-	683,586.75
12/01/2028	Serial Coupon	2.000%	1.650%	720,000.00	102.441%	c	1.688%	12/01/2027	100.000%	737,575.20
12/01/2029	Serial Coupon	2.000%	1.700%	780,000.00	102.088%	c	1.759%	12/01/2027	100.000%	796,286.40
Total	**-**	**-**	**-**	**$4,670,000.00**	**-**	**-**	**-**	**-**	**-**	**$4,775,931.50**

Bid Information

Par Amount of Notes	$4,670,000.00
Reoffering Premium or (Discount)	105,931.50
Gross Production	$4,775,931.50
Total Issuance Expense Paid by Underwriter (Est.)	$(83,360.00)
Bid (100.111%)	4,692,571.50
True Interest Cost (TIC)	1.9147505%

$3,935,000 Estimated Village Purpose Debt Service Schedule - Combined with Existing

Calendar Year	Principal (12/01)	Coupon	Estimated Inerest	Total Payment	Existing D/S	Net New D/S
2020	-	-	-	-	1,707,581.00	1,707,581.00
2021	285,000.00	2.000%	113,459.17	398,459.17	1,441,259.00	1,839,718.17
2022	250,000.00	2.000%	73,000.00	323,000.00	1,432,748.00	1,755,748.00
2023	300,000.00	2.000%	68,000.00	368,000.00	1,444,047.00	1,812,047.00
2024	360,000.00	2.000%	62,000.00	422,000.00	1,449,948.00	1,871,948.00
2025	420,000.00	2.000%	54,800.00	474,800.00	1,457,600.00	1,932,400.00
2026	420,000.00	2.000%	46,400.00	466,400.00	1,452,920.00	1,919,320.00
2027	580,000.00	2.000%	38,000.00	618,000.00	876,200.00	1,494,200.00
2028	630,000.00	2.000%	26,400.00	656,400.00	200,850.00	857,250.00
2029	690,000.00	2.000%	13,800.00	703,800.00	-	703,800.00
-	**$3,935,000.00**	-	**$495,859.17**	**$4,430,859.17**	**$11,463,153.00**	**$15,894,012.17**

- Increase from 2020 to 2021 = $132,137 or $0.03 per $1,000 based on 2019 assessed value with 6.04% growth
- 2021 tax rate impact may be reduced by applying excess premium.

$735,000 Estimated Water Utility Debt Service Schedule - Level D/S

Calendar Year	Principal (12/01)	Coupon	Estimated Interest	Total Payment	Existing D/S	Net New D/S
2020	-	-	-	-	292,795.00	292,795.00
2021	70,000.00	2.000%	21,192.50	91,192.50	361,452.00	452,644.50
2022	75,000.00	2.000%	13,300.00	88,300.00	364,878.00	453,178.00
2023	80,000.00	2.000%	11,800.00	91,800.00	368,277.00	460,077.00
2024	80,000.00	2.000%	10,200.00	90,200.00	376,477.00	466,677.00
2025	80,000.00	2.000%	8,600.00	88,600.00	193,200.00	281,800.00
2026	85,000.00	2.000%	7,000.00	92,000.00	103,700.00	195,700.00
2027	85,000.00	2.000%	5,300.00	90,300.00	100,850.00	191,150.00
2028	90,000.00	2.000%	3,600.00	93,600.00	103,000.00	196,600.00
2029	90,000.00	2.000%	1,800.00	91,800.00	-	91,800.00
-	**$735,000.00**	-	**$82,792.50**	**$817,792.50**	**$2,264,629.00**	**$3,082,421.50**

Debt Limit

Equalized Valuation (2019) as certified by Wisconsin Department of Revenue	$1,056,153,600
Legal Debt Percentage Allowed	5.00%
Legal Debt Limit	$ 52,807,680
General Obligation Debt Outstanding as of December 31, 2019	$16,165,000
Plus: $4,670,000 General Obligation Notes	4,670,000
Less: 2020 Principal Payments	(2,310,000)
Net General Obligation Debt Outstanding	$18,525,000
Unused Margin of Indebtedness	$34,282,680
Percent of Legal Debt Incurred	35.08%
Percent of Legal Debt Available	64.92%

Method of Sale

Wisconsin Law allows General Obligation Notes and Refunding Bonds to be sold at Public or Negotiated Sale

- **Public Sale** – Village Advertises for Underwriter Nation-wide – to Submit Bid on Specific Date and Time

  Underwriter's Bid Dependent Upon –

  Market Conditions on Day of Bid
  Number of Issues Underwriter Will Bid on (Bidding Calendar) or Purchase That Day
  Limited Ability to Pre-sell Notes - Risk May be Built into Bid as Cost to Village
  Underwriting Cost Locked in on the Day of Sale
  Underwriter Submits Bid on Bid Form per Bidding Parameters in "Official Notice of Sale"
  Market Conditions are Monitored by Municipal Advisor Throughout Borrowing Timeline
  Local Banks Participate Through Their Broker/Dealer Relationships
  Village Has Flexibility to Change Dollar Amount and Structuring Terms After Bids are Opened

  Municipal bond supply in market has significantly declined 2018 through 2020 resulting in numerous bids on public sales to fulfill demand.

- **Negotiated Sale** – Underwriter is Selected by Village Through RFP Process or Based on Historical Experience

  Underwriter Provides Assistance to Village in Advance of Entering the Bond Market -

  Updates and Advises Village of Changes to Market Conditions, Interest Rates
  Investors and Local Banks Contacted Early to Determine Interest in Purchasing Notes/Bonds
  Reduces Underwriter's Risk of Unsold Notes - Potential for Lower Underwriting Cost
  Cost of Underwriting Locked in Prior to Sale Date
  Underwriter Has Flexibility to Capture Market Opportunities Several Days in Advance of Award
  Village Has Flexibility to Change Dollar Amount and Structuring Terms Up to Time of Order Period
  Underwriter Provides Village with Comparable Sales in Market

The Village of McFarland has used both Sale methods

The Village's used Negotiated sales 2015 - 2018 with Bankers' Bank, Madison, in association with the McFarland State Bank.

