

VILLAGE OF ARENA, WISCONSIN

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the year ended December 31, 2018

Johnson Block & Company, Inc.
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VILLAGE OF ARENA, WISCONSIN
DECEMBER 31, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Arena, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Arena, Wisconsin ("Village"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 39-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Prior Year Summarized Comparative Information

We have previously audited the Village's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 detailed statements of revenue and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The detailed statements of revenue and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
April 11, 2019
Mineral Point, Wisconsin

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Village of Arena, Wisconsin
Statement of Net Position
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 598,879	\$ 465,409	\$ 1,064,288	\$ 975,959
Receivables:				
Other	1,500		1,500	16,947
Taxes	347,325		347,325	360,658
Customer		45,499	45,499	43,392
Prepays	6,320		6,320	8,650
Materials and supplies		365	365	365
Current portion of long-term loan receivable		89,307	89,307	87,010
Total current assets	954,024	600,580	1,554,604	1,492,981
Capital assets:				
Property, plant and equipment	1,314,414	2,292,192	3,606,606	3,543,043
Less: accumulated depreciation	(831,894)	(1,001,957)	(1,833,851)	(1,723,753)
Total capital assets	482,520	1,290,235	1,772,755	1,819,290
Noncurrent assets:				
Long-term loan receivable		89,307	89,307	176,317
Less: current portion		(89,307)	(89,307)	(87,010)
Total noncurrent assets				89,307
Total assets	1,436,544	1,890,815	3,327,359	3,401,578
<u>Deferred outflows of resources</u>				
Unamortized DIWC construction grants		83,548	83,548	139,149
Total assets and deferred outflows of resources	\$ 1,436,544	\$ 1,974,363	\$ 3,410,907	\$ 3,540,727

Exhibit A-1 (Continued)
Village of Arena, Wisconsin
Statement of Net Position
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 26,860	\$ 47,913	\$ 74,773	\$ 48,953
Accrued payroll	5,069	2,633	7,702	5,366
Interest accrued	4,710	3,406	8,116	11,434
Current portion of:				
Revenue bonds		96,891	96,891	94,410
Notes payable	47,217	41,414	88,631	161,235
Capital lease payable	7,054		7,054	6,658
Total current liabilities	90,910	192,257	283,167	328,056
Long-term liabilities:				
Revenue bonds		155,499	155,499	249,910
Notes payable	193,413	132,558	325,971	487,206
Capital lease payable	14,527		14,527	21,185
Less: current portion	(54,271)	(138,305)	(192,576)	(262,303)
Total long-term liabilities	153,669	149,752	303,421	495,998
Total liabilities	244,579	342,009	586,588	824,054
<u>Deferred Inflows of Resources</u>				
Deferred revenue	533,579		533,579	511,605
<u>Net Position</u>				
Net investment in capital assets	357,196	1,174,101	1,531,297	1,441,123
Restricted	233,799		233,799	175,749
Unrestricted	67,391	458,253	525,644	588,196
Total net position	658,386	1,632,354	2,290,740	2,205,068
Total liabilities, deferred inflows of resources, and net position	\$ 1,436,544	\$ 1,974,363	\$ 3,410,907	\$ 3,540,727

