

VILLAGE OF DENMARK, WISCONSIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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INDEPENDENT AUDITORS' REPORT

Village Board
Village of Denmark
Denmark, Wisconsin

Report on the Audit of the Financial Statements

Opinions

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 Denmark, Wisconsin (the Village) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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 as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Village's 2020 financial statement, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pension and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit for the year ended December 31, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The detailed comparisons of general fund budgeted and actual revenues and general fund budgeted and actual expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements for the year ended December 31, 2021. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements for the year ended December 31, 2021. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the detailed comparisons of general fund budgeted and actual revenues and general fund budgeted and actual expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2021.

We also previously audited, in accordance with GAAS, the basic financial statements of the Village as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated April 14, 2021 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The detailed comparisons of general fund budgeted and actual revenues and general fund budgeted and actual expenditures for the year ended December 31, 2020 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information was subjected to the audit procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the detailed comparisons of general fund budgeted and actual revenues and general fund budgeted and actual expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2022, on our consideration of the Village’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
May 13, 2022

BASIC FINANCIAL STATEMENTS

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Governmental Activities	Business-Type Activities	Totals	
			2021	2020
ASSETS				
Cash and Investments	\$ 266,687	\$ 365,144	\$ 631,831	\$ 1,493,043
Receivables:				
Taxes and Special Charges	650,547	-	650,547	684,705
Delinquent Taxes	343	-	343	343
Accounts	3,903	462,930	466,833	479,627
Special Assessments	92,634	235,996	328,630	344,686
Long-Term	-	194,330	194,330	248,167
Internal Balances	(1,223,270)	1,223,270	-	-
Inventories and Prepaid Items	16,463	14,008	30,471	11,360
Land held for Resale	2,265,146	-	2,265,146	1,820,630
Restricted Assets:				
Cash and Investments	-	722,680	722,680	736,895
Net Pension Asset	38,397	94,019	132,416	67,324
Capital Assets, Nondepreciable	1,898,802	147,342	2,046,144	2,419,316
Capital Assets, Depreciable, Net	7,055,532	12,975,730	20,031,262	18,216,703
Total Assets	<u>11,065,184</u>	<u>16,435,449</u>	<u>27,500,633</u>	<u>26,522,799</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refundings	43,365	18,168	61,533	71,787
Pension Related Amounts	64,102	158,074	222,176	164,965
Other Postemployment Related Amounts	4,867	13,657	18,524	18,453
Total Deferred Outflows of Resources	<u>112,334</u>	<u>189,899</u>	<u>302,233</u>	<u>255,205</u>
LIABILITIES				
Accounts Payable	138,386	35,887	174,273	235,120
Accrued and Other Current Liabilities	3,769	11,682	15,451	25,166
Accrued Interest Payable	77,446	44,328	121,774	165,338
Unearned Revenues	119,165	30,900	150,065	30,900
Long-Term Obligations:				
Due Within One Year	3,182,138	1,761,083	4,943,221	4,659,727
Due in More than One Year	4,540,491	5,106,957	9,647,448	8,511,411
Other Postemployment Benefits	9,409	26,401	35,810	34,853
Total Liabilities	<u>8,070,804</u>	<u>7,017,238</u>	<u>15,088,042</u>	<u>13,662,515</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	868,822	-	868,822	955,142
Pension Related Amounts	84,236	206,257	290,493	201,587
Other Postemployment Related Amounts	2,366	6,638	9,004	5,579
Total Deferred Inflows of Resources	<u>955,424</u>	<u>212,895</u>	<u>1,168,319</u>	<u>1,162,308</u>
NET POSITION				
Net Investment in Capital Assets	3,183,080	6,305,568	9,488,648	9,589,490
Restricted				
Pension Benefits	38,397	94,019	132,416	67,324
Debt Payments	-	466,656	466,656	466,386
Equipment Replacement	-	256,027	256,027	333,656
Unrestricted	(1,070,187)	2,272,945	1,202,758	1,496,325
Total Net Position	<u>\$ 2,151,290</u>	<u>\$ 9,395,215</u>	<u>\$ 11,546,505</u>	<u>\$ 11,953,181</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 208,203	\$ 12,334	\$ -	\$ -
Public Safety	473,702	62,758	7,939	-
Public Works	804,256	90,310	144,234	-
Culture and Recreation	128,948	3,134	-	10,000
Conservation and Development	1,314,008	950	-	-
Interest and Fiscal Charges	289,891	-	-	-
Total Governmental Activities	<u>3,219,008</u>	<u>169,486</u>	<u>152,173</u>	<u>10,000</u>
Business-Type Activities:				
Water Utility	527,019	751,393	-	422,931
Wastewater Utility	1,266,438	1,033,776	-	280,520
Stormwater Utility	173,083	180,772	-	541,769
Total Business-Type Activities	<u>1,966,540</u>	<u>1,965,941</u>	<u>-</u>	<u>1,245,220</u>
Total	<u>\$ 5,185,548</u>	<u>\$ 2,135,427</u>	<u>\$ 152,173</u>	<u>\$ 1,255,220</u>

GENERAL REVENUES AND TRANSFERS

Taxes:
Property Taxes
Other Taxes
Federal and State Grants and Other Contributions not Restricted to Specific Functions
Interest and Investment Earnings
Miscellaneous
Gain on Sale of Asset
Transfers
Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Totals	
		2021	2020
\$ (195,869)	\$ -	\$ (195,869)	\$ (222,922)
(403,005)	-	(403,005)	(409,918)
(569,712)	-	(569,712)	75,279
(115,814)	-	(115,814)	(94,264)
(1,313,058)	-	(1,313,058)	(921,449)
(289,891)	-	(289,891)	(197,394)
(2,887,349)	-	(2,887,349)	(1,770,668)
-	647,305	647,305	206,713
-	47,858	47,858	(35,539)
-	549,458	549,458	33,839
-	1,244,621	1,244,621	205,013
(2,887,349)	1,244,621	(1,642,728)	(1,565,655)
862,937	-	862,937	817,549
75,331	-	75,331	18,323
270,478	-	270,478	275,465
1,199	6,822	8,021	11,798
19,050	-	19,050	63,220
235	-	235	-
88,913	(88,913)	-	-
1,318,143	(82,091)	1,236,052	1,186,355
(1,569,206)	1,162,530	(406,676)	(379,300)
3,720,496	8,232,685	11,953,181	12,332,481
\$ 2,151,290	\$ 9,395,215	\$ 11,546,505	\$ 11,953,181

See accompanying Notes to Financial Statements.

**VILLAGE OF DENMARK, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	General	Capital Projects	Debt Service
ASSETS			
Cash and Investments	\$ 147,522	\$ -	\$ -
Receivables:			
Taxes and Special Charges	650,547	-	-
Delinquent Taxes	343	-	-
Accounts	3,903	-	-
Special Assessments	92,634	-	-
Due from Other Funds	587,199	-	-
Inventories and Prepaid Items	16,463	-	-
Land Held for Resale	-	2,265,146	-
	<u>\$ 1,498,611</u>	<u>\$ 2,265,146</u>	<u>\$ -</u>
Total Assets			
	<u>\$ 1,498,611</u>	<u>\$ 2,265,146</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 49,919	\$ -	\$ -
Accrued and Other current Liabilities	3,769	-	-
Due to Other Funds	-	501,514	9,257
Advance from Other Funds	-	444,516	-
Unearned Revenues	-	-	-
Total Liabilities	<u>53,688</u>	<u>946,030</u>	<u>9,257</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	868,822	-	-
Special Assessments	89,250	-	-
Total Deferred Inflows of Resources	<u>958,072</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	501,292	2,265,146	-
Unassigned	(14,441)	(946,030)	(9,257)
Total Fund Balances	<u>486,851</u>	<u>1,319,116</u>	<u>(9,257)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,498,611</u>	<u>\$ 2,265,146</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**VILLAGE OF DENMARK, WISCONSIN
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