The Village used Competitive Sales for both 2019 financings resulting in five bids on the 2019 Bonds (Bernardi Securities as underwriter), and seven bids on the 2019 Notes (Baird as underwriter).

Timeline for General Obligation Promissory Notes – 2020

Board Presentation – Report on 2020 Financing	April 13
Official Statement Submitted to Moody's	May 21
Moody's Conference Call	May 27-28
Official Statement Distributed to Underwriter(s)	May 28
Moody's Rating Released; Credit Report Available	June 4
Adopt Final Award Resolution (Sale)	June 8
Closing; Delivery of Funds to Village	June 22

RESOLUTION NO. ___

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $4,655,000 GENERAL OBLIGATION PROMISSORY NOTES

WHEREAS, it is necessary that funds be raised by the Village of McFarland, Dane County, Wisconsin (the "Village") for the purpose of paying the costs of Village capital improvement projects, to wit: facilities, street, highway and park improvements; community development expenses; and equipment acquisition (the "Project"), and there are insufficient funds on hand to pay said costs;

WHEREAS, the Village hereby finds and determines that the Project is within the Village's power to undertake and serves a "public purpose" as that term is defined in Section 67.04(1)(b) of the Wisconsin Statutes; and

WHEREAS, villages are authorized by the provisions of Section 67.12(12) of the Wisconsin Statutes to borrow money and to issue general obligation promissory notes for such public purposes.

NOW, THEREFORE, BE IT RESOLVED by the Village Board of the Village that:

Section 1. Authorization of the Notes; Parameters. For the purpose of paying the cost of the Project there shall be borrowed from a purchaser (the "Purchaser") selected through a competitive sale with the assistance and counsel of the Village's financial advisor, Wisconsin Public Finance Professionals, LLC, pursuant to Section 67.12(12) of the Wisconsin Statutes, the principal sum of not to exceed FOUR MILLION SIX HUNDRED FIFTY-FIVE THOUSAND DOLLARS ($4,655,000) provided that: (i) the price paid by the Purchaser for the Notes shall not be less than 100.00% and not more than 103.00% of the par amount of the Notes, (ii) the true interest rate to be paid on the Notes (taking the Purchaser's compensation and issuance expenses into account) shall not exceed 3.00% and (iii) the Notes shall comply in all other respects with the terms provided herein.

Section 2. Sale of the Notes; Delegation of Authority With Respect to Final Approval. Subject to such Final Approval (defined below), to evidence such indebtedness, the Village President and Village Clerk/Treasurer are hereby authorized, empowered and directed to make, execute, issue and sell to the Purchaser for, on behalf of and in the name of the Village, general obligation promissory notes aggregating the principal amount of not to exceed FOUR MILLION SIX HUNDRED FIFTY-FIVE THOUSAND DOLLARS ($4,655,000) (the "Notes"). The issuance and sale of the Notes to the Purchaser is subject to final approval by the Village Administrator (or, in the event of the Village Administrator's absence or disability, the Village Clerk/Treasurer). Such final approval shall be evidenced by the execution of an approving certificate (the approval of such issuance and sale, and the execution of said certificate shall comprise and are referred to collectively herein as the "Final Approval"). The Village Board hereby delegates the authority to provide such Final Approval to the Village Administrator (or, in the event of the Village Administrator's absence or disability, the Village Clerk/Treasurer). Said officers may act for the Village Board to provide such Final Approval with respect to the Notes.

Section 3. Designation of Purchaser as Agent. The Village hereby designates the Purchaser as its agent for purposes of distributing the Final Official Statement relating to the Notes to any participating underwriter in compliance with Rule 15c2-12 of the Securities and Exchange Commission.

Section 4. Terms of the Notes. The Notes shall be designated "General Obligation Promissory Notes"; shall be dated as of the date of their issuance; shall be in the denomination of $5,000 or any integral multiple thereof; shall mature on December 1 of each year, in the years and principal amounts as set forth on the Schedule attached hereto as Exhibit A provided, however, that the annual principal maturities set forth on said Schedule may be increased or decreased as necessary in increments of $5,000 to facilitate the competitive sale of the Notes with the final maturity schedule being attached to and incorporated into the Final Approval.

Section 5. Redemption Provisions. At the option of the Village, the Notes maturing on December 1, 2028 and thereafter shall be subject to redemption prior to maturity on December 1, 2027 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, from maturities selected by the Village and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

Section 6. Form of the Notes. The Notes shall be issued in registered form and shall be executed and delivered in substantially the form attached hereto as Exhibit B and incorporated herein by this reference.

Section 7. Direct Annual Irrepealable Tax Levy. For the purpose of paying the principal of and interest on the Notes as the same becomes due, the full faith, credit and resources of the Village are hereby irrevocably pledged and a direct annual irrepealable tax sufficient for that purpose is hereby levied upon all of the taxable property of the Village. The amounts of said direct annual irrepealable tax to be levied shall be as set forth in the amortization schedule attached to the Final Approval.

The direct annual irrepealable tax hereby levied shall be collected in addition to all other taxes and in the same manner and at the same time as other taxes of the Village levied in said years are collected. So long as any part of the principal of or interest on the Notes remains unpaid, the tax herein above levied shall be and continues irrepealable except that the amount of tax carried onto the tax roll may be reduced in any year by the amount of any surplus in the Debt Service Fund Account created herein.

Section 8. Debt Service Fund Account. There is hereby established in the Village treasury a fund account separate and distinct from every other Village fund or account designated "Debt Service Fund Account for $4,655,000 Village of McFarland General Obligation Promissory Notes." There shall be deposited in said fund account any premium plus accrued interest paid on the Notes at the time of delivery to the Purchaser, all money raised by taxation pursuant to Section 7 hereof and all other sums as may be necessary to pay interest on the Notes when the same shall become due and to retire the Notes at their respective maturity dates. Said fund account shall be used for the sole purpose of paying the principal of and interest on the Notes and shall be maintained for such purpose until such indebtedness is fully paid or otherwise extinguished.

