

VILLAGE OF SHOREWOOD HILLS

Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

VILLAGE OF SHOREWOOD HILLS

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Shorewood Hills
Madison, 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 Shorewood Hills, 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 Shorewood Hills' 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 Shorewood Hills' 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 Shorewood Hills' 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 Shorewood Hills, 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 I, the Village of Shorewood Hills adopted the provisions of GASB 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 1, 2020

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2019

The management of the Village of Shorewood Hills offers all persons interested in the financial position of the village this narrative overview and analysis of the village's financial performance during the fiscal year ending December 31, 2019. You are invited to read this narrative in conjunction with the village's financial statements.

FINANCIAL HIGHLIGHTS

- > The assets of the Village of Shorewood Hills exceeded its liabilities by \$3,433,639. Of this amount, (\$2,278,050) is considered unrestricted net position (deficit) and \$4,808,115 is net investment in capital assets. The remainder is restricted.
- > The village's total net position increased \$1,608,095. Governmental activities net position increased by \$641,710, and business-type activities net position increased by \$966,385.
- > On December 31, 2019, the village's governmental funds reported combined fund balances of \$3,253,573, an increase of \$1,044,891 from 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the village's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the village:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the village's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of the village government, reporting the village's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS (cont.)

The two government-wide statements report the village's net position and how it has changed. Net Position – the difference between the village's assets and liabilities and deferred outflows/inflows – is one way to measure the village's financial health, or position. Over time, increases or decreases in the village's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the village you need to consider additional nonfinancial factors such as changes in the village's property tax base and the condition of the village's roads.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

As noted in Note I.B of the financial statements, the village implemented GASB Statement No. 84 – *Fiduciary Activities* on January 1, 2019.

FUND FINANCIAL STATEMENTS

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

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

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

The village maintains eight 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, swimming pool, debt service fund, capital improvement fund, Tax Incremental District No. 3 fund, Tax Incremental District No. 4 fund, and Tax Incremental District No.5 fund, each of which are considered to be major funds. The village has one nonmajor fund: waterfront, which is also presented on the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances.

The village adopts an annual appropriated budget for all its funds.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Proprietary Funds – The village maintains three different types of proprietary funds (water, sewer, and stormwater utilities), each of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary 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.

Notes to 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.

Other Information – In addition to the basis financial statements and accompanying notes, *required supplementary information* presents a detailed budget comparison schedule for the general fund and swimming pool fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. 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 nonfinancial factors, including economic conditions, population growth and new regulations. Internal balances have been shown at gross.

A summary of the village's Statement of Net Position is presented below in Table 1.

Table 1
Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019 *	2018 *
Current and other assets	\$ 8,051,316	\$ 6,904,601	\$ 175,429	\$ 141,018	\$ 8,226,745	\$ 7,045,619
Capital assets	10,964,821	9,173,374	5,826,522	5,213,683	16,791,343	14,387,057
Total Assets	<u>19,016,137</u>	<u>16,077,975</u>	<u>6,001,951</u>	<u>5,354,701</u>	<u>25,018,088</u>	<u>21,432,676</u>
Deferred outflows of resources	<u>925,239</u>	<u>549,156</u>	<u>83,965</u>	<u>52,751</u>	<u>1,009,204</u>	<u>601,907</u>
Long-term debt outstanding	14,463,579	12,004,172	2,083,274	2,255,665	16,546,853	14,259,837
Other liabilities	852,120	614,055	402,042	564,964	1,254,162	1,179,019
Total Liabilities	<u>15,315,699</u>	<u>12,618,227</u>	<u>2,485,316</u>	<u>2,820,629</u>	<u>17,801,015</u>	<u>15,438,856</u>
Deferred inflows of resources	<u>4,760,400</u>	<u>4,728,989</u>	<u>32,238</u>	<u>41,194</u>	<u>4,792,638</u>	<u>4,770,183</u>
Net investment in capital assets	2,192,143	234,475	3,743,248	2,959,527	4,808,115	2,789,092
Restricted	903,574	696,782	-	20,474	903,574	717,256
Unrestricted (deficit)	<u>(3,174,092)</u>	<u>(1,651,342)</u>	<u>(231,234)</u>	<u>(434,372)</u>	<u>(2,278,050)</u>	<u>(1,680,804)</u>
Total Net Position	<u>\$ (78,375)</u>	<u>\$ (720,085)</u>	<u>\$ 3,512,014</u>	<u>\$ 2,545,629</u>	<u>\$ 3,433,639</u>	<u>\$ 1,825,544</u>

* The total column reflects a capital debt adjustment. See Note I.D.9. for further information.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2019

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

One portion of the village's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide services 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 used to liquidate these liabilities.

The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 2
Condensed Statement of Activities**

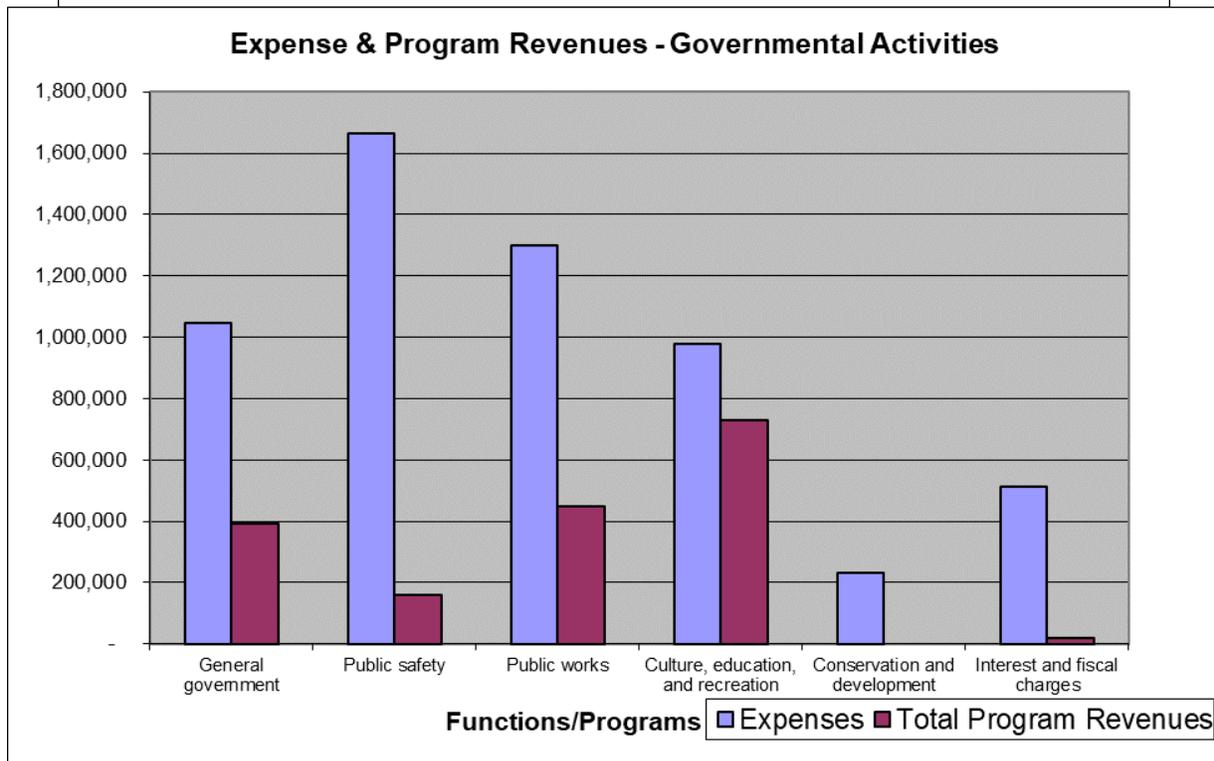
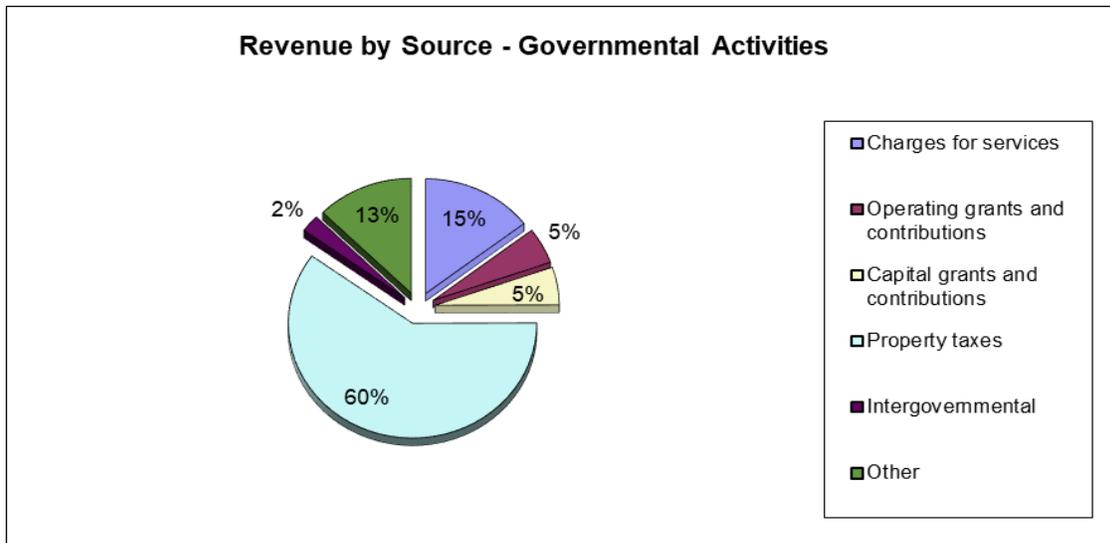
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues						
Charges for services	\$ 1,020,497	\$ 1,002,923	\$ 1,154,274	\$ 1,076,448	\$ 2,174,771	\$ 2,079,371
Operating grants and contributions	355,830	366,831	15,460	16,271	371,290	383,102
Capital grants and contributions	373,680	-	-	-	373,680	-
General Revenues						
Property taxes	4,207,295	3,876,879	-	-	4,207,295	3,876,879
Intergovernmental	170,641	161,136	-	-	170,641	161,136
Other	883,490	471,751	-	-	883,490	471,751
Total Revenues	<u>7,011,433</u>	<u>5,879,520</u>	<u>1,169,734</u>	<u>1,092,719</u>	<u>8,181,167</u>	<u>6,972,239</u>
Expenses:						
General government	1,047,381	1,138,160	-	-	1,047,381	1,138,160
Public safety	1,664,353	1,748,478	-	-	1,664,353	1,748,478
Public works	1,299,498	875,446	-	-	1,299,498	875,446
Culture, education and recreation	978,812	815,021	-	-	978,812	815,021
Conservation and development	232,036	150,377	-	-	232,036	150,377
Water	-	-	369,431	430,905	369,431	430,905
Sewer	-	-	310,685	296,921	310,685	296,921
Stormwater	-	-	157,829	140,893	157,829	140,893
Interest and fiscal charges	513,047	349,172	-	-	513,047	349,172
Total Expenses	<u>5,735,127</u>	<u>5,076,654</u>	<u>837,945</u>	<u>868,719</u>	<u>6,573,072</u>	<u>5,945,373</u>
Income Before Transfers	1,276,306	802,866	331,789	224,000	1,608,095	1,026,866
Transfers	<u>(634,596)</u>	<u>56,960</u>	<u>634,596</u>	<u>(56,960)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	641,710	859,826	966,385	167,040	1,608,095	1,026,866
Beginning Net Position (deficit)	<u>(720,085)</u>	<u>(1,579,911)</u>	<u>2,545,629</u>	<u>2,378,589</u>	<u>1,825,544</u>	<u>798,678</u>
Ending Net Position (deficit)	<u>\$ (78,375)</u>	<u>\$ (720,085)</u>	<u>\$ 3,512,014</u>	<u>\$ 2,545,629</u>	<u>\$ 3,433,639</u>	<u>\$ 1,825,544</u>