Tax Incremental District No. 2	Nonmajor American Rescue Plan Act Fund	Totals	
		2021	2020
\$ -	\$ 119,165	\$ 266,687	\$ 668,342
-	-	650,547	684,705
-	-	343	343
-	-	3,903	-
-	-	92,634	92,488
-	-	587,199	501,292
-	-	16,463	-
-	-	2,265,146	1,820,630
<u>\$ -</u>	<u>\$ 119,165</u>	<u>\$ 3,882,922</u>	<u>\$ 3,767,800</u>
\$ 88,467	\$ -	\$ 138,386	\$ 215,618
-	-	3,769	14,182
855,182	-	1,365,953	515,417
-	-	444,516	-
-	119,165	119,165	-
<u>943,649</u>	<u>119,165</u>	<u>2,071,789</u>	<u>745,217</u>
-	-	868,822	955,142
-	-	89,250	91,427
-	-	<u>958,072</u>	<u>1,046,569</u>
-	-	2,766,438	2,321,922
<u>(943,649)</u>	<u>-</u>	<u>(1,913,377)</u>	<u>(345,908)</u>
<u>(943,649)</u>	<u>-</u>	<u>853,061</u>	<u>1,976,014</u>
<u>\$ -</u>	<u>\$ 119,165</u>	<u>\$ 3,882,922</u>	<u>\$ 3,767,800</u>

See accompanying Notes to Financial Statements.

**VILLAGE OF DENMARK, WISCONSIN
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)**

	2021	2020
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total Fund Balances as Shown on Previous Page	\$ 853,061	\$ 1,976,014
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	8,954,334	8,056,283
Long-term assets are not current financial resources; therefore, are not reported in the funds:		
Net Pension Asset	38,397	19,839
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special Assessments	89,250	91,427
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on Refundings	43,365	50,592
Deferred Outflows Related to Pensions	64,102	48,713
Deferred Inflows Related to Pensions	(84,236)	(59,403)
Deferred Outflows Related to Other Postemployment Benefits	4,867	5,438
Deferred Inflows Related to Other Postemployment Benefits	(2,366)	(1,644)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and Notes Payable	(7,660,174)	(6,313,980)
Premium on Debt	(53,089)	(15,067)
Compensated Absences	(9,366)	(11,190)
Other Postemployment Benefit	(9,409)	(10,270)
Accrued Interest on Long-Term Obligations	(77,446)	(116,256)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$ 2,151,290	\$ 3,720,496

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	General	Capital Projects	Debt Service
REVENUES			
Taxes	\$ 925,517	\$ -	\$ -
Special Assessments	2,177	-	-
Intergovernmental	422,651	-	-
Licenses and Permits	67,624	-	-
Fines and Forfeits	12,006	-	-
Public Charges for Services	95,799	-	-
Intergovernmental Charges for Services	6,808	-	-
Miscellaneous	23,249	-	-
Total Revenues	<u>1,555,831</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	195,257	-	-
Public Safety	461,235	-	-
Public Works	346,730	-	-
Culture and Recreation	102,448	-	-
Conservation and Development	20,564	-	-
Debt Service:			
Principal	475,974	-	-
Interest and Fiscal Charges	184,263	222	119,464
Capital Outlay	26,812	-	-
Total Expenditures	<u>1,813,283</u>	<u>222</u>	<u>119,464</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(257,452)</u>	<u>(222)</u>	<u>(119,464)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	-	3,740,000
Premium on Debt Issued	-	-	41,521
Payment to Current Noteholder	-	-	(3,672,600)
Transfers In	88,913	-	1,286
Transfers Out	(1,286)	-	-
Total Other Financing Sources (Uses)	<u>87,627</u>	<u>-</u>	<u>110,207</u>
NET CHANGE IN FUND BALANCES	(169,825)	(222)	(9,257)
Fund Balances - Beginning of Year	<u>656,676</u>	<u>1,319,338</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 486,851</u>	<u>\$ 1,319,116</u>	<u>\$ (9,257)</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

Tax Incremental District No. 2	Nonmajor American Rescue Plan Act Fund	Totals	
		2021	2020
\$ -	\$ -	\$ 925,517	\$ 823,844
-	-	2,177	-
-	-	422,651	1,085,132
-	-	67,624	43,652
-	-	12,006	10,143
-	-	95,799	64,190
-	-	6,808	6,302
-	-	23,249	19,636
<u>-</u>	<u>-</u>	<u>1,555,831</u>	<u>2,052,899</u>
18,433	-	213,690	224,057
-	-	461,235	448,734
35,025	-	381,755	369,694
-	-	102,448	64,326
-	-	20,564	922,299
-	-	475,974	314,769
21,024	-	324,973	129,005
<u>2,623,935</u>	<u>-</u>	<u>2,650,747</u>	<u>528,417</u>
<u>2,698,417</u>	<u>-</u>	<u>4,631,386</u>	<u>3,001,301</u>
<u>(2,698,417)</u>	<u>-</u>	<u>(3,075,555)</u>	<u>(948,402)</u>
1,754,768	-	5,494,768	1,190,000
-	-	41,521	-
-	-	(3,672,600)	-
-	-	90,199	90,726
-	-	(1,286)	-
<u>1,754,768</u>	<u>-</u>	<u>1,952,602</u>	<u>1,280,726</u>
(943,649)	-	(1,122,953)	332,324
<u>-</u>	<u>-</u>	<u>1,976,014</u>	<u>1,643,690</u>
<u>\$ (943,649)</u>	<u>\$ -</u>	<u>\$ 853,061</u>	<u>\$ 1,976,014</u>

See accompanying Notes to Financial Statements.

**VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021	2020
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net Change in Fund Balances as Shown on Previous Page	\$ (1,122,953)	\$ 332,324
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Assets Reported as Capital Outlay in Governmental Fund Statements	1,357,981	341,227
Contributed Capital Assets	10,000	-
Depreciation Expense Reported in the Statement of Activities	(327,147)	(321,797)
Net Book Value of Disposals	(142,783)	-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(2,177)	87,008
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-Term Debt Issued	(5,494,768)	(1,190,000)
Principal Repaid	4,148,574	314,769
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued Interest on Long-Term Debt	38,810	(63,315)
Amortization of Debt Premium and Loss on Refundings	(45,249)	(5,074)
Landfill Postclosure Costs	-	-
Compensated Absences	1,824	6,960
Net Pension Asset	18,558	19,839
Net Pension Liability	-	20,824
Deferred Outflows of Resources Related to Pensions	15,389	(11,906)
Deferred Inflows of Resources Related to Pensions	(24,833)	(30,735)
Other Postemployment Benefits Liability	861	(5,133)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(571)	4,209
Deferred Inflows of Resources Related to Other Postemployment Benefits	(722)	(206)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	\$ (1,569,206)	\$ (501,006)

