

Village of Sullivan

Financial Statements and
Supplementary Information

December 31, 2020

Village of Sullivan

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Independent Auditors' Report

To the Village Board of
Village of Sullivan

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 Sullivan, Wisconsin, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Sullivan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sullivan, Wisconsin, as of December 31, 2020 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.

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 US, LLP

Madison, Wisconsin
April 16, 2021

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

The management of the Village of Sullivan, Wisconsin (Village) offers readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ending December 31, 2020. We encourage readers to consider the information presented here in conjunction with the Village's financial statements.

Financial Highlights

- The total assets and deferred outflows of resources of the Village, including the sewer utility, exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,654,184 (*net position*). Of this amount, \$1,835,682 (*unrestricted net position*) may be used to meet the government's obligations to citizens and creditors.
- The Village's total net position, including the sewer utility, increased by \$136,295.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$987,106, an increase of \$65,221 in comparison with the prior year.
- At the end of the current fiscal year, the Village had an assigned fund balance of \$894,854. There was no restricted or unassigned fund balances as of December 31, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

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

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

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

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

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

The government-wide financial statements can be found on pages 1 to 2 of this report.

Fund Financial Statements

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

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

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

The Village maintains three 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, the fire department fund and debt service fund. The general fund and debt service fund are considered to be major funds. The fire department is a nonmajor fund.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Proprietary Funds – The Village maintains one (1) proprietary fund – the Sewer Utility. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 7 to 11 of this report.

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. The Village reports one (1) fiduciary fund – a custodial Tax Collection Fund.

The basic fiduciary fund financial statements can be found on pages 12 and 13 of this report.

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 38 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents the following: a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget, a schedule of the Village's proportionate share of the net pension liability/ (asset) in the Wisconsin Retirement System, and a schedule of the Village's contributions to the Wisconsin Retirement System. These schedules can be found on pages 39 to 43 of this report.

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 Revenues, Expenses and Changes in Net Position. These two statements report the Village's net position and changes therein. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth and new regulations.

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Village, total assets exceeded liabilities by \$4,654,184 as of December 31, 2020.

The largest portion of the Village's net position (approximately 57 percent) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

A summary of the Village's Statement of Net Position for 2020 and 2019 is presented in the table below.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,405,803	\$ 1,332,401	\$ 1,131,585	\$ 1,374,363	\$ 2,537,388	\$ 2,706,764
Capital assets	1,747,042	1,803,329	1,388,582	1,066,962	3,135,624	2,870,291
Total assets	3,152,845	3,135,730	2,520,167	2,441,325	5,673,012	5,577,055
Deferred outflows of resources	29,015	46,679	27,602	25,595	56,617	72,274
Long-term liabilities	489,587	600,706	1,346	10,925	490,933	611,631
Other liabilities	46,865	53,781	87,030	53,828	133,895	107,609
Total liabilities	536,452	654,487	88,376	64,753	624,828	719,240
Deferred inflows of resources	408,356	398,187	42,261	14,013	450,617	412,200
Net position:						
Net investment in capital assets	1,257,455	1,218,702	1,388,582	1,066,962	2,646,037	2,285,664
Restricted	86,373	-	86,092	73,450	172,465	73,450
Unrestricted	893,224	911,033	942,458	1,247,742	1,835,682	2,158,775
Total net position	\$ 2,237,052	\$ 2,129,735	\$ 2,417,132	\$ 2,388,154	\$ 4,654,184	\$ 4,517,889

The majority of the Village's net position (approximately 57 percent) represents net investment in capital assets. An additional portion of the Village's net position (approximately 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligation to citizens and creditors.

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

Analysis of the Village's Operations – The following table provides a summary of the Village's operations for the years ended December 31, 2020 and 2019. Governmental activities increased the Village's net position by \$107,317. Business-type activities increased the Village's net position by \$28,978.

Village of Sullivan Condensed Statement of Revenues, Expenses and Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 123,101	\$ 117,901	\$ 346,854	\$ 272,915	\$ 469,955	\$ 390,816
Operating grants and contributions	74,912	67,131	-	-	74,912	67,131
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	192,988	189,866	-	-	192,988	189,866
Other taxes, debt service	124,044	127,120	-	-	124,044	127,120
Intergovernmental	56,344	54,156	-	-	56,344	54,156
Investment income	4,445	18,492	6,079	24,331	10,524	42,823
Miscellaneous	35,297	50,667	-	-	35,297	50,667
Total revenues	611,131	625,333	352,933	297,246	964,064	922,579
Expenses						
General government	152,000	155,104	-	-	152,000	155,104
Public safety	156,658	140,265	-	-	156,658	140,265
Public works	150,469	160,292	-	-	150,469	160,292
Culture, recreation and education	13,213	14,372	-	-	13,213	14,372
Conservation and development	3,957	7,366	-	-	3,957	7,366
Interest and fiscal charges	27,517	31,246	-	-	27,517	31,246
Sewer utility	-	-	323,955	279,553	323,955	279,553
Total expenses	503,814	508,645	323,955	279,553	827,769	788,198
Change in net position	107,317	116,688	28,978	17,693	136,295	134,381
Net Position, January 1	2,129,735	2,013,047	2,388,154	2,370,461	4,517,889	4,383,508
Net Position, December 31	\$ 2,237,052	\$ 2,129,735	\$ 2,417,132	\$ 2,388,154	\$ 4,654,184	\$ 4,517,889

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of current fiscal year, the Village's governmental funds reported combined ending fund balances of \$987,106. Approximately 90 percent of this total amount, \$894,854, constitutes assigned fund balance. \$92,252 is restricted for debt service or activities of the fire department. There is no unassigned fund balance.