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

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

As previously noted, the Statement of Net Position shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.



VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

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

GOVERNMENTAL ACTIVITIES

Governmental activities increased the village's net position by \$641,710. This increase is a result of donation of land for improvements.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the village's net position by \$966,385. This increase is primarily a result of the following items:

- > The water utility had an increase in net position of \$482,115. Operating income for the water utility was \$293,471. The nonoperating expenses, net of revenues, were \$46,596. In addition, there were transfers out of \$113,162 and \$292,054 contributions of capital paid by the municipality.
 - > The sewer utility had an increase in net position of \$167,370. This was due to an operating income of \$87,418, nonoperating revenue of \$3,095, interest expense of \$20,259, and capital paid by the municipality of \$97,116.
 - > The stormwater utility had an increase in net position of \$373,248. This was due to an operating income of \$36,344, nonoperating revenue of \$4,636, interest expense of \$26,320, and capital paid in by the municipality of \$358,588.
-

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

GOVERNMENTAL FUNDS

General Fund

The village's general fund is the chief operating fund of the village. Total fund balance in the general fund increased \$1,197. Income before transfers was \$921,477.

The village evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the current year's general fund budget. For 2019, unassigned fund balance is \$956,371 and the general fund expenditure budget was \$3,899,719, resulting in an unassigned fund balance of 24.5%.

Swimming Pool Fund

The village's swimming pool fund accounts for resources committed to supporting expenditures for the swimming pool program. Total fund balance in the swimming pool fund is \$344,635, which is an increase of \$19,029 from the prior year.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

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

GOVERNMENTAL FUNDS (cont.)

Debt Service Fund

The village's debt service fund accounts for resources that are restricted to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt. Total fund balance in the debt service fund is \$19,890, which is an increase of \$19,890 from the prior year.

Capital Improvement Fund

The village's capital improvement fund accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects. Total fund balance in the capital improvement fund is \$895,973, which is an increase of \$118,820 from the prior year.

TID No. 3

The village's TID No. 3 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Total fund balance in the TID No. 3 fund is \$606,937, which is an increase of \$520,484 from the prior year.

TID No. 4

The village's TID No. 4 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Total fund balance in the TID No. 4 fund is \$329,635, which is an increase of \$329,292 from the prior year.

TID No. 5

The village's TID No. 5 fund accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing. Fund balance in the TID No. 5 fund is \$3,515, which is an increase from a \$45,529 deficit in the prior year. TID No. 5 began collecting TIF increment in 2018.

Nonmajor Governmental Fund - Waterfront

Fund balance for the nonmajor governmental fund, waterfront, is \$43,502, which is a decrease of \$9,350 from the prior year.

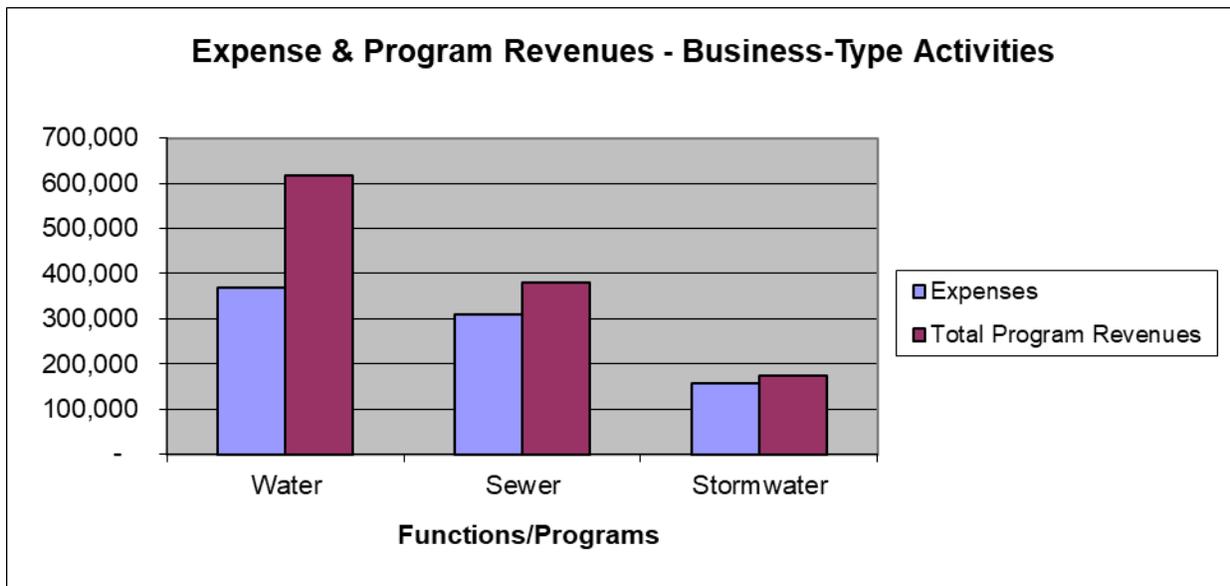
VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

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

PROPRIETARY FUNDS

The Village of Shorewood Hills' proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the village's business-type activities.



GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget had total revenues and other sources of approximately \$3,899,719; and total appropriations of approximately \$3,899,719. The budget was not amended during the year.

Total revenues and other sources were \$4,081,291, which was \$181,572 greater than the budget. This was primarily due to insurance recoveries received not budgeted for, as well as a larger than budgeted interest on investments.

Actual expenditures and other uses were \$4,080,094, resulting in a negative variance of \$180,375. This was primarily due to negative variances in public safety and public works. The negative variance in public safety was primarily due to an increase in part-time duty wages. The negative variance in public works was due to unbudgeted expenses related to flood recovery, and an increase in non-aidable wages and benefits. Variances within general government expenditures, between administration and clerk, are a result of part-time clerk wages allocated to administration during 2019. In the 2020, these wages will be budgeted and expensed in the clerk department.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED As of and for the Year Ended December 31, 2019

CAPITAL ASSETS

At the end of 2019, the village had invested a total of \$16,791,343 in capital assets. This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. This investment does not include infrastructure acquired prior to 2004, which the village is not required to record.

**Table 3
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,971,448	\$ 1,288,934	\$ 11,512	\$ 11,512	\$ 1,982,960	\$ 1,300,446
Land improvements	1,122,475	1,122,475	-	-	1,122,475	1,122,475
Construction in progress	144,986	28,555	-	-	144,986	28,555
Buildings	3,114,565	3,102,465	-	-	3,114,565	3,102,465
Machinery and equipment	2,287,337	1,743,338	-	-	2,287,337	1,743,338
Infrastructure	6,214,043	5,585,136	-	-	6,214,043	5,585,136
Intangibles	51,980	19,500	-	-	51,980	19,500
Utility plant	-	-	7,390,799	6,677,253	7,390,799	6,677,253
Total Capital Assets	14,906,834	12,890,403	7,402,311	6,688,765	22,309,145	19,579,168
Less: Accumulated Depreciation	(3,942,013)	(3,717,029)	(1,575,789)	(1,475,082)	(5,517,802)	(5,192,111)
Net Capital Assets	\$ 10,964,821	\$ 9,173,374	\$ 5,826,522	\$ 5,213,683	\$ 16,791,343	\$ 14,387,057

Additional information on the village's capital assets can be found in Note III. C.