Section 9. Borrowed Money Fund. The proceeds of the Notes (the “Note Proceeds”) (other than any premium and accrued interest paid at the time of delivery which must be paid into the Debt Service Fund Account created above) shall be deposited into an account separate and distinct from all other funds and disbursed solely for the purposes for which borrowed or for the payment of the principal of and interest on the Notes.

Section 10. Arbitrage Covenant. The Village shall not take any action with respect to the Note Proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken on the date of the delivery of and payment for the Notes (the “Closing”), would cause the Notes to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) and any income tax regulations promulgated thereunder (the “Regulations”).

The Note Proceeds may be temporarily invested in legal investments until needed, provided however, that the Village hereby covenants and agrees that so long as the Notes remain outstanding, moneys on deposit in any fund or account created or maintained in connection with the Notes, whether such moneys were derived from the Note Proceeds or from any other source, will not be used or invested in a manner which would cause the Notes to be “arbitrage bonds” within the meaning of the Code or Regulations.

The Village Clerk, or other officer of the Village charged with responsibility for issuing the Notes, shall provide an appropriate certificate of the Village, for inclusion in the transcript of proceedings, setting forth the reasonable expectations of the Village regarding the amount and use of the Note Proceeds and the facts and estimates on which such expectations are based, all as of the Closing.

Section 11. Additional Tax Covenants; Exemption from Rebate; Qualified Tax Exempt Obligation Status. The Village hereby further covenants and agrees that it will take all necessary steps and perform all obligations required by the Code and Regulations (whether prior to or subsequent to the issuance of the Notes) to assure that the Notes are obligations described in Section 103(a) of the Code, the interest on which is excluded from gross income for federal income tax purposes, throughout their term. The Village Clerk or other officer of the Village charged with the responsibility of issuing the Notes, shall provide an appropriate certificate of the Village as of the Closing, for inclusion in the transcript of proceedings, certifying that it can and covenanting that it will comply with the provisions of the Code and Regulations.

Further, it is the intent of the Village to take all reasonable and lawful actions to comply with any new tax laws enacted so that the Notes will continue to be obligations described in Section 103(a) of the Code, the interest on which is excluded from gross income for federal income tax purposes.

In accordance with Section 148(f)(4)(D) of the Code, the Village covenants that it is a governmental unit with general taxing powers; that the Notes are not "private activity bonds" as defined in Section 141 of the Code; that ninety five percent (95%) or more of the net proceeds of the Notes are to be used for local governmental activities of the Village; and that the aggregate face amount of all tax exempt obligations (other than "private activity bonds") issued by the Village, including all subordinate entities of the Village, during calendar year 2020 will not exceed $5,000,000. If for any reason the Village did not qualify for the small issuer exemption or any other exemption from the rebate requirements of the Code, the Village covenants that it would take all necessary steps to comply with such requirements.

The Village hereby designates the Notes to be "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code and in support of such designation, the Village Clerk or other officer of the Village charged with the responsibility for issuing the Notes, shall provide an appropriate certificate of the Village as of the date of delivery and payment for the Notes.

Section 12. Persons Treated as Owners; Transfer of Notes. The Village Clerk (or a fiscal agent appointed as provided in Section 15 hereof, the "Fiscal Agent") shall keep books for the registration and for the transfer of the Notes. The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of either principal or interest on any Note shall be made only to the registered owner thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

Any Note may be transferred by the registered owner thereof by surrender of the Note at the office of the Village Clerk of Fiscal Agent, duly endorsed for the transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing. Upon such transfer, the Village Clerk or Fiscal Agent shall deliver in the name of the transferee or transferees a new Note or Notes of a like aggregate principal amount, series and maturity and the Village Clerk or Fiscal Agent shall record the name of each transferee in the registration book. No registration shall be made to bearer. The Village Clerk or Fiscal Agent shall cancel any Note surrendered for transfer.

The Village shall cooperate in any such transfer, and the Village President and Village Clerk are authorized to execute any new Note or Notes necessary to effect any such transfer.

The 15th day of each calendar month next preceding each interest payment date shall be the record date for the Notes. Payment of interest on the Notes on any interest payment date shall be made to the registered owners of the Notes as they appear on the registration book of the Village maintained by the Village Clerk of Fiscal Agent at the close of business on the corresponding record date.

Section 13. Utilization of The Depository Trust Company Book-Entry-Only-System. In order to make the Notes eligible for the services provided by The Depository Trust Company, New York, New York ("DTC"), the Village has heretofore agreed to the applicable provisions set forth in the DTC Blanket Issuer Letter of Representation and an officer of the Village has executed such Letter of Representation and delivered it to the DTC on behalf of the Village.

Section 14. Execution of the Notes. The Notes shall be issued in typewritten form, one Note for each maturity, executed on behalf of the Village by the manual or facsimile signatures of the Village Clerk and the Village President (except that one of the foregoing signatures shall be manual), sealed with its official or corporate seal, and delivered to the Purchaser upon payment to the Village of the purchase price thereof, plus accrued interest to the date of delivery. In the event that either of the officers whose signatures appear on the Notes shall cease to be such officers before the delivery of the Notes, such signatures shall, nevertheless, be valid and sufficient for all purposes to the same extent as if they had remained in office until such delivery.

The aforesaid officers are hereby authorized to do all acts and execute and deliver all documents as may be necessary and convenient to effectuate the Closing.

Section 15. Payment of the Notes. The principal of and interest on the Notes shall be paid by the Village Treasurer or his or her agent in lawful money of the United States. If market circumstances require, the Village Administrator, in the Final Approval, may engage and appoint a fiscal agent to act as bond registrar and paying agent on the Notes.

Section 16. Continuing Disclosure. The Village hereby covenants and agrees that it will comply with and carry out all of the provisions of its Continuing Disclosure Certificate which the Village will execute and deliver on the Closing Date. Any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Village to comply with its obligations under this Section.

Section 17. Conflicting Resolutions; Severability; Effective Date. All prior resolutions, rules or other actions of the Village or any parts thereof in conflict with the provisions hereof shall be, and the same are, hereby rescinded insofar as the same may so conflict. In the event that any one or more provisions hereof shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions hereof. The foregoing shall take effect immediately upon adoption and approval in the manner provided by law.