General Fund: The general fund is the main operating fund of the Village. The general fund balance increased from \$831,888 to \$894,854, an increase of \$62,966 as a result of normal activities and operations.

Debt Service Fund: The debt service fund is 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 enterprise debt. The debt service fund balance at year-end is \$17,595, which is equal to the previous year.

Fire Department Fund: The fire department fund is a nonmajor special revenue fund that reports the activities and operations of the fire department, which is a blended component unit of the Village. Fund balance at year-end is \$74,657, an increase of \$2,255 from 2019.

Proprietary Fund

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

Sewer Utility: The Sullivan Sewer Utility is an enterprise fund of the Village. Current sewer rates were approved by the Village board on June 4, 2019. The sewer user fees will be increased by \$50 per residential equivalency charge beginning October 1st for 2019, 2020 and 2021. The operating income for the year was \$22,899. The total increase in net position was \$28,978.

General Fund Budgetary Highlights

The Village budgeted for a \$45,676 increase in fund balance and the actual result was a \$62,966 increase in fund balance. The most significant variances to budget include the following items:

- Public safety fire protection: \$24,330 under budget
- Public works street maintenance: \$29,096 over budget
- Public works snow and ice control: \$11,230 under budget

Village of Sullivan

Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Capital Assets

At the end of 2020, the Village had invested a total of \$3,135,624 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure and construction work in progress.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,201	\$ 4,201	\$ 818	\$ 818	\$ 5,019	\$ 5,019
Right-of-way	124,539	124,539	-	-	124,539	124,539
Improvements	11,136	12,148	-	-	11,136	12,148
Buildings	239,136	243,293	-	-	239,136	243,293
Machinery and equipment	309,163	334,783	-	-	309,163	334,783
Infrastructure	1,058,867	1,084,365	-	-	1,058,867	1,084,365
Construction in progress	-	-	161,598	76,243	161,598	76,243
Intangible asset	-	-	238,773	-	238,773	-
Sewer plant	-	-	987,393	989,901	987,393	989,901
Total	<u>\$ 1,747,042</u>	<u>\$ 1,803,329</u>	<u>\$ 1,388,582</u>	<u>\$ 1,066,962</u>	<u>\$ 3,135,624</u>	<u>\$ 2,870,291</u>

Additional information on the Village's capital assets can be found in Note 4. of this report.

Long-Term Debt

During 2020, the Village retired debt of \$95,040, resulting in \$489,587 in outstanding general obligation debt at the end of 2020. Under Wisconsin State Statutes, Chapter 67, the Village's aggregate general obligation indebtedness may not exceed 5 percent of the equalized value of taxable property located in the Village. The Village's applicable outstanding debt is 19 percent of the maximum amount allowable.

The business-type activities have no debt outstanding as of December 31, 2020.

Village of Sullivan's Outstanding Long-Term Obligations

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 45,000	\$ 90,000
State Trust Fund Loan	403,463	433,533
Promissory notes	41,124	61,094
Total outstanding long-term obligations	<u>\$ 489,587</u>	<u>\$ 584,627</u>

Additional information on the Village's long-term debt, including information about direct placements or direct borrowings, can be found in Footnote 4. of this report.

Village of Sullivan

Management's Discussion and Analysis

December 31, 2020

(Unaudited)

Currently Known Facts/Economic Conditions

All currently known facts or economic conditions were considered in preparing this report.

Requests for Information

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Village's finances. If you have questions about this report or need any additional information, contact the Village of Sullivan, 500 Madison Avenue (Hwy. 18), Sullivan, WI 53178, Attn: Heather Rupnow, call 262 593 2388, or e-mail clerk@villageofsullivan.com.

Village of Sullivan

Statement of Net Position
December 31, 2020

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 1,035,361	\$ 919,216	\$ 1,954,577
Taxes receivable	389,092	-	389,092
Accounts receivable	1,000	94,283	95,283
Accrued interest	-	628	628
Internal balances	(31,366)	31,366	-
Restricted cash and investments:			
Net pension asset	11,716	12,280	23,996
Restricted cash and investments	-	73,812	73,812
Capital assets:			
Land	128,740	818	129,558
Construction in progress	-	161,598	161,598
Intangibles	-	238,773	238,773
Other capital assets, net of depreciation	<u>1,618,302</u>	<u>987,393</u>	<u>2,605,695</u>
Total assets	<u>3,152,845</u>	<u>2,520,167</u>	<u>5,673,012</u>
Deferred Outflows of Resources			
Pension related amounts	<u>29,015</u>	<u>27,602</u>	<u>56,617</u>
Total deferred outflows of resources	<u>29,015</u>	<u>27,602</u>	<u>56,617</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable and accrued expenses	46,865	87,030	133,895
Noncurrent liabilities:			
Due in within one year	96,681	-	96,681
Due in more than one year	<u>392,906</u>	<u>1,346</u>	<u>394,252</u>
Total liabilities	<u>536,452</u>	<u>88,376</u>	<u>624,828</u>
Deferred Inflows of Resources			
Unearned revenues	378,462	-	378,462
Pension related amounts	<u>29,894</u>	<u>42,261</u>	<u>72,155</u>
Total deferred inflows of resources	<u>408,356</u>	<u>42,261</u>	<u>450,617</u>
Net Position			
Invested in capital assets, net of related debt	1,257,455	1,388,582	2,646,037
Restricted for:			
Net pension asset	11,716	12,280	23,996
Equipment	-	73,812	73,812
Fire	74,657	-	74,657
Unrestricted	<u>893,224</u>	<u>942,458</u>	<u>1,835,682</u>
Total net position	<u>\$ 2,237,052</u>	<u>\$ 2,417,132</u>	<u>\$ 4,654,184</u>