LONG-TERM DEBT

At December 31, 2019, the village had \$15,770,000 of general obligation long-term notes and bonds outstanding.

Total long-term notes and bonds outstanding at December 31, 2019 increase by \$1,630,000. This was due to issuance of debt in current year.

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 \$31,768,515. Total general obligation debt outstanding at year-end was \$15,770,000. Therefore, the village was at 49.6% of its legal debt limit.

**Table 4
Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Debt	<u>\$13,740,566</u>	<u>\$11,898,838</u>	<u>\$ 2,029,434</u>	<u>\$ 2,241,162</u>	<u>\$15,770,000</u>	<u>\$14,140,000</u>

Additional information on the village's long-term debt can be found in Note III. F.

VILLAGE OF SHOREWOOD HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
As of and for the Year Ended December 31, 2019

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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

All other currently known facts and economic conditions were considered in preparing the 2020 village budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have questions about this report, or need additional financial information, contact Karl Frantz, Village Administrator.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF NET POSITION As of December 31, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 3,297,636	\$ 40,396	\$ 3,338,032
Receivables			
Taxes receivable	4,320,553	-	4,320,553
Accounts	123,918	135,033	258,951
Delinquent personal property taxes	7,171	-	7,171
Internal balances	358,386	(358,386)	-
Capital Assets			
Land	1,971,448	11,512	1,982,960
Construction in progress	144,986	-	144,986
Other capital assets, net of depreciation	<u>8,848,387</u>	<u>5,815,010</u>	<u>14,663,397</u>
Total Assets	<u>19,072,485</u>	<u>5,643,565</u>	<u>24,716,050</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	881,564	60,501	942,065
Loss on refunding	<u>43,675</u>	<u>23,464</u>	<u>67,139</u>
Total Deferred Outflows of Resources	<u>925,239</u>	<u>83,965</u>	<u>1,009,204</u>
LIABILITIES			
Accounts payable and accrued expenses	479,021	78,142	557,163
Deposits	250	-	250
Due to other governmental units	542	-	542
Short term notes payable	50,000	-	50,000
Noncurrent Liabilities			
Due within one year	1,580,735	200,262	1,780,997
Due in more than one year	12,882,844	1,883,012	14,765,856
Net pension liability	<u>322,307</u>	<u>21,862</u>	<u>344,169</u>
Total Liabilities	<u>15,315,699</u>	<u>2,183,278</u>	<u>17,498,977</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	4,318,812	-	4,318,812
Pension related amounts	<u>441,588</u>	<u>32,238</u>	<u>473,826</u>
Total Deferred Inflows of Resources	<u>4,760,400</u>	<u>32,238</u>	<u>4,792,638</u>
NET POSITION			
Net investment in capital assets	2,192,143	3,743,248	4,808,115
Restricted	903,574	-	903,574
Unrestricted (deficit)	<u>(3,174,092)</u>	<u>(231,234)</u>	<u>(2,278,050)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (78,375)</u>	<u>\$ 3,512,014</u>	<u>\$ 3,433,639</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 1,047,381	\$ 18,486	\$ -	\$ 373,680
Public safety	1,664,353	137,496	24,187	-
Public works	1,299,498	135,198	312,842	-
Culture, education and recreation	978,812	729,317	-	-
Conservation and development	232,036	-	-	-
Interest and fiscal charges	<u>513,047</u>	<u>-</u>	<u>18,801</u>	<u>-</u>
Total Governmental Activities	<u>5,735,127</u>	<u>1,020,497</u>	<u>355,830</u>	<u>373,680</u>
Business-type Activities				
Water	369,431	608,577	7,729	-
Sewer	310,685	377,844	3,095	-
Stormwater	<u>157,829</u>	<u>167,853</u>	<u>4,636</u>	<u>-</u>
Total Business-type Activities	<u>837,945</u>	<u>1,154,274</u>	<u>15,460</u>	<u>-</u>
Total	<u>\$ 6,573,072</u>	<u>\$ 2,174,771</u>	<u>\$ 371,290</u>	<u>\$ 373,680</u>

General Revenues

 Taxes

 Property taxes, levied for general purposes

 Property taxes, levied for TIF districts

 Intergovernmental revenues not restricted to specific programs

 Public gifts and grants

 Investment income

 Miscellaneous

 Total General Revenues

Transfers

Change in net position

NET POSITION (Deficit) - Beginning of Year

NET POSITION (DEFICIT) -

END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (655,215)	\$ -	\$ (655,215)
(1,502,670)	-	(1,502,670)
(851,458)	-	(851,458)
(249,495)	-	(249,495)
(232,036)	-	(232,036)
<u>(494,246)</u>	<u>-</u>	<u>(494,246)</u>
<u>(3,985,120)</u>	<u>-</u>	<u>(3,985,120)</u>
-	246,875	246,875
-	70,254	70,254
-	<u>14,660</u>	<u>14,660</u>
-	<u>331,789</u>	<u>331,789</u>
<u>(3,985,120)</u>	<u>331,789</u>	<u>(3,653,331)</u>
2,838,963	-	2,838,963
1,368,332	-	1,368,332
170,641	-	170,641
26,463	-	26,463
103,088	-	103,088
<u>753,939</u>	<u>-</u>	<u>753,939</u>
<u>5,261,426</u>	<u>-</u>	<u>5,261,426</u>
<u>(634,596)</u>	<u>634,596</u>	<u>-</u>
641,710	966,385	1,608,095
<u>(720,085)</u>	<u>2,545,629</u>	<u>1,825,544</u>
<u>\$ (78,375)</u>	<u>\$ 3,512,014</u>	<u>\$ 3,433,639</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2019

	General	Swimming Pool	Debt Service	Capital Improvement Fund
ASSETS				
Cash and investments	\$ 1,012,783	\$ 319,529	\$ 19,890	\$ 691,018
Receivables				
Taxes	2,979,248	-	-	-
Delinquent personal property taxes	7,171	-	-	-
Accounts receivable	-	30,014	93,854	-
Due from other funds	56,348	-	-	-
Advances to other funds	-	-	-	303,326
	<u>\$ 4,055,550</u>	<u>\$ 349,543</u>	<u>\$ 113,744</u>	<u>\$ 994,344</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 26,236	\$ 2,445	\$ -	\$ 48,371
Accrued liabilities	41,006	1,951	-	-
Due to other governments	27	512	-	-
Due to other funds	1,288	-	-	-
Deposits	-	-	-	-
Short-term notes payable	-	-	-	50,000
Total Liabilities	<u>68,557</u>	<u>4,908</u>	<u>-</u>	<u>98,371</u>
Deferred Inflows of Resources				
Unearned revenues	2,977,507	-	-	-
Unavailable revenues	-	-	93,854	-
Total Deferred Inflows of Resources	<u>2,977,507</u>	<u>-</u>	<u>93,854</u>	<u>-</u>
Fund Balances				
Nonspendable	7,171	-	-	-
Restricted	2,500	-	19,890	374,638
Committed	-	344,635	-	-
Assigned	43,444	-	-	521,335
Unassigned	956,371	-	-	-
Total Fund Balances	<u>1,009,486</u>	<u>344,635</u>	<u>19,890</u>	<u>895,973</u>
	<u>\$ 4,055,550</u>	<u>\$ 349,543</u>	<u>\$ 113,744</u>	<u>\$ 994,344</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				

See accompanying notes to financial statements.

<u>Tax Incremental District No. 3</u>	<u>Tax Incremental District No. 4</u>	<u>Tax Incremental District No. 5</u>	<u>Nonmajor Governmental Fund - Waterfront</u>	<u>Totals</u>
\$ 867,309	\$ 339,455	\$ 3,515	\$ 44,137	\$ 3,297,636
889,312	290,162	161,831	-	4,320,553
-	-	-	-	7,171
-	-	-	50	123,918
-	-	-	-	56,348
-	-	-	-	303,326
<u>\$ 1,756,621</u>	<u>\$ 629,617</u>	<u>\$ 165,346</u>	<u>\$ 44,187</u>	<u>\$ 8,108,952</u>
\$ 259,672	\$ 9,120	\$ -	\$ -	\$ 345,844
700	700	-	432	44,789
-	-	-	3	542
-	-	-	-	1,288
-	-	-	250	250
-	-	-	-	50,000
<u>260,372</u>	<u>9,820</u>	<u>-</u>	<u>685</u>	<u>442,713</u>
889,312	290,162	161,831	-	4,318,812
-	-	-	-	93,854
<u>889,312</u>	<u>290,162</u>	<u>161,831</u>	<u>-</u>	<u>4,412,666</u>
-	-	-	-	7,171
606,937	329,635	3,515	-	1,337,115
-	-	-	43,502	388,137
-	-	-	-	564,779
-	-	-	-	956,371
<u>606,937</u>	<u>329,635</u>	<u>3,515</u>	<u>43,502</u>	<u>3,253,573</u>
<u>\$ 1,756,621</u>	<u>\$ 629,617</u>	<u>\$ 165,346</u>	<u>\$ 44,187</u>	<u>\$ 8,108,952</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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

