



Village of Bayside
9075 N Regent Road
Finance & Administration Committee
June 20, 2022
Village Board Room, 4:30pm

FINANCE & ADMINISTRATION COMMITTEE AGENDA

PLEASE TAKE NOTICE that a meeting of the Village Finance & Administration Committee will be held at Bayside Village Hall, 9075 North Regent Road, Bayside, Wisconsin at the above noted time and date, at which the following items of business will be discussed and possibly acted upon:

- I. CALL TO ORDER and ROLL CALL**
- II. BUSINESS**
 - A.** Discussion/action on acceptance of 2021 Village audit.
- III. ANY OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE COMMITTEE**
- IV. ADJOURNMENT**

Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. Contact Village Hall at 414-206-3915. It is possible that members of and possibly a quorum of members of other Boards, Commissions, or Committees of the Village including in particular the Board of Trustees may be in attendance in the above stated meeting to gather information; no action will be taken by any other Boards, Commissions, or Committees of the Village except by the Board, Commission, or Committee noticed above. Agendas and minutes are available on the Village website (www.baysidewi.gov)



2021 Financial Highlights Presented to the Village of Bayside

Presented by:
Wendi M. Unger, CPA, Partner



Audit Results

- **Audit Objective**
 - The objective of our audit was to express our opinion on the financial statements of the Village of Bayside as December 31, 2021.
- **Our Opinion**
 - An unmodified audit opinion has been issued on the financial statements for the fiscal year ending December 31, 2021.
 - The financial statements are fairly presented in accordance with generally accepted accounting principles.
 - All accounting principles have been applied consistently with prior years.
 - All appropriate disclosures have been properly reflected in the financial statements.

Summary Financial Information

Results of Operations

	<u>General Fund</u>	<u>Consolidated Dispatch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>DPW Capital Projects</u>	<u>Stormwater Fund</u>
Revenues and other sources	\$ 4,639,188	\$ 2,742,570	\$ 5,212,023	\$ 591,761	\$ 1,190,533	\$ 821,277
Expenditures and other uses	<u>4,524,209</u>	<u>2,725,628</u>	<u>5,213,811</u>	<u>470,219</u>	<u>189,620</u>	<u>555,638</u>
Excess (deficiency)	114,979	16,942	(1,788)	121,542	1,000,913	265,639
Fund balance						
Beginning of year	<u>1,499,349</u>	<u>394,073</u>	<u>489,086</u>	<u>1,198,917</u>	<u>1,027,545</u>	<u>899,059</u>
End of year	<u>\$ 1,614,328</u>	<u>\$ 411,015</u>	<u>\$ 487,298</u>	<u>\$ 1,320,459</u>	<u>\$ 2,028,458</u>	<u>\$ 1,164,698</u>
Fund Balance consist of:						
Nonspendable	\$ 14,355	\$ 23,195	\$ -	\$ 8,632	\$ -	\$ 1,513
Restricted	-	-	487,298	-	1,002,417	250,000
Committed	-	387,820	-	1,311,827	1,026,041	913,185
Unassigned	<u>1,599,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,614,328</u>	<u>\$ 411,015</u>	<u>\$ 487,298</u>	<u>\$ 1,320,459</u>	<u>\$ 2,028,458</u>	<u>\$ 1,164,698</u>



Summary Financial Information (cont.)

Results of Operations

	<u>Sewer Utility</u>
Revenues and contributions	\$ 992,826
Expenses and transfers	<u>780,770</u>
Income	212,056
Net Position	
Beginning of year	<u>2,596,816</u>
End of year	<u>\$ 2,808,872</u>



Other Information

- **Total long-term obligations outstanding at December 31, 2021**
 - \$8,389,471 of governmental activities debt
 - \$2,838,199 of business-type activities debt
- **Debt capacity**
 - Ability to borrow up to 5% of equalized value (\$35,312,425) total general obligation debt outstanding at December 31, 2021 was \$10,195,908.

Required Communication

- **Reporting and Insights from 2021 Audit**
 - Material weakness identified
 - Other comments and recommendations
 - Informational points
 - Two-way communication regarding your audit
 - Required communication to those charged with governance

Conclusion and Questions

It is a pleasure to serve you. While we work with the Village's management and staff in reviewing the financial data and preparing the financial statements, our contract is with the Board and our responsibility is to report to the Board. Accordingly, if any Board member has any questions or comments concerning our audit, the financial statements, any of the reports presented, or any thing else covered, please contact me at 414.777.5423 or at the following email address wendi.unger@bakertilly.com.



Independent Auditors' Report

To the Village Board of
Village of Bayside

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 Bayside (the Village), Wisconsin, 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 of Bayside, Wisconsin, as of December 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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 the 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' Responsibilities 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 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, 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.

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the Introductory Section and Statistical Section listed in the accompanying table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Milwaukee, Wisconsin
May XX, 2022

Village of BaysideStatement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 7,446,938	\$ 444,873	\$ 7,891,811
Receivables			
Taxes	5,065,885	811,902	5,877,787
Accounts	85,558	24,407	109,965
Due from other governments	325,000	-	325,000
Prepaid Items	47,695	1,607	49,302
Restricted assets:			
Cash and investments	-	1,054,257	1,054,257
Net pension asset	1,401,798	24,522	1,426,320
Internal balances	(28,768)	28,768	-
Capital assets (net of accumulated depreciation / amortization):			
Land	3,561,528	-	3,561,528
Construction in progress	228,338	-	228,338
Other capital assets, net of depreciation / amortization	13,987,174	4,234,452	18,221,626
Total assets	32,121,146	6,624,788	38,745,934
Deferred Outflows of Resources			
Loss on refunding	3,732	-	3,732
Pension related items	2,321,766	53,844	2,375,610
OPEB related items	120,077	6,768	126,845
Total deferred outflows of resources	2,445,575	60,612	2,506,187
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable and accrued expenses	363,113	160,106	523,219
Unearned revenues	226,817	-	226,817
Noncurrent liabilities:			
Due within one year	872,009	257,717	1,129,726
Due in more than one year	7,517,462	2,580,482	10,097,944
Total liabilities	8,979,401	2,998,305	11,977,706
Deferred Inflows of Resources			
Pension related items	3,067,820	64,169	3,131,989
OPEB related items	62,347	2,152	64,499
Unearned property taxes	5,065,885	811,902	5,877,787
Total deferred inflows of resources	8,196,052	878,223	9,074,275
Net Position			
Net investment in capital assets	11,363,157	2,408,930	13,772,087
Restricted for:			
Debt service	422,535	53,256	475,791
Pension	1,401,798	24,522	1,426,320
Unrestricted	4,203,778	322,164	4,525,942
Total net position	\$ 17,391,268	\$ 2,808,872	\$ 20,200,140

See notes to financial statements

Village of Bayside

Statement of Activities

Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 717,688	\$ 84,572	\$ -	\$ -
Public safety	5,206,358	2,921,528	26,670	284,932
Public works	1,573,362	640,635	42,754	427,539
Culture, education, and recreation	217,954	5,061	55,218	-
Interest and fiscal charges	446,321	-	-	-
Total governmental activities	<u>8,161,683</u>	<u>3,651,796</u>	<u>124,642</u>	<u>712,471</u>
Business-type activities:				
Sewer	<u>776,541</u>	<u>980,599</u>	<u>-</u>	<u>7,899</u>
Total business-type activities	<u>776,541</u>	<u>980,599</u>	<u>-</u>	<u>7,899</u>
Total primary government	<u>\$ 8,938,224</u>	<u>\$ 4,632,395</u>	<u>\$ 124,642</u>	<u>\$ 720,370</u>

General Revenues

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income (loss)

Gain (loss) on disposal of assets

Miscellaneous

Total general revenues

Change in net position

Net Position, Beginning**Net Position, Ending**

See notes to financial statements

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (633,116)	\$ -	\$ (633,116)
(1,973,228)	-	(1,973,228)
(462,434)	-	(462,434)
(157,675)	-	(157,675)
(446,321)	-	(446,321)
<u>(3,672,774)</u>	<u>-</u>	<u>(3,672,774)</u>
<u>-</u>	<u>211,957</u>	<u>211,957</u>
<u>-</u>	<u>211,957</u>	<u>211,957</u>
<u>(3,672,774)</u>	<u>211,957</u>	<u>(3,460,817)</u>
3,822,099	-	3,822,099
792,089	-	792,089
57,895	-	57,895
190,085	-	190,085
(10,482)	99	(10,383)
(27,059)	-	(27,059)
187,489	-	187,489
<u>5,012,116</u>	<u>99</u>	<u>5,012,215</u>
1,339,342	212,056	1,551,398
<u>16,051,926</u>	<u>2,596,816</u>	<u>18,648,742</u>
<u>\$ 17,391,268</u>	<u>\$ 2,808,872</u>	<u>\$ 20,200,140</u>