See notes to financial statements

Village of Sullivan

Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 152,000	\$ 2,983	\$ 1,830	\$ (147,187)	\$ -	\$ (147,187)
Public safety	156,658	80,038	38,897	(37,723)	-	(37,723)
Public works	150,469	39,042	26,668	(84,759)	-	(84,759)
Culture, recreation and education	13,213	-	-	(13,213)	-	(13,213)
Conservation and development	3,957	1,038	-	(2,919)	-	(2,919)
Interest and fiscal charges	<u>27,517</u>	<u>-</u>	<u>7,517</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total governmental activities	<u>503,814</u>	<u>123,101</u>	<u>74,912</u>	<u>(305,801)</u>	<u>-</u>	<u>(305,801)</u>
Business-Type activities:						
Sewer Utility	<u>323,955</u>	<u>346,854</u>	<u>-</u>	<u>-</u>	<u>22,899</u>	<u>22,899</u>
Total business-type activities	<u>323,955</u>	<u>346,854</u>	<u>-</u>	<u>-</u>	<u>22,899</u>	<u>22,899</u>
Total	<u>\$ 827,769</u>	<u>\$ 469,955</u>	<u>\$ 74,912</u>	<u>(305,801)</u>	<u>22,899</u>	<u>(282,902)</u>
General Revenues						
Taxes						
Property taxes, levied for general purposes				192,988	-	192,988
Property taxes, levied for debt service				124,044	-	124,044
Intergovernmental revenues not restricted to specific programs				56,344	-	56,344
Investment income				4,445	6,079	10,524
Miscellaneous				<u>35,297</u>	<u>-</u>	<u>35,297</u>
Total general revenues				<u>413,118</u>	<u>6,079</u>	<u>419,197</u>
Change in net position				107,317	28,978	136,295
Net Position, Beginning				<u>2,129,735</u>	<u>2,388,154</u>	<u>4,517,889</u>
Net Position, Ending				<u>\$ 2,237,052</u>	<u>\$ 2,417,132</u>	<u>\$ 4,654,184</u>

See notes to financial statements

Village of Sullivan

Balance Sheet
Governmental Funds
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Fund - Fire Department</u>	<u>Total</u>
Assets				
Cash and investments	\$ 943,109	\$ 17,595	\$ 74,657	\$ 1,035,361
Receivables:				
Taxes	268,751	120,341	-	389,092
Accounts	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total assets	<u>\$ 1,212,860</u>	<u>\$ 137,936</u>	<u>\$ 74,657</u>	<u>\$ 1,425,453</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 26,635	\$ -	\$ -	\$ 26,635
Accrued liabilities	1,884	-	-	1,884
Due to other funds	<u>31,366</u>	<u>-</u>	<u>-</u>	<u>31,366</u>
Total liabilities	<u>59,885</u>	<u>-</u>	<u>-</u>	<u>59,885</u>
Deferred Inflows of Resources				
Unearned revenues	<u>258,121</u>	<u>120,341</u>	<u>-</u>	<u>378,462</u>
Total deferred inflows of resources	<u>258,121</u>	<u>120,341</u>	<u>-</u>	<u>378,462</u>
Fund Balances				
Restricted	-	17,595	74,657	92,252
Assigned	<u>894,854</u>	<u>-</u>	<u>-</u>	<u>894,854</u>
Total fund balances	<u>894,854</u>	<u>17,595</u>	<u>74,657</u>	<u>987,106</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,212,860</u>	<u>\$ 137,936</u>	<u>\$ 74,657</u>	<u>\$ 1,425,453</u>

See notes to financial statements

Village of Sullivan

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Total Fund Balances, Governmental Funds	\$ 987,106
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note 4.	1,747,042
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	11,716
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	29,015
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(29,894)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.	<u>(507,933)</u>
Net Position of Governmental Activities	<u><u>\$ 2,237,052</u></u>

Village of Sullivan

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Fund - Fire Department</u>	<u>Total</u>
Revenues				
Taxes	\$ 192,988	\$ 124,044	\$ -	\$ 317,032
Intergovernmental	104,169	-	-	104,169
Licenses and permits	19,121	-	-	19,121
Public charges for services	39,042	-	-	39,042
Intergovernmental charges for services	75,204	-	-	75,204
Investment income	4,388	-	57	4,445
Miscellaneous	<u>25,824</u>	<u>-</u>	<u>26,294</u>	<u>52,118</u>
Total revenues	<u>460,736</u>	<u>124,044</u>	<u>26,351</u>	<u>611,131</u>
Expenditures				
Current:				
General government	153,947	-	-	153,947
Public safety	93,976	-	42,120	136,096
Public works	115,075	-	-	115,075
Culture, recreation and education	12,621	-	-	12,621
Conservation and development	3,957	-	-	3,957
Capital outlay	170	-	-	170
Debt Service:				
Principal	-	95,040	-	95,040
Interest and fiscal charges	<u>-</u>	<u>29,004</u>	<u>-</u>	<u>29,004</u>
Total expenditures	<u>379,746</u>	<u>124,044</u>	<u>42,120</u>	<u>545,910</u>
Excess (deficiency) of revenues over expenditures	<u>80,990</u>	<u>-</u>	<u>(15,769)</u>	<u>65,221</u>
Other Financing Sources (Uses)				
Transfers in	-	-	18,024	18,024
Transfers out	<u>(18,024)</u>	<u>-</u>	<u>-</u>	<u>(18,024)</u>
Total other financing sources (uses)	<u>(18,024)</u>	<u>-</u>	<u>18,024</u>	<u>-</u>
Net change in fund balances	62,966	-	2,255	65,221
Fund Balances, Beginning	<u>831,888</u>	<u>17,595</u>	<u>72,402</u>	<u>921,885</u>
Fund Balances, Ending	<u>\$ 894,854</u>	<u>\$ 17,595</u>	<u>\$ 74,657</u>	<u>\$ 987,106</u>