Adopted this 27th day of April, 2020.

____

Brad Czebotar
Village President

(SEAL)

ATTEST:

____

Cassandra Suettinger
Village Clerk/Treasurer

EXHIBIT A

Village of McFarland

$4,655,000 General Obligation Promissory Notes - 2020

Principal Repayment Schedule

December 1	Principal Amount
2021	$355,000
2022	$325,000
2023	$380,000
2024	$440,000
2025	$500,000
2026	$500,000
2027	$665,000
2028	$715,000
2029	$775,000

EXHIBIT B

(Form of Note)

UNITED STATES OF AMERICA
STATE OF WISCONSIN
DANE COUNTY
VILLAGE OF MCFARLAND
GENERAL OBLIGATION PROMISSORY NOTE

REGISTERED
NO. R-__

MATURITY DATE:	ORIGINAL DATE OF ISSUE:	INTEREST RATE:	CUSIP:
DECEMBER 1, 20__	JUNE 22, 2020	_.___%	580441___

DEPOSITORY OR ITS NOMINEE NAME: CEDE & CO.

PRINCIPAL AMOUNT: ____ DOLLARS
($______________)

KNOW ALL MEN BY THESE PRESENTS, that the Village of McFarland, Dane County, Wisconsin (the "Village"), hereby acknowledges itself to owe and for value received promises to pay to the Depository or its Nominee Name (the "Depository") identified above (or to registered assigns), on the maturity date identified above, the principal amount identified above, and to pay interest thereon at the rate of interest per annum identified above, all subject to the provisions set forth herein regarding redemption prior to maturity. Interest is payable semi-annually on June 1 and December 1 of each year commencing ______ 1, 20__ until the aforesaid principal amount is paid in full. Both the principal of and interest on this Note are payable in lawful money of the United States. Interest payable on any interest payment date shall be paid by wire transfer to the Depository in whose name this Note is registered on the Bond Register maintained by the Village Clerk or Treasurer at the close of business on the 15th day of the calendar month next preceding the semi-annual interest payment date (the "Record Date").

For the prompt payment of this Note together with interest hereon as aforesaid and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the Village are hereby irrevocably pledged.

This Note is one of an issue of Notes aggregating the principal amount of $4,655,000, all of which are of like tenor, except as to denomination, interest rate, maturity date and redemption provision, issued by the Village pursuant to the provisions of Chapter 67, Wisconsin Statutes, for the purpose of paying the costs of Village capital improvement projects to wit: facilities, street, highway and park improvements; community development expenses; and equipment acquisition, all as authorized by a resolution of the Village Board duly adopted by said governing body at a meeting held on April 27, 2020. Said resolution is recorded in the official minutes of the Village Board for said date.

At the option of the Village, the Notes maturing on December 1, 2028 and thereafter are subject to redemption prior to maturity on December 1, 2027 or on any date thereafter. Said Notes are redeemable as a whole or in part, from maturities selected by the Village and within each maturity by lot (as selected by the Depository), at the principal amount thereof, plus accrued interest to the date of redemption.

In the event the Notes are redeemed prior to maturity, as long as the Notes are in book-entry-only form, official notice of the redemption will be given by mailing a notice by registered or certified mail, or overnight express delivery, to the Depository not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. If less than all the Notes of a maturity are to be called for redemption, the Notes of such maturity to be redeemed will be selected by lot. Such notice will include but not be limited to the following: the designation, date and maturities of the Notes called for redemption, CUSIP numbers, and the date of redemption. Any notice mailed as provided herein shall be conclusively presumed to have been duly given, whether or not the Depository receives the notice. The Notes shall cease to bear interest on the specified redemption date, provided that federal or other immediately available funds sufficient for such redemption are on deposit at the office of the Depository at that time. Upon such deposit of funds for redemption the Notes shall no longer be deemed to be outstanding.

It is hereby certified and recited that all conditions, things and acts required by law to exist or to be done prior to and in connection with the issuance of this Note have been done, have existed and have been performed in due form and time; that the aggregate indebtedness of the Village, including this Note and others issued simultaneously herewith, does not exceed any limitation imposed by law or the Constitution of the State of Wisconsin; and that a direct annual irrepealable tax has been levied sufficient to pay this Note, together with the interest thereon, when and as payable. It is hereby further certified that the Village has designated this Note to be a "qualified tax-exempt obligation" pursuant to the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Note is transferable only upon the books of the Village kept for that purpose at the office of the Village Clerk or Treasurer. In the event that the Depository does not continue to act as depository for the Notes, and the Village Board appoints another depository, new fully registered Notes in the same aggregate principal amount shall be issued to the new depository upon surrender of the Notes to the Village Clerk or Treasurer, in exchange therefor and upon the payment of a charge sufficient to reimburse the Village for any tax, fee or other governmental charge required to be paid with respect to such registration. The Village Clerk or Treasurer shall not be obliged to make any transfer of the Notes (i) after the Record Date, (ii) during the fifteen (15) calendar days preceding the date of any publication of notice of any proposed redemption of the Notes, or (iii) with respect to any particular Note, after such Note has been called for redemption. The Village may treat and consider the Depository in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes whatsoever.

IN WITNESS WHEREOF, the Village of McFarland, Dane County, Wisconsin, by its governing body, has caused this Note to be executed for it and in its name by the signatures of its duly qualified Village President and Village Clerk/Treasurer; and to be sealed with its official or corporate seal, if any, all as of the 22nd day of June, 2020.