See notes to financial statements

Village of Bayside

Balance Sheet - Governmental Funds
December 31, 2021

	General Fund	Special Revenue Funds		Debt Service Fund
		Consolidated Dispatch	Stormwater	
Assets				
Cash and investments	\$ 1,681,880	\$ 549,175	\$ 1,122,859	\$ 487,298
Receivables:				
Taxes	3,239,467	303,653	400,879	792,089
Accounts	40,793	-	44,334	-
Due from other governments	-	-	-	325,000
Prepaid items	14,355	23,195	1,513	-
Total assets	\$ 4,976,495	\$ 876,023	\$ 1,569,585	\$ 1,604,387
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 1,733	\$ 91,050	\$ -	\$ -
Accrued liabilities	120,967	70,305	4,008	-
Advances from sewer fund	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	122,700	161,355	4,008	-
Deferred Inflows of Resources				
Unearned revenues	3,239,467	303,653	400,879	792,089
Unavailable revenues	-	-	-	325,000
Total deferred inflows of resources	3,239,467	303,653	400,879	1,117,089
Fund Balances				
Nonspendable	14,355	23,195	1,513	-
Restricted	-	-	250,000	487,298
Committed	-	387,820	913,185	-
Unassigned	1,599,973	-	-	-
Total fund balances	1,614,328	411,015	1,164,698	487,298
Total liabilities, deferred inflows of resources and fund balances	\$ 4,976,495	\$ 876,023	\$ 1,569,585	\$ 1,604,387

See notes to financial statements

Capital Projects Funds		Nonmajor Governmental Funds	
Capital Projects	DPW Capital Projects	American Rescue Plan Act	Total
\$ 1,345,240	\$ 2,033,669	\$ 226,817	\$ 7,446,938
204,797	125,000	-	5,065,885
431	-	-	85,558
-	-	-	325,000
8,632	-	-	47,695
<u>\$ 1,559,100</u>	<u>\$ 2,158,669</u>	<u>\$ 226,817</u>	<u>\$ 12,971,076</u>
\$ 5,076	\$ 5,211	\$ -	\$ 103,070
-	-	-	195,280
28,768	-	-	28,768
-	-	226,817	226,817
<u>33,844</u>	<u>5,211</u>	<u>226,817</u>	<u>553,935</u>
204,797	125,000	-	5,065,885
-	-	-	325,000
<u>204,797</u>	<u>125,000</u>	<u>-</u>	<u>5,390,885</u>
8,632	-	-	47,695
-	1,002,417	-	1,739,715
1,311,827	1,026,041	-	3,638,873
-	-	-	1,599,973
<u>1,320,459</u>	<u>2,028,458</u>	<u>-</u>	<u>7,026,256</u>
<u>\$ 1,559,100</u>	<u>\$ 2,158,669</u>	<u>\$ 226,817</u>	<u>\$ 12,971,076</u>

See notes to financial statements

Village of Bayside

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances, Governmental Funds	\$ 7,026,256
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	17,777,040
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	325,000
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	1,401,798
Deferred outflows of resources related to pension and OPEB do not relate to current financial resources and are not reported in the governmental funds.	2,441,843
Deferred inflows of resources related to pension and OPEB do not relate to current financial resources and are not reported in the governmental funds.	(3,130,167)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(7,715,908)
Compensated absences	(59,131)
Accrued interest	(64,763)
Unamortized debt premium	(380,032)
Unamortized loss of refunding	3,732
Net OPEB liability	<u>(234,400)</u>
Net Position of Governmental Activities	<u><u>\$ 17,391,268</u></u>

Village of BaysideStatement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2021

	General Fund	Special Revenue Funds		Debt Service Fund
		Consolidated Dispatch	Stormwater	
Revenues				
Taxes	\$ 3,284,456	\$ 297,783	\$ -	\$ 792,089
Intergovernmental	685,187	2,373,998	-	-
Licenses and permits	312,713	-	-	-
Fines, forfeitures, and penalties	42,988	-	-	-
Public charges for services	112,681	-	556,270	-
Intergovernmental charges for services	117,009	-	-	344,745
Investment income (loss)	(13,221)	-	-	2,739
Miscellaneous revenues	94,501	70,789	-	29,434
Total revenues	<u>4,636,314</u>	<u>2,742,570</u>	<u>556,270</u>	<u>1,169,007</u>
Expenditures				
Current:				
General government	720,341	-	-	-
Public safety	2,581,328	2,614,214	-	-
Public works	907,839	-	303,710	-
Culture, recreation, and education	183,568	-	-	-
Capital outlay	51,999	111,414	179,353	-
Debt service:				
Principal	31,000	-	-	4,912,241
Interest and fiscal charges	2,134	-	8,145	301,570
Total expenditures	<u>4,478,209</u>	<u>2,725,628</u>	<u>491,208</u>	<u>5,213,811</u>
Excess (deficiency) of revenues over expenditures	<u>158,105</u>	<u>16,942</u>	<u>65,062</u>	<u>(4,044,804)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	64,430
Transfers out	(46,000)	-	(64,430)	-
Debt issued	-	-	255,000	3,830,000
Premium on debt issued	-	-	10,007	148,586
Proceeds from sale of capital assets	2,874	-	-	-
Total other financing sources	<u>(43,126)</u>	<u>-</u>	<u>200,577</u>	<u>4,043,016</u>
Net changes in fund balances	114,979	16,942	265,639	(1,788)
Fund Balances, Beginning	<u>1,499,349</u>	<u>394,073</u>	<u>899,059</u>	<u>489,086</u>
Fund Balances, Ending	<u>\$ 1,614,328</u>	<u>\$ 411,015</u>	<u>\$ 1,164,698</u>	<u>\$ 487,298</u>

See notes to financial statements

Capital Projects Funds		Nonmajor Governmental Funds	
Capital Projects	DPW Capital Projects	American Rescue Plan Act	Total
\$ 247,755	\$ 50,000	\$ -	\$ 4,672,083
131,207	37,548	-	3,227,940
-	-	-	312,713
-	-	-	42,988
-	18,614	-	687,565
153,735	-	-	615,489
-	-	-	(10,482)
-	-	-	194,724
<u>532,697</u>	<u>106,162</u>	<u>-</u>	<u>9,743,020</u>
-	-	-	720,341
36,678	-	-	5,232,220
-	-	-	1,211,549
-	-	-	183,568
399,311	157,201	-	899,278
-	-	-	4,943,241
<u>34,230</u>	<u>32,419</u>	<u>-</u>	<u>378,498</u>
<u>470,219</u>	<u>189,620</u>	<u>-</u>	<u>13,568,695</u>
<u>62,478</u>	<u>(83,458)</u>	<u>-</u>	<u>(3,825,675)</u>
46,000	-	-	110,430
-	-	-	(110,430)
-	1,015,000	-	5,100,000
-	69,371	-	227,964
<u>13,064</u>	<u>-</u>	<u>-</u>	<u>15,938</u>
<u>59,064</u>	<u>1,084,371</u>	<u>-</u>	<u>5,343,902</u>
121,542	1,000,913	-	1,518,227
<u>1,198,917</u>	<u>1,027,545</u>	<u>-</u>	<u>5,508,029</u>
<u>\$ 1,320,459</u>	<u>\$ 2,028,458</u>	<u>\$ -</u>	<u>\$ 7,026,256</u>

See notes to financial statements

Village of Bayside

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 1,518,227

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	899,278
Some items reported as capital outlay were not capitalized	(279,288)
Some items reported as operating expenditures in the fund statements but are capitalized in the government-wide statements	262,574
Net book value on retired assets	(42,997)
Depreciation is reported in the government-wide statements	(743,516)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Payment on loan receivable	(315,000)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(5,100,000)
Principal repaid	4,943,241

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Premium on long term debt	(227,964)
Amortization of debt premium	21,134

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(16,195)
Net OPEB liability	(86,348)
Accrued interest on debt	12,486
Amortization of deferred charge on refunding	(3,731)
Net pension asset	689,801
Deferred outflows of resources related to pension and OPEB	736,691
Deferred inflows of resources related to pension and OPEB	(929,051)

Change in Net Position of Governmental Activities \$ 1,339,342

Village of BaysideStatement of Net Position - Proprietary Fund
December 31, 2021

	Business-Type Activities - Enterprise Fund
	Sewer Utility
Assets	
Current assets:	
Cash and investments	\$ 444,873
Receivables:	
Taxes	811,902
Accounts	24,407
Prepaid Items	1,607
Advance to capital projects fund	10,502
Restricted assets:	
Cash and investments	<u>54,257</u>
Total current assets	<u>1,347,548</u>
Noncurrent assets:	
Advance to capital projects fund	18,266
Restricted assets:	
Cash and investments	1,000,000
Net pension asset	24,522
Capital assets:	
Property and equipment	9,148,814
Less accumulated depreciation	<u>(4,914,362)</u>
Total noncurrent assets	<u>5,277,240</u>
Total assets	<u>6,624,788</u>
Deferred Outflows of Resources	
Pension related items	53,844
OPEB related items	<u>6,768</u>
Total deferred outflows of resources	<u>60,612</u>
Liabilities	
Current liabilities:	
Accounts payable	129,248
Accrued liabilities	7,008
Accrued interest	22,849
Current portion of general obligation debt	175,000
Liabilities payable from restricted assets:	
Current portion of revenue bond	82,717
Accrued interest	<u>1,001</u>
Total current liabilities	<u>417,823</u>
Noncurrent liabilities:	
Long-term debt:	
General obligation bonds payable	2,305,000
Unamortized premium	91,458
Revenue bond	171,348
Net OPEB obligation	<u>12,676</u>
Total noncurrent liabilities	<u>2,580,482</u>
Total liabilities	<u>2,998,305</u>
Deferred Inflows of Resources	
OPEB related items	2,152
Pension related items	64,169
Unearned revenues	<u>811,902</u>
Total deferred inflows of resources	<u>878,223</u>
Net Position	
Net investment in capital assets	2,408,930
Restricted for:	
Debt service	53,256
Pension	24,522
Unrestricted net position	<u>322,164</u>
Total net position	<u>\$ 2,808,872</u>