See notes to financial statements

Village of Sullivan

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2020

Net Change in Fund Balances, Total Governmental Funds	\$ 65,221
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.	
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements.	5,875
Depreciation is reported in the government-wide financial statements	(62,162)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid	95,040
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.	
Accrued interest and other debt expenses	1,487
Net pension asset/liability	27,795
Deferred outflows of resources related to pensions	(17,664)
Deferred inflows of resources related to pensions	<u>(8,275)</u>
Change in Net Position of Governmental Activities	<u>\$ 107,317</u>

Village of Sullivan

Statement of Net Position
Proprietary Fund
December 31, 2020

Sewer Utility

Assets

Current assets:

Cash and investments	\$ 115,853
Interest receivable	628
Customer accounts receivable	94,283
Due from other funds	31,366
Cash and investments, depreciation account	<u>803,363</u>

Total current assets 1,045,493

Noncurrent assets:

Restricted assets:

Replacement account	73,812
Net pension asset	12,280

Capital assets:

Land	818
Construction in progress	161,598
Intangible assets	238,773
Property and equipment	2,320,066
Less accumulated depreciation	<u>(1,332,673)</u>

Total noncurrent assets 1,474,674

Total assets 2,520,167

Deferred Outflows of Resources

Pension related amounts 27,602

Total deferred outflows of resources \$ 27,602

Village of Sullivan

Statement of Net Position
Proprietary Fund
December 31, 2020

Sewer Utility

Liabilities

Current liabilities:

Accounts payable
Accrued wages

\$ 82,940
4,090

Total current liabilities

87,030

Noncurrent liabilities:

Compensated absences

1,346

Total liabilities

88,376

Deferred Inflows of Resources

Pension related amounts

42,261

Total deferred inflows of resources

42,261

Net Position

Investment in capital assets

1,388,582

Restricted for:

Restricted for equipment replacement

73,812

Net pension asset

12,280

Unrestricted

942,458

Total net position

\$ 2,417,132

Village of Sullivan

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

Year Ended December 31, 2020

Sewer Utility

Operating Revenues

Treatment charges	\$ 341,179
Other	<u>5,675</u>

Total operating revenues	<u>346,854</u>
--------------------------	----------------

Operating Expenses

Operation and maintenance	254,891
Depreciation	<u>69,064</u>

Total operating expenses	<u>323,955</u>
--------------------------	----------------

Operating income	<u>22,899</u>
------------------	---------------

Nonoperating Revenues

Investment income	<u>6,079</u>
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Change in net position	28,978
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Net Position, Beginning	<u>2,388,154</u>
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Net Position, Ending	<u><u>\$ 2,417,132</u></u>
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Village of Sullivan

Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2020

Sewer Utility

Cash Flows From Operating Activities

Received from customers	\$ 317,971
Paid to suppliers for goods and services	(137,097)
Paid to employees for services	<u>(80,210)</u>
Net cash flows from operating activities	<u>100,664</u>

Cash Flows From Investing Activities

Investments sold and matured	244,060
Investment income	<u>6,079</u>
Net cash flows from investing activities	<u>250,139</u>

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	<u>(390,684)</u>
Net cash flows from capital and related financing activities	<u>(390,684)</u>
Net change in cash and cash equivalents	(39,881)

Cash and Cash Equivalents, Beginning

1,032,909

Cash and Cash Equivalents, Ending

\$ 993,028

Village of Sullivan

Statement of Cash Flows

Proprietary Fund

Year Ended December 31, 2020

	<u>Sewer Utility</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income	\$ 22,899
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	69,064
Changes in assets, liabilities and deferred outflows/inflows of resources:	
Accounts receivable	(17,407)
Due from other funds	(11,476)
Accounts payable	31,310
Accrued liabilities	221
Compensated absences	1,892
Pension related deferrals and assets/liabilities	<u>4,161</u>
Net cash flows from operating activities	<u>\$ 100,664</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds	
Cash and investments	\$ 115,853
Restricted cash and investments	73,812
Cash and investments, depreciation account	<u>803,363</u>
Cash and cash equivalents	<u>\$ 993,028</u>
Noncash Capital and Related Financing Activities	
None	

See notes to financial statements

Village of Sullivan

Statement of Fiduciary Net Position

Fiduciary Fund

December 31, 2020

	Custodial Fund
Assets	
Cash and investments	\$ 656,483
Receivables:	
Taxes receivable	<u>173,795</u>
Total assets	<u>830,278</u>
Liabilities	
Due to other governments	<u>830,278</u>
Total liabilities	<u>830,278</u>
Net Position	
Total net position	<u><u>\$ -</u></u>

See notes to financial statements

Village of Sullivan

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended December 31, 2020

	Custodial Fund
Additions	
Property taxes collected for other governments	\$ 563,401
Total additions	<u>563,401</u>
Deductions	
Distributions to shareholders	<u>563,401</u>
Total deductions	<u>563,401</u>
Change in fiduciary net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to financial statements

Village of Sullivan

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December 31, 2020

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Village of Sullivan

Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

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

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 primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents; (2) the primary government or its component units, is entitled to or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government or its component units, is entitled to or has the ability to otherwise access, are significant to the primary government.