Exhibit A-2
Village of Arena, Wisconsin
Statement of Activities
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals		
						2018	2017		
Primary Government:									
Governmental activities:									
General government	\$ 130,443	\$ 15,956	\$	\$	\$ (114,487)	\$	\$ (114,487)	\$ (71,804)	
Public safety	285,046	10,912		3,415	(270,719)		(270,719)	(259,805)	
Public works	163,858			35,339	(128,519)		(128,519)	(141,759)	
Leisure activities	17,510	3,162			(14,348)		(14,348)	(11,769)	
Conservation and development	28,180	450			(27,730)		(27,730)	(28,311)	
Health and social services	80				(80)		(80)	(80)	
Interest and fiscal charges	13,215				(13,215)		(13,215)	(13,106)	
Total governmental activities	<u>638,332</u>	<u>30,480</u>		<u>38,754</u>	<u>(569,098)</u>		<u>(569,098)</u>	<u>(526,634)</u>	
Business-type activities:									
Water utility	110,558	149,878				39,320	39,320	58,240	
Sewer utility	257,816	247,323				(10,493)	(10,493)	(12,436)	
Total business-type activities	<u>368,374</u>	<u>397,201</u>				<u>28,827</u>	<u>28,827</u>	<u>45,804</u>	
Total primary government	<u>\$ 1,006,706</u>	<u>\$ 427,681</u>	<u>\$ 38,754</u>	<u>\$</u>	<u>(569,098)</u>	<u>28,827</u>	<u>(540,271)</u>	<u>(480,830)</u>	
General revenues:									
Property taxes									
General purposes					395,868		395,868	415,962	
Tax increment					117,237		117,237	94,304	
Federal and state aid not restricted for specific purposes					114,544		114,544	99,100	
Interest income					9,054	11,586	20,640	15,357	
Gain (loss) on sale of fixed assets					(5,458)		(5,458)	40,078	
Miscellaneous					38,713		38,713	12,719	
Transfers					24,415	(24,415)			
Total general revenues					<u>694,373</u>	<u>(12,829)</u>	<u>681,544</u>	<u>677,520</u>	
Special item:									
Amortization of DIWC construction grant						(55,601)	(55,601)	(55,601)	
Change in net position					125,275	(39,603)	85,672	141,089	
Net position - beginning of year					533,111	1,671,957	2,205,068	2,063,979	
Net position - end of year					<u>\$ 658,386</u>	<u>\$ 1,632,354</u>	<u>\$ 2,290,740</u>	<u>\$ 2,205,068</u>	

Exhibit A-3
Village of Arena, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	General	TIF District No. 1	Totals	
			2018	2017
<u>Assets</u>				
Cash and investments	\$ 230,987	\$ 367,892	\$ 598,879	\$ 525,438
Receivables:				
Other	1,500		1,500	16,947
Taxes	347,325		347,325	360,658
Prepays	6,320		6,320	8,650
Total assets	<u>\$ 586,132</u>	<u>\$ 367,892</u>	<u>\$ 954,024</u>	<u>\$ 911,693</u>
<u>Liabilities</u>				
Accounts payable	\$ 26,860	\$	\$ 26,860	\$ 18,511
Accrued payroll	5,069		5,069	4,180
Total liabilities	<u>31,929</u>		<u>31,929</u>	<u>22,691</u>
<u>Deferred Inflows of Resources</u>				
Deferred revenues	397,125	136,454	533,579	511,605
<u>Fund Balance</u>				
Nonspendable	6,320		6,320	8,650
Restricted	2,361	231,438	233,799	175,749
Unassigned	148,397		148,397	192,998
Total fund balance	<u>157,078</u>	<u>231,438</u>	<u>388,516</u>	<u>377,397</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 586,132</u>	<u>\$ 367,892</u>	<u>\$ 954,024</u>	<u>\$ 911,693</u>

Exhibit A-4
Village of Arena, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balance - governmental funds:	\$ 388,516	\$ 377,397
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 fund statements. Amounts reported for governmental activities in the statement of net position:		
Governmental capital asset	1,314,414	1,268,118
Governmental accumulated depreciation	<u>(831,894)</u>	<u>(783,669)</u>
	482,520	484,449
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:		
Bonds and notes payable	(193,413)	(300,981)
Capital lease payable	(14,527)	(21,185)
Accrued interest on general obligation debt	<u>(4,710)</u>	<u>(6,569)</u>
Net position of governmental activities	<u>\$ 658,386</u>	<u>\$ 533,111</u>

Exhibit A-5
Village of Arena, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	General	TIF District No. 1	Totals	
			2018	2017
<u>Revenues</u>				
Taxes	\$ 395,868	\$ 117,237	\$ 513,105	\$ 510,266
Intergovernmental revenues	153,297		153,297	136,419
Licenses and permits	15,936		15,936	15,227
Fines and forfeitures	10,912		10,912	11,855
Public charges for services	2,332		2,332	1,870
Interest income	5,014	\$ 4,041	9,055	9,583
Miscellaneous revenues	40,013		40,013	27,991
Total revenues	623,372	121,278	744,650	713,211
<u>Expenditures</u>				
Current:				
General government	106,471	500	106,971	86,956
Public safety	252,105		252,105	262,115
Public works	128,423		128,423	135,713
Leisure activities	15,156		15,156	16,501
Conservation and development	13,564	14,616	28,180	28,711
Health and social services	80		80	80
Capital outlay:	103,731		103,731	41,463
Debt service:				
Principal retirement	70,772	44,794	115,566	110,046
Interest and fiscal charges	4,416	3,318	7,734	11,453
Total expenditures	694,718	63,228	757,946	693,038
Excess of revenues (under) expenditures	(71,346)	58,050	(13,296)	20,173
<u>Other Financing Sources (Uses)</u>				
Sale of capital assets				19,178
Capital lease proceeds				29,103
Transfers in	24,415		24,415	25,133
Total other financing sources (uses)	24,415		24,415	73,414
Net change in fund balances	(46,931)	58,050	11,119	93,587
Fund balance January 1	204,009	173,388	377,397	283,810
Fund balance December 31	\$ 157,078	\$ 231,438	\$ 388,516	\$ 377,397