See notes to financial statements

Village of Bayside

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
 Year Ended December 31, 2021

	Business-type Activities - Enterprise Fund Sewer Utility
Operating Revenues	
Public charges for services	\$ 911,085
Other	69,514
	<u>980,599</u>
Operating expenses	
Sewage service	431,647
Depreciation expense	225,163
	<u>656,810</u>
Total operating expenses	<u>656,810</u>
Operating income	<u>323,789</u>
Nonoperating Revenues (Expenses)	
Investment income	99
Interest expenses	(72,534)
Debt issuance costs	(48,566)
Amortization of debt premium	4,229
Loss on disposal of equipment	(2,860)
	<u>(119,632)</u>
Total nonoperating revenues (expense)	<u>(119,632)</u>
Income before contributions	<u>204,157</u>
Contributions	
Capital contributions	7,899
	<u>7,899</u>
Change in net position	212,056
Net Position, Beginning	<u>2,596,816</u>
Net Position, Ending	<u><u>\$ 2,808,872</u></u>

See notes to financial statements

Village of Bayside

Statement of Cash Flows - Proprietary Fund
Year Ended December 31, 2021

	Business-Type Activities - Enterprise Fund
	Sewer Utility
Cash Flows from Operating Activities	
Receipts from customers	\$ 985,692
Paid to suppliers for goods and services	(513,089)
Payments to employees for services	(127,798)
	<u>344,805</u>
Net cash flows from operating activities	<u>344,805</u>
Cash Flows from Investing Activities	
Investment income	<u>99</u>
Net cash from investing activities	<u>99</u>
Cash Flows from Capital and Related Financing Activities	
Debt retired	(799,566)
Interest paid	(66,301)
Proceeds from debt issued	1,550,000
Debt issuance costs	18,498
Acquisition and construction of capital assets	(436,993)
Advances to other funds	34,230
Capital contribution	7,899
	<u>307,767</u>
Net cash flows from capital and related financing activities	<u>307,767</u>
Net change in cash and cash equivalents	652,671
Cash and Cash Equivalents, Beginning	<u>846,459</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,499,130</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating income	\$ 323,789
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation:	225,163
Changes in assets, deferred inflows/outflows of resources and liabilities:	
Accounts receivable	5,093
Other accounts receivable	(20,286)
Prepayments	2,284
Accounts payable	(200,414)
Other current liabilities	(3,516)
Pension related deferrals and assets	13,010
OPEB related deferrals and liabilities	(318)
	<u>344,805</u>
Net cash flows from operating activities	<u>\$ 344,805</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position - Proprietary Fund	
Cash and investments	\$ 444,873
Restricted cash and investments	<u>1,054,257</u>
Cash and cash equivalents	<u>\$ 1,499,130</u>
Noncash Capital and Related Financing Activities	
Amortization of debt premium	<u>\$ 4,229</u>

See notes to financial statements

Village of Bayside

Statement of Fiduciary Net Position

December 31, 2021

	Custodial Funds
Assets	
Cash and investments	\$ 11,286,188
Taxes	3,820,561
Special assessments	3,124,917
Prepaid items	<u>4,555</u>
Total assets	<u>18,236,221</u>
Liabilities	
Accounts payable and accrued expenses	19,344
Due to bondholders	3,952,841
Due to other governments	<u>13,826,827</u>
Total liabilities	<u>17,799,012</u>
Net Position	
Restricte for North Shore Library	<u>437,209</u>
Total net position	<u>\$ 437,209</u>

See notes to financial statements

Village of Bayside

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2021

	<u>Custodial Funds</u>
Additions	
Tax collections	\$ 13,371,574
Special assignments	456,650
Public charges for services	1,014,707
Miscellaneous	100,000
Donations	<u>41,765</u>
Total additions	<u>14,984,696</u>
Deductions	
Payments to overlying districts	13,371,574
B bond payments	456,650
Administrative expense	<u>1,065,439</u>
Total deductions	<u>14,893,663</u>
Change in fiduciary net position	91,033
Net Position, Beginning	<u>346,176</u>
Net Position, Ending	<u>\$ 437,209</u>

Village of Bayside

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December 31, 2021

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1. Summary of Significant Accounting Policies

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

Reporting Entity

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if: (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to or (4) impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents, (2) the primary government or its component units, is entitled to or has the ability to access, a majority of the economic resources received or held by the separate organization and (3) the economic resources received or held by an individual organization that the primary government or its component units, is entitled to or has the ability to otherwise access, are significant to the primary government.

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

Discretely Presented Component Unit**Community Development Authority**

The government-wide financial statements include the Community Development Authority (CDA) as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the village board. Wisconsin Statutes provide for circumstances whereby the Village can impose its will on the CDA and also create a potential financial benefit to or burden on the Village. See Note 3. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2021. The CDA does not issue separate financial statements. During 2021, the CDA did not have any financial activity.

Government-Wide and Fund Financial Statements**Government-Wide Financial Statements**

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

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

Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds

The Village reports the following major governmental funds:

General Fund

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

Special Revenue Funds

Special Revenue Fund - Consolidated Dispatch is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the consolidated dispatch program.

Special Revenue Fund - Stormwater is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the stormwater program.

Debt Service Fund

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

Capital Projects Fund

Capital Projects Fund - Capital Projects - used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for general capital projects, dispatch capital projects and records management system capital projects.

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

Enterprise Fund

The Village reports the following major enterprise fund:

Sewer Utility accounts for operations of the sewer system.

The Village reports the following nonmajor governmental fund:

Special Revenue Fund

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

American Rescue Plan Act

In addition, the Village reports the following fund types:

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

Tax Collection Fund
Special Assessment B Bonds 2013
Special Assessment B Bonds 2015

North Shore Library Operations
North Shore Library Donations

Measurement Focus, Basis of Accounting and Financial Statement Presentation**Government-Wide Financial Statements**

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

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

Fund Financial Statements

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

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

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

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

Proprietary and Fiduciary Funds

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

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

All Financial Statements

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

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

Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The Village has adopted an investment policy. That policy follows the state statute for allowable investments. In addition the Village's policy states that the Village will minimize both credit and interest rate risk. Credit risk is the risk of loss due to the failure of the security issuer or backer whereas interest rate risk is the risk that market value of securities in the portfolio will fall due to changes in market interest rates.

The Village's investment policy regarding custodial credit risk requires the Village to maintain collateral agreements for 105 percent of the balance that exceeds the FDIC and State Deposit Guarantee Insurance, however, there are times during the year when the Village is not in compliance with this policy. The Village's investment policy does not address credit risk, interest rate risk, concentration of credit risk or foreign currency risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 3. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2021, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 3. for further information.

Receivables

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

Property tax calendar - 2021 tax roll:

Lien date and levy date	December 2021
Tax bills mailed	December 2021
Payment in full or	January 31, 2022
First installment due	January 31, 2022
Second installment due	March 31, 2022
Third installment due	May 31, 2022
Personal property taxes in full	January 31, 2022
Tax sale, 2021 delinquent real estate taxes	October 2024

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

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

Prepaid Items

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

Restricted Assets

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

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	20-50 Years
Land Improvements	15-40 Years
Machinery and Equipment	5-20 Years
Utility System	15-40 Years
Infrastructure	15-40 Years
Intangible, Software	5-10 Years

Fund Financial Statements

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

Deferred Outflows of Resources

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

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

Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused sick leave benefits in accordance with bargaining unit agreements. All sick leave is accrued when incurred in the government-wide 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.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2021 are determined on the basis of current salary rates and include salary related payments.

Long-Term Obligations/Conduit Debt

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

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

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

The Village may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects and do not constitute indebtedness of the Village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no IRB's outstanding at year end.

Deferred Inflows of Resources

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

Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

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

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

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

See Note 3. for further information.

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

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 post-employment benefits, OPEB expense and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs 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.

2. Stewardship, Compliance and Accountability

Excess Expenditures Over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Debt Service Fund	\$ 1,026,997	\$ 5,213,811	\$ 4,186,814
Special Revenue Fund, Consolidated Dispatch	2,705,468	2,725,628	20,160

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

Limitations on the Village's Tax Levy

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

3. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 16,278,655	\$ 16,736,599	Custodial Credit
LGIP	315,930	315,930	Credit
U.S. agencies, implicitly guaranteed	306,806	306,806	Custodial Credit, Credit and Interest Rate
U.S. treasuries	2,275,312	2,275,312	Custodial Credit, Credit and Interest Rate
U.S. & foreign corporate bonds	804,046	804,046	Custodial Credit, Credit and Interest Rate, Foreign Currency
Money market mutual fund	251,004	251,004	Credit, Interest Rate
Petty cash	503	-	N/A
	<u>\$ 20,232,256</u>	<u>\$ 20,689,697</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 7,891,811		
Restricted cash and investments	1,054,257		
Per statement of fiduciary net position, fiduciary funds:			
Custodial funds	<u>11,286,188</u>		
	<u>\$ 20,232,256</u>		

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

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

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 other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

Market approach - prices or other information from market transactions involving identical or similar assets.