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Budget		Actual	Variance	2020 Actual
	Original	Final		Final Budget - Positive (Negative)	
REVENUES					
Taxes	\$ 919,827	\$ 919,827	\$ 925,517	\$ 5,690	\$ 823,844
Special Assessments	2,177	2,177	2,177	-	-
Intergovernmental	423,116	423,116	422,651	(465)	457,132
Licenses and Permits	45,945	45,945	67,624	21,679	43,652
Fines and Forfeits	11,000	11,000	12,006	1,006	10,143
Public Charges for Services	94,500	94,500	95,799	1,299	64,190
Intergovernmental Charges for Services	8,000	8,000	6,808	(1,192)	6,302
Miscellaneous	201,460	201,460	23,249	(178,211)	19,636
Total Revenues	1,706,025	1,706,025	1,555,831	(150,194)	1,424,899
EXPENDITURES					
Current:					
General Government	189,815	189,815	195,257	(5,442)	224,057
Public Safety	462,565	462,565	461,235	1,330	448,734
Public Works	346,051	346,051	346,730	(679)	369,694
Culture and Recreation	91,023	91,023	102,448	(11,425)	64,326
Conservation and Development	12,000	12,000	20,564	(8,564)	12,299
Debt Service:					
Principal	477,234	477,234	475,974	1,260	314,769
Interest and Fiscal Charges	168,855	168,855	184,263	(15,408)	129,005
Capital Outlay	45,000	45,000	26,812	18,188	53,460
Total Expenditures	1,792,543	1,792,543	1,813,283	(20,740)	1,616,344
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(86,518)	(86,518)	(257,452)	(170,934)	(191,445)
OTHER FINANCING SOURCES					
Transfers In	86,515	86,515	88,913	2,398	90,726
Transfers Out	-	-	(1,286)	(1,286)	-
Total Other Financing Sources	86,515	86,515	87,627	1,112	90,726
NET CHANGE IN FUND BALANCE	(3)	(3)	(169,825)	(169,822)	(100,719)
Fund Balance - Beginning of Year	656,676	656,676	656,676	-	757,395
FUND BALANCE - END OF YEAR	\$ 656,673	\$ 656,673	\$ 486,851	\$ (169,822)	\$ 656,676

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Water	Wastewater	Stormwater	Totals	
	Utility	Utility	Utility	2021	2020
ASSETS					
Current Assets:					
Cash and Investments	\$ 289,637	\$ 70,709	\$ 4,798	\$ 365,144	\$ 761,554
Receivables:					
Customer Accounts	158,677	253,590	50,663	462,930	479,627
Special Assessments	49,316	92,832	93,848	235,996	252,198
Due from Other Funds	602,499	161,497	14,758	778,754	309,637
Inventories and Prepaid Items	13,081	788	139	14,008	11,360
Total Current Assets	1,113,210	579,416	164,206	1,856,832	1,814,376
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	303,383	419,297	-	722,680	800,042
Long-Term Receivable	-	194,330	-	194,330	248,167
Total Noncurrent Assets	303,383	613,627	-	917,010	1,048,209
Other Assets:					
Advance to Other Funds	444,516	-	-	444,516	-
Net Pension Asset	39,371	49,386	5,262	94,019	47,485
Total Other Assets	483,887	49,386	5,262	538,535	47,485
Capital Assets:					
Nondepreciable	43,749	56,280	47,313	147,342	506,314
Depreciable, Net	5,980,483	3,752,793	3,242,454	12,975,730	12,073,422
Total Capital Assets	6,024,232	3,809,073	3,289,767	13,123,072	12,579,736
Total Assets	7,924,712	5,051,502	3,459,235	16,435,449	15,489,806
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Advance Refunding	13,191	4,977	-	18,168	21,195
Pension Related Amounts	65,933	83,130	9,011	158,074	116,252
Other Postemployment Related Amounts	4,991	6,260	2,406	13,657	13,015
Total Deferred Outflows of Resources	84,115	94,367	11,417	189,899	150,462