Total Fund Balances - Governmental Funds	\$	3,253,573
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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		1,971,448
Land improvements		1,122,475
Construction in progress		144,986
Intangible assets		51,980
Buildings		3,114,565
Machinery and equipment		2,287,337
Infrastructure		6,214,043
Less: Accumulated depreciation		(3,942,013)

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.		93,854
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Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		881,564
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(441,588)
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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		(13,740,566)
Compensated absences		(396,373)
Unamortized premium on debt issuance		(275,043)
Unamortized loss on advance refunding		43,675
Accrued interest		(88,388)
Village share of landfill district deficit		(51,597)
Net pension obligation		<u>(322,307)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (78,375)</u>
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VILLAGE OF SHOREWOOD HILLS

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

For the Year Ended December 31, 2019

	General	Swimming Pool	Debt Service	Capital Improvement Fund
REVENUES				
Taxes	\$ 2,839,262	\$ -	\$ -	\$ -
Intergovernmental	383,381	1,298	-	4,000
Licenses and permits	97,966	-	-	-
Fines, forfeitures and penalties	84,096	-	-	-
Public charges for services	107,315	586,699	-	-
Investment income	101,408	-	1,381	-
Miscellaneous revenues	354,701	461,415	12,755	10,000
Total Revenues	<u>3,968,129</u>	<u>1,049,412</u>	<u>14,136</u>	<u>14,000</u>
EXPENDITURES				
Current				
General government	635,978	-	-	-
Public safety	1,560,758	-	-	-
Public works	529,661	-	-	-
Culture, recreation and education	278,426	485,992	-	-
Conservation and development	34,791	-	-	-
Capital Outlay	7,038	619,542	-	391,142
Debt Service				
Principal	-	-	793,577	-
Interest and fiscal charges	-	-	204,932	4,038
Total Expenditures	<u>3,046,652</u>	<u>1,105,534</u>	<u>998,509</u>	<u>395,180</u>
Excess (deficiency) of revenues over expenditures	<u>921,477</u>	<u>(56,122)</u>	<u>(984,373)</u>	<u>(381,180)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	500,000
Refunding bonds issued	-	-	435,000	-
Premium on debt issued	-	-	52,259	-
Transfers in	113,162	89,374	963,341	-
Transfers out	(1,033,442)	(14,223)	-	-
Payment to fiscal agent	-	-	(446,337)	-
Total Other Financing Sources (Uses)	<u>(920,280)</u>	<u>75,151</u>	<u>1,004,263</u>	<u>500,000</u>
Net Change in Fund Balances	1,197	19,029	19,890	118,820
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,008,289</u>	<u>325,606</u>	<u>-</u>	<u>777,153</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,009,486</u>	<u>\$ 344,635</u>	<u>\$ 19,890</u>	<u>\$ 895,973</u>

See accompanying notes to financial statements.

Tax Incremental District No. 3	Tax Incremental District No. 4	Tax Incremental District No. 5	Nonmajor Governmental Fund - Waterfront	Totals
\$ 957,353	\$ 227,566	\$ 183,413	\$ -	\$ 4,207,594
137,038	687	67	-	526,471
-	-	-	-	97,966
-	-	-	-	84,096
-	-	-	66,375	760,389
-	-	-	-	102,789
-	-	-	33,712	872,583
<u>1,094,391</u>	<u>228,253</u>	<u>183,480</u>	<u>100,087</u>	<u>6,651,888</u>
-	-	-	-	635,978
-	-	-	-	1,560,758
-	-	-	-	529,661
-	-	-	104,387	868,805
335,366	184,162	137,951	-	692,270
1,948,405	-	-	-	2,966,127
314,660	90,035	-	-	1,198,272
234,906	48,528	-	-	492,404
<u>2,833,337</u>	<u>322,725</u>	<u>137,951</u>	<u>104,387</u>	<u>8,944,275</u>
<u>(1,738,946)</u>	<u>(94,472)</u>	<u>45,529</u>	<u>(4,300)</u>	<u>(2,292,387)</u>
1,845,000	405,000	-	-	2,750,000
855,000	-	-	-	1,290,000
133,267	18,764	-	-	204,290
-	-	-	-	1,165,877
-	-	-	(5,050)	(1,052,715)
<u>(573,837)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,020,174)</u>
<u>2,259,430</u>	<u>423,764</u>	<u>-</u>	<u>(5,050)</u>	<u>3,337,278</u>
520,484	329,292	45,529	(9,350)	1,044,891
86,453	343	(42,014)	52,852	2,208,682
<u>\$ 606,937</u>	<u>\$ 329,635</u>	<u>\$ 3,515</u>	<u>\$ 43,502</u>	<u>\$ 3,253,573</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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	\$	1,044,891
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of 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		2,966,127
Some items reported as capital outlay were not capitalized		(744,109)
Depreciation is reported in the government-wide financial statements		(386,410)
Net book value of assets retired		(44,161)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(14,135)
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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		(4,040,000)
Principal repaid		1,198,272

Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in long-term liabilities in the Statement of Net Position.		1,020,174
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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.		
Current year premium		(204,291)
Amortization of debt premium		34,581

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		(16,572)
Accrued interest on debt		(26,312)
Amortization of deferred charge on refunding		(28,911)
Net pension asset (liability)		(583,014)
Deferred outflows of resources related to pensions		384,820
Deferred inflows of resources related to pensions		70,784

The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.		9,976
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>641,710</u>
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See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ -	\$ 40,396	\$ 40,396
Receivables				
Accounts	70,173	45,312	19,548	135,033
Due from other funds	651	514	123	1,288
Total Current Assets	70,824	45,826	60,067	176,717
Noncurrent Assets				
Restricted Cash and Investments				
Capital Assets				
Land	11,512	-	-	11,512
Property and equipment	3,816,386	1,679,643	1,894,770	7,390,799
Less: Accumulated depreciation	(851,754)	(474,204)	(249,831)	(1,575,789)
Total Noncurrent Assets	2,976,144	1,205,439	1,644,939	5,826,522
Total Assets	3,046,968	1,251,265	1,705,006	6,003,239
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	27,794	20,587	12,120	60,501
Deferred charge on refunding	8,925	6,336	8,203	23,464
Total Deferred Outflows of Resources	36,719	26,923	20,323	83,965