Investment Type	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -	\$ 251,004	\$ -	\$ 251,004
U.S. agencies, implicitly guaranteed	-	306,806	-	306,806
U.S. treasuries	2,275,312	-	-	2,275,312
U.S. & foreign corporate bonds	-	804,046	-	804,046
Total	<u>\$ 2,275,312</u>	<u>\$ 1,361,856</u>	<u>\$ -</u>	<u>\$ 3,637,168</u>

Custodial Credit Risk

Deposits

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

As of December 31, 2021, \$522,490 of the Village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 522,490</u>
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Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Village does not have any investments exposed to custodial credit risk.

Credit Risk

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

As of December 31, 2021, the Village's investments were rated as follows:

Investment Type	Moody's Investors Services
Money Market Mutual Funds	Aaa
Corporate Bonds	A1 to Aa3
U.S. Agencies, implicitly guaranteed	Aaa
U.S. & Foreign Corporate bonds	A1 to Aa3

The Village also held investments in the following external pools which are not rated:

Wisconsin Local Government Investment Pool

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2021, the Village's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1 year	1 - 5 years	5 - 10 years	More than 10 years
US agencies (implicitly guaranteed)	\$ 306,806	\$ -	\$ 237,789	\$ 62,811	\$ 6,206
U.S. treasuries	2,275,312	131,277	2,144,035	-	-
U.S. & foreign corporate bonds	804,046	222,791	581,255	-	-
Money market mutual fund	251,004	251,004	-	-	-
Total	\$ 3,637,168	\$ 605,072	\$ 2,963,079	\$ 62,811	\$ 6,206

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

Receivables

All of the receivables on the balance sheet are expected to be collected within one year, except for the North Shore Fire Department loan receivable, of which \$325,000 is not expected to be collected within one year.

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 4,665,006	\$ -
North Shore Fire Department, loan	-	325,000
Grants received in advance of eligibility requirements	226,817	-
Stormwater user fees	400,879	-
Total unearned/unavailable revenue for governmental funds	\$ 5,292,702	\$ 325,000
Unearned revenue included in liabilities	\$ 226,817	
Unearned revenue included in deferred inflows	5,065,885	
Total unearned revenue for governmental funds	\$ 5,292,702	

At the end of the current fiscal year, the various components of unearned revenue in the proprietary funds were as follows:

	<u>Unearned</u>
Sewer fees placed on tax roll for subsequent year	\$ 805,980
Delinquent fees placed on tax roll	<u>5,922</u>
Total unearned revenue for proprietary funds	<u>\$ 811,902</u>

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Construction - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Net Pension Asset

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

Following is a list of restricted assets at December 31, 2021:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets</u>	<u>Restricted Net Position</u>
Bond redemption account	\$ 54,257	\$ 1,001	\$ 53,256
Net pension asset	1,426,320	-	1,426,320
Construction account	<u>1,000,000</u>	<u>-</u>	<u>N/A</u>
Total	<u>\$ 2,480,577</u>	<u>\$ 1,001</u>	<u>\$ 1,479,576</u>

Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,561,528	\$ -	\$ -	\$ 3,561,528
Construction in progress	-	228,338	-	228,338
	<u>3,561,528</u>	<u>228,338</u>	<u>-</u>	<u>3,789,866</u>
Total capital assets not being depreciated				
Capital assets being depreciated / amortized:				
Land improvements	601,818	-	-	601,818
Building and improvements	8,205,788	194,533	-	8,400,321
Machinery and equipment	3,791,815	424,080	134,660	4,081,235
Infrastructure	9,738,795	15,138	-	9,753,933
Software	1,071,831	20,475	-	1,092,306
	<u>23,410,047</u>	<u>654,226</u>	<u>134,660</u>	<u>23,929,613</u>
Total capital assets being depreciated / amortized				
Total capital assets				
	<u>26,971,575</u>	<u>882,564</u>	<u>134,660</u>	<u>27,719,479</u>
Less accumulated depreciation / amortization for:				
Land improvements	(292,057)	(7,298)	-	(299,355)
Building and improvements	(2,163,660)	(146,229)	-	(2,309,889)
Machinery and equipment	(2,163,723)	(323,766)	91,663	(2,395,826)
Infrastructure	(3,676,353)	(230,067)	-	(3,906,420)
Software	(994,793)	(36,156)	-	(1,030,949)
	<u>(9,290,586)</u>	<u>(743,516)</u>	<u>91,663</u>	<u>(9,942,439)</u>
Total accumulated depreciation / amortization				
Net capital assets being depreciated / amortized				
	<u>14,119,461</u>	<u>(89,290)</u>	<u>42,997</u>	<u>13,987,174</u>
Total governmental activities capital assets, net of accumulated depreciation / amortization				
	<u>\$ 17,680,989</u>	<u>\$ 139,048</u>	<u>\$ 42,997</u>	<u>\$ 17,777,040</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	131,654
Public safety	\$ 223,462
Public works, which includes the depreciation of roads, sidewalks and storm sewers	379,323
Culture, education and recreation	<u>9,077</u>
Total governmental activities depreciation / amortization expense	<u>\$ 743,516</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets being depreciated:				
Infrastructure	\$ 8,477,142	\$ 287,847	\$ -	\$ 8,764,989
Equipment	<u>244,835</u>	<u>149,146</u>	<u>10,156</u>	<u>383,825</u>
Total capital assets being depreciated	<u>8,721,977</u>	<u>436,993</u>	<u>10,156</u>	<u>9,148,814</u>
Less accumulated depreciation for:				
Infrastructure	(4,581,592)	(199,631)	-	(4,781,223)
Equipment	<u>(114,903)</u>	<u>(25,532)</u>	<u>7,296</u>	<u>(133,139)</u>
Total accumulated depreciation	<u>(4,696,495)</u>	<u>(225,163)</u>	<u>7,296</u>	<u>(4,914,362)</u>
Net capital assets being depreciated	<u>4,025,482</u>	<u>211,830</u>	<u>2,860</u>	<u>4,234,452</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 4,025,482</u>	<u>\$ 211,830</u>	<u>\$ 2,860</u>	<u>\$ 4,234,452</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Sewer \$ 225,163

Interfund Advance and Transfers

Advance

The Utility is advancing funds to the capital projects fund in the amount of \$62,998. The amount advanced is determined by the principal and interest lease payments for capital equipment purchased.

The following is a schedule of interfund advance:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
Sewer Fund	Capital Projects Fund	<u>\$ 28,768</u>	<u>\$ 18,266</u>

The principal purpose of this advance is for capital equipment purchased.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Debt Service Fund	Special Revenue Fund, Stormwater Fund	\$ 64,430	To fund debt service payments
Capital Projects Fund	General Fund	<u>46,000</u>	To fund future capital project
Total, fund financial statements		110,430	
Less fund eliminations		<u>(110,430)</u>	
Total transfers, government-wide statement of activities		<u>\$ -</u>	

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

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt, Village debt	\$ 6,989,091	\$ 5,100,000	\$ 4,757,241	\$ 7,331,850	\$ 671,620
General obligation notes from direct borrowings and direct placements, Village debt	85,058	-	26,000	59,058	29,000
General obligation debt, NSFD debt	485,000	-	160,000	325,000	160,000
(Discounts)/Premiums:	<u>173,202</u>	<u>227,964</u>	<u>21,134</u>	<u>380,032</u>	<u>-</u>
Subtotal	<u>7,732,351</u>	<u>5,327,964</u>	<u>4,964,375</u>	<u>8,095,940</u>	<u>860,620</u>
Other liabilities:					
Vested compensated absences	42,934	59,131	42,934	59,131	11,389
Net OPEB liability	<u>148,052</u>	<u>86,348</u>	<u>-</u>	<u>234,400</u>	<u>-</u>
Total other liabilities	<u>190,986</u>	<u>145,479</u>	<u>42,934</u>	<u>293,531</u>	<u>11,389</u>
Total governmental activities long-term liabilities	<u>\$ 7,923,337</u>	<u>\$ 5,473,443</u>	<u>\$ 5,007,309</u>	<u>\$ 8,389,471</u>	<u>\$ 872,009</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 1,648,760	\$ 1,550,000	\$ 718,760	\$ 2,480,000	\$ 175,000
Revenue bonds from direct borrowings and direct placements	334,871	-	80,806	254,065	82,717
(Discounts)/Premiums	<u>28,623</u>	<u>67,064</u>	<u>4,229</u>	<u>91,458</u>	<u>-</u>
Subtotal	<u>2,012,254</u>	<u>1,617,064</u>	<u>803,795</u>	<u>2,825,523</u>	<u>257,717</u>
Other liabilities:					
Net OPEB liability	<u>9,574</u>	<u>3,102</u>	<u>-</u>	<u>12,676</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 2,021,828</u>	<u>\$ 1,620,166</u>	<u>\$ 803,795</u>	<u>\$ 2,838,199</u>	<u>\$ 257,717</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5 percent of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2021, was \$35,312,425. Total general obligation debt outstanding at year end was \$10,195,908.