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	Water	Wastewater	Stormwater	Totals	
	Utility	Utility	Utility	2021	2020
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 8,973	\$ 26,250	\$ 664	\$ 35,887	\$ 19,502
Accrued and Other Current Liabilities	5,135	6,047	500	11,682	10,984
Accrued Interest	17,268	13,796	13,264	44,328	49,082
Due to Other Funds	-	-	-	-	295,512
Unearned Revenue	30,900	-	-	30,900	30,900
Current Portion of Long-Term Debt	81,057	160,814	1,519,192	1,761,063	235,128
Total Current Liabilities	<u>143,333</u>	<u>206,907</u>	<u>1,533,620</u>	<u>1,883,860</u>	<u>641,108</u>
Long-Term Obligations,					
Less Current Portion:					
General Obligation Debt	360,662	269,614	50,000	680,276	2,000,848
Revenue Bonds	2,066,615	2,313,135	-	4,379,750	4,551,837
Debt Premium	8,094	5,534	955	14,583	5,626
Compensated Absences	11,655	16,557	4,156	32,368	37,462
Other Postemployment Benefits	9,648	12,102	4,651	26,401	24,583
Total Long-Term Liabilities	<u>2,456,674</u>	<u>2,616,942</u>	<u>59,762</u>	<u>5,133,378</u>	<u>6,620,356</u>
Total Liabilities	<u>2,600,007</u>	<u>2,823,849</u>	<u>1,593,382</u>	<u>7,017,238</u>	<u>7,261,464</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related Amounts	86,371	108,342	11,544	206,257	142,184
Other Postemployment Related Amounts	2,426	3,043	1,169	6,638	3,935
Total Deferred Inflows of Resources	<u>88,797</u>	<u>111,385</u>	<u>12,713</u>	<u>212,895</u>	<u>146,119</u>
NET POSITION					
Net Investment in Capital Assets	3,520,995	1,064,953	1,719,620	6,305,568	5,807,492
Restricted					
Pension Benefits	39,371	49,386	5,262	94,019	47,485
Debt Payments	303,383	163,273	-	466,656	366,354
Equipment Replacement	-	256,024	-	256,024	433,688
Unrestricted	<u>1,456,274</u>	<u>676,999</u>	<u>139,675</u>	<u>2,272,948</u>	<u>1,577,666</u>
Total Net Position	<u>\$ 5,320,023</u>	<u>\$ 2,210,635</u>	<u>\$ 1,864,557</u>	<u>\$ 9,395,215</u>	<u>\$ 8,232,685</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water	Wastewater	Stormwater	Totals	
	Utility	Utility	Utility	2021	2020
OPERATING REVENUES					
Charges for Services	\$ 707,156	\$ 785,332	\$ 180,772	\$ 1,673,260	\$ 1,682,964
Other	44,237	247,444	-	291,681	255,669
Total Operating Revenues	<u>751,393</u>	<u>1,032,776</u>	<u>180,772</u>	<u>1,964,941</u>	<u>1,938,633</u>
OPERATING EXPENSES					
Operation and Maintenance	290,476	666,584	68,376	1,025,436	1,061,005
Depreciation	149,093	513,497	63,141	725,731	707,639
Taxes	7,944	1,308	-	9,252	8,976
Total Operating Expenses	<u>447,513</u>	<u>1,181,389</u>	<u>131,517</u>	<u>1,760,419</u>	<u>1,777,620</u>
OPERATING INCOME (LOSS)	<u>303,880</u>	<u>(148,613)</u>	<u>49,255</u>	<u>204,522</u>	<u>161,013</u>
NONOPERATING REVENUES (EXPENSES)					
Interest Income	1,804	2,730	-	4,534	7,419
Interest and Fiscal Charges	(78,124)	(84,610)	(41,598)	(204,332)	(202,797)
Amortization	(1,382)	(439)	32	(1,789)	(2,089)
Other Nonoperating Expenses	-	1,000	2,288	3,288	-
Total Nonoperating Expenses	<u>(77,702)</u>	<u>(81,319)</u>	<u>(39,278)</u>	<u>(198,299)</u>	<u>(197,467)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	226,178	(229,932)	9,977	6,223	(36,454)
Capital Contributions	422,931	280,520	541,769	1,245,220	248,886
Transfers Out	(88,913)	-	-	(88,913)	(90,726)
CHANGE IN NET POSITION	560,196	50,588	551,746	1,162,530	121,706
Net Position - Beginning of Year	<u>4,759,827</u>	<u>2,160,047</u>	<u>1,312,811</u>	<u>8,232,685</u>	<u>8,110,979</u>
NET POSITION - END OF YEAR	<u>\$ 5,320,023</u>	<u>\$ 2,210,635</u>	<u>\$ 1,864,557</u>	<u>\$ 9,395,215</u>	<u>\$ 8,232,685</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water	Wastewater	Stormwater	Totals	
	Utility	Utility	Utility	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 776,054	\$ 1,044,063	\$ 161,521	\$ 1,981,638	\$ 1,817,848
Cash Paid for Employee Wages and Benefits	(162,043)	(199,177)	(22,353)	(383,573)	(351,238)
Cash Paid to Suppliers	(143,260)	(474,790)	(44,128)	(662,178)	(845,210)
Net Cash Provided by Operating Activities	470,751	370,096	95,040	935,887	621,400
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Private Lateral Replacement Costs Paid	-	1,000	2,288	3,288	-
Due to/from Other Funds	(305,485)	(151,735)	(307,409)	(764,629)	(30,343)
Transfer Out	(88,913)	-	-	(88,913)	(90,726)
Net Cash Used by Noncapital Financing Activities	(394,398)	(150,735)	(305,121)	(850,254)	(121,069)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	(24,436)	-	(24,436)	(678,596)
Collection on Long-Term Receivable	-	53,837	-	53,837	20,853
Advances to Other Funds	(444,516)	-	-	(444,516)	-
Special Assessments	1,886	12,435	2,470	16,791	20,432
Proceeds from Issuance of Long-Term Debt	230,000	230,000	300,000	760,000	-
Debt Premium Received	4,135	4,135	987	9,257	-
Payment to Escrow Agent	-	-	-	-	-
Principal Paid on Long-Term Debt	(298,435)	(374,818)	(52,533)	(725,786)	(245,885)
Interest Paid on Long-Term Debt	(83,091)	(89,950)	(36,045)	(209,086)	(183,468)
Net Cash Provide (Used) by Capital and Related Financing Activities	(590,021)	(188,797)	214,879	(563,939)	(1,066,664)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	1,804	2,730	-	4,534	7,419
CHANGE IN CASH AND CASH EQUIVALENTS	(511,864)	33,294	4,798	(473,772)	(558,914)
Cash and Cash Equivalents - Beginning of Year	1,104,884	456,712	-	1,561,596	2,120,510
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 593,020</u>	<u>\$ 490,006</u>	<u>\$ 4,798</u>	<u>\$ 1,087,824</u>	<u>\$ 1,561,596</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water	Wastewater	Stormwater	Totals	
	Utility	Utility	Utility	2021	2020
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED BY					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 303,880	\$ (148,613)	\$ 49,255	\$ 204,522	\$ 161,013
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	149,093	513,497	63,141	725,731	707,639
Depreciation Charged to Sewer Utility	5,493	(5,493)	-	-	-
Change in WRS Asset/Liability	(19,079)	(24,466)	(2,989)	(46,534)	(99,393)
Change in WRS Deferred Outflows	(16,278)	(22,203)	(3,341)	(41,822)	34,159
Change in WRS Deferred Inflows	25,612	33,724	4,737	64,073	70,721
Change in other Postemployment Benefits Liability	(857)	(799)	3,474	1,818	11,779
Change in Other Postemployment Benefits Deferred Outflows	571	570	(1,783)	(642)	(9,951)
Change in Other Postemployment Benefits Deferred Inflows	744	978	981	2,703	349
Change in Operating Assets and Liabilities:					
Accounts Receivables	24,661	11,287	(19,251)	16,697	(151,685)
Inventories and Prepaid Items	(1,721)	(788)	(139)	(2,648)	(341)
Accounts Payable	2,287	14,561	(463)	16,385	(109,979)
Accrued and Other Current Liabilities	745	745	(792)	698	(510)
Unearned Revenue	-	-	-	-	30,900
Compensated Absences	(4,400)	(2,904)	2,210	(5,094)	(23,301)
Net Cash Provided by Operating Activities	<u>\$ 470,751</u>	<u>\$ 370,096</u>	<u>\$ 95,040</u>	<u>\$ 935,887</u>	<u>\$ 621,400</u>
RECONCILIATION OF CASH AND CASH					
EQUIVALENTS TO THE STATEMENT OF					
NET POSITION					
Cash and Cash Equivalents in Current Assets	\$ 289,637	\$ 70,709	\$ 4,798	\$ 365,144	\$ 761,554
Cash and Cash Equivalents in Restricted Assets	303,383	419,297	-	722,680	800,042
Total Cash and Cash Equivalents	<u>\$ 593,020</u>	<u>\$ 490,006</u>	<u>\$ 4,798</u>	<u>\$ 1,087,824</u>	<u>\$ 1,561,596</u>
Noncash Capital and Related Financing Activities					
Capital Contributions from Municipality	<u>\$ 422,931</u>	<u>\$ 280,520</u>	<u>\$ 541,769</u>	<u>\$ 1,245,220</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
ASSETS		
Current Assets		
Cash and Investment	\$ 759,384	\$ 768,930
Receivables:		
Taxes and Special Charges	2,640,899	2,478,211
Total Assets	\$ 3,400,283	\$ 3,247,141
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	3,400,283	3,247,141
NET POSITION		
Restricted for Other Governments	-	-
Total Net Position	\$ -	\$ -

See accompanying Notes to Financial Statements.

VILLAGE OF DENMARK, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
ADDITIONS		
Taxes and Special Charges Collected	\$ 2,481,892	\$ 2,439,424
DEDUCTIONS		
Payments to Other Taxing Districts:	2,481,892	2,439,424
CHANGE IN NET POSITION	-	-
Net Position - Beginning of Year	-	-
NET POSITION - END OF YEAR	\$ -	\$ -

See accompanying Notes to Financial Statements.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Denmark, Wisconsin (the Village), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below:

A. REPORTING ENTITY

The Village is a municipal corporation governed by an elected seven member board. In accordance with GAAP, the basic financial statements are required to include the Village and any separate component units that have a significant operational or financial relationship with the Village. The Village has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, debt service and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. 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

This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Projects Fund

This capital projects fund is used to account for financing and construction of general governmental capital assets.

Debt Service Fund

This fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Tax Incremental District No. 2

This fund is used to account for the project plan costs of the Village's Tax Incremental District No. 2.

The Village reports the following major enterprise funds:

Water Utility Fund

This fund accounts for the operations of the Village's water utility.

Wastewater Utility Fund

This fund accounts for the operations of the Village's wastewater utility.

Stormwater Utility Fund

This fund accounts for the operations of the Village's stormwater utility.

The Village also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and special charges collected on behalf of other governments.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services, and interest. Other revenues such as licenses and permits, fines and forfeits, and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 Village's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Property Taxes and Special Charges/Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Village properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village. Special charges not paid by January 31 are held in trust by the County and remitted to the Village, including interest, when collected by the County.

The Village bills its own property taxes and also levies and collects taxes for the Denmark Public School District, Brown County, and Northeast Wisconsin Technical College.

3. Accounts Receivable

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

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Revenue from special assessments recorded in governmental funds is recognized as collections are made.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE (CONTINUED)

5. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

6. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefitted.

Prepaid items of governmental funds in the fund financial statements are classified as by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$2,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE (CONTINUED)

8. Capital Assets (Continued)

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

Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities	Business-Type Activities
	Years	
Land improvements	15 to 35	-
Buildings	30 to 40	20 to 40
Improvements Other Than Buildings	5 to 40	25 to 100
Machinery and Equipment	3 to 15	3 to 25
Infrastructure	20 to 60	25 to 60

9. Land Held for Resale

Land held for resale consists of land and improvements and is valued at cost of acquisition, demolition, and site improvements. Land held for resale is recorded at lower of cost or market value.

10. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE (CONTINUED)

11. Deferred Outflows/Inflows of Resources (Continued)

Governmental funds may report deferred inflows of resources for unavailable revenues. The Village reports unavailable revenues for special assessments. These inflows are recognized as revenues in the government-wide financial statements.