The notes to the basic financial statements are an integral part of this statement.

Exhibit A-6
Village of Arena, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
Net change in fund balance - total governmental funds	\$ 11,119	\$ 93,587
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	78,296	102,148
Depreciation expenses reported in the statement of activities	(60,267)	(70,185)
Amount by which capital outlays are greater (less) than depreciation in the current period.	18,029	31,963
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations and disposals) is to decrease net position:	(19,958)	(37,595)
The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds but does not affect the statement of activities		(29,103)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities		
The amount of long-term debt principal payments in the current year is:	114,226	110,046
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	9,074	11,453
The amount of interest accrued during the current period	(7,215)	(10,106)
Interest paid is greater (less) than interest expensed by	1,859	1,347
Change in net position - governmental activities	\$ 125,275	\$ 170,245

Exhibit A-7
Village of Arena, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Water Utility	Sewer Utility	Totals	
			2018	2017
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 199,500	\$ 265,909	\$ 465,409	\$ 450,521
Customer accounts receivable	12,855	32,644	45,499	43,392
Materials and supplies	365		365	365
Current portion of long-term loan receivable		89,307	89,307	87,010
Total current assets	212,720	387,860	600,580	581,288
Capital assets:				
Utility plant in service	1,326,343	965,849	2,292,192	2,274,925
Less: accumulated depreciation	(469,697)	(532,260)	(1,001,957)	(940,084)
Net capital assets	856,646	433,589	1,290,235	1,334,841
Noncurrent assets:				
Long-term loan receivable		89,307	89,307	176,317
Less: current portion		(89,307)	(89,307)	(87,010)
Total noncurrent assets				89,307
<u>Deferred outflows of resources</u>				
Unamortized DIWC construction grants		83,548	83,548	139,149
Total assets and deferred outflows of resources	\$ 1,069,366	\$ 904,997	\$ 1,974,363	\$ 2,144,585

Exhibit A-7 (Continued)
Village of Arena, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Water Utility	Sewer Utility	Totals	
			2018	2017
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 5,982	\$ 41,931	\$ 47,913	\$ 30,442
Accrued payroll	2,093	540	2,633	1,186
Interest accrued	1,172	2,234	3,406	4,865
Current portion of:				
Revenue bonds	7,584	89,307	96,891	94,410
Notes payable	9,911	31,503	41,414	53,667
Total current liabilities	26,742	165,515	192,257	184,570
Long-term liabilities:				
Revenue bonds	66,192	89,307	155,499	249,910
Notes payable	41,308	91,250	132,558	186,225
Less: current portion	(17,495)	(120,810)	(138,305)	(148,077)
Total long-term liabilities	90,005	59,747	149,752	288,058
Total liabilities	116,747	225,262	342,009	472,628
<u>Net position</u>				
Net investment in capital assets	790,454	383,647	1,174,101	1,176,931
Unrestricted	162,165	296,088	458,253	495,026
Total net position	952,619	679,735	1,632,354	1,671,957
Total liabilities and net position	\$ 1,069,366	\$ 904,997	\$ 1,974,363	\$ 2,144,585