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Stormwater Utility	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 11,198	\$ 44,570	\$ -	\$ 55,768
Accrued interest	9,140	4,656	4,692	18,488
Accrued wages	1,648	1,185	1,053	3,886
Due to other funds	56,348	-	-	56,348
Current portion of general obligation debt	<u>85,262</u>	<u>50,000</u>	<u>65,000</u>	<u>200,262</u>
Total Current Liabilities	<u>163,596</u>	<u>100,411</u>	<u>70,745</u>	<u>334,752</u>
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt, including unamortized premium	1,047,167	358,951	476,894	1,883,012
Advances from other funds	296,985	6,341	-	303,326
Net pension liability	<u>9,966</u>	<u>7,394</u>	<u>4,502</u>	<u>21,862</u>
Total Noncurrent Liabilities	<u>1,354,118</u>	<u>372,686</u>	<u>481,396</u>	<u>2,208,200</u>
Total Liabilities	<u>1,517,714</u>	<u>473,097</u>	<u>552,141</u>	<u>2,542,952</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	<u>14,632</u>	<u>10,938</u>	<u>6,668</u>	<u>32,238</u>
Total Deferred Inflows of Resources	<u>14,632</u>	<u>10,938</u>	<u>6,668</u>	<u>32,238</u>
NET POSITION				
Net investment in capital assets	1,843,715	796,488	1,103,045	3,743,248
Unrestricted (deficit)	<u>(292,374)</u>	<u>(2,335)</u>	<u>63,475</u>	<u>(231,234)</u>
TOTAL NET POSITION	<u>\$ 1,551,341</u>	<u>\$ 794,153</u>	<u>\$ 1,166,520</u>	<u>\$ 3,512,014</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Stormwater Utility	
OPERATING REVENUES				
Public charges for services	\$ 603,679	\$ 377,844	\$ 167,853	\$ 1,149,376
Other operating revenue	4,898	-	-	4,898
Total Operating Revenues	<u>608,577</u>	<u>377,844</u>	<u>167,853</u>	<u>1,154,274</u>
OPERATING EXPENSES				
Operation and maintenance	240,904	256,870	97,200	594,974
Depreciation	70,956	33,556	34,309	138,821
Taxes	3,246	-	-	3,246
Total Operating Expenses	<u>315,106</u>	<u>290,426</u>	<u>131,509</u>	<u>737,041</u>
Operating Income	<u>293,471</u>	<u>87,418</u>	<u>36,344</u>	<u>417,233</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and fiscal charges	(55,811)	(20,829)	(27,007)	(103,647)
Amortization on debt premium	2,919	1,286	2,009	6,214
Amortization of loss on advance refunding	(1,433)	(716)	(1,322)	(3,471)
Build America Bond subsidy	7,729	3,095	4,636	15,460
Total Nonoperating Revenues (Expenses)	<u>(46,596)</u>	<u>(17,164)</u>	<u>(21,684)</u>	<u>(85,444)</u>
Income Before Contributions and Transfers	<u>246,875</u>	<u>70,254</u>	<u>14,660</u>	<u>331,789</u>
CONTRIBUTIONS AND TRANSFERS				
Capital paid in by municipality	292,054	97,116	358,588	747,758
Transfers out	(113,162)	-	-	(113,162)
Total Contributions and Transfers	<u>178,892</u>	<u>97,116</u>	<u>358,588</u>	<u>634,596</u>
Change in Net Position	425,767	167,370	373,248	966,385
NET POSITION - Beginning of Year	<u>1,125,574</u>	<u>626,783</u>	<u>793,272</u>	<u>2,545,629</u>
NET POSITION - END OF YEAR	<u>\$ 1,551,341</u>	<u>\$ 794,153</u>	<u>\$ 1,166,520</u>	<u>\$ 3,512,014</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 516,056	\$ 359,767	\$ 162,218	\$ 1,038,041
Received from municipality for services	56,348	-	-	56,348
Paid to suppliers for goods and services	(184,020)	(213,034)	(34,449)	(431,503)
Paid to employees for services	(60,678)	(36,968)	(48,639)	(146,285)
Net Cash Flows From Operating Activities	<u>327,706</u>	<u>109,765</u>	<u>79,130</u>	<u>516,601</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(56,814)	-	-	(56,814)
Net Cash Flows From Noncapital Financing Activities	<u>(56,814)</u>	<u>-</u>	<u>-</u>	<u>(56,814)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Refunding bonds issued	405,000	165,000	245,000	815,000
Debt retired	(86,728)	(50,000)	(60,000)	(196,728)
Payments to escrow for refunding	(418,526)	(170,511)	(253,183)	(842,220)
Interest paid	(45,472)	(15,149)	(20,810)	(81,431)
Premium from debt issuance	22,636	9,222	13,693	45,551
Debt issuance costs	(9,110)	(3,712)	(5,511)	(18,333)
Acquisition and construction of capital assets	(8,225)	-	-	(8,225)
Build America Bond subsidy	7,729	3,095	4,636	15,460
Paid on long-term advances	(138,196)	(47,710)	-	(185,906)
Net Cash Flows From Capital and Related Financing Activities	<u>(270,892)</u>	<u>(109,765)</u>	<u>(76,175)</u>	<u>(456,832)</u>
Net Change in Cash and Cash Equivalents	-	-	2,955	2,955
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>-</u>	<u>37,441</u>	<u>37,441</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,396</u>	<u>\$ 40,396</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 293,471	\$ 87,418	\$ 36,344	\$ 417,233
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	70,956	33,556	34,309	138,821
Depreciation charged to other funds	4,322	-	-	4,322
Changes in assets, deferred outflows, liabilities and deferred inflows				
Accounts receivable	(40,495)	(18,077)	(5,635)	(64,207)
Accounts payable	(5,866)	2,726	-	(3,140)
Other current liabilities	622	471	574	1,667
Prepaid items	-	-	10,990	10,990
Pension related deferrals and assets/liabilities	4,696	3,671	2,548	10,915
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 327,706</u>	<u>\$ 109,765</u>	<u>\$ 79,130</u>	<u>\$ 516,601</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Gain (Loss) on refunding	<u>\$ (3,526)</u>	<u>\$ (5,511)</u>	<u>\$ (3,183)</u>	<u>\$ (12,220)</u>
Amortization of loss on refunding	<u>\$ 1,433</u>	<u>\$ 716</u>	<u>\$ 1,322</u>	<u>\$ 3,471</u>
Capital contributions from municipality	<u>\$ 292,054</u>	<u>\$ 97,116</u>	<u>\$ 358,588</u>	<u>\$ 747,758</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 5,633,972
Tax roll receivable	<u>3,068,961</u>
Total Assets	<u>8,702,933</u>
LIABILITIES	
Due to other governments	<u>8,702,933</u>
Total Liabilities	<u>8,702,933</u>
NET POSITION	
TOTAL NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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

	<u>Tax Collection Fund</u>
ADDITIONS	
Tax collections	\$ 6,197,508
Total	<u>6,197,508</u>
Total Additions	<u>6,197,508</u>
DEDUCTIONS	
Tax distributions to other governments	<u>6,197,508</u>
Total Deductions	<u>6,197,508</u>
Change in Fiduciary Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD HILLS

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VILLAGE OF SHOREWOOD HILLS

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component 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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

Fund Financial Statements

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

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

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

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

The village reports the following major governmental funds:

- General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Swimming Pool Special Revenue Fund - used to account for and report local revenues committed to supporting expenditures for the swimming pool program.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Capital Improvement Fund Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.
- Tax Incremental District (TID) No. 3 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.
- Tax Incremental District (TID) No. 4 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

VILLAGE OF SHOREWOOD HILLS

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

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

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

Fund Financial Statements (cont.)

The village reports the following major governmental funds: (cont.)

Tax Incremental District (TID) No. 5 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outline in the TID project plan.

The village reports the following major enterprise funds:

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

The village reports the following nonmajor governmental fund:

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

Waterfront

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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

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 utilities 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.

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and stormwater utilities 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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

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.

The village has adopted an investment policy. That policy follows the state statute for allowable investments. To address custodial credit risk, it is the village's policy that investment amounts are limited to the maximum of state guarantee fund and FDIC insurance limits for each institution unless collateralized. To address credit risk, the village does not invest in stocks, corporate bonds, futures, or derivatives and has limited deposits and investments of village funds to those that meet the policy's objective of safety, meaning deposits and investments shall be undertaken in a manner that seeks to ensure the preservation of principal and to minimize credit risk.

VILLAGE OF SHOREWOOD HILLS

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

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

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

1. Deposits and Investments (cont.)

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.

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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

2. Receivables (cont.)

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. Prepaid Items

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

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

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

VILLAGE OF SHOREWOOD HILLS

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

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

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

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

Buildings	10-40 Years
Land Improvements	10-20 Years
Machinery and Equipment	5-25 Years
Utility System	40-100 Years
Infrastructure	50 Years
Intangibles	10 Years

Fund Financial Statements

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

5. 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.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

6. 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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

6. *Compensated Absences* (cont.)

The village provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirement from the village. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 100% of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the village. Funding for those costs is provided out of the current operating budget of the village. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is two. The total amount outstanding at year-end to be paid in the future is \$64,883 and is included in the government-wide statement of net position.

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.

7. *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.

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.

8. *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.

VILLAGE OF SHOREWOOD HILLS

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

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

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

9. Equity Classifications

Government-Wide Statements

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

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

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	\$ 2,192,143	\$ 3,743,248	\$ (1,127,276)	\$ 4,808,115
Unrestricted	(3,174,092)	(231,234)	1,127,276	(2,278,050)

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

Fund Statements

Governmental fund balances are displayed as follows:

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

VILLAGE OF SHOREWOOD HILLS

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

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

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

9. Equity Classifications (cont.)

Fund Statements (cont.)

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

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

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

The village has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 15% of the general fund's current year expenditure budget. The balance at year-end was \$956,371, or 24.5%, and is included in unassigned general fund balance.

See Note III. H. for further information.

10. Pension

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

VILLAGE OF SHOREWOOD HILLS

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

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

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

11. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on May 2, 2019.

Sewer Utility

Current sewer rates were approved by the Village Board on August 15, 2016.

Stormwater Utility

Current stormwater rates were approved by the Village Board on July 15, 2019.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures and Other Financing Uses</u>	<u>Excess Expenditures and Other Financing Uses Over Budget</u>
Capital Improvements	\$ 211,500	\$ 395,180	\$ 183,680
Debt Service	958,205	1,444,846	486,641
TID No. 3	2,909,415	3,407,174	497,759
Waterfront	85,724	109,437	23,713

The village controls expenditures at the department level. Some individual departments 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, no individual funds held a deficit balance.

VILLAGE OF SHOREWOOD HILLS

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

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

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	\$ 6,170,070	\$ 6,185,516	Custodial credit
LGIP	2,801,724	2,801,724	Credit
Petty cash	210	-	N/A
Total Deposits and Investments	<u>\$ 8,972,004</u>	<u>\$ 8,987,240</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 3,338,032		
Per statement of net position - fiduciary fund			
Custodial Fund	5,633,972		
Total Deposits and Investments	<u>\$ 8,972,004</u>		

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.

VILLAGE OF SHOREWOOD HILLS

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

The village maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of \$5,979,708 to secure the village's deposits.

Custodial Credit Risk

Deposits

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

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

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 of the receivables on the balance sheet are expected to be collected within one year with the exception of \$7,171 reported in the general fund for delinquent personal property taxes.