12. Long-Term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Pensions

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

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE (CONTINUED)

14. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB Expense (Revenue), and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

15. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the Village Board. These constraints can only be removed or changed by the Village Board using the same action that was used to create them.
- **Assigned Fund Balance.** Amounts that are constrained for specific purposes by action of Village management. The Village Board has authorized the Village Administrator to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE (CONTINUED)

15. Fund Equity (Continued)

Governmental Fund Financial Statements (Continued)

The Village has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Government-Wide and Proprietary Fund Statements

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

- **Net Investment in Capital Assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted Net Position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. USE OF ESTIMATES

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

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. During November, Village management submits to the Village Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget.
4. Expenditures may not exceed appropriations provided by summarized function for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.
5. Encumbrance accounting is not used by the Village to record commitments related to unperformed contracts for goods or services.

The Village's total General Fund expenditures for the year ended December 31, 2021 exceeded budget by \$20,740.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

B. EXCESS OF EXPENDITURES OVER BUDGET APPROPRIATIONS

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2021 as follows:

Fund	Excess Expenditures
General Fund:	
General Government	\$ 5,442
Public Works	679
Culture and Recreation	11,425
Conservation and Development	8,564
Debt Service:	
Interest and Fiscal Charges	15,408

C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns, and counties. For the 2020 and 2021 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2020 budget was 4.13%. The actual limit for the Village for the 2021 budget was 3.01%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The Village maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and Investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. CASH AND INVESTMENTS (CONTINUED)

The carrying amount of the Village's cash and investments totaled \$2,113,895 on December 31, 2021 as summarized below:

Petty Cash and Cash on Hand	\$ 200
Deposits with Financial Institutions	1,079,765
Investments:	
Wisconsin Local Government Investment Pool	1,033,930
Total	<u>\$ 2,113,895</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 631,831
Restricted Cash and Investments	722,680
Fiduciary Fund Statement of Net Position:	
Cash and Investments	759,384
Total	<u>\$ 2,113,895</u>

Fair Value Measurements

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Village currently has no investments that are subject to fair value measurement.

Deposits and investments of the Village are subject to various risks. Presented below is a discussion of the Village's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Village does not have an additional custodial credit policy.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2021, \$353,339 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits.

Investments

The Village has investments in the Wisconsin local government investment pool of \$1,033,930 at year-end. 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, 2021, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Village does not have an additional credit risk policy. The Village's investment in the Wisconsin Local Government Investment Pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2021, the Wisconsin local government investment pool had a weighted average maturity of 74 days.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. RESTRICTED ASSETS

Restricted assets on December 31, 2021 totaled \$722,680 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Water Utility:		
Bond Redemption Reserve	<u>\$ 303,383</u>	To reserve additional funds for debt retirement
Wastewater Utility:		
Bond Redemption Reserve	163,273	To reserve additional funds for debt retirement
Equipment Replacement Fund	<u>256,024</u>	To provide funds to replace wastewater plant equipment
Total Wastewater Utility	<u>419,297</u>	
Total	<u><u>\$ 722,680</u></u>	

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 1,843,903	\$ 10,000	\$ 7,561	\$ 1,846,342
Construction in Progress	69,099	-	16,639	52,460
Total Capital Assets, Nondepreciable	1,913,002	10,000	24,200	1,898,802
Capital Assets, Depreciable:				
Improvements Other than Buildings	1,918,431	74,974	240,979	1,752,426
Buildings	870,486	-	-	870,486
Machinery and Equipment	244,220	-	58,203	186,017
Infrastructure	9,700,797	1,299,646	336,276	10,664,167
Subtotals	12,733,934	1,374,620	635,458	13,473,096
Less Accumulated Depreciation for:				
Improvements Other than Buildings	1,267,437	32,261	220,526	1,079,172
Buildings	181,952	27,830	-	209,782
Machinery and Equipment	154,520	23,649	55,238	122,931
Infrastructure	4,986,744	243,407	224,472	5,005,679
Subtotals	6,590,653	327,147	500,236	6,417,564
Total Capital Assets, Depreciable, Net	6,143,281	1,047,473	135,222	7,055,532
Governmental Activities Capital Assets, Net	<u>\$ 8,056,283</u>	<u>\$ 1,057,473</u>	<u>\$ 159,422</u>	8,954,334
Less: Related Long-Term Debt				5,686,929
Less: Debt Premium				53,089
Less: Capital Related Accounts Payable				74,601
Add: Deferred Charge on Refunding				<u>43,365</u>
Net Investment in Capital Assets				<u>\$ 3,183,080</u>

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Village as follows:

Governmental Activities:

General Government	\$	868
Public Safety		12,470
Public Works		285,847
Culture and Recreation		27,962
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>327,147</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital Assets, Nondepreciable:					
Land	\$ 42,765	\$ -	\$ -	\$ -	\$ 42,765
Construction in Progress	463,548	-	358,971	-	104,577
Total Capital Assets, Nondepreciable	<u>506,313</u>	<u>-</u>	<u>358,971</u>	<u>-</u>	<u>147,342</u>
Capital Assets, Depreciable:					
Improvements Other than Buildings	11,037,662	1,225,742	2,400	34,698	12,295,702
Buildings	3,181,167	24,433	7,430	-	3,198,170
Machinery and Equipment	8,148,468	-	-	(34,698)	8,113,770
Infrastructure	2,595,524	377,863	-	-	2,973,387
Subtotals	<u>24,962,821</u>	<u>1,628,038</u>	<u>9,830</u>	<u>-</u>	<u>26,581,029</u>
Less Accumulated Depreciation for:					
Improvements Other than Buildings	2,030,845	152,214	2,400	-	2,180,659
Buildings	3,522,246	121,466	-	-	3,643,712
Machinery and Equipment	6,826,252	407,451	7,430	-	7,226,273
Infrastructure	510,055	44,600	-	-	554,655
Subtotals	<u>12,889,398</u>	<u>725,731</u>	<u>9,830</u>	<u>-</u>	<u>13,605,299</u>
Total Capital Assets, Depreciable, Net	<u>12,073,423</u>	<u>902,307</u>	<u>-</u>	<u>-</u>	<u>12,975,730</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,579,736</u>	<u>\$ 902,307</u>	<u>\$ 358,971</u>	<u>\$ -</u>	13,123,072
Less: Related Long-Term Debt					6,821,091
Less: Debt Premium					14,581
Add: Deferred Charge on Refunding					<u>18,168</u>
Net Investment in Capital Assets					<u>\$ 6,305,568</u>

Business-Type Activities:

Water Utility	\$	149,093
Sewer Utility		513,497
Stormwater Utility		63,141
Total Depreciation Expense - Business-Type Activities	<u>\$</u>	<u>725,731</u>

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” in the fund financial statements.