Exhibit A-8
Village of Arena, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Water Utility	Sewer Utility	Totals	
			2018	2017
<u>Operating Revenues</u>				
Sales of water	\$ 138,758	\$	\$ 138,758	\$ 139,868
Sewage service charges		238,495	238,495	236,365
Other	11,120	8,828	19,948	25,923
Total operating revenues	149,878	247,323	397,201	402,156
<u>Operating Expenses</u>				
Operation and maintenance	71,690	220,156	291,846	277,619
Depreciation	35,436	29,668	65,104	63,089
Taxes	571	2,006	2,577	2,246
Total operating expenses	107,697	251,830	359,527	342,954
Net operating income (loss)	42,181	(4,507)	37,674	59,202
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	4,040	7,546	11,586	5,774
Interest expense	(2,861)	(5,986)	(8,847)	(13,398)
Income (loss) before transfers and contributions	43,360	(2,947)	40,413	51,578
Transfer of tax equivalent	(24,415)		(24,415)	(25,133)
Change in net position	18,945	(2,947)	15,998	26,445
Net position - beginning of year	933,674	738,283	1,671,957	1,701,113
Amortization of DIWC construction grants		(55,601)	(55,601)	(55,601)
Net position - end of year	\$ 952,619	\$ 679,735	\$ 1,632,354	\$ 1,671,957

Exhibit A-9
Village of Arena, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
<u>Cash Flows From (Used by) Operating Activities:</u>				
Received from customers	\$ 147,431	\$ 247,663	\$ 395,094	\$ 400,842
Payments to employees	(31,302)	22,990	(8,312)	(52,152)
Payments for employee fringe benefits and payroll taxes	(2,108)	2,006	(102)	(3,622)
Payments to suppliers	(32,973)	(231,806)	(264,779)	(228,819)
Net Cash Flows From Operating Activities	81,048	40,853	121,901	116,249
<u>Cash Flows (Used by) Noncapital Financing Activities:</u>				
Debt retired	(9,646)	(9,646)	(19,292)	(18,776)
Interest paid	(1,401)	(1,401)	(2,802)	(3,318)
Paid to municipality for tax equivalent	(24,415)		(24,415)	(25,133)
Net Cash Flows (Used by) Noncapital Financing Activities:	(35,462)	(11,047)	(46,509)	(47,227)
<u>Cash Flows (Used by) Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(22,810)		(22,810)	(10,500)
Debt retired	(7,401)	(34,375)	(41,776)	(39,951)
Interest paid	(1,730)	(5,774)	(7,504)	(5,434)
Net Cash Flows (Used by) Capital and Related Financing Activities	(31,941)	(40,149)	(72,090)	(55,885)
<u>Cash Flows From Investing Activities</u>				
Interest income	4,040	7,546	11,586	
Net change in Cash and Cash Equivalents	17,685	(2,797)	14,888	13,137
Cash and Cash Equivalents - Beginning of Year	181,815	268,706	450,521	437,384
Cash and Cash Equivalents - End of Year	\$ 199,500	\$ 265,909	\$ 465,409	\$ 450,521

Exhibit A-9 (Continued)
Village of Arena, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2018	2017
<u>Reconciliation of operating income (loss) to net cash provided</u>				
<u>by operating activities:</u>				
Operating income (loss)	\$ 42,181	\$ (4,507)	\$ 37,674	\$ 59,202
Noncash items in operating income:				
Depreciation Expense	37,748	29,668	67,416	65,400
Changes in assets and liabilities:				
Customer accounts receivable	(2,447)	340	(2,107)	(1,314)
Accounts payable	2,130	15,341	17,471	(7,433)
Accrued payroll	1,436	11	1,447	394
Net Cash Flows From Operating Activities	81,048	40,853	121,901	116,249
Schedule of noncash items:				
Revenue bond payments made by Dane-Iowa Wastewater Commission:				
Principal	\$	\$ 87,010	\$ 87,010	\$ 84,772
Interest		3,506	3,506	5,774
Total	\$	\$ 90,516	\$ 90,516	\$ 90,546

Exhibit A-10
Village of Arena, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	Tax Collection Fund	
	2018	2017
Assets		
Cash and investments	\$ 277,758	\$ 237,097
Taxes receivable	438,560	470,010
Total assets	\$ 716,318	\$ 707,107
Liabilities		
Due to other taxing units	\$ 716,318	\$ 707,107
Total liabilities and net position	\$ 716,318	\$ 707,107

NOTES TO THE BASIC FINANCIAL STATEMENTS

Village of Arena, Wisconsin
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 December 31, 2018

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Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Village of Arena, Wisconsin is an incorporated Village, which is governed by the Village Board headed by the Village president, a voting member of the Board. The Village president does not have veto power. The Board consists of seven members, including the president, who are elected at large. Committees of the Board, appointed by the president, oversee the work of employees. A clerk-treasurer, elected by the Board, is the administrative officer.