By:____
Brad Czebotar,
Village President

(SEAL)

By:____
Cassandra Suettinger,
Village Clerk/Treasurer

ASSIGNMENT

____

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

____

(Name and Address of Assignee)

____

(Social Security or other Identifying Number of Assignee)

the within Note and all rights thereunder and hereby irrevocably constitutes and appoints __________________, Legal Representative, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated:__________________________

Signature Guaranteed:

____
(e.g. Bank, Trust Company or Securities Firm)

____
(Depository or its Nominee Name)

____
(Authorized Officer)

NOTICE: The above-named Depository or its Nominee Name must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

Village of McFarland, WI

2020 General Obligation Promissory Notes

Preliminary - May 2020 13-May

Total Issue Est. Sources And Uses - $4,545,000 General Obligation Promissory Notes

Dated 06/22/2020 | Delivered 06/22/2020

	Village	Water	Total 2020 G.O. Notes
Sources Of Funds			
Par Amount of Notes	$3,900,000.00	$645,000.00	$4,545,000.00
Est. Reoffering Premium	153,028.55	23,633.10	176,661.65
Total Sources	**$4,053,028.55**	**$668,633.10**	**$4,721,661.65**
Uses Of Funds			
Total Underwriter's Discount (1.758%)	68,569.64	11,340.36	79,910.00
Deposit to Project Construction Fund	3,900,000.00	645,000.00	4,545,000.00
Rounding Amount	84,458.91	12,292.74	96,751.65
Total Uses	**$4,053,028.55**	**$668,633.10**	**$4,721,661.65**

Village of McFarland, WI

2020 General Obligation Promissory Notes

Preliminary - May 2020 13-May

$4,545,000 G.O. Notes Preliminary Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		YTM	Call Date	Call Price	Dollar Price
12/01/2021	Serial Coupon	2.000%	1.050%	350,000.00	101.355%		-	-	-	354,742.50
12/01/2022	Serial Coupon	2.000%	1.100%	320,000.00	102.162%		-	-	-	326,918.40
12/01/2023	Serial Coupon	2.000%	1.150%	370,000.00	102.859%		-	-	-	380,578.30
12/01/2024	Serial Coupon	2.000%	1.170%	430,000.00	103.581%		-	-	-	445,398.30
12/01/2025	Serial Coupon	2.000%	1.200%	490,000.00	104.201%		-	-	-	510,584.90
12/01/2026	Serial Coupon	2.000%	1.250%	495,000.00	104.627%		-	-	-	517,903.65
12/01/2027	Serial Coupon	2.000%	1.300%	655,000.00	104.949%		-	-	-	687,415.95
12/01/2028	Serial Coupon	2.000%	1.350%	690,000.00	104.586%	c	1.422%	12/01/2027	100.000%	721,643.40
12/01/2029	Serial Coupon	2.000%	1.400%	745,000.00	104.225%	c	1.518%	12/01/2027	100.000%	776,476.25
Total	-	-	-	**$4,545,000.00**	-	-	-	-	-	**$4,721,661.65**

Bid Information

Par Amount of Bonds	$4,545,000.00
Reoffering Premium or (Discount)	176,661.65
Gross Production	$4,721,661.65
Total Underwriter's Discount (1.758%)	$(79,910.00)
Bid (102.129%)	4,641,751.65
Total Purchase Price	$4,641,751.65
Bond Year Dollars	$28,057.38
Average Life	6.173 Years
Average Coupon	2.0000000%
Net Interest Cost (NIC)	1.6551650%
True Interest Cost (TIC)	1.6319812%

$4,545,000 General Obligation Promissory Notes Est. Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/22/2020	-	-	-	-	-
06/01/2021	-	-	85,597.50	85,597.50	-
12/01/2021	350,000.00	2.000%	45,450.00	395,450.00	481,047.50
06/01/2022	-	-	41,950.00	41,950.00	-
12/01/2022	320,000.00	2.000%	41,950.00	361,950.00	403,900.00
06/01/2023	-	-	38,750.00	38,750.00	-
12/01/2023	370,000.00	2.000%	38,750.00	408,750.00	447,500.00
06/01/2024	-	-	35,050.00	35,050.00	-
12/01/2024	430,000.00	2.000%	35,050.00	465,050.00	500,100.00
06/01/2025	-	-	30,750.00	30,750.00	-
12/01/2025	490,000.00	2.000%	30,750.00	520,750.00	551,500.00
06/01/2026	-	-	25,850.00	25,850.00	-
12/01/2026	495,000.00	2.000%	25,850.00	520,850.00	546,700.00
06/01/2027	-	-	20,900.00	20,900.00	-
12/01/2027	655,000.00	2.000%	20,900.00	675,900.00	696,800.00
06/01/2028	-	-	14,350.00	14,350.00	-
12/01/2028	690,000.00	2.000%	14,350.00	704,350.00	718,700.00
06/01/2029	-	-	7,450.00	7,450.00	-
12/01/2029	745,000.00	2.000%	7,450.00	752,450.00	759,900.00
Total	**$4,545,000.00**	**-**	**$561,147.50**	**$5,106,147.50**	**-**

Yield Statistics

Bond Year Dollars	$28,057.38
Average Life	6.173 Years
Average Coupon	2.0000000%
Net Interest Cost (NIC)	1.6551650%
True Interest Cost (TIC)	1.6319812%
Bond Yield for Arbitrage Purposes	1.2856104%
All Inclusive Cost (AIC)	1.6319812%

IRS Form 8038

Net Interest Cost	1.3144366%
Weighted Average Maturity	6.195 Years

Village of McFarland, WI

2020 General Obligation Promissory Notes

Preliminary - May 2020 13-May

$4,545,000 G.O. Notes Est. Summary Of Underwriter's Discount

Maturity	Concession	+ Takedown	= Total	Issuance Value
12/01/2021	-	-	-	350,000.00
12/01/2022	-	-	-	320,000.00
12/01/2023	-	-	-	370,000.00
12/01/2024	-	-	-	430,000.00
12/01/2025	-	-	-	490,000.00
12/01/2026	-	-	-	495,000.00
12/01/2027	-	-	-	655,000.00
12/01/2028	-	-	-	690,000.00
12/01/2029	-	-	-	745,000.00
Total	-	-	-	**$4,545,000.00**

Underwriting & Issuance Expenses

Total Underwriting Risk (0.800%)	$36,360.00
Total Underwriters Expenses (0.958%)	$43,550.00
TOTAL UNDERWRITING SPREAD (1.758%)	$79,910.00