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

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 4,318,812	\$ -
Receivable not collected in period of availability	<u>-</u>	<u>93,854</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 4,318,812</u>	<u>\$ 93,854</u>

VILLAGE OF SHOREWOOD HILLS

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

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

C. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,288,934	\$ 682,514	\$ -	\$ 1,971,448
Construction in progress	28,555	144,986	28,555	144,986
Total Capital Assets Not Being Depreciated	1,317,489	827,500	28,555	2,116,434
Capital assets being depreciated				
Land improvements	1,122,475	-	-	1,122,475
Buildings	3,102,465	34,000	21,900	3,114,565
Machinery and equipment	1,743,338	727,686	183,687	2,287,337
Infrastructure	5,585,136	628,907	-	6,214,043
Intangibles	19,500	32,480	-	51,980
Total Capital Assets Being Depreciated	11,572,914	1,423,073	205,587	12,790,400
Total Capital Assets	12,890,403	2,250,573	234,142	14,906,834
Less: Accumulated depreciation for				
Land improvements	(791,812)	(28,711)	-	(820,523)
Buildings	(1,134,239)	(64,104)	21,900	(1,176,443)
Machinery and equipment	(998,559)	(143,864)	139,526	(1,002,897)
Infrastructure	(787,008)	(147,131)	-	(934,139)
Intangibles	(5,411)	(2,600)	-	(8,011)
Total Accumulated Depreciation	(3,717,029)	(386,410)	161,426	(3,942,013)
Net Capital Assets Being Depreciated	7,855,885	1,036,663	44,161	8,848,387
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,173,374	\$ 1,864,163	\$ 72,716	\$ 10,964,821

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 45,645
Public safety	38,550
Public works	225,477
Culture, education and recreation	76,738
Total Governmental Activities Depreciation/Amortization Expense	\$ 386,410

VILLAGE OF SHOREWOOD HILLS

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

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

C. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 11,512	\$ -	\$ -	\$ 11,512
Total Capital Assets Not Being Depreciated	11,512	-	-	11,512
Capital assets being depreciated				
Pumping	302,983	-	-	302,983
Transmission and distribution	3,213,339	300,279	33,277	3,480,341
General	33,062	-	-	33,062
Total Capital Assets Being Depreciated	3,549,384	300,279	33,277	3,816,386
Total Capital Assets	3,560,896	300,279	33,277	3,827,898
Less: Accumulated depreciation for				
Water utility plant	(809,753)	(75,278)	33,277	(851,754)
Total Accumulated Depreciation	(809,753)	(75,278)	33,277	(851,754)
Net Capital Assets Being Depreciated	2,739,631	225,001	-	2,964,632
Net Water Capital Assets	\$ 2,751,143	\$ 225,001	\$ -	\$ 2,976,144
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets being depreciated				
Collection system	\$ 1,202,813	\$ 97,116	\$ 9,159	\$ 1,290,770
Collection system pumping	80,707	-	-	80,707
Treatment and disposal	233,373	-	-	233,373
General	74,793	-	-	74,793
Total Capital Assets Being Depreciated	1,591,686	97,116	9,159	1,679,643
Less: Accumulated depreciation for				
Sewer utility plant	(449,807)	(33,556)	9,159	(474,204)
Total Accumulated Depreciation	(449,807)	(33,556)	9,159	(474,204)
Net Capital Assets Being Depreciated	1,141,879	63,560	-	1,205,439
Net Sewer Capital Assets	\$ 1,141,879	\$ 63,560	\$ -	\$ 1,205,439

VILLAGE OF SHOREWOOD HILLS

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

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

C. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets being depreciated				
Collection system	\$ 1,536,182	\$ 358,588	\$ -	\$ 1,894,770
Total Capital Assets Being Depreciated	1,536,182	358,588	-	1,894,770
Less: Accumulated depreciation for				
Collection system	(215,522)	(34,309)	-	(249,831)
Total Accumulated Depreciation	(215,522)	(34,309)	-	(249,831)
Net Capital Assets Being Depreciated	1,320,660	324,279	-	1,644,939
Net Stormwater Capital Assets	\$ 1,320,660	\$ 324,279	\$ -	\$ 1,644,939
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 5,213,682	\$ 612,840	\$ -	\$ 5,826,522

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 70,956
Sewer	33,556
Storm	34,309
 Total Business-type Activities Depreciation Expense	 \$ 138,821

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.

VILLAGE OF SHOREWOOD HILLS

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

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

D. INTERFUND 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
General Fund	Water Utility	\$ 56,348
Stormwater Utility	General Fund	123
Water Utility	General Fund	651
Sewer Utility	General Fund	<u>514</u>
Total - Fund Financial Statements		<u>\$ 57,636</u>
Less: Government-wide eliminations		(2,576)
Add: Interfund advances		<u>303,326</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 358,386</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 359,674
Business-type Activities	Governmental Activities	<u>(1,288)</u>
Total Government-Wide Financial Statements		<u>\$ 358,386</u>

All amounts are due within one year.

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances

The capital improvements fund is advancing funds to the water and sewer utilities. The amount advanced is determined by the negative cash balances. No interest is being charged and no repayment schedule has been established.

VILLAGE OF SHOREWOOD HILLS

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

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

D. INTERFUND 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
Capital improvement fund	Water Utility	\$ 296,985	\$ 296,985
Capital improvement fund	Sewer Utility	<u>6,341</u>	6,341
Total - Fund Financial Statements		<u><u>\$ 303,326</u></u>	

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General fund	Water utility	\$ 56,814	Tax equivalent Reimbursement of hydrant
General fund	Water utility	56,348	rental
Debt service fund	General fund	944,068	Debt service
Debt service fund	Swimming pool fund	14,223	Debt service
Debt service fund	Waterfront fund	5,050	Debt service
			Prior year insurance reimbursements for pool damages
Swimming Pool Fund	General Fund	<u>89,374</u>	
Total - Fund Financial Statements		1,165,877	
Less: Fund eliminations		(1,052,715)	
Add: Transfer of capital assets to utility funds		<u>(747,758)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ (634,596)</u></u>	
Fund Transferred To	Fund Transferred From	Amount	
Governmental Activities	Business-type Activities	\$ 113,162	
Business-type Activities	Governmental Activities	<u>(747,758)</u>	
Total Government-wide Financial Statements		<u><u>\$ (634,596)</u></u>	

VILLAGE OF SHOREWOOD HILLS

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

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

D. INTERFUND ADVANCES AND TRANSFERS (cont.)

Transfers (cont.)

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.

E. SHORT-TERM DEBT ACTIVITY

The village issued short-term debt for \$50,000.

Short-term debt activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
General obligation debt from direct borrowings and direct placements	\$ -	\$ 50,000	\$ -	\$ 50,000

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	\$ 11,898,838	\$ 4,040,000	\$ 2,198,272	\$ 13,740,566	\$ 1,429,738
Premiums	105,334	204,291	34,582	275,043	34,580
Sub-totals	12,004,172	4,244,291	2,232,854	14,015,609	1,464,318
Other Liabilities					
Vested compensated absences	379,801	119,644	103,072	396,373	116,417
Village share of landfill deficit	61,573	-	9,976	51,597	-
Total Other Liabilities	441,374	119,644	113,048	447,970	116,417
Total Governmental Activities Long-Term Liabilities	\$ 12,445,546	\$ 4,363,935	\$ 2,345,902	\$ 14,463,579	\$ 1,580,735

VILLAGE OF SHOREWOOD HILLS

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

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,241,162	\$ 815,000	\$ 1,026,728	\$ 2,029,434	\$ 200,262
Premiums	14,503	45,552	6,215	53,840	-
Sub-totals	2,255,665	860,552	1,032,943	2,083,274	200,262
Total Business-type Activities Long-Term Liabilities	\$ 2,255,665	\$ 860,552	\$ 1,032,943	\$ 2,083,274	\$ 200,262

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 \$31,768,515. Total general obligation debt outstanding at year end was \$15,820,000.

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
Taxable G.O. corp purpose bonds	07/12/10	05/01/30	1.10 - 5.50%	\$ 1,975,000	\$ 105,000
G.O. corp purpose bonds	05/16/12	03/01/27	2.00 - 2.50	2,605,000	845,000
Taxable G.O. corp purpose bonds	06/10/13	05/01/30	2.00 - 3.55	3,155,000	2,195,000
G.O. refunding bonds	08/05/13	05/01/33	2.00 - 4.00	2,500,000	1,888,483
G.O. promissory notes	06/08/15	05/01/25	1.50 - 2.50	2,032,083	1,342,083
G.O. promissory note	05/03/17	05/01/27	2.00 - 3.00	3,585,000	3,325,000
G.O. promissory note	11/13/19	05/01/29	2.00 - 3.00	1,790,000	1,790,000
G.O. promissory note	01/07/19	05/01/28	3.00 - 4.00	2,250,000	2,250,000

Total Governmental Activities - General Obligation Debt \$ 13,740,566

VILLAGE OF SHOREWOOD HILLS

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Taxable G.O. corp purpose bonds	07/12/10	05/01/30	1.10 - 5.50%	\$ 1,425,000	\$ 70,000
G.O. corp. purpose bonds	05/16/12	03/01/27	2.00 - 2.50	145,000	80,000
G.O. refunding bonds	08/05/13	05/01/33	2.00 - 4.00	560,000	451,517
G.O. promissory notes	06/08/15	05/01/25	1.50 - 2.50	167,917	107,917
G.O. promissory note	05/03/17	05/01/27	2.00 - 3.00	515,000	505,000
G.O. promissory note	11/13/19	05/01/19	2.00 - 3.00	815,000	<u>815,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 2,029,434</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2020	\$ 1,429,738	\$ 373,992	\$ 200,262	\$ 54,137
2021	1,511,204	339,979	203,796	49,993
2022	1,563,272	303,221	206,728	45,814
2023	1,650,942	261,551	234,058	40,741
2024	1,725,079	212,826	244,921	34,219
2025-2029	5,119,178	494,909	760,822	100,118
2030-2033	<u>741,153</u>	<u>40,469</u>	<u>178,847</u>	<u>14,425</u>
Totals	<u>\$ 13,740,566</u>	<u>\$ 2,026,947</u>	<u>\$ 2,029,434</u>	<u>\$ 339,447</u>

Other Debt Information

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

VILLAGE OF SHOREWOOD HILLS

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Advance Refunding

On November 13, 2019, the village issued \$2,605,000 in general obligation bonds (\$500,000 for new capital projects) with an average coupon rate of 2% to advance refund \$1,830,000 of outstanding bonds with an average coupon rate of 3%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$2,633,223 from 2019 through 2030. The cash flow requirements on the 2019 G.O. Promissory Notes are \$2,525,562 from 2019 through 2029. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$92,449.