The reporting entity for the Village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

B. Government-Wide and Fund Financial Statements

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

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

Financial statements of the reporting entity 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 equity, revenues, and expenditure/expenses.

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

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

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

Major Governmental Funds:

The Village reports the following major governmental funds:

General Fund – Accounts for the Village’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

TIF No. 1– Accounts for the activity of Tax Incremental District No. 1.

Major Enterprise Funds:

The Village reports the following major enterprise funds:

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

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition, the Village reports the following fund type:

Agency Fund - Accounts for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Agency

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

Government-Wide Financial Statements

The government-wide statement of net position and the 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 of resources. 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 water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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 of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources.

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.

The Village reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the Village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the deferred inflows of resources is removed from the balance sheet and revenue is recognized.

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

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

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to Governmental Accounting Standards.

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

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

All deposits of the Village are made in board designated official depositories and are secured as required by State Statute. The Village may designate, as an official depository, any bank or savings association. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

E. 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 in the accompanying agency fund balance sheet.

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale- 2018 delinquent real estate taxes	October 2021

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. Delinquent special charges and assessments are not paid in full by the county. Utilities have the right by law to place delinquent bills on the tax roll.

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 government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by nonspendable fund balance which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories and Prepaid Items

Inventories of governmental fund types consist of expendable supplies held for consumption. Such items, which are not material, are considered expenditures when purchased and, accordingly, are not reflected on the Balance Sheet- Governmental Funds.

Inventories of proprietary fund types are valued at the lower-of-cost or market using the first-in, first-out method and are charged as expenses or are capitalized when used.

G. 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.

H. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$20,000 for infrastructure and \$2,000 for all other fixed assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at acquisition value.

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

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

Buildings	20-50 Years
Machinery and Equipment	3-40 Years
Utility System	10-100 Years

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Fund Financial Statements

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

I. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Compensated absences are immaterial to these financial statements. When material, vested vacation and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018 are determined on the basis of current salary rates and include salary related payments.

J. 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. The accounting in proprietary funds is the same as it is in the government-wide statements.

The Village does not have any conduit debt outstanding at December 31, 2018.

K. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital 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 position that does not meet the definition 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

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the Village Board, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Village Board takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts the Village Board intends to use for a specific purpose; intent can be expressed by the Village Board or by an official or body to which the Village Board delegates the authority. All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- 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.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

The Village's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the Village Clerk-Treasurer for the purpose of reporting these amounts in the annual financial statements. The Village will also maintain a minimum unassigned fund balance equal to 20% of total general fund expenditures. In the event that the balance drops below the established minimum level, the Village Board will develop a plan to replenish the fund balance to the established minimum level within five years.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Village to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Village that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

M. Interfund Transactions and Transfers

The water utility is charged for tax equivalents due to the municipality's general fund. These payments in lieu of taxes are treated as revenues in the general fund.

The general fund pays a fire protection charge to the water utility. In addition, the water and sewer utilities provide basic services to departments in the general fund. Charges for fire protection and basic services are recorded as expenditures in the general fund.

N. Income Tax

Municipal utilities are exempt from income taxes and, therefore, no income tax liability is recorded by the Arena Water and Sewer Utilities.

O. Risk Management

The Village is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

P. Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year-end are fulfilled. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types. The municipality does not use encumbrance accounting.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Summarized Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position, operations, and cash flows. However, comparative (i.e., presentations of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain prior year classifications have been restated to conform to the current year presentation.

R. Regulation of Municipal Utilities

The Arena Water Utility operates under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Commission. The accounting records of the utility are maintained in accordance with the Uniform System of Accounts prescribed by the Public Service Commission. The Sewer Utility is not regulated.

S. Nature of Operation

The Arena Water Utility provides water service to properties within the Village of Arena and is managed by the Village Board. The Arena Sewer Utility provides sewer service to properties within the Village of Arena and is managed by the Village Board.

T. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The sewer utility has one item that qualifies for reporting in this category.