Village of McFarland, WI

2020 General Obligation Promissory Notes

Village Purposes 13-May

Preliminary - April 2020

$3,900,000 Village Portion of $4,545,000 G.O. Notes Est. Debt Service

Calendar Year	Principal	Coupon	Interest	Est. Total Debt Service	Village Purp Existing D/S	Combined Est. Debt Service
2020	-	-	-	-	-	-
2021	285,000.00	2.000%	112,450.00	397,450.00	1,441,259.00	1,838,709.00
2022	250,000.00	2.000%	72,300.00	322,300.00	1,432,748.00	1,755,048.00
2023	300,000.00	2.000%	67,300.00	367,300.00	1,444,047.00	1,811,347.00
2024	360,000.00	2.000%	61,300.00	421,300.00	1,449,948.00	1,871,248.00
2025	420,000.00	2.000%	54,100.00	474,100.00	1,457,600.00	1,931,700.00
2026	420,000.00	2.000%	45,700.00	465,700.00	1,452,920.00	1,918,620.00
2027	580,000.00	2.000%	37,300.00	617,300.00	876,200.00	1,493,500.00
2028	615,000.00	2.000%	25,700.00	640,700.00	200,850.00	841,550.00
2029	670,000.00	2.000%	13,400.00	683,400.00	-	683,400.00
-	**$3,900,000.00**	-	**$489,550.00**	**$4,389,550.00**	**$9,755,572.00**	**$14,145,122.00**

Village of McFarland, WI

2020 General Obligation Promissory Notes

Water Utility 13-May

Preliminary - April 2020

$645,000 Water Portion $4,545,000 G.O. Notes Est. Debt Service

Calendar Year	Principal	Coupon	Interest	Est. Total Debt Service	Water Purp Existing D/S	Combined Est. Debt Service
2020	-	-	-	-	-	-
2021	65,000.00	2.000%	18,597.50	83,597.50	361,452.00	445,049.50
2022	70,000.00	2.000%	11,600.00	81,600.00	364,878.00	446,478.00
2023	70,000.00	2.000%	10,200.00	80,200.00	368,277.00	448,477.00
2024	70,000.00	2.000%	8,800.00	78,800.00	376,477.00	455,277.00
2025	70,000.00	2.000%	7,400.00	77,400.00	193,200.00	270,600.00
2026	75,000.00	2.000%	6,000.00	81,000.00	103,700.00	184,700.00
2027	75,000.00	2.000%	4,500.00	79,500.00	100,850.00	180,350.00
2028	75,000.00	2.000%	3,000.00	78,000.00	103,000.00	181,000.00
2029	75,000.00	2.000%	1,500.00	76,500.00	-	76,500.00
-	**$645,000.00**	-	**$71,597.50**	**$716,597.50**	**$1,971,834.00**	**$2,688,431.50**

VILLAGE OF
McFarland

VILLAGE BOARD SUMMARY SHEET

MEETING DATE: **Wednesday, May 27, 2020**

SECTION: **Business**

DEPARTMENT: **Administration**

CONTACT: **Matt Schuenke, Village Administrator**

AGENDA ITEM: **Discussion and presentation regarding financial impacts on Village operations during COVID-19 Pandemic.**

PREVIOUS ACTION:
None.

ISSUE SUMMARY:
Please find enclosed a memorandum reviewing our current financial situation related to the pandemic. This is an attempt to provide some perspective on revenues, expenses, personnel, and reimbursement issues. We have a long way to go on this but this at least provides perspective as to where we are at today.

This was presented to the Village Board on May 11th. The Village Board will again review this same information at its meeting on June 22nd.

FINANCIAL/BUDGET IMPACT:
Information on the financial impact is contained within the memorandum.

VILLAGE PLAN REFERENCE:
None.

ORDINANCE REFERENCE:
None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:
Presented for discussion.

ATTACHMENTS:
1. COVID19 Financial Impact Analysis Memorandum 05082020 mgs

www.mcfarland.wi.us | 5915 Milwaukee St, McFarland, WI 53558 | 608.838.3153

Memorandum

To: Village Board of Trustees
From: Matthew G. Schuenke, Village Administrator MGS

Cc: Department Heads

Date: May 8, 2020

Re: COVID-19 Financial Impact Analysis

Executive Summary

The Village Board declared a local emergency on March 17, 2020 as a result of the dangerous impacts presented by the pandemic. Federal, State, and County governments had also taken similar actions speaking to the serious implications this has. Since that time the Village has adjusted in a number of ways and endured a variety of challenges to continue to provide essential services. This no doubt has an impact on our organization financially and this memorandum is meant to provide a synopsis of that impact, both in terms of trends that may be present as well as direct expenses that may have been incurred. This is only a single vantage point at one moment in time and our response to navigate the financial impacts of this pandemic will require consistent analysis and action over a long period of time.

Revenues

In order to provide a historical perspective on revenue collections compared to the current environment, we prepared the monthly actual collections for January through April of the previous 5 years. This is then compared to the same four months of 2020 for the General Fund and Utilities Fund. These are our two largest funds that fuel the main operations of the Village with the General Fund mainly reliant on property taxes and Utility Fund on charges for services. Some observations are provided regarding each of the funds based on the data that is shown.

General Fund

Month	2015	2016	2017	2018	2019	2020
January	3,442,195	3,524,973	3,581,548	3,912,172	3,824,858	4,026,587
February	89,925	123,171	415,691	131,374	91,528	102,203
March	175,093	87,205	73,294	198,578	171,515	113,860
April	185,197	179,263	195,190	244,548	228,078	333,620
Total	3,892,410	3,914,612	4,265,723	4,486,672	4,315,979	4,576,270
Average	973,102	978,653	1,066,430	1,121,668	1,078,995	1,144,067

*** The Village sold property in February of 2017 to the School District in the amount of $335,000.

Thus far revenue collections appear on pace with what we would usually expect at this point in the year. Property tax makes up 60% of the total revenue within the General Fund with about 75% collected as of January 31st. The second highest revenue collection we have from a single source is through the State with the funds they provide for various purposes making up 11% of the total. This presently is on pace as we would expect with 33% of the revenue collected to date; however, the Governor has ordered State agencies to cut 5% of their costs within their current operating budgets. Thus far, it has been stated these cuts will not affect the revenues we receive. For perspective if they did, a 5% cut in State revenue would equal approximately $35,000. A few other revenue sources to call attention to that we will be tracking through the emergency response:

Revenue	% of Budget	Jan	Feb	Mar	Apr	2020 Avg	2019 Avg
Ambulance Fees	4.45%	26,193	17,948	31,572	34,669	27,595	21,980
Citations	1.59%	7,704	9,126	11,316	5,305	8,362	10,492
Interest	1.56%	13,804	8,634	1,381	3,446	6,816	14,138
Intergov Rev	5.69%	6,456	6,745	8,984	106,691	32,219	30,975
Permits	3.75%	9,438	15,897	12,627	39,045	19,251	16,327

Each of these items is tied to certain activities some of which is linked to economic conditions and others as a result of how we've adjusted service as a result of the emergency declaration. They make up 17.04% of our total revenue and when combined with Property Tax and general State revenue represent a total of 88% of our total revenue. The remaining 12% of our revenue not listed here are spread out across multiple line items at smaller amounts tied to different purposes.

The green highlight within the table represents that those line items currently are trending to hit their approved budget amount or exceed it while yellow notes those line items might hit their approved budget amount or are more likely to fall short of this amount. Red notes those line items that are likely to fall well short of what was approved for their budget in 2020. A few notes about each of those lines:

- Ambulance Fees – This revenue line item should attain its approved level or slightly exceed it. Collections for this item are usually several weeks behind and do the virus that delay is longer. Effects on this line item likely will not truly be seen until the Summer once more time has elapsed for paperwork from calls in March and April to go through property channels. Call volume did dip in March heading into April after being very high in February all of which was related to the virus. It has since started to increase again heading into May and likely will trend that way for the time being depending on whether a second "surge" is to happen or not. The Department is eligible for and has received some funds for lost revenue through the CARES Act and will continue to file through that program helping to make this item whole. We do not anticipate substantial losses within this line item.

- Citations – Since the beginning of the Emergency Declaration this has been trending downward mostly due to a reduction in call volume (i.e. – people are mostly at home now) and changes in how service is provided (i.e. – limiting in person contact). We would likely be seeing an upward trend heading from Winter to Spring to Summer, but with noted changes this decline is not unexpected. Projected losses at $0-$5,000 and will depend on how conditions evolve.

- Interest – No question this line item is significantly impacted as well as directly tied to the volatile economic condition. Started off the year strong but into immediate decline in March followed by a small rebound in April. The budget for this line item is $100,000 and we have currently collected approximately $27,000. If the current average holds for the year, then we might expect to fall about $20,000 short but that could be as much as $50,000 depending on how things progress.

- Intergovernmental Revenue – These are all revenues received from other municipalities (i.e. County, School, Villages, Towns) for services we provide in Fire and Rescue, Senior Outreach, and Police Department. Unless the agreements were altered this year (not presently being discussed to alter them), then we would expect to collect the amounts agreed to which would indicate this line item will achieve the amount approved within the budget.

- Permits – This line item represents our building permits and thus far has been very strong. Usually there is a progression here too with activity building from Winter into Summer. While the average suggests higher collections than the prior year at this point, this line item is likely to reach its budget level or fall short as we continue to monitor the affects of the virus on construction. Another indicator here is that there were no permits issued in April for new construction of single-family homes whereas in the previous year we received 6. Permitting for new construction began the year very strong and above prior years which is currently helping to offset a lower activity month in April but is likely to continue into May. Projected losses at $0-$20,000 and will depend on how conditions evolve.

While the Village is not immune to the financial impacts the virus outbreak has on our revenues, for the most part at this point in time they appear to be holding up generally well compared to places elsewhere.

Utilities Fund

Month	2015	2016	2017	2018	2019	2020
January	97,139	100,464	125,399	147,926	115,864	128,032
February	176,434	180,711	209,221	180,730	211,605	218,982
March	161,581	174,624	137,175	167,283	205,830	210,091
April	169,782	175,660	147,246	168,746	217,155	204,937
Total	604,936	631,459	619,041	664,685	750,454	762,042
Average	151,234	157,864	154,760	166,171	187,613	190,510

Revenue collected within the Utilities Fund comes from the charges residents pay for sewer and water services. It should be noted that the Village waived its late fee and interest penalty charges with the Emergency Declaration meaning that people essentially did not have to pay if they were not able to. We also waived fees to encourage more electronic payments both through bank to bank transactions and credit/debit cards. The response thus far suggests that most people continue to pay as they normally would with collections almost mirroring what we experienced in 2019, in fact is slightly higher thus far. It does also show a slight dip from March to April this year while in past years it shows a slight increase. We will have to remain watchful over the next several weeks and months to track the impact the virus has on this revenue stream over a longer period of time.

Expenses

In order to provide a historical perspective on expenditures compared to the current environment, we prepared the monthly actual collections for January through April of the previous 5 years. This is then compared to the same four months of 2020 for the General Fund and Utilities Fund. These are our two largest funds that fuel the main operations of the Village with the General Fund containing the expenses for nearly all of our Departments providing costs for core services and Utility Fund providing sewer and water service. Some observations are provided regarding each of the funds.

General Fund

Month	2015	2016	2017	2018	2019	2020
January	495,998	302,672	486,361	554,160	779,089	530,066
February	341,671	425,006	381,313	397,884	420,141	639,404
March	468,083	352,057	336,962	554,448	512,792	476,242
April	401,924	469,606	495,608	436,670	437,764	459,944
Total	1,707,676	1,549,341	1,700,244	1,943,162	2,149,786	2,105,656
Average	426,919	387,335	425,061	485,790	537,446	526,414

***For those that can recall, the first portion of 2016 for the Village had a lot of Staffing turnover which created several vacancies contributing to a lower than average expenses during that period.