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

Blended Component Unit

The Sullivan Volunteer Fire Department Inc. (Fire Department) serves all the citizens of the government and is governed by a separate board. The rates for user charges and bond issuance authorizations are approved by the government's council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The Fire Department is reported as a special revenue fund. The Fire Department does not issue separate financial statements.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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 percent 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 percent test is at least 5 percent 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

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.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

Debt Service Funds

Debt Service Fund is 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 enterprise debt.

The Village reports the following major enterprise fund:

Enterprise Funds

Sewer Utility accounts for operations of the sewer system

The Village reports the following nonmajor governmental fund:

Special Revenue Funds

Special Revenue Fund are 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).

Fire Department

In addition, the Village reports the following fund type:

Custodial Funds

Custodial Funds are 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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's sewer utility 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.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

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 Funds

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 sewer utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

Village of Sullivan

Notes to Financial Statements
December 31, 2020

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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.

No policy exists for the following risks:

Credit risk

Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. The Village does not have any investments subject to fair value. 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, 2020, 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 4. for further information.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

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 - 2020 tax roll:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021
Personal property taxes in full	January 31, 2021
Tax sale - 2020 delinquent real estate taxes	October 2023

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 sewer utility because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

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

Restricted Assets

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

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 and overhead. 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 Sullivan

Notes to Financial Statements
December 31, 2020

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	85 Years
Land Improvements	25-50 Years
Machinery and Equipment	10-20 Years
Infrastructure	25-100 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.

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.

Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2020, are determined on the basis of current salary rates and include salary related payments.

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 effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

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.

Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

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

Village of Sullivan

Notes to Financial Statements
December 31, 2020

- 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.

See Note 4. for further information.

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.

Basis for Existing Rates

Sewer Utility

Current sewer rates were approved by the Village board on June 4, 2019. The sewer user fees will be increased by \$50 per residential equivalency charge beginning on October 1st for 2019, 2020 and 2021.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

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

Bonds and notes payable	\$	489,587
Accrued interest		<u>18,346</u>
Combined adjustment for long-term liabilities	\$	<u><u>507,933</u></u>

Village of Sullivan

Notes to Financial Statements
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3. Stewardship, Compliance and Accountability

Budgetary Information

A budget has been adopted for the the general fund and debt service fund. A budget has not been formally adopted for the fire department fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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.

4. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Demand deposits	\$ 1,279,298	\$ 1,275,921	Custodial credit
Certificates of deposit (nonnegotiable)	15,055	15,055	Custodial credit
LGIP	<u>1,390,519</u>	<u>1,390,519</u>	Credit
Total deposits and investments	<u>\$ 2,684,872</u>	<u>\$ 2,681,495</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,954,577		
Restricted cash and investments	73,812		
Per statement of net position, fiduciary fund			
Custodial fund	<u>656,483</u>		
Total deposits and investments	<u>\$ 2,684,872</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 Sullivan

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Custodial Credit Risk

Deposits

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

As of December 31, 2020, \$63,750 of the Village's total bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>63,750</u>
Total	\$ <u><u>63,750</u></u>

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 1. for further information on deposit and investment policies.

Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

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>
Property taxes receivable for subsequent year	\$ 318,776
Special charges on the tax roll	38,950
Cell phone tower lease payment for subsequent year	<u>20,736</u>
Total unearned/unavailable revenue for governmental funds	<u><u>\$ 378,462</u></u>

Restricted Assets

The following represent the balances of the restricted assets:

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacements. Requirements were established by the Village Board.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Village of Sullivan

Notes to Financial Statements
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Following is a list of restricted assets at December 31, 2020:

Restricted assets:	
Replacement account	\$ 73,812
Net pension asset	<u>23,996</u>
Total restricted assets	<u><u>\$ 97,808</u></u>

Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,201	\$ -	\$ -	\$ 4,201
Right of way	<u>124,539</u>	<u>-</u>	<u>-</u>	<u>124,539</u>
Total capital assets not being depreciated	<u>128,740</u>	<u>-</u>	<u>-</u>	<u>128,740</u>
Capital assets being depreciated:				
Land Improvements	25,305	-	-	25,305
Buildings	357,620	-	-	357,620
Machinery and equipment	942,005	5,875	-	947,880
Streets	1,085,646	-	-	1,085,646
Sidewalks	56,395	-	-	56,395
Storm sewer	<u>233,616</u>	<u>-</u>	<u>-</u>	<u>233,616</u>
Total capital assets being depreciated	<u>2,700,587</u>	<u>5,875</u>	<u>-</u>	<u>2,706,462</u>
Total capital assets	<u>2,829,327</u>	<u>5,875</u>	<u>-</u>	<u>2,835,202</u>
Less accumulated depreciation for:				
Land Improvements	(13,157)	(1,012)	-	(14,169)
Buildings	(114,327)	(4,157)	-	(118,484)
Machinery and equipment	(607,222)	(31,495)	-	(638,717)
Streets	(222,486)	(19,698)	-	(242,184)
Sidewalks	(14,664)	(1,128)	-	(15,792)
Storm sewer	<u>(54,142)</u>	<u>(4,672)</u>	<u>-</u>	<u>(58,814)</u>
Total accumulated depreciation	<u>(1,025,998)</u>	<u>(62,162)</u>	<u>-</u>	<u>(1,088,160)</u>
Net capital assets being depreciated	<u>1,674,589</u>	<u>(56,287)</u>	<u>-</u>	<u>1,618,302</u>
Total governmental activities capital assets, net of accumulated depreciation	<u><u>\$ 1,803,329</u></u>	<u><u>\$ (56,287)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,747,042</u></u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 1,457
Public safety	26,437
Public works	33,676
Culture, recreation and education	<u>592</u>
Total governmental activities depreciation expense	<u><u>\$ 62,162</u></u>