General Obligation Debt

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

<u>Governmental Activities</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2021</u>
General Obligation Debt					
Corp. Purpose, NSFD State Trust Fund Loan, direct	04/26/2012	08/01/2023	2.50-3.50 %	\$ 1,605,000	\$ 325,000
North Shore Fire	08/13/2003	03/15/2023	5.25	266,558	59,058
North Shore Fire	11/01/2010	04/01/2022	0.51-2.91	199,368	21,700
Corporate Purpose Bonds, Refunding	08/01/2003	08/01/2023	2.50-4.20	162,173	20,150
Corporate Purpose Bonds	12/10/2014	12/01/2034	2.00-3.25	6,485,000	330,000
Corporate Purpose Bonds	06/28/2016	03/01/2026	2.00	1,035,000	670,000
Corporate Purpose Taxable Bonds	05/03/2018	03/01/2033	3.00-3.15	1,420,000	1,190,000
Corporate Purpose Taxable Bonds	04/01/2021	11/01/2037	1.30-3.00	1,925,000	1,925,000
Corporate Purpose Taxable Bonds	04/01/2021	12/01/2034	1.75-2.20	3,175,000	<u>3,175,000</u>
Total governmental activities, general obligation debt					<u>\$ 7,715,908</u>

<u>Business-Type Activities</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2021</u>
General Obligation Debt					
Refunding	11/02/2010	03/01/2026	1.00-3.60 %	\$ 475,000	\$ 170,000
Corporate Purpose Bonds, Refunding	12/10/2014	12/01/2034	2.00-3.25	860,000	20,000
Corporate Purpose Bonds	05/03/2018	03/01/2033	3.00-3.15	1,020,000	740,000
Corporate Purpose Taxable Bonds	04/01/2021	11/01/2037	1.30-3.00	1,235,000	1,235,000
Corporate Purpose Taxable Bonds	04/01/2021	12/01/2034	1.75-2.20	315,000	<u>315,000</u>
Total business-type activities, general obligation debt					<u>\$ 2,480,000</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
	Years Ending December 31:			
2022	\$ 831,620	\$ 175,691	\$ 175,000	\$ 58,940
2023	865,230	153,726	185,000	53,509
2024	735,000	132,297	195,000	48,060
2025	710,000	114,573	260,000	42,300
2026	715,000	97,822	260,000	34,540
2037-2031	2,840,000	269,794	845,000	89,123
2032-2036	940,000	33,574	480,000	30,452
2037	20,000	350	80,000	1,400
Total	\$ 7,656,850	\$ 977,827	\$ 2,480,000	\$ 358,324

	Governmental Activities Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
	Years Ending December 31:	
2022	\$ 29,000	\$ 3,100
2023	30,058	1,578
Total	\$ 59,058	\$ 4,678

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Sewer.

The Village has pledged future sewer revenues, net of specified operating expenses, to repay revenue bonds issued in 2004. Proceeds from the bonds provided financing for the Village's Sewer System. The bonds are payable solely from sewer revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require 12.00 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$263,172. Principal and interest paid for the current year and total customer net revenues were \$87,770 and \$742,249 respectively.

Revenue debt payable at December 31, 2021, consists of the following:

Business-Type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
Sewer Utility					
Revenue Bonds	08/25/2004	05/01/2024	2.365%	\$ 1,342,169	\$ 254,065

Debt service requirements to maturity are as follows:

Years Ending December 31:	Business-Type Activities Revenue Debt	
	Principal	Interest
	2022	\$ 82,717
2023	84,673	3,051
2024	86,675	1,025
Total	<u>\$ 254,065</u>	<u>\$ 9,107</u>

The Village's outstanding revenues from direct borrowings and/or direct placements related to business-type activities of \$254,065 contain a provision that in an event of default, outstanding amounts are recoverable by the state by deducting those amounts from any State payments due the municipality, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the municipality is located or to collect user fees from the operation of the municipality's sewer system.

Special Assessment B-Bonds

B-Bonds are payable only from special assessments levied on affected properties.

Special assessment B-Bonds at December 31, 2021, consists of the following:

Governmental Activities

Special Assessment B-Bonds	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
Special Assessment B-Bonds	05/16/2013	05/01/2033	1.55-4.15%	\$ 1,015,000	\$ 435,000
Special Assessment B-Bonds	05/07/2015	05/01/2035	1.25-4.10	4,390,000	<u>2,740,000</u>
Total governmental activities special assessment B-Bonds					<u>\$ 3,175,000</u>

Debt service requirements to maturity are as follows:

Years Ending December 31:	Governmental Activities Special Assessment B- Bonds	
	Principal	Interest
	2022	\$ 240,000
2023	240,000	94,828
2024	235,000	88,823
2025	230,000	82,563
2026	230,000	75,986
2027-2031	1,150,000	269,544
2032-2035	850,000	65,499
Total	<u>\$ 3,175,000</u>	<u>\$ 777,841</u>

Current Refunding

On March 31, 2021, the Village issued \$3,490,000 in taxable general obligation bonds with an average coupon rate of 1.96 percent to refund \$3,350,000 of outstanding bonds with an average coupon rate of 3.04 percent. The net proceeds along with existing funds of the Village were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$4,820,781 from 2021 through 2034. The cash flow requirements on the refunding bonds are \$3,990,678 from 2021 through 2034. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$88,717.

Other Debt Information

Estimated payments of vested compensated absences and net OPEB obligation are not included in the debt service requirement schedules. Vested compensated absences and net OPEB obligation attributable to governmental activities will be liquidated primarily by the general fund. The net OPEB obligation attributable to business type activities will be liquidated by the sewer fund.

A statutory mortgage lien upon the sewer fund's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The sewer fund's system and the earnings of the system remain subject to the lien until payment in full of principal and interest on the bonds.

Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2021, includes the following:

Governmental Activities

Net investment in capital assets:	
Land	\$ 3,561,528
Construction in progress	228,338
Other capital assets, net of accumulated depreciation	13,987,174
Less long-term debt outstanding	(7,715,908)
Plus unspent capital related debt proceeds	1,252,417
Plus noncapital debt proceeds	425,908
Less unamortized debt premium	(380,032)
Plus unamortized loss on advanced refunding	<u>3,732</u>
Total net investment in capital assets	<u>\$ 11,363,157</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2021, include the following:

	<u>General Fund</u>	<u>Consolidated Dispatch Fund</u>	<u>Stormwater Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>DPW Capital Projects Fund</u>	<u>Total</u>
Fund Balances							
Nonspendable:							
Prepaid items	\$ 14,355	\$ 23,195	\$ 1,513	\$ -	\$ 8,632	\$ -	\$ 47,695
Subtotal	<u>14,355</u>	<u>23,195</u>	<u>1,513</u>	<u>-</u>	<u>8,632</u>	<u>-</u>	<u>47,695</u>
Restricted for:							
Debt service	-	-	-	487,298	-	-	487,298
Unspent bond proceeds	-	-	250,000	-	-	1,002,417	1,252,417
Subtotal	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>487,298</u>	<u>-</u>	<u>1,002,417</u>	<u>1,739,715</u>
Committed to:							
Consolidated dispatch	-	387,820	-	-	-	-	387,820
Stormwater	-	-	913,185	-	-	-	913,185
General capital projects	-	-	-	-	1,311,827	-	1,311,827
DPW capital projects	-	-	-	-	-	1,026,041	1,026,041
Subtotal	<u>-</u>	<u>387,820</u>	<u>913,185</u>	<u>-</u>	<u>1,311,827</u>	<u>1,026,041</u>	<u>3,638,873</u>
Unassigned:	<u>1,599,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599,973</u>
Total fund balances	<u>\$1,614,328</u>	<u>\$ 411,015</u>	<u>\$ 1,164,698</u>	<u>\$ 487,298</u>	<u>\$1,320,459</u>	<u>\$2,028,458</u>	<u>\$ 7,026,256</u>

Business-Type Activities

Net investment in capital assets:

Other capital assets, net of accumulated depreciation	\$ 4,234,453
Less long-term debt outstanding	(2,734,065)
Plus unspent capital related debt proceeds	1,000,000
Less unamortized debt premium	(91,458)

Total net investment in capital assets 2,408,930

Restricted:

Debt service	53,256
Pension	24,522

Total restricted 77,778

Unrestricted 322,164

Total business-type activities net position \$ 2,808,872

4. Other Information**Employees' Retirement System****Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011 expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR) which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements..>

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2011	(1.2)%	11.0%
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

Contributions

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

During the reporting period, the WRS recognized \$280,487 in contributions from the Village.