Expenses appear to be trending at normal levels to support operations thus far including additional expenses incurred as a result of the virus. The average monthly cost this year is showing less than the previous year and in line with the progression of growth from the previous 5 years. Our costs as they reflect general observations are not showing large spikes in expense and continue to present themselves evenly. There are a number of direct costs associated with our response to the virus included within the above numbers that are broken out by Department below:

Legal	840.80		
Administration	3,745.01	Public Works	222.63
Elections	2,478.99	Senior Outreach	1,664.80
Facility Management	4,867.46	Parks	79.98
Police Department	4,363.62	Communications and Technology	18.99
Fire and Rescue Department	1,509.52	Library	429.24
Community Development	28.37	Utilities	354.57
		Total	20,603.98

These costs will grow as we did incur additional legal expense and contracted services (yard waste collection) that has not been expensed as of yet as well as our needs as they relate to the virus has not ended. We would anticipate applying to FEMA and other sources where possible in an attempt to reimburse these costs. Ideally, we should expect to receive reimbursement for about half of these costs as they are eligible.

Utilities Fund

Month	2015	2016	2017	2018	2019	2020
January	117,604	65,212	147,570	298,833	163,841	135,678
February	99,552	79,174	84,367	51,694	52,243	103,250
March	83,102	104,051	38,127	69,425	67,659	67,442
April	204,314	251,056	211,635	224,680	233,936	261,433
Total	504,572	499,493	481,699	644,632	517,679	567,803
Average	126,143	124,873	120,424	161,158	129,419	141,950

Expenses for the Utilities Fund continue to trend within normal levels. Costs did increase from March to April after a decrease from February but historically this is consistent with what we would expect. The average for the year thus far is higher than the previous year but less than the year prior to that. Revenues shown above exceed the expenses listed here helping to demonstrate our ability to meet our obligations within the utility and not deficit spend.

Personnel

There are two aspects to review monetarily when evaluating the impact of our emergency response. The first is the utilization by Employees of the new paid leave programs established by the Federal Government. They created the Emergency Paid Sick Leave ("EPSL") and Emergency Family and Medical Leave Expansion Act ("EFMLEA"). These were authorized on March 31st by the Village President and Administrator as part of our authority within the Emergency Declaration so that they could be effective as of April 1st as intended under the law. The Village Board took action to confirm this at their meeting on April 13th and in doing so did not designate emergency responders in the process which would have exempted certain classifications of employees from accessing these benefits. To date neither benefit has been widely used. The total cost to the Village associated with EPSL is $1,835.74 and no one has thus far requested use of EFMLEA.

The second is the “staggering” that has been employed by most Departments to ensure continuity of services. Each Department created a plan by which they would continue to provide essential service, protect the safety of their employees, and make sure essential services could be performed if Staff become unable to respond as a result of being infected by the virus. The staggering used provides that half of the workforce within that Department is present and working while the other half is at home. After a week they shift helping to isolate them in the process to avoid cross contamination. The cost for this is tracked through payroll as a Village Emergency Paid Leave code when the employee is not present, when they are here they are paid through the normal pay codes. The total estimated cost as a result of this is thus far $43,976; however, this cost is provided for within approved operating budgets that would otherwise have been expended if they were present and working in absence of the virus. Some staggering is achieved by allowing employees to work from home but is not applicable in all cases. This is authorized by the Emergency Declaration that was approved by the Village Board on March 17th.

Reimbursement

Thus far there are two opportunities to seek reimbursement for the Village. The first is through FEMA as we would normally do under any disaster declaration. Village Staff will be filing our Request for Public Assistance form with FEMA in May to initiate the process but there is no end date on the disaster as its been declared. We may not file for the reimbursement until later in the year as the process is a significant undertaking to complete and would be ideal to do once versus multiple times. Reimbursement through this program will focus on our management, control, and reduction of immediate threats to public health and safety. The main avenue here for reimbursement are personal protective equipment, additional cleaning expenses, and some administrative costs. This will not reimburse lost revenue nor will they reimburse costs for doing more of something that we would otherwise normally do. Staff is familiar with this process having completed it before (most recently for flooding in 2018/2019).

The CARES Act is another avenue for reimbursement and specifically for the wages the Village is paying through the above Emergency Paid Leave. This is not specific to local governments but to employers of our size to assist in payroll costs associated with the virus response. This continues to be evaluated and may be an opportunity to recoup costs associated with our payment to employees in order to make up for work lost.

The Village continues to monitor other avenues for reimbursement that are being discussed through agencies like the League of Wisconsin Municipalities. They continue to lobby within the State and through their national branch to the Federal Government for additional relief towards municipalities. Efforts remain underway to lobby the Federal Government to provide stimulus money to local governments for lost revenues as well as other damages caused by the virus. Nothing concrete as of yet, but it is an active discussion and municipalities across Wisconsin continue to work through the League to push for this additional relief.

Closing

There is a lot that remains to be seen as far as the financial implications of this virus. The information here would demonstrate we are well suited to weather the impacts in the short term and as always we will continue to monitor certain indicators that would affect us over the long term. Two additional final observations:

- Fund Balance – Based on the information presented here it appears the funds authorized for use within our current operating year of 2020 should be sufficient to address our needs without having to tap into other sources. If we did need to tap into our reserves, the Village currently has a very healthy fund balance to fall back onto for unforeseen expenses, losses in revenue, and maintaining cash flow. At the end of 2018 (the audit for 2019 is not complete), the unassigned fund balance within the General Fund was $2,359,134 which represents 37% of our budgeted operating expenditures. It is relevant to know that it is there, but thus far does not appear needed. If we wanted to avoid using it in the future, certain additional cost cutting measures could be evaluated as applicable.

- Property Tax – The impact on our main source of revenue in 2020 does not appear to be material mainly because a vast majority of the collections were completed in January. The remainder will be provided this Fall by Dane County who will also make us whole if there are delinquencies. The virus impact on property tax probably does not show itself as part of the 2021 Budget either since the Property Tax Levy is applied to values established on January 1, 2020 that are payable in 2021. The larger global impacts the virus has had on the economy as they relate to property values would start to show up as of January 1, 2021 which would affect our operations in budget year 2022.

We will continue to make report on this from month to month as we work through the emergency and call out any material changes in the finances as a result of the virus.