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance		
Operating Cash Deficits:		
Governmental Fund:		
General Fund	\$ 587,199	\$ -
Capital Projects	-	501,514
Tax Incremental District No. 2	-	855,182
Debt Service	-	9,257
Proprietary Funds:		
Water Utility	602,499	-
Wastewater Utility	161,497	-
Stormwater Utility	14,758	-
Total	<u>\$ 1,365,953</u>	<u>\$ 1,365,953</u>
Long-Term Advances to Finance Capital Outlay		
Capital Projects Fund	\$ -	\$ 444,516
Enterprise Funds:		
Water Utility	444,516	-
Subtotal	<u>444,516</u>	<u>444,516</u>
Totals	<u>\$ 1,810,469</u>	<u>\$ 1,810,469</u>

Interfund transfers for the year ended December 31, 2021 were as follows:

Fund	Transfers In	Transfers Out
General	\$ 88,913	\$ 1,286
Debt Service	1,286	-
Water Utility	-	88,913
Totals	<u>\$ 90,199</u>	<u>\$ 90,199</u>

Tax Equivalent Payment Made by Water Utility to General Fund	\$ 88,913
Principal and Interest Payments	1,286
Total	<u>\$ 90,199</u>

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2021:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 694,335	\$ 3,740,000	\$ 144,041	\$ 4,290,294	\$ 90,555
Notes from Direct Borrowings and Direct Placements	5,619,645	1,754,768	4,004,533	3,369,880	3,091,583
Total General Obligation Debt	6,313,980	5,494,768	4,148,574	7,660,174	3,182,138
Debt Premium	15,067	41,521	3,499	53,089	-
Compensated Absences	11,190	-	1,824	9,366	-
Governmental Activities Long-Term Obligations	<u>\$ 6,340,237</u>	<u>\$ 5,536,289</u>	<u>\$ 4,153,897</u>	<u>\$ 7,722,629</u>	<u>\$ 3,182,138</u>
Business-Type Activities:					
General Obligation Debt:					
Bonds	\$ 280,665	\$ 510,000	\$ 40,962	\$ 749,703	\$ 69,445
Notes from Direct Borrowings and Direct Placements	1,787,013	250,000	517,821	1,519,192	1,519,192
Total General Obligation Debt	2,067,678	760,000	558,783	2,268,895	1,588,637
Revenue Bonds	4,719,198	-	167,002	4,552,196	172,446
Debt Premium	6,562	9,257	1,238	14,581	-
Compensated Absences	37,462	2,210	7,304	32,368	-
Business-Type Activities Long-Term Obligations	<u>\$ 6,830,900</u>	<u>\$ 771,467</u>	<u>\$ 734,327</u>	<u>\$ 6,868,040</u>	<u>\$ 1,761,083</u>

Total interest paid during the year on long-term debt totaled \$350,212.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
General Obligation Refunding Bonds	10/18/16	12/1/27	2.00%	1,215,000	\$ 790,000
General Obligation Notes	7/9/20	2/15/30	3.50%	290,000	285,343
General Obligation Refunding Bonds	5/27/21	3/1/38	1.9 - 2.4%	4,250,000	4,250,000
General Obligation Notes	9/23/21	1/23/22	2.99%	6,000,000	4,603,726
Total Outstanding General Obligation Debt					<u>\$ 9,929,069</u>

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$9,929,069 on December 31, 2021 are detailed below:

Year Ended December 31,	Governmental Activities					
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 90,555	\$ 110,054	\$ 3,091,583	\$ 9,897	\$ 3,182,138	\$ 119,951
2023	132,072	87,285	6,163	9,687	138,235	96,972
2024	114,038	84,894	6,381	9,469	120,419	94,363
2025	215,555	81,563	6,606	9,244	222,161	90,807
2026	314,038	76,302	6,839	9,011	320,877	85,313
2027-2031	1,224,036	296,331	252,308	33,542	1,476,344	329,873
2032-2036	1,580,000	163,415	-	-	1,580,000	163,415
2037-2038	620,000	13,105	-	-	620,000	13,105
Total	<u>\$ 4,290,294</u>	<u>\$ 912,949</u>	<u>\$ 3,369,880</u>	<u>\$ 80,850</u>	<u>\$ 7,660,174</u>	<u>\$ 993,799</u>

Year Ended December 31,	Business-Type Activities					
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 69,445	\$ 3,498	\$ 1,519,192	\$ -	\$ 1,588,637	\$ 3,498
2023	67,928	2,913	-	-	67,928	2,913
2024	70,962	2,362	-	-	70,962	2,362
2025	74,445	1,766	-	-	74,445	1,766
2026	75,962	1,192	-	-	75,962	1,192
2027-2031	215,961	596	-	-	215,961	596
2032-2036	175,000	-	-	-	175,000	-
Total	<u>\$ 749,703</u>	<u>\$ 12,327</u>	<u>\$ 1,519,192</u>	<u>\$ -</u>	<u>\$ 2,268,895</u>	<u>\$ 12,327</u>

The Village's outstanding notes from direct borrowings and direct placements related to governmental activities of \$3,369,880 and business-type activities of \$1,519,192 contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM OBLIGATIONS (CONTINUED)

Current Refunding

During 2021, the Village currently refunded four general obligation notes by issuing \$4,250,000 of Taxable General Obligation Refunding Bonds to call the refunded debt. These current refunding's were undertaken to reduce total debt service payments over the next 20 years by \$320,676 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of \$495,905.

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2021 was \$270,061 as follows:

Equalized Valuation of the Village	\$ 203,982,600
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	10,199,130
Debt Limitation	9,929,069
Legal Margin for New Debt	\$ 270,061

Revenue Bonds

Revenue bonds outstanding on December 31, 2021 totaled \$4,552,196 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/21
USDA Rural Development Loans	9/28/11	9/1/51	3.375%	\$ 944,000	\$ 1,299,300
Clean Water Fund Loan	7/23/08	5/1/28	4.09%	718,621	319,362
Clean Water Fund Loan	6/22/11	5/1/31	2.86%	1,279,283	730,061
Clean Water Fund Loan	12/31/17	5/1/37	1.76%	210,178	200,069
USDA Rural Development Loans	12/12/19	5/1/59	2.38%	1,344,000	804,704
USDA Rural Development Loans	12/12/19	5/1/59	2.38%	1,240,000	1,198,700
Total Outstanding Revenue Bonds					\$ 4,552,196

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

Annual principal and interest maturities of the outstanding revenue bonds on December 31, 2021 are detailed below:

<u>Year Ended December 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 172,446	\$ 93,334	\$ 265,780
2023	177,568	116,301	293,869
2024	182,932	110,866	293,798
2025	188,542	105,258	293,800
2026	194,204	99,471	293,675
2027-2031	896,976	413,877	1,310,853
2032-2036	460,172	326,422	786,594
2037-2041	463,270	266,012	729,282
2042-2046	513,879	201,275	715,154
2047-2051	575,105	127,054	702,159
2052-2056	438,200	60,819	499,019
2057-2059	288,902	10,401	299,303
Total	<u>\$ 4,552,196</u>	<u>\$ 1,931,090</u>	<u>\$ 6,483,286</u>

Utility Revenues Pledged

The Village has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the water and wastewater system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The bonds are payable solely from water and wastewater customer net revenues and are payable through 2059. The total principal and interest remaining to be paid on the bonds is \$6,483,286. Principal and interest paid for the current year and total customer net revenues were \$293,453 and \$679,366 respectively.

The Village's outstanding Clean Water Fund Loans related to business-type activities of \$1,249,492 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the Village or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN

1. 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, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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.

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

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

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

The WRS also provides death and disability benefits for employees.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

2. Postretirement Adjustments

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	2.4	17
2019	0	(10)
2020	1.7	21

3. Contributions

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

During the year ended December 31, 2021, the WRS recognized \$23,079 in contributions from the Village.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

3. Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teacher, Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

4. Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Village reported an asset of \$132,416 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the Village's proportion was 0.00212100%, which was an increase of 0.00003306% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Village recognized pension expense (revenue) of (\$10,277).

At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 191,646	\$ 41,280
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	248,601
Changes in Assumptions	3,003	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,448	612
Employer Contributions Subsequent to the Measurement Date	23,079	-
Total	<u>\$ 222,176</u>	<u>\$ 290,493</u>

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

4. Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$23,079 reported as deferred outflows related to pension resulting from the Village's contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2022	\$ (22,008)
2023	(5,307)
2024	(44,904)
2025	(19,177)
Total	<u>\$ (91,396)</u>

5. 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, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
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% to 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

5. Actuarial Assumptions (Continued)

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:

	<u>Target Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Core Fund Asset Class:			
Global Equities	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2	0.8
Inflation Sensitive Assets	16.0	2.0	-0.4
Real Estate	8.0	5.6	3.1
Private Equity/Debt	11.0	10.2	7.6
Multi-Asset	4.0	5.8	3.3
Cash	-15.0	0.9	N/A
Total Core Fund	100.0	6.6	4.1
Variable Fund Asset Class:			
U.S. Equities	70.0%	6.6%	4.1%
International Equities	30.0	7.4	4.9
Total Variable Fund	100.0	7.1	4.6

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

5. Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 2.00% (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, 2020 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 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Village’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7%, as well as what the Village’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
Village's Proportionate Share of the Net Pension Liability (Asset)	\$ 126,042	\$ (132,416)	\$ (322,253)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-andstudies/financial-reports-and-statements>.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. PENSION PLAN (CONTINUED)

6. Payables to the WRS

At December 31, 2021, the Village reported a payable of \$4,001 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2021.