G. LEASE DISCLOSURES

Lessor - Operating Leases

The village is leasing real estate, including buildings and structures presently located thereon, to Blackhawk Country Club, Inc. for use as a golf course and country club. The land originally cost the village \$57,000. The clubhouse and additional structures were paid for by Blackhawk Country Club, Inc. but are subject to the provisions of the lease.

Base rent for the period January 1, 2015 through December 31, 2015 was \$100,000. Beginning January 1, 2016 and on January 1 of each lease year through and including January 1, 2024, base rent shall increase to an amount equal to the greater of: (1) base rent for the immediately preceding year or (2) \$100,000 plus the product calculated by multiplying \$300 by net new members, as defined in the lease. On January 1, 2025, base rent shall increase to an amount equal to the greater of: (1) base rent for the immediately preceding lease year, or (2) inflation adjusted base rent, as defined in the lease. On January 1, 2026 and on January 1 of each lease year thereafter, including an extended term of the lease, base rent shall be modified by adjusting the base rent for the immediately preceding lease year by 100% of the post-2025 adjustment multiplier, as defined in the lease.

The lease term currently ends on December 31, 2034; however, the lease provides an option to extend the term of the lease for one additional ten-year period ending December 31, 2044, subject to certain conditions provided in the lease.

VILLAGE OF SHOREWOOD HILLS

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

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

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	\$ 1,971,448
Construction in progress	144,986
Other capital assets, net of accumulated depreciation	8,848,387
Less: Long-term debt outstanding	(13,740,566)
Plus: Unspent capital related debt proceeds	1,920,656
Plus: Noncapital debt proceeds	3,322,275
Less: Unamortized debt premium	<u>(275,043)</u>
Total Net Investment in Capital Assets	<u>2,192,143</u>
Restricted	
Debt service	25,356
TIF projects	875,718
Wellness program	<u>2,500</u>
Total Restricted	<u>903,574</u>
Unrestricted (deficit)	<u>(3,174,092)</u>
Total Governmental Activities Net Position	<u>\$ (78,375)</u>

VILLAGE OF SHOREWOOD HILLS

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

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	Swimming Pool Fund	Debt Service Fund	Capital Improve- ment Fund	Tax Incre- mental District No. 3	Tax Incre- mental District No. 4	Tax Incre- mental District No. 5	Nonmajor Govern- mental Fund - Waterfront	Totals
Fund Balances									
Nonspendable:									
Delinquent personal property taxes	\$ 7,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,171	
Sub-total	<u>7,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,171</u>	
Restricted for:									
Debt service	-	-	19,890	-	-	-	-	19,890	
TIF projects	-	-	-	-	606,937	329,635	3,515	940,087	
Unspent bond proceeds	-	-	-	374,638	-	-	-	374,638	
Wellness Program	2,500	-	-	-	-	-	-	2,500	
Sub-total	<u>2,500</u>	<u>-</u>	<u>19,890</u>	<u>374,638</u>	<u>606,937</u>	<u>329,635</u>	<u>3,515</u>	<u>1,337,115</u>	
Committed to:									
Future pool projects	-	344,635	-	-	-	-	-	344,635	
Future marina projects	-	-	-	-	-	-	43,502	43,502	
Sub-total	<u>-</u>	<u>344,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,502</u>	<u>388,137</u>	
Assigned to:									
Four Corners Land recreation	1,292	-	-	-	-	-	-	1,292	
Baseball Indoor basketball	28	-	-	-	-	-	-	28	
Outdoor basketball	79	-	-	-	-	-	-	79	
Indoor soccer	600	-	-	-	-	-	-	600	
Outdoor soccer	68	-	-	-	-	-	-	68	
Park bench	14,468	-	-	-	-	-	-	14,468	
Heiden house Capital projects	3,301	-	-	-	-	-	-	3,301	
	10,510	-	-	-	-	-	-	10,510	
Sub-total	<u>43,444</u>	<u>-</u>	<u>-</u>	<u>521,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,335</u>	
Unassigned:	<u>956,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>956,371</u>	
Total Fund Balances	<u>\$ 1,009,486</u>	<u>\$ 344,635</u>	<u>\$ 19,890</u>	<u>\$ 895,973</u>	<u>\$ 606,937</u>	<u>\$ 329,635</u>	<u>\$ 3,515</u>	<u>\$ 43,502</u>	<u>\$ 3,253,573</u>

VILLAGE OF SHOREWOOD HILLS

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

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 11,512
Other capital assets, net of accumulated depreciation	5,815,010
Less: Long-term debt outstanding	(2,029,434)
Less: Unamortized debt premium	<u>(53,840)</u>
Total Net Investment in Capital Assets	<u>\$ 3,743,248</u>

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 for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as 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.

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Vested participants may retire at age 55 (50 for protective occupation employees) 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 retirement benefit.

The WRS also provides death and disability benefits for employees.

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

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

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees 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 \$103,880 in contributions from the village.

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

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

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

At December 31, 2019, the village reported a liability (asset) of \$344,169 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension liability (asset) 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 0.00967397%, which was an increase of 0.00020377% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the village recognized pension expense of \$242,686.

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 268,055	\$ 473,826
Changes in assumptions	58,014	-
Net differences between projected and actual earnings on pension plan investments	502,636	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,191	-
Employer contributions subsequent to the measurement date	101,169	-
Totals	\$ 942,065	\$ 473,826

\$101,169 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 134,455
2021	36,486
2022	58,133
2023	137,996

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

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

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Village's proportionate share of the net pension liability (asset)	\$1,367,765	\$344,169	\$(416,953)

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

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

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

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

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Tax Increment Project Revenue Bonds

Over the years, the village has authorized the issuance of Tax Incremental Project Revenue Bonds for the purpose of financing certain projects to eliminate blight and encourage development. The principal and interest on the bonds is solely payable from tax increments on the respective properties of the tax incremental districts. In conjunction with authorization of these debt issues, the village entered into developer agreements with local businesses to provide development incentives to assist in undertaking the projects. The details related to the debt issues are:

Date of Agreement	TID No.	Name of Project	Interest Rate	Scheduled Principal Payable	Original Amount	Principal Outstanding 12/31/2019
June 22, 2013	4	Walnut Grove	5.00%	2016 - 2030	\$ 900,000	\$ 720,233
March 16, 2015	3	700 University Bay Drive	5.00	2017 - 2029	2,100,000	1,726,249
January 19, 2016	3	The Boulevard	5.00	2018 - 2028	495,000	431,248
April 27, 2016	5	Lodge - Phase 2	5.00	2019 - 2043	2,490,000	2,437,828

The bonds include provisions that provide if tax increments are insufficient to pay principal or interest when due, such amounts will be accumulated and payable on the next scheduled payment date. In addition, the agreements state that the village has no obligation to pay any amount of principal or interest on the bonds which remain unpaid after the final scheduled payment date.

D. JOINT VENTURES

Metropolitan Refuse District, Inc.

The Village of Shorewood Hills and the City of Middleton, and the Village of Waunakee jointly operate the sanitary landfill, which is called the Metropolitan Refuse District, Inc. (district) and provides the communities share in the operation of the district based on equalized values. The village's share is 6.15%.

The governing body is made up of citizens from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village is obligated by the joint venture agreement to remit an amount annually to the district. The village made a payment to the district of \$10,250 in 2019.

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

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

The district reporting follows Governmental Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The district's fund balance at December 31, 2019 is a deficit of \$838,850. Reporting standards require the village to report its share of the net deficit. The village's proportionate share of the operations of the district is 6.15%, which amounts to \$51,597 of the district's net deficit. The village's share of the net deficit has been reported as a noncurrent liability in the government-wide statements.

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

E. SUBSEQUENT EVENT

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the Village. As of the date above, the Village's evaluation of the effects of these events is ongoing; however, the Village anticipates this situation could impact declines in revenues from state aids, charges for services, and fees and fines as well as a decreased demand for utilities, and an increase in demand for services as a result of increased unemployment.

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.

F. 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 (TIF) No. 3, 4, and 5 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.

VILLAGE OF SHOREWOOD HILLS

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

NOTE IV - OTHER INFORMATION (cont.)

F. TAX ABATEMENT (cont.)

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2019 Payments</u>
TID No. 3	Excess increment	Developer agreed to remove a blighted structure and build 54 apartments, 9 of which are designated affordable housing, and 9,000 square feet of commercial space.	\$ 188,936
TID No. 3	Excess increment	Developer agreed to remove a blighted structure and build 38 apartments and approximately 11,700 square feet of commercial space.	94,195
TID No. 4	Excess increment	Developer agreed to remove a blighted structure and build 100 apartment units and a commercial development.	91,284
TID No. 5	Excess increment	Developer agreed to remove a blighted structure and build 94 apartments, 8 of which are designated affordable housing.	134,283