Contribution rates for the plan year reported as of December 31, 2021 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.25 %

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

At December 31, 2021, the Village reported an asset of \$1,426,320 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020 and the total pension liability used to calculate the net pension asset 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 0.02284621 percent, which was an increase of 0.00037877 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Village recognized negative pension expense of \$190,646.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,064,323	\$ 444,651
Changes in assumptions	32,351	-
Net differences between projected and actual earnings on pension plan investments	-	2,677,801
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,468	9,537
Employer contributions subsequent to the measurement date	<u>261,468</u>	<u>-</u>
Total	<u>\$ 2,375,610</u>	<u>\$ 3,131,989</u>

\$261,468 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 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:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2022	\$ (262,970)
2023	(70,587)
2024	(482,058)
2025	(202,232)

Actuarial Assumptions

The total pension liability in the December 31, 2020 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% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*:	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

Long-Term Expected Return on Plan Assets

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

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
Variable Fund Asset Class			
U.S. Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4 percent Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 2.00 percent. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 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 7.00 percent expected rate of return implies that a dividend of approximately 1.9 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the investment rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Village’s proportionate share of the net pension liability (asset)	<u>\$ 1,357,659</u>	<u>\$ (1,426,320)</u>	<u>\$ (3,471,133)</u>

Pension Plan Fiduciary Net Position

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

Risk Management

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

Commitments and Contingencies

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

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

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

The Village has active construction projects as of December 31, 2021. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Joint Ventures**North Shore Fire Department**

By agreement dated December 30, 1994, the North Shore Fire Department (NSFD) was created. The NSFD, which provides a unified integrated fire and emergency medical service, began operations on January 1, 1996. The NSFD was created pursuant to the provisions of Wisconsin Statutes 61.65 and 66.30. Participants are the City of Glendale, Village of Fox Point, Village of Shorewood, Village of Brown Deer, Village of River Hills, Village Whitefish Bay and Village of Bayside. The NSFD is operated by a Board of Directors consisting of seven members, which includes the mayor and village presidents of each participating municipality. The affirmative vote of majority of the members of the Board of Directors is required on most matters. Also established by the agreement is a Joint Fire Commission that has the powers related to appointments, promotions, suspensions, removals, dismissals, reemployment, compensation, rest days, etc.

The powers of the Board of Directors include authorizing repair, maintenance and renewal of physical assets and recommending adoptions of the department's budget. The capital and operating budget of the department must receive approval of at least five of seven participating municipalities.

Each participating municipality's annual financial contribution to the NSFD's operations and capital budget shall be based on its prorated share of population, equalized valuation and usage of all the municipalities. The Village accounts for its share of the operations of the NSFD in the Consolidated Services fund. The Village made a payment totaling \$831,372 to NSFD for 2021. The Village believes that the fire department will continue to provide services in the future at similar rates. Complete 2021 financial information is available from NSFD at 4401 West River Lane, Brown Deer, WI 53223. The Village does not report an equity interest in this joint venture.

North Shore Library System

The City of Glendale and the Villages of Fox Point, River Hills and Bayside operate the North Shore Library under a Joint Library Agreement dated January 1, 1985. Under the joint agreement, a Joint Library Board is created to operate the North Shore Library. The Joint Board is composed of ten members: five members from Glendale, two members each from Fox Point and Bayside, one member from River Hills and the Superintendent of Schools for Nicolet School District. The Joint Library Board has the powers to repair, maintain and renew physical assets for the library and to prepare and adopt a budget for the library's operating expenses and a budget for the library's capital improvement expenses. The operating budget must be approved by at least three of the four municipalities. In addition, the Joint Library Board has the power to appoint the Library Director and such other assistants and employees as it deems necessary. Operating and capital expenses are shared proportionately based upon population estimates published in October.

The Village board conditionally approved an amended and re-stated Joint Library agreement where each of the four communities would pay a fixed allocation of 5 percent of the annual library budget and the remaining 95 percent contribution of each member agency is proportional to the population of each member as determined by the most recent US census. A new North Shore Library has been proposed to be constructed in the Village of Bayside. The Village made payments totaling \$160,277 to the Library in 2021. The Village accounts for its share of the operations of the North Shore Library in the General Fund. The Village believes that the library will continue to provide services in the future at similar rates. Complete 2021 financial information is available from the Village of Bayside, who is the fiscal agent for the North Shore Library. The Village does not report an equity interest in this joint venture.

Dispatch Services

The Village's of Fox Point, River Hills and Bayside jointly operate a dispatch service under a joint service agreement. Under the joint agreement, the Village of Bayside provides dispatch services to the municipalities. The cost of these services is shared between the communities as agreed upon in the individual agreements. A separate board has not been established to govern the dispatch service activities. Changes to the agreements and to the services provided require the approval of all three Village boards. Complete 2021 financial information is provided in these statements and accompanying footnotes. The Village does not report an equity interest in this joint venture.

During 2011, the Village of Brown Deer and North Shore Public Safety Communications Commission (Commission) also entered into an intergovernmental cooperation agreement with the Village of Bayside. Effective January 1, 2012, joint operating costs of the dispatch services are shared between Village's of Fox Point, River Hills, Bayside, Brown Deer and the Commission as agreed upon in the individual agreements. During 2021, the Village received approximately \$299,000 from Fox Point, \$1,507,000 from the Commission, \$423,000 from Brown Deer and \$153,000 from River Hills. The Village's contribution was approximately \$298,000 and was funded through tax levy.

To accommodate expansion of the dispatch operation, the Village began construction of the Bayside Communications Center. Capital costs of the expansion are financed by each municipality as agreed upon in the individual agreements. During 2012, the Village received the remaining fifty percent of the capital contributions from Village of Brown Deer and the Commission in the amount of \$188,543 and \$588,956, respectively.

Other Post-Employment Benefits**Local Retiree Life Insurance Fund (LRLIF)****Plan Description**

The LRLIF is a 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 post-employment life insurance benefits for all eligible employees.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR) which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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 employees 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 post-retirement benefit.

Employers are required to pay the following contribution based on employee 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 employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as of December 31, 2021 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement 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 plan year are as listed below:

<u>Life Insurance Member Contribution Rates For the Plan Year</u>		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
34-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

Disabled members under age 70 receive a waiver-of-premium benefit.

During the reporting period, the LRLIF recognized \$895 in contributions from the employer.

OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2021, the Village reported a liability of \$247,076 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 benefit 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 0.04491700 percent, which was an increase of 0.00790000 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Village recognized OPEB expense of \$24,573.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,789
Net differences between projected and actual earnings on OPEB plan investments	3,597	-
Changes in assumptions	96,116	16,953
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,142	35,757
Employer contributions subsequent to the measurement date	<u>4,990</u>	<u>-</u>
Total	<u>\$ 126,845</u>	<u>\$ 64,499</u>

\$4,990 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other 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>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2022	\$ 8,634
2023	8,245
2024	7,845
2025	7,354
2026	15,068
Thereafter	10,210

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:

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	0.1% - 5.6%
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.

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2020**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
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 %

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25 percent and 2.20 percent 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 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87 percent 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 percent as of December 31, 2019 to 2.12 percent 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 the 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 percent, 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 percent) or 1-percentage-point higher (3.25 percent) 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	<u>\$ 336,094</u>	<u>\$ 247,076</u>	<u>\$ 179,754</u>

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*

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

Contracts Receivable

In 2003, the Village issued \$2.53 million General Obligation Fire Department Bonds and loaned the proceeds to the North Shore Fire Department. Each of the municipalities that participate in North Shore Fire Department, including the Village, have formally pledged to finance the debt service payments on these bonds in accordance with cost sharing arrangements. Terms of the contract receivable are identical to the underlying bonds outstanding (See Note 3). In 2012 the Village refunded \$1.625 million of this debt with \$1.605 million of new General Obligation Fire Department Debt. On December 31, 2021 the Village has reported a \$325,000 contract receivable (and deferred revenue in the fund statements) representing amounts due from the other participating municipalities.

Village of Bayside

Schedule of Revenues, Expenditures and Changes Fund Balance

Budget and Actual - General Fund

Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,285,094	\$ 3,285,094	\$ 3,284,456	\$ (638)
Intergovernmental	623,671	633,671	685,187	51,516
Licenses and permits	156,520	156,520	312,713	156,193
Fines, forfeitures and penalties	40,100	40,100	42,988	2,888
Public charges for services	58,925	58,925	112,681	53,756
Intergovernmental charges for services	117,009	117,009	117,009	-
Investment income (loss)	110,000	110,000	(13,221)	(123,221)
Miscellaneous revenues	28,200	28,200	94,501	66,301
	<u>4,419,519</u>	<u>4,429,519</u>	<u>4,636,314</u>	<u>206,795</u>
Expenditures				
Current:				
General government	728,663	728,663	720,341	8,322
Public safety	2,652,091	2,662,091	2,581,328	80,763
Public works	827,995	902,995	907,839	(4,844)
Culture, recreation, and education	210,770	210,770	183,568	27,202
Capital outlay	-	-	51,999	(51,999)
Debt service:				
Principal	-	-	31,000	(31,000)
Interest and fiscal charges	-	-	2,134	(2,134)
	<u>4,419,519</u>	<u>4,504,519</u>	<u>4,478,209</u>	<u>26,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(75,000)</u>	<u>158,105</u>	<u>233,105</u>
Other Financing Sources (Uses)				
Transfers out	-	(46,000)	(46,000)	-
Proceeds from sale of capital assets	-	-	2,874	2,874
	<u>-</u>	<u>(46,000)</u>	<u>(43,126)</u>	<u>2,874</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (121,000)</u>	<u>114,979</u>	<u>\$ 235,979</u>
Fund Balance, Beginning			<u>1,499,349</u>	
Fund Balance, Ending			<u>\$ 1,614,328</u>	

See notes to required supplementary information

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Consolidated Dispatch Special Revenue Fund

Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 297,783	\$ 297,783	\$ 297,783	\$ -
Intergovernmental charges for services	2,351,022	2,351,022	2,373,998	22,976
Miscellaneous revenues	53,025	53,025	70,789	17,764
	<u>2,701,830</u>	<u>2,701,830</u>	<u>2,742,570</u>	<u>40,740</u>
Expenditures				
Current:				
Public safety	2,701,830	2,701,830	2,614,214	87,616
Capital outlay	-	-	111,414	(111,414)
	<u>2,701,830</u>	<u>2,701,830</u>	<u>2,725,628</u>	<u>(23,798)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	16,942	<u>\$ 16,942</u>
Fund Balance, Beginning			<u>394,073</u>	
Fund Balance, Ending			<u>\$ 411,015</u>	

See notes to required supplementary information

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Stormwater Special Revenue Fund

Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Public charges for services	548,627	548,627	556,270	7,643
Total revenues	<u>588,627</u>	<u>588,627</u>	<u>556,270</u>	<u>(32,357)</u>
Expenditures				
Current:				
Public works	251,941	251,941	303,710	(51,769)
Capital outlay	295,000	320,331	179,353	140,978
Debt service:				
Interest and fiscal charges	-	-	8,145	(8,145)
Total expenditures	<u>546,941</u>	<u>572,272</u>	<u>491,208</u>	<u>81,064</u>
Excess (deficiency) of revenues over expenditures	<u>41,686</u>	<u>16,355</u>	<u>65,062</u>	<u>48,707</u>
Other Financing Sources (Uses)				
Transfers out	(64,430)	(64,430)	(64,430)	-
Debt issued	-	-	255,000	255,000
Premium on debt issued	-	-	10,007	10,007
Total other financing sources (uses)	<u>(64,430)</u>	<u>(64,430)</u>	<u>200,577</u>	<u>265,007</u>
Net change in fund balance	<u>\$ (22,744)</u>	<u>\$ (48,075)</u>	<u>265,639</u>	<u>\$ 313,714</u>
Fund Balance, Beginning			<u>899,059</u>	
Fund Balance, Ending			<u>\$ 1,164,698</u>	

See notes to required supplementary information

Village of Bayside

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Wisconsin Retirement System

Year Ended December 31, 2021

WRS Fiscal Year Ending	Village's Proportion of the Net Pension Liability (Asset)	Village's Proportionate Share of the Net Pension Liability (Asset)	Village's Covered Payroll	Village's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Village's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.023754160%	\$ (583,467)	\$ 2,849,315	20.48%	102.74%
12/31/15	0.023562760%	382,890	2,871,255	13.34%	92.80%
12/31/16	0.023568910%	194,264	2,979,406	6.52%	99.12%
12/31/17	0.023704940%	(703,827)	2,972,130	23.68%	102.93%
12/31/18	0.023407830%	832,777	2,878,304	28.93%	96.45%
12/31/19	0.022467440%	(724,452)	2,847,732	25.44%	102.96%
12/31/20	0.022846210%	(1,426,320)	3,445,778	41.39%	105.26%

Schedule of Employer Contributions

Wisconsin Retirement System

Year Ended December 31, 2021

Village Fiscal Year Ending	Village's Contractually Required Contributions	Village's Contributions in Relation to the Contractually Required Contributions	Village's Contribution Deficiency (Excess)	Village's Covered Payroll	Village's Contributions as a Percentage of Covered Payroll
12/31/15	\$ 225,852	\$ 225,852	\$ -	\$ 2,871,255	7.87%
12/31/16	230,920	230,920	-	2,979,406	7.75%
12/31/17	244,636	244,636	-	2,972,130	8.23%
12/31/18	232,042	232,042	-	2,878,304	8.06%
12/31/19	224,391	224,391	-	2,847,732	7.88%
12/31/20	252,614	252,614	-	3,445,779	7.33%
12/31/21	261,468	261,468	-	3,503,556	7.46%

See notes to required supplementary information

Village of Bayside

Schedule of Proportionate Share of the Net OPEB Liability

Local Retiree Life Insurance Fund

Year Ended December 31, 2021

Plan Fiscal Year Ending	Village's Proportion of the Net OPEB Liability	Village's Proportionate Share of the Net OPEB Liability	Village's Covered Payroll	Village's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Village's Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.05451400%	\$ 164,010	\$ 2,292,470	7.15%	44.81%
12/31/18	0.04200900%	108,397	2,583,000	4.20%	48.69%
12/31/19	0.03701700%	157,626	2,869,000	5.49%	37.58%
12/31/20	0.04491700%	247,076	2,991,000	8.26%	31.36%

Schedule of Employer Contributions □

Local Retiree Life Insurance Fund

Year Ended December 31, 2021

Village Fiscal Year Ending	Village's Contractually Required Contributions	Village's Contributions in Relation to the Contractually Required Contributions	Village's Contribution Deficiency (Excess)	Village's Covered Payroll	Village's Contributions as a Percentage of Covered Payroll
12/31/18	\$ 4,931	\$ 4,931	\$ -	\$ 2,878,304	0.17%
12/31/19	4,117	4,117	-	2,847,732	0.14%
12/31/20	4,875	4,875	-	3,445,779	0.14%
12/31/21	4,990	4,990	-	3,503,556	0.14%

See notes to required supplementary information

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The Village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

Wisconsin Retirement System

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

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

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

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

Local Retiree Life Insurance Fund

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

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

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

Changes in assumptions. The *Single Discount Rate* assumption used to develop the Total OPEB Liability changed from the prior year. Please refer to the Actuarial Assumptions section above for additional details.

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Debt Service Fund

Year Ended December 31, 2021

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 792,089	\$ 792,089	\$ -
Intergovernmental charges for service	199,745	344,745	145,000
Investment income	-	2,739	2,739
Miscellaneous	23,031	29,434	6,403
	<u>1,014,865</u>	<u>1,169,007</u>	<u>154,142</u>
Total revenues			
Expenditures			
Debt service:			
Principal	822,083	4,912,241	(4,090,158)
Interest and fiscal charges	204,914	301,570	(96,656)
	<u>1,026,997</u>	<u>5,213,811</u>	<u>(4,186,814)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(12,132)</u>	<u>(4,044,804)</u>	<u>(4,032,672)</u>
Other Financing Sources (Uses)			
Transfers in	64,430	64,430	-
Debt issued	-	3,830,000	3,830,000
Premium on debt issued	-	148,586	148,586
	<u>64,430</u>	<u>4,043,016</u>	<u>3,978,586</u>
Total other financing sources (uses)			
Net change in fund balance	<u>\$ 52,298</u>	<u>(1,788)</u>	<u>\$ (54,086)</u>
Fund Balances, Beginning		<u>489,086</u>	
Fund Balances, Ending		<u>\$ 487,298</u>	

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Capital Projects Capital Projects Fund

Year Ended December 31, 2021

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes	\$ 247,755	\$ 247,755	\$ -
Intergovernmental	750	131,207	130,457
Intergovernmental charges for services	<u>153,735</u>	<u>153,735</u>	<u>-</u>
Total revenues	<u>402,240</u>	<u>532,697</u>	<u>130,457</u>
Expenditures			
Current:			
Public safety	136,717	36,678	100,039
Capital outlay	419,410	399,311	20,099
Debt service:			
Interest and fiscal charges	<u>34,230</u>	<u>34,230</u>	<u>-</u>
Total expenditures	<u>590,357</u>	<u>470,219</u>	<u>120,138</u>
Excess (deficiency) of revenues over expenditures	<u>(188,117)</u>	<u>62,478</u>	<u>250,595</u>
Other Financing Sources			
Transfers in	46,000	46,000	-
Proceeds from sale of capital assets	<u>10,500</u>	<u>13,064</u>	<u>2,564</u>
Total other financing sources	<u>56,500</u>	<u>59,064</u>	<u>2,564</u>
Net change in fund balance	<u>\$ (131,617)</u>	<u>121,542</u>	<u>\$ 253,159</u>
Fund Balance, Beginning		<u>1,198,917</u>	
Fund Balance, Ending		<u>\$ 1,320,459</u>	

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - DPW Capital Projects Fund
 Year Ended December 31, 2021

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes	\$ 50,000	\$ 50,000	\$ -
Intergovernmental	37,548	37,548	-
Public charges for service	-	18,614	18,614
	<u>87,548</u>	<u>106,162</u>	<u>18,614</u>
Total revenues			
Expenditures			
Capital outlay	212,016	157,201	54,815
Debt service:			
Interest and fiscal charges	-	32,419	(32,419)
	<u>212,016</u>	<u>189,620</u>	<u>22,396</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(124,468)</u>	<u>(83,458)</u>	<u>41,010</u>
Other Financing Sources			
Debt issued	-	1,015,000	1,015,000
Premium on debt issued	-	69,371	69,371
	<u>-</u>	<u>1,084,371</u>	<u>1,084,371</u>
Total other financing sources			
Net Change in Fund Balance	<u>\$ (124,468)</u>	<u>1,000,913</u>	<u>\$ 1,125,381</u>
Fund Balances, Beginning		<u>1,027,545</u>	
Fund Balances, Ending		<u>\$ 2,028,458</u>	

Village of Bayside

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - American Rescue Plan Act Special Revenue Fund
 Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 226,817	\$ -	\$ (226,817)
Expenditures				
Capital outlay	-	226,817	-	226,817
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balances, Beginning			-	
Fund Balances, Ending			\$ -	