G. OTHER POSTEMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a cost sharing, multiple-employer, defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible members.

OPEB Plan Fiduciary Net Position

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

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired members and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on member contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

Contribution rates as of December 31, 2021 are:

Coverage Type	Employer Contribution
50% Postretirement Coverage	40% of Employee Contribution
25% Postretirement Coverage	20% of Employee Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2020 are listed below:

Life Insurance Member Contribution Rates For the Year Ended December 31, 2020		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 to 34	0.06	0.06
35 to 39	0.07	0.07
40 to 44	0.08	0.08
45 to 49	0.12	0.12
50 to 54	0.22	0.22
55 to 59	0.39	0.39
60 to 64	0.49	0.49
65 to 69	0.57	0.57

During the reporting period, the LRLIF recognized \$179 in contributions from the employer.

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2021, the Village reported a liability of \$35,810 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net OPEB liability was based on the Village's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the Village's proportion was 0.00651000%, which was a decrease of 0.00167500% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Village recognized OPEB expense of \$4,440.

At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,708
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	521	-
Changes in Assumptions	13,931	2,457
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,072	4,839
Total	\$ 18,524	\$ 9,004

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2022	\$ 1,983
2023	1,927
2024	1,868
2025	1,709
2026	1,850
Thereafter	183
Total	\$ 9,520

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense (Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability:	December 31, 2020
Actuarial cost Method:	Entry Age Normal
20-Year Tax-Exempt Municipal Bond Yield:	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.10% to 5.60%
Mortality:	Wisconsin 2018 Mortality Table

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 OPEB liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	50%	1.47%
U.S. Mortgages	Barclays MBS	50%	0.82%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (Continued)

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate. A single discount rate of 2.25% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Village's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate. The following presents the Village's proportionate share of the net OPEB liability calculated using the discount rate of 2.25%, as well as what the Village's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Village's Proportionate Share of the Net OPEB Liability	\$ 48,711	\$ 35,810	\$ 26,052

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (Continued)

Payable to the OPEB Plan

At December 31, 2021, the Village reported no payable for the outstanding amount of contribution to the Plan required for the year ended December 31, 2021.

H. FUND EQUITY

Minimum General Fund Balance Policy

The Village has adopted a minimum fund balance policy between 16.6% and 25% of the subsequent year budgeted expenditures for the general fund, not including debt service and capital outlay. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2022 General Fund Expenditures	\$	1,536,792
Less Debt Service		206,562
Expenditures Subject to Minimum Fund Balance		1,330,230
Minimum Fund Balance Percent	(x) 16.6%	(x) 25%
Minimum Fund Balance Amount	\$ 220,818	\$ 332,558

The Village's unassigned general fund balance deficit of (\$14,441) is below the minimum fund balance amount.

Nonspendable Fund Balances

The Village reports nonspendable fund balances at December 31, 2021 as follows:

General Fund:		
Nonspendable:		
Long-Term Receivables	\$	484,829
Inventories and Prepaid Items		16,463
Total General Fund Nonspendable Fund Balance		501,292
Capital Projects Fund:		
Nonspendable:		
Land Held for Resale		2,265,146
Total Nonspendable Fund Balance	\$	2,766,438

VILLAGE OF DENMARK, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 OTHER INFORMATION

A. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage. The Village has not made any reductions in insurance coverage from the prior year. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

B. CONTINGENCIES

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

C. SIGNIFICANT CUSTOMERS

During 2021, the water utility billed one customer \$219,404. This represents 29.2% of water utility operating revenue. In addition, the wastewater utility billed one customer \$479,946. This represents 49.0% of wastewater utility operating revenue. No other customer accounted for more than 10% of operating revenues.

D. SUBSEQUENT EVENTS

Issuance of Water System, Sewerage System and Storm Water System Revenue Bond Anticipation Notes

On January 27, 2022, the Village issued \$12,886,000 of Water System, Sewerage System and Storm Water System Revenue Bond Anticipation Notes. The principal balance of the notes is due in full in a single payment on May 9, 2024 with interest payable semiannually at 1.92%. The Notes are callable on February 1, 2024. Funds to finance the principal of the notes will be obtained from the issuance of mortgage revenue bonds issued by the United States of America acting through the Department of Agriculture. The mortgage revenues bonds will be repaid over 40 years from user charges of the water, sewerage and storm water systems. In addition, statutory mortgage liens will be placed on the assets of the utility system.

The proceeds of the January 27, 2022 Notes were, in part, used to retire the September 23, 2021 general obligation note of \$4,603,726. The balance of the proceeds will be used to finance capital expenditures of the utility systems over the next two and one-half years. The repayment of the general obligation note reduced the outstanding general obligation debt applicable to debt limitation by \$4,603,726 to \$5,325,343. Accordingly, the repayment also increased the Legal Margin for New Debt to \$4,873,787.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF DENMARK, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00368552%	\$ (90,526)	\$ 447,473	20.23%	102.74%
12/31/15	0.00348538%	56,637	413,865	13.68%	98.20%
12/31/16	0.00296811%	24,464	308,708	7.92%	99.12%
12/31/17	0.00243341%	(72,250)	289,610	24.95%	102.93%
12/31/18	0.00204438%	72,732	311,415	23.36%	96.45%
12/31/19	0.00208794%	(67,324)	365,320	18.43%	102.96%
12/31/20	0.00212100%	(132,416)	343,704	38.53%	105.26%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 30,956	\$ 30,956	\$ -	\$ 413,865	7.48%
12/31/16	20,649	20,649	-	308,708	6.69%
12/31/17	19,695	19,695	-	289,610	6.80%
12/31/18	20,865	20,865	-	311,415	6.70%
12/31/19	23,928	23,928	-	365,320	6.55%
12/31/20	23,199	23,199	-	343,704	6.75%
12/31/21	23,079	23,079	-	341,900	6.75%

**VILLAGE OF DENMARK, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.00603500%	\$ 18,157	\$ 253,789	7.15%	44.81%
12/31/18	0.00695300%	17,941	294,000	6.10%	48.69%
12/31/19	0.00818500%	34,853	314,000	11.10%	37.58%
12/31/20	0.00651000%	35,810	260,000	13.77%	31.36%

**SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
12/31/18	\$ 134	\$ 134	\$ -	\$ 294,000	0.05%
12/31/19	133	133	-	314,000	0.04%
12/31/20	152	152	-	260,000	0.06%
12/31/21	179	179	-	341,900	0.05%

**VILLAGE OF DENMARK, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

There were no changes in benefit terms or assumptions for any participating employer in the WRS.

No significant change in assumptions were noted from the prior year.

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

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

There were no changes in benefit terms or assumptions for any participating employer in LRLIF.

Actuarial assumptions were based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015 – 2017 and the discount rate was updated to reflect the municipal bond rate at the completion of the actuarial valuation.