G. 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 SHOREWOOD HILLS

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

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
Property	\$ 2,840,159	\$ 2,838,963	\$ (1,196)
Interest and penalties on taxes	20	299	279
Total Taxes	<u>2,840,179</u>	<u>2,839,262</u>	<u>(917)</u>
INTERGOVERNMENTAL			
State shared revenues	20,888	25,255	4,367
Fire insurance tax (2% fire dues)	20,773	22,587	1,814
State aid - exempt computer	20,000	18,055	(1,945)
State aid - law enforcement	2,920	1,600	(1,320)
State aid - road allotment	294,065	293,930	(135)
State aid - recycling	14,885	14,912	27
Build America Bond subsidy	7,500	7,042	(458)
Total Intergovernmental	<u>381,031</u>	<u>383,381</u>	<u>2,350</u>
LICENSES AND PERMITS			
Business and occupational licenses	2,700	2,225	(475)
Liquor and malt beverage licenses	5,450	4,780	(670)
Cable television franchise fees	29,000	28,156	(844)
Dog and cat licenses	3,600	3,216	(384)
Other nonbusiness licenses	1,150	1,140	(10)
Building permits	16,500	32,285	15,785
Electrical permits	6,400	7,286	886
Plumbing permits	5,200	7,700	2,500
Heating and air conditioning permits	6,300	5,566	(734)
Other permits	2,115	3,162	1,047
Zoning permits and fees	3,600	2,450	(1,150)
Total Licenses and Permits	<u>82,015</u>	<u>97,966</u>	<u>15,951</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	29,000	34,801	5,801
Parking violations	50,000	49,295	(705)
Total Fines, Forfeitures and Penalties	<u>79,000</u>	<u>84,096</u>	<u>5,096</u>

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

VILLAGE OF SHOREWOOD HILLS

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

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC CHARGES FOR SERVICES			
Clerk's fees	\$ 1,000	\$ 1,322	\$ 322
Law enforcement fees	500	563	63
Parks	2,750	2,760	10
Recreation - four corners	19,000	22,063	3,063
Recreation - tennis	23,135	28,418	5,283
Recreation - basketball	2,760	1,990	(770)
Recreation - golf	4,000	5,066	1,066
Recreation - land	26,500	24,925	(1,575)
Recreation - soccer	10,346	10,595	249
Recreation - kayak/canoe	560	525	(35)
Recreation - surcharges	9,200	9,088	(112)
Total Public Charges for Services	99,751	107,315	7,564
INVESTMENT INCOME			
Interest on investments	18,000	101,408	83,408
Total Investment Income	18,000	101,408	83,408
MISCELLANEOUS			
Rent	140,900	137,375	(3,525)
Insurance recoveries	-	49,197	49,197
Donations	9,700	24,839	15,139
Developer share of Madison Fire expense	60,000	56,068	(3,932)
Reimbursement for services - utilities	34,270	34,270	-
Reimbursement for services - Waterfront	17,375	17,375	-
Other miscellaneous	33,460	35,577	2,117
Total Miscellaneous	295,705	354,701	58,996
Total Revenues	3,795,681	3,968,129	172,448
EXPENDITURES			
GENERAL GOVERNMENT			
Village board	3,200	2,339	861
Committees	300	1,885	(1,585)
Judicial	36,609	39,032	(2,423)
Legal	46,000	42,000	4,000
Administrator	116,868	132,371	(15,503)
Clerk	128,170	106,943	21,227
Personnel	73,631	60,471	13,160
Elections	10,850	8,975	1,875
Data processing	60,220	62,767	(2,547)
Finance	29,425	38,071	(8,646)
Assessment of property	10,190	10,333	(143)
Risk and property management	58,772	61,143	(2,371)
Buildings and plant	59,560	63,754	(4,194)
Village hall	5,649	5,894	(245)
Total General Government	639,444	635,978	3,466

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

VILLAGE OF SHOREWOOD HILLS

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

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC SAFETY			
Police	\$ 844,653	\$ 882,838	\$ (38,185)
Fire protection	596,248	639,036	(42,788)
Inspection	32,503	34,607	(2,104)
Dispatch	6,061	4,277	1,784
Total Public Safety	<u>1,479,465</u>	<u>1,560,758</u>	<u>(81,293)</u>
PUBLIC WORKS			
Public works department - aidable	100,298	106,731	(6,433)
Public works department - nonaidable	148,891	163,744	(14,853)
Garage	27,000	29,425	(2,425)
Street maintenance and repair	-	850	(850)
Street lighting	33,000	19,945	13,055
Storm sewer maintenance	175	230	(55)
Bus service - disabled	30,000	30,000	-
Refuse and garbage collection	96,289	97,864	(1,575)
Landfill	10,250	10,250	-
Leaf collection	59,779	54,553	5,226
Other expenses - flood	-	16,069	(16,069)
Total Public Works	<u>505,682</u>	<u>529,661</u>	<u>(23,979)</u>
CULTURE, EDUCATION AND RECREATION			
Community center	8,351	2,775	5,576
Parks	175,122	175,498	(376)
Special events	15,100	16,058	(958)
Recreation - four corners	15,500	18,565	(3,065)
Recreation - tennis	22,400	26,641	(4,241)
Recreation - basketball	2,150	3,204	(1,054)
Recreation - golf	4,500	5,528	(1,028)
Recreation - land	15,200	20,305	(5,105)
Recreation - soccer	7,000	9,852	(2,852)
Total Culture, Education and Recreation	<u>265,323</u>	<u>278,426</u>	<u>(13,103)</u>
CONSERVATION AND DEVELOPMENT			
Forestry	40,000	27,402	12,598
Planning	1,600	7,389	(5,789)
Total Conservation and Development	<u>41,600</u>	<u>34,791</u>	<u>6,809</u>
CAPITAL OUTLAY			
Computers	<u>10,000</u>	<u>7,038</u>	<u>2,962</u>
Total Expenditures	<u>2,941,514</u>	<u>3,046,652</u>	<u>(105,138)</u>
Excess of revenues over expenditures	<u>854,167</u>	<u>921,477</u>	<u>67,310</u>

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

VILLAGE OF SHOREWOOD HILLS

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

	Original and Final Budget	Actual	Variance with Final Budget
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 104,038	\$ 113,162	\$ 9,124
Transfers out	<u>(958,205)</u>	<u>(1,033,442)</u>	<u>(75,237)</u>
Total Other Financing Sources (Uses)	<u>(854,167)</u>	<u>(920,280)</u>	<u>(66,113)</u>
 Net Change in Fund Balance	 -	 1,197	 1,197
 FUND BALANCE - Beginning of Year	 <u>1,008,289</u>	 <u>1,008,289</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 1,008,289</u></u>	 <u><u>\$ 1,009,486</u></u>	 <u><u>\$ 1,197</u></u>

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

VILLAGE OF SHOREWOOD HILLS

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
INTERGOVERNMENTAL			
Build America Bond subsidy	\$ 1,400	\$ 1,298	\$ (102)
Total Intergovernmental	<u>1,400</u>	<u>1,298</u>	<u>(102)</u>
PUBLIC CHARGES FOR SERVICES			
Membership fees	445,000	464,284	19,284
Team register fees	32,500	30,415	(2,085)
Daily admissions	19,500	12,992	(6,508)
Pop machine sales	2,500	2,634	134
Concession sales	25,500	30,968	5,468
Rent: private clubs	28,500	45,406	16,906
Total Public Charges for Services	<u>553,500</u>	<u>586,699</u>	<u>33,199</u>
MISCELLANEOUS			
Insurance claims	-	456,429	456,429
Donations	-	3,362	3,362
Other miscellaneous	-	1,624	1,624
Total Miscellaneous	<u>-</u>	<u>461,415</u>	<u>461,415</u>
Total Revenues	<u>554,900</u>	<u>1,049,412</u>	<u>494,512</u>
EXPENDITURES			
CULTURE, EDUCATION AND RECREATION			
Legal	-	42	(42)
Accounting	42,411	37,975	4,436
Insurance	3,495	3,495	-
Staff	251,678	255,750	(4,072)
Repair and maintenance	82,100	74,204	7,896
Other operating expenditures	109,300	114,526	(5,226)
Total Culture, Education, and Recreation	<u>488,984</u>	<u>485,992</u>	<u>2,992</u>
CAPITAL OUTLAY			
Culture, education, and recreation	114,950	619,542	(504,592)
Total Capital Outlay	<u>114,950</u>	<u>619,542</u>	<u>(504,592)</u>
Total Expenditures	<u>603,934</u>	<u>1,105,534</u>	<u>(501,600)</u>
Excess (deficiency) of revenues over expenditures	(49,034)	(56,122)	(7,088)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	89,374	89,374
Transfers out	(14,223)	(14,223)	-
Total Other Financing Sources (Uses)	<u>(14,223)</u>	<u>75,151</u>	<u>89,374</u>
Net Change in Fund Balance	(63,257)	19,029	82,286
FUND BALANCE - Beginning of Year	<u>325,606</u>	<u>325,606</u>	<u>-</u>
FUND BALANCE - END OF YEAR	\$ 262,349	\$ 344,635	\$ 82,286

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

VILLAGE OF SHOREWOOD HILLS

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

Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	0.00967397%	\$ 344,169	\$ 1,253,582	27.45%	96.45%
12/31/18	0.00947020%	(281,181)	1,202,624	23.38%	102.93%
12/31/17	0.00974032%	80,283	1,152,310	6.97%	99.12%
12/31/16	0.01027825%	167,020	1,184,084	14.11%	98.20%
12/31/15	0.01069970%	(262,814)	1,229,578	21.37%	102.74%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/19	\$ 101,169	\$ 101,169	-	\$ 1,248,019	8.11%
12/31/18	104,361	104,361	-	1,255,993	8.31%
12/31/17	98,797	98,797	-	1,202,624	8.22%
12/31/16	86,650	86,650	-	1,097,438	7.90%
12/31/15	92,261	92,261	-	1,179,169	7.82%

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

VILLAGE OF SHOREWOOD HILLS

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

BUDGETARY INFORMATION

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

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The village administrator may authorize transfer 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 department 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 using experience from 2015 - 2017. Based on this experience study conducted in 2018, actuarial assumptions used to develop the Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.