Village of Bayside

Combining Statement of Fiduciary Net Position
December 31, 2021

	<u>Tax Collection Fund</u>	<u>2013 Special Assessment B Bonds</u>	<u>2015 Special Assessment B Bonds</u>	<u>Library Operations</u>	<u>Library Donations</u>	<u>Total</u>
Assets						
Cash and investments	\$ 10,195,023	\$ 107,756	\$ 531,964	\$ 237,751	\$ 213,694	\$ 11,286,188
Taxes	3,516,650	48,391	255,520	-	-	3,820,561
Special assessments	-	497,023	2,627,894	-	-	3,124,917
Prepaid items	-	-	-	4,555	-	4,555
Total assets	<u>13,711,673</u>	<u>653,170</u>	<u>3,415,378</u>	<u>242,306</u>	<u>213,694</u>	<u>18,236,221</u>
Liabilities						
Accounts payable and accrued expenses	553	-	-	18,253	538	19,344
Due to bondholders	-	527,711	3,425,130	-	-	3,952,841
Due to other governments	<u>13,711,120</u>	<u>125,459</u>	<u>(9,752)</u>	<u>-</u>	<u>-</u>	<u>13,826,827</u>
Total liabilities	<u>13,711,673</u>	<u>653,170</u>	<u>3,415,378</u>	<u>18,253</u>	<u>538</u>	<u>17,799,012</u>
Net Position						
Restricted for North Shore Library	-	-	-	<u>224,053</u>	<u>213,156</u>	<u>437,209</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,053</u>	<u>\$ 213,156</u>	<u>\$ 437,209</u>

Village of Bayside

Combining Statement of Changes in Fiduciary Net Position

December 31, 2021

	<u>Tax Collection Fund</u>	<u>2013 Special Assessment B Bonds</u>	<u>2015 Special Assessment B Bonds</u>	<u>Library Operations</u>	<u>Library Donations</u>	<u>Total</u>
Additions						
Tax collections	\$ 13,371,574	\$ -	\$ -	\$ -	\$ -	\$ 13,371,574
Special assessments	-	64,834	391,816	-	-	456,650
Public charges for services	-	-	-	971,834	42,873	1,014,707
Miscellaneous	-	-	-	-	100,000	100,000
Donations	-	-	-	22	41,743	41,765
	<u>13,371,574</u>	<u>64,834</u>	<u>391,816</u>	<u>971,856</u>	<u>184,616</u>	<u>14,984,696</u>
Deductions						
Payments to overlying districts	13,371,574	-	-	-	-	13,371,574
B Bond payments	-	64,834	391,816	-	-	456,650
Administrative expense	-	-	-	1,039,348	26,091	1,065,439
	<u>13,371,574</u>	<u>64,834</u>	<u>391,816</u>	<u>1,039,348</u>	<u>26,091</u>	<u>14,893,663</u>
Change in net position	-	-	-	(67,492)	158,525	91,033
Net Position, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,545</u>	<u>54,631</u>	<u>346,176</u>
Net Position, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,053</u>	<u>\$ 213,156</u>	<u>\$ 437,209</u>

DRAFT 6/14/2022



Reporting and insights from 2021 audit: Village of Bayside

December 31, 2021

Executive summary

May XX, 2022

To the Village Board
Village of Bayside

We have completed our audit of the financial statements of the Village of Bayside (the Village) for the year ended December 31, 2021, and have issued our report thereon dated May XX, 2022. This letter presents communications required by our professional standards.

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

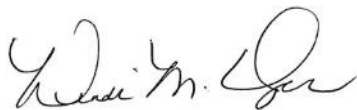
Additionally, we have included information on key risk areas the Village of Bayside should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

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

- Wendi Unger, CPA, Partner: wendi.unger@bakertilly.com or +1 (414) 777 5423

Sincerely,

Baker Tilly US, LLP



Wendi Unger, CPA, Partner

Responsibilities

Our responsibilities




As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Village's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Village Board:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or the Village Board of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Village Board, including:

- Internal control matters
- Qualitative aspects the Village's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Management's responsibilities

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

Audit status

Significant changes to the audit plan

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

Audit approach and results

Planned scope and timing

Audit focus

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

- Key transaction cycles
- Areas with significant estimates

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

Key areas of focus and significant findings

Significant risks of material misstatement

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

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

Other areas of emphasis

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

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

Internal control matters

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

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

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

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiencies as material weaknesses:

- Missing key controls

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

Controls over accounts payable/disbursements

- Persons processing accounts payable and those with access to the system should be separate from those ordering or receiving goods or services.

Controls over payroll

- Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account.

Controls over property taxes

- Bank reconciliations for the tax account should be performed by someone independent of the tax collection process.

Controls over monthly and year-end accounting

- Account reconciliations prepared throughout the year should be performed by someone independent of processing transactions in the account.

Since the controls listed above or other compensating controls are not currently in place, errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

Management Response: With limited staff and a community of our size, this control is commonplace. Within the financial policies, there is an extensive segregation of duty policy as well as internally, we have extensive segregation of duties. Most, if not all the processes, require multiple sign offs for approval to help segregate the duties within the staffing model the Village has in place. The Village Board reviews the financial policies annually to ensure the segregation of duties is maximized to the greatest extent possible.

- **Financial statement close process**

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

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

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

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

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

Management Response: This item reoccurs annually as the Village's auditor prepares the year-end financial statements. The Village Manager and the Administrative Services Director meet monthly to discuss and review financials, journal entries, bank statements, and reconciliations and any other matters pertaining to the finances of the Village. Additionally, Village Hall staff is charged with the review of completed financial documents as listed previously for additional review and oversight. The Village's financial policies are reviewed and approved by the Village Board and continue the strong emphasis on financial management of the Village.

The Village's written responses to the material weaknesses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2021. We noted no transactions entered into by the Village the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension asset and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Net OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

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

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

Significant unusual transactions

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

Significant difficulties encountered during the audit

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

Disagreements with management

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

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule below summarizes the material corrected misstatements that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

		<u>Amount</u>
Entry to move unspent ARPA to unearned revenue	\$	226,817
Entry to decrease receivable/unearned revenue for NSF payment		160,000
Entry to adjust fund balance to actual		269,326
Entry to record tax activity for 2021		4,697,822
Entry to correct debt issue entry		9,527,830
Entry to correct recording of refunding of 2014 debt		3,755,835
Entry to record sewer capital asset activity		672,312
Entry to record PY A/P not paid at year end		120,310

Other audit findings or issues

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

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

Other information in documents containing audited basic financial statements

The Village's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The Village can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Management's consultations with other accountants

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

Written communications between management and Baker Tilly

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

Compliance with laws and regulations

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

Fraud

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

Going concern

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

Independence

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

Related parties

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

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on it.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Compiled regulatory reports
- Civic Systems Software

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

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

Village Board resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Accounting changes relevant to the Village of Bayside

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22*
91	Conduit Debt	✓	12/31/22*
92	Omnibus 2020	✓	12/31/22*
93	Replacement of Interfund Bank Offered Rates	✓	12/31/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	12/31/22

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

Ready or not – the new lease standard is here!

GASB's new single model for lease accounting is effective for next year's audit (fiscal years ending June 30, 2022 and later). This standard requires governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources. The standard specifies that leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated).

The implementation process can be broken down into a four-step methodology:



Now is the time to evaluate where your government is in this process and the timeline to complete implementation. The third step for lease evaluation, data extraction and review is typically the most time-consuming step; organizations should begin this process well before year end to ensure adequate lead time. A key decision that will need to be made is whether a lease administration software package is necessary. Depending on the volume and complexity of your lease activity, spreadsheets may not be sufficient to track and calculate all the required information.

We are available to discuss this further and help you develop an action plan. Baker Tilly also has complimentary resources available online including:

- GASB 87 lease identification questionnaire
- GASB 87 lease assistance tool
- Variety of GASB 87 podcasts and articles

Access tools and learn more about [GASB 87](#).

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The Village will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The Village should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Client service team



Wendi Unger, CPA

Partner

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United States

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wendi.unger@bakertilly.com

Management representation letter

May XX, 2022

Baker Tilly US, LLP
777 E Wisconsin Avenue
32nd Floor
Milwaukee, WI 53202

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Village of Bayside as of December 31, 2021 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bayside and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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

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

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, if any, are reasonable.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Village Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

- 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) There are no known related parties or related party relationships and transactions of which we are aware.

Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 22) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
 - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

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

a) Financial statement preparation

b) Adjusting journal entries

c) Compiled regulatory reports

d) Civic Systems software

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

- 24) The Village of Bayside has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The Village of Bayside has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 26) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 27) The financial statements properly classify all funds and activities.
- 28) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 30) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 32) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 33) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 34) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

- 36) Tax-exempt bonds issued have retained their tax-exempt status.
- 37) We have appropriately disclosed the Village of Bayside's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 39) With respect to the supplementary information, (SI):
 - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 40) We assume responsibility for, and agree with, the findings of specialists in evaluating the Department of Employee Trust Funds for the Local Retiree Life Insurance program as audited by the Legislative Audit Bureau relating to the net OPEB liability and related deferred outflows and deferred inflows and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 41) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
- 42) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

- 43) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon. We do not prepare an annual report.

Sincerely,

Village of Bayside

Signed: _____
Mr. Andrew Pederson, Village Manager

Signed: _____
Ms. Rachel Safstrom, Administrative Services Director

Two-way audit communications

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

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

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

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

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

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

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

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

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

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

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

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