Village of Sullivan

Notes to Financial Statements
December 31, 2020

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 818	\$ -	\$ -	\$ 818
Construction in progress	76,243	85,355	-	161,598
Intangible asset	-	238,773	-	238,773
	<u>77,061</u>	<u>324,128</u>	<u>-</u>	<u>401,189</u>
Total capital assets not being depreciated				
	<u>77,061</u>	<u>324,128</u>	<u>-</u>	<u>401,189</u>
Capital assets being depreciated:				
Collecting system	603,719	-	-	603,719
Collecting system pumping	398,795	-	-	398,795
Treatment and disposal	1,148,805	66,556	-	1,215,361
General	102,191	-	-	102,191
	<u>2,253,510</u>	<u>66,556</u>	<u>-</u>	<u>2,320,066</u>
Total capital assets being depreciated				
	<u>2,253,510</u>	<u>66,556</u>	<u>-</u>	<u>2,320,066</u>
Total capital assets				
	<u>2,330,571</u>	<u>390,684</u>	<u>-</u>	<u>2,721,255</u>
Less accumulated depreciation for:				
Sewer	(1,263,609)	(69,064)	-	(1,332,673)
	<u>(1,263,609)</u>	<u>(69,064)</u>	<u>-</u>	<u>(1,332,673)</u>
Total accumulated depreciation				
	<u>(1,263,609)</u>	<u>(69,064)</u>	<u>-</u>	<u>(1,332,673)</u>
Net capital assets being depreciated				
	<u>989,901</u>	<u>(2,508)</u>	<u>-</u>	<u>987,393</u>
Business-type capital assets, net of accumulated depreciation				
	<u>\$ 1,066,962</u>	<u>\$ 321,620</u>	<u>\$ -</u>	<u>\$ 1,388,582</u>

Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Sewer utility	General fund	\$ 31,366
Total		<u>\$ 31,366</u>

All amounts are due within one year.

The principal purpose of these interfunds is for amounts placed on the tax roll and payroll items.

Village of Sullivan

Notes to Financial Statements
December 31, 2020

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Fire	General	\$ 18,024	Payment for runs, training and officer wages for Fire Department
Total, fund financial statements		18,024	
Less fund eliminations		(18,024)	
Total transfers, government-wide statement of activities		\$ -	

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.

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 90,000	\$ -	\$ 45,000	\$ 45,000	\$ 45,000
General obligation notes from direct borrowings and direct placements	494,627	-	50,040	444,587	51,681
Total governmental activities long-term liabilities	\$ 584,627	\$ -	\$ 95,040	\$ 489,587	\$ 96,681
Business-Type Activities					
Other liabilities:					
Vested compensated absences	\$ 1,125	\$ 221	\$ -	\$ 1,346	\$ -
Total business-type activities long-term liabilities	\$ 1,125	\$ 221	\$ -	\$ 1,346	\$ -

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5 percent of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2020, was \$2,629,835. Total general obligation debt outstanding at year end was \$489,587.

Village of Sullivan

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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.

<u>Governmental Activities</u>					<u>Balance</u>
<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>December 31, 2020</u>
2001 G.O. Debt	05/01/01	05/01/21	4.70-5.40%	\$ 605,000	\$ 45,000
2010 State Trust Fund Loan *	08/26/10	03/15/30	5.25%	660,000	403,463
2016 Promissory Note *	11/17/16	11/17/23	2.17%	60,575	20,494
2018 Promissory Note *	03/05/18	6/15/23	2.15%	51,392	<u>20,630</u>
Total governmental activities, general obligation debt					<u>\$ 489,587</u>

* Direct borrowing or direct placement

Debt service requirements to maturity are as follows:

	<u>Governmental Activities</u>	
	<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2021	\$ 45,000	\$ 1,215
Total	<u>\$ 45,000</u>	<u>\$ 1,215</u>
	<u>Governmental Activities</u>	
	<u>Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
Years ending December 31:		
2021	\$ 51,681	\$ 22,445
2022	53,900	23,052
2023	35,758	17,765
2024	36,929	15,964
2025	38,911	13,982
2026-2030	<u>227,408</u>	<u>37,057</u>
Total	<u>\$ 444,587</u>	<u>\$ 130,265</u>

The Village's outstanding debt from direct borrowings or direct placements related to governmental activities of \$41,124 contains provisions that in an event of default, outstanding amounts become immediately due and payable. The remaining balance of direct borrowings or direct placements contains provisions that in an event of default, any delinquent payment amount is subject to a penalty of one percent per month.