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

SUPPLEMENTARY INFORMATION

VILLAGE OF DENMARK
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 21, 2020)

	Budget		Actual	Variance	2020 Actual
	Original	Final		Final Budget - Positive (Negative)	
Taxes:					
General Property	\$ 862,802	\$ 862,802	\$ 862,937	\$ 135	\$ 817,549
Excess Stadium District Sales Tax	-	-	20	20	161
PILOT - Housing Authority	3,700	3,700	2,201	(1,499)	2,187
PILOT - Industrial Customer	50,000	50,000	55,661	5,661	-
Mobile home	3,325	3,325	4,698	1,373	3,947
Total Taxes	919,827	919,827	925,517	5,690	823,844
Special Assessments	2,177	2,177	2,177	-	-
Intergovernmental:					
State:					
State Shared Taxes	249,915	249,915	248,890	(1,025)	250,098
Fire Insurance Dues	7,405	7,405	7,939	534	7,405
Tax-Exempt Computer Aid	2,606	2,606	2,606	-	2,606
Transportation	137,305	137,305	137,305	-	119,396
Recycling	6,903	6,903	6,929	26	6,903
Personal Property Aid	14,662	14,662	14,662	-	14,662
Other	4,320	4,320	4,320	-	56,062
Total Intergovernmental	423,116	423,116	422,651	(465)	457,132
Licenses and Permits:					
Licenses:					
Liquor and Malt Beverage	4,640	4,640	7,092	2,452	4,665
Cable Television Fees	12,000	12,000	12,751	751	12,028
Dog	805	805	817	12	735
Permits:					
Building	28,500	28,500	46,964	18,464	26,224
Total Licenses and Permits	45,945	45,945	67,624	21,679	43,652
Fines and Forfeits:					
Court Fines and Penalties	11,000	11,000	12,006	1,006	10,143
Public Charges for Services:					
General Government	2,000	2,000	2,355	355	1,550
Public Works	90,000	90,000	90,310	310	62,640
Leisure Activities	2,500	2,500	3,134	634	-
Total Public Charges for Services	94,500	94,500	95,799	1,299	64,190
Intergovernmental Charges for Services:					
Police	8,000	8,000	6,808	(1,192)	6,302
Miscellaneous:					
Interest on Investments	3,344	3,344	1,624	(1,720)	4,379
Rental of Village Property	17,500	17,500	6,425	(11,075)	14,225
Sale of Village Property	178,000	178,000	3,000	(175,000)	-
Other	2,616	2,616	12,200	9,584	1,032
Total Miscellaneous	201,460	201,460	23,249	(178,211)	19,636
Total Revenues	\$ 1,706,025	\$ 1,706,025	\$ 1,555,831	\$ (150,194)	\$ 1,424,899

VILLAGE OF DENMARK
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 21, 2020)

	Budget		Actual	Variance	2020 Actual
	Original	Final		Final Budget - Positive (Negative)	
General Government:					
Municipal Court	\$ 15,125	\$ 15,125	\$ 19,802	\$ (4,677)	\$ 16,928
Board	15,372	15,372	14,831	541	17,428
Financial Administration	45,833	45,833	49,180	(3,347)	48,651
Legal Counsel	25,000	25,000	30,608	(5,608)	32,029
Assessment of Property	15,200	15,200	16,990	(1,790)	12,720
Elections	5,000	5,000	4,080	920	9,761
Village Hall	9,885	9,885	9,871	14	12,203
Property and liability insurance	12,200	12,200	10,259	1,941	12,197
Other General Government	46,200	46,200	39,636	6,564	62,140
Total General Government	189,815	189,815	195,257	(5,442)	224,057
Public Safety:					
Police Department	250,596	250,596	253,128	(2,532)	240,784
Fire Department	154,844	154,844	155,296	(452)	154,634
Ambulance	28,800	28,800	29,500	(700)	28,026
Inspection	28,325	28,325	23,311	5,014	25,290
Total Public Safety	462,565	462,565	461,235	1,330	448,734
Public Works:					
Garage and Building	12,140	12,140	3,367	8,773	58,599
Machinery and Equipment	4,534	4,534	5,070	(536)	5,232
Street Maintenance	101,533	101,533	129,262	(27,729)	88,673
Snow and Ice Removal	100,000	100,000	74,867	25,133	70,288
Garbage Collection and Recycling	127,844	127,844	134,164	(6,320)	146,902
Total Public Works	346,051	346,051	346,730	(679)	369,694
Culture and Recreation:					
Parks - General	91,023	91,023	102,448	(11,425)	64,326
Conservation and Development:					
Planning and Zoning	12,000	12,000	20,564	(8,564)	12,299
Debt Service:					
Principal	477,234	477,234	475,974	1,260	314,769
Interest and Fiscal Charges	168,855	168,855	184,263	(15,408)	129,005
Total Debt Service	646,089	646,089	660,237	(14,148)	443,774
Capital Outlay:					
General Government	-	-	605	(605)	5,443
Public Safety	-	-	-	-	48,017
Public Works	45,000	45,000	26,207	18,793	-
Total Capital Outlay	45,000	45,000	26,812	18,188	53,460
Total Expenditures	\$ 1,792,543	\$ 1,792,543	\$ 1,813,283	\$ (20,740)	\$ 1,616,344

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Village Board
Village of Denmark
Denmark, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Denmark (the Village), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Denmark’s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Village’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village’s response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
May 13, 2022

**VILLAGE OF DENMARK, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

Section I – Financial Statement Findings

Finding no.	FINANCIAL STATEMENT FINDINGS
2021-001	Preparation of Annual Financial Report
Type of Finding:	Material Weakness in Internal Control Over Financial Reporting
Condition:	Current Village staff maintains accounting records which reflect the Village's financial transactions; however, preparing the Village's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Village contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the Village's internal control system. As part of its internal control over preparation off its financial statements, including disclosures, the Village has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect, and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.
Effect:	Without our involvement, the Village may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Cause:	Village management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Repeat Finding:	Repeat of Finding 2020-001
Recommendation:	We recommend the Village continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Village's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Village is necessary to obtain a complete and adequate understanding of the Village's annual financial report.
Views of Responsible Officials:	There is no disagreement with the audit finding. Management will continue to have appropriate staff review and approve draft financial statements prior to issuance.

**VILLAGE OF DENMARK, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section I – Financial Statement Findings (Continued)

Finding no.	FINANCIAL STATEMENT FINDINGS
2021-002	Adjustments to the Village’s Financial Records
Type of Finding:	Material Weakness in Internal Control Over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the Village’s financial statements.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Effect:	Year-end financial records prepared by the Village may contain material misstatements.
Cause:	While Village staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Repeat Finding	Repeat of Finding 2020-002
Recommendation:	We recommend the Village designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Views of Responsible Officials:	There is no disagreement with the audit finding. The Village will continue to refine financial policies and procedures.

**VILLAGE OF DENMARK, WISCONSIN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section I – Financial Statement Findings (Continued)

Finding no.	FINANCIAL STATEMENT FINDINGS
2021-003	Segregation of Duties – Clerk/Treasurer
Type of Finding:	Material Weakness in Internal Control Over Financial Reporting
Condition:	Management is responsible for the design, implementation and maintenance of an appropriate system of internal control. Proper segregation of duties is an important aspect of any control system. The limited size of the Village’s office staff prevents the ideal separation of functions. Limitations or weaknesses in segregation of duties currently exist in following transaction cycles: <ul style="list-style-type: none">• Utility billing• Cash receipting• Journal entry processing.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the Village’s operations and the key role in which the Clerk and Treasurer serve in transaction processing and maintaining the Village’s general ledger.
Recommendation:	We recommend the Village Board continue to be aware of the weaknesses in the Village’s segregation of duties and that they continue to monitor the transactions and the financial records of the Village.
Views of Responsible Officials:	Management and the Board are conscious of the Village’s staffing limitations. The Village Board will continue to monitor the transactions and financial records of the Village. At this time, Management believes that the incremental cost of further segregating the cash receipting, utility billing, and adjusting journal entry procedures is not cost beneficial.

Section II – Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under *Government Auditing Standards* for the year ended December 31, 2021.