Village of Sullivan

Notes to Financial Statements
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Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2020, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 4,201
Right of way	124,539
Other capital assets, net of accumulated depreciation	1,618,302
Less long-term debt outstanding	<u>(489,587)</u>

Total net investment in capital assets \$ 1,257,455

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2020, include the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Fund - Fire Department</u>	<u>Total</u>
Fund Balances				
Nonspendable:				
Restricted for:				
Debt service	\$ -	\$ 17,595	\$ -	\$ 17,595
Fire department activities	<u>-</u>	<u>-</u>	<u>74,657</u>	<u>74,657</u>
Subtotal	<u>-</u>	<u>17,595</u>	<u>74,657</u>	<u>92,252</u>
Assigned to:				
Future capital projects	901,039	-	-	901,039
Subsequent year's budget	10,447	-	-	10,447
Reduction to available funds	<u>(16,632)</u>	<u>-</u>	<u>-</u>	<u>(16,632)</u>
Subtotal	<u>894,854</u>	<u>-</u>	<u>-</u>	<u>894,854</u>
Total fund balances	<u>\$ 894,854</u>	<u>\$ 17,595</u>	<u>\$ 74,657</u>	<u>\$ 987,106</u>

Business-Type Activities

Net investment in capital assets:

Land	\$ 818
Construction in progress	161,598
Intangible plant	238,773
Other capital assets, net of accumulated depreciation	<u>987,393</u>

Total business-type activities net position \$ 1,388,582

Village of Sullivan

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5. Other Information

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

ETF issues a standalone Comprehensive Annual Financial Report, 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 a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

Village of Sullivan

Notes to Financial Statements
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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>
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
2019	0.0	(10.0)

Contributions

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

During the reporting period, the WRS recognized \$7,409 in contributions from the Village.

Contribution rates for the plan year reported as of December 31, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.55 %	6.55 %
Protective with Social Security	6.55 %	10.55 %
Protective without Social Security	6.55 %	14.95 %

Village of Sullivan

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

At December 31, 2020, the Village reported an asset of \$23,996 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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 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, 2019, the Village's proportion was 0.00074421 percent, which was an increase of 0.00001679 percent from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Village recognized pension expense of \$9,715.

At December 31, 2020, 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	\$ 45,551	\$ 22,795
Changes in assumptions	1,869	-
Net differences between projected and actual earnings on pension plan investments	-	49,058
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,415	302
Employer contributions subsequent to the measurement date	<u>7,782</u>	<u>-</u>
Total	<u>\$ 56,617</u>	<u>\$ 72,155</u>

\$7,782 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2021	\$ (6,502)
2022	(4,986)
2023	843
2024	(12,675)

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Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
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 percent 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. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Village of Sullivan

Notes to Financial Statements
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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 geometric real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75 percent
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 percent was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.75 percent. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's 20-year Municipal GO AA Index as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00 percent expected rate of return implies that a dividend of approximately 1.9 percent 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 Sullivan

Notes to Financial Statements
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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 asset calculated using the discount rate of 7.00 percent, as well as what the Village's proportionate share of the net pension 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:

	<u>1% Decrease to Discount Rate (6.00 %)</u>	<u>Current Discount Rate (7.00 %)</u>	<u>1% Increase to Discount Rate (8.00 %)</u>
Village's proportionate share of the net pension liability (asset)	\$ 61,795	\$ (23,996)	\$ (88,136)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

At December 31, 2020, the Village reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

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.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability band 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.

Subsequent Events

The Village was awarded \$3,600,000 of Rural Utilities Service loans and \$3,344,000 in Rural Utilities Service grants by the United States Department of Agriculture pending conditions set forth under the agreement. The award is intended to be used for the planning and construction of one Wastewater treatment facility providing wastewater treatment services to the Village and Town of Sullivan. Construction is anticipated to run through 2022.

On March 31, 2021 the Village approved issuance of a \$3,600,000 Sewerage System Revenue Bond Anticipation Note with an interest rate of 4.05%.

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. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*

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

REQUIRED SUPPLEMENTARY INFORMATION

Village of Sullivan

Detailed Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
General property taxes	\$ 192,988	\$ 192,988	\$ 192,988	\$ -
Intergovernmental revenues				
State shared revenues	53,403	53,403	53,497	94
Fire insurance tax (2 percent fire dues)	6,800	6,800	1,906	(4,894)
Exempt computer aid	736	736	1,773	1,037
State aid, road allotment	24,495	24,495	24,495	-
DNR, in lieu of taxes	80	80	80	-
County aid, highway	2,000	2,000	-	(2,000)
State aid, recycling	2,200	2,200	2,173	(27)
Federal grant	7,988	7,988	7,517	(471)
Routes to recovery	-	-	10,697	10,697
State aid, video service	-	-	2,031	2,031
Total intergovernmental revenues	<u>97,702</u>	<u>97,702</u>	<u>104,169</u>	<u>6,467</u>
Licenses and Permits				
Liquor and malt beverage licenses	2,050	2,050	1,927	(123)
Business and occupational licenses	1,000	1,000	1,038	38
Dog and cat licenses	600	600	941	341
Building permits	5,000	5,000	4,834	(166)
Other permits	-	-	50	50
Cable television franchise fees	12,231	12,231	10,266	(1,965)
Zoning permits and fees	<u>150</u>	<u>150</u>	<u>65</u>	<u>(85)</u>
Total licenses and permits	<u>21,031</u>	<u>21,031</u>	<u>19,121</u>	<u>(1,910)</u>
Public Charges for Services				
Recycling	<u>40,000</u>	<u>40,000</u>	<u>39,042</u>	<u>(958)</u>
Intergovernmental Charges for Services				
Local, fire services	<u>68,200</u>	<u>68,200</u>	<u>75,204</u>	<u>7,004</u>
Investment Income				
Interest on investments	<u>12,000</u>	<u>12,000</u>	<u>4,388</u>	<u>(7,612)</u>
Miscellaneous Revenues				
Rent	3,500	3,500	1,830	(1,670)
Sprint lease agreement	20,736	20,736	20,736	-
Other miscellaneous	<u>-</u>	<u>-</u>	<u>3,258</u>	<u>3,258</u>
Total miscellaneous revenues	<u>24,236</u>	<u>24,236</u>	<u>25,824</u>	<u>1,588</u>
Total revenues	<u>456,157</u>	<u>456,157</u>	<u>460,736</u>	<u>4,579</u>

See notes to required supplementary information

Village of Sullivan

Detailed Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government				
Board	\$ 9,989	\$ 9,989	\$ 9,423	\$ 566
Village President	3,768	3,768	3,505	263
Clerk, Treasurer	37,300	37,300	38,625	(1,325)
Clerk, Treasurer assistant	17,000	17,000	15,659	1,341
Assessment of property	6,050	6,050	4,720	1,330
Zoning and appeals board	1,085	1,085	399	686
Special accounting and auditing	16,300	16,300	17,680	(1,380)
Legal	4,500	4,500	250	4,250
Municipal building	19,555	19,555	29,319	(9,764)
Printing and postage	3,000	2,328	2,089	239
Classifications	900	900	250	650
Elections	6,900	6,900	4,202	2,698
Treasury	2,216	2,218	658	1,560
Property and liability insurance	7,737	8,365	8,365	-
Other insurance	19,300	19,172	18,803	369
	<u>155,600</u>	<u>155,430</u>	<u>153,947</u>	<u>1,483</u>
Total general government				
Public Safety				
Fire protection	90,650	89,626	65,296	24,330
Ambulance	23,189	23,189	23,189	-
Building inspection	3,500	3,500	5,491	(1,991)
Emergency government	500	500	-	500
	<u>117,839</u>	<u>116,815</u>	<u>93,976</u>	<u>22,839</u>
Total public safety				
Public Works				
Machinery and equipment	6,900	7,319	7,445	(126)
Garages and sheds	7,000	5,000	3,033	1,967
Street maintenance	10,500	9,500	38,596	(29,096)
Snow and ice control	27,500	27,500	16,270	11,230
Street lighting	12,000	12,000	12,929	(929)
Refuse and garbage collection	16,000	18,428	20,177	(1,749)
Recycling	14,465	15,543	16,625	(1,082)
Storm sewers	2,000	1,075	-	1,075
	<u>96,365</u>	<u>96,365</u>	<u>115,075</u>	<u>(18,710)</u>
Total public works				
Culture, Recreation and Education				
Parks	16,575	16,575	12,101	4,474
Recreation administration	800	800	520	280
	<u>17,375</u>	<u>17,375</u>	<u>12,621</u>	<u>4,754</u>
Total culture, recreation and education				

See notes to required supplementary information

Village of Sullivan

Detailed Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Conservation and Development				
Conservation and development	\$ 2,302	\$ 2,302	\$ 295	\$ 2,007
Weed control	<u>4,000</u>	<u>4,000</u>	<u>3,662</u>	<u>338</u>
Total conservation and development	<u>6,302</u>	<u>6,302</u>	<u>3,957</u>	<u>2,345</u>
Capital Outlay				
Capital outlay	<u>-</u>	<u>170</u>	<u>170</u>	<u>-</u>
Total expenditures	<u>393,481</u>	<u>392,457</u>	<u>379,746</u>	<u>12,711</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,676</u>	<u>63,700</u>	<u>80,990</u>	<u>17,290</u>
Other Financing Sources (Uses)				
Transfers out	<u>(17,000)</u>	<u>(18,024)</u>	<u>(18,024)</u>	<u>-</u>
Net change in fund balance	45,676	45,676	62,966	17,290
Fund Balance, Beginning	<u>831,888</u>	<u>831,888</u>	<u>831,888</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 877,564</u></u>	<u><u>\$ 877,564</u></u>	<u><u>\$ 894,854</u></u>	<u><u>\$ 17,290</u></u>

See notes to required supplementary information

Village of Sullivan

Schedule of Proportionate Share of the Net Pension (Asset) Liability - Wisconsin Retirement System
Year Ended December 31, 2020

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension (Asset) Liability</u>	<u>Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/20	0.00074421%	\$ (23,996)	\$ 113,124	21.21%	102.96%
12/31/19	0.00072742%	25,879	137,335	18.84%	96.45%
12/31/18	0.00063730%	(18,921)	93,738	20.18%	102.93%
12/31/17	0.00075353%	6,211	93,995	6.61%	99.12%
12/31/16	0.00083578%	13,581	89,631	15.15%	98.20%
12/31/15	0.00093010%	(22,841)	136,473	16.74%	102.74%

Schedule of Employer Contributions - Wisconsin Retirement System
Year Ended December 31, 2020

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/20	\$ 7,782	\$ 7,782	\$ -	\$ 115,114	6.76%
12/31/19	7,410	7,410	-	113,124	6.55%
12/31/18	9,153	9,153	-	137,090	6.68%
12/31/17	6,374	6,374	-	93,738	6.80%
12/31/16	6,203	6,203	-	93,995	6.60%
12/31/15	6,095	6,095	-	89,631	6.80%

See notes to required supplementary information

Village of Sullivan

Notes to Required Supplementary Information
Year Ended December 31, 2020

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 1.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds 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. No significant change in assumptions were noted from the prior year.