The sewer utility financed a portion of its costs to create the Dane-Iowa Wastewater Commission with grants totaling \$1,112,012. The costs associated with these grants are being amortized over 20 years, the length of the agreement between the sewer utility and the Dane-Iowa Wastewater Commission. The unamortized balance of these costs was \$83,548 at December 31, 2018. Amortization of these costs will continue until 2020.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3 CASH AND INVESTMENTS

At December 31, 2018, cash and investments included the following:

Deposits with financial institutions	\$ 225,938
Repurchase agreements	<u>1,116,108</u>
Total cash and investments	<u><u>\$ 1,342,046</u></u>

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 1,064,288
Exhibit A-10:	
Cash and investments	<u>277,758</u>
Total cash and investments	<u><u>\$ 1,342,046</u></u>

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Village would not be able to recover the value of its investment of collateral securities that are in possession of another party. The Village does not have an investment policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

As of December 31, 2018, all but \$134 of the Village's deposits were insured by the FDIC. Additionally, the Village has entered into a repurchase agreement with a local bank with a deposit account. As of December 31, 2018, Village deposits totaling \$1,116,108 were in an account with a repurchase agreement. From time to time the bank sells certain securities which are direct obligations at the United States Government or its agencies upon the transfer of funds by the Village with a simultaneous agreement by the Village to sell such Securities to the bank and of the bank to repurchase such securities.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding uninsured amounts at the balance sheet date.

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated				
Land	\$ 11,937	\$	\$	\$ 11,937
Total capital assets not being depreciated	<u>11,937</u>			<u>11,937</u>
Other capital assets				
Land improvements	38,835			38,835
Buildings and improvements	527,649			527,649
Machinery and equipment	212,329	21,137	(32,000)	201,466
Vehicles	99,797	57,159		156,956
Infrastructure	377,571			377,571
Total other capital assets at historical costs	<u>1,256,181</u>	<u>78,296</u>	<u>(32,000)</u>	<u>1,302,477</u>
Less: accumulated depreciation for:				
Land improvements	38,835			38,835
Buildings and improvements	402,924	12,549	(12,042)	403,431
Machinery and equipment	109,301	18,613		127,914
Vehicles	45,908	10,678		56,586
Infrastructure	186,701	18,427		205,128
Total accumulated depreciation	<u>783,669</u>	<u>60,267</u>	<u>(12,042)</u>	<u>831,894</u>
Total net capital assets	<u>\$ 484,449</u>	<u>\$ 18,029</u>	<u>\$ (19,958)</u>	<u>\$ 482,520</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General government	\$ 11,604
Public safety	11,770
Public works, which includes the depreciation of infrastructure	34,539
Leisure activities	2,354
Total governmental activities depreciation expense	<u>\$ 60,267</u>

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets not being depreciated				
Land and land rights	\$ 10,697	\$	\$	\$ 10,697
Total capital assets not being depreciated	10,697			10,697
Capital assets being depreciated				
Water:				
Source of supply	8,860			8,860
Pumping	133,451			133,451
Water treatment	5,043	4,230	(5,043)	4,230
Transmission and distribution	1,075,240	5,698	(500)	1,080,438
General plant	85,926	12,881		98,807
Sewer:				
Collection system	435,666			435,666
Collecting system pumping	416,685			416,685
Treatment and disposal	64,544			64,544
General plant	38,813			38,813
Total capital assets being depreciated	2,264,228	22,809	(5,543)	2,281,494
Total accumulated depreciation	940,084	67,415	(5,543)	1,001,956
Net capital assets being depreciated	1,324,144	(44,606)		1,279,538
Total net capital assets	\$ 1,334,841	\$ (44,606)	\$	\$ 1,290,235

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water Utility	\$ 37,747
Sewer Utility	29,668
Total depreciation expense	\$ 67,415
Less: allocated to sewer	(2,311)
Total depreciation expense per Exhibit A-8	\$ 65,104

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within One Year
<u>Governmental Activities</u>					
Notes Payable:					
General obligation debt	\$ 300,981	\$	\$ (107,568)	\$ 193,413	\$ 47,217
Capital Lease Payable	21,185		(6,658)	14,527	7,054
Total Governmental Activities					
Long-Term Liabilities	\$ 322,166	\$	\$ (114,226)	\$ 207,940	\$ 54,271
 <u>Business-Type Activities</u>					
Notes Payable:					
General obligation debt	\$ 186,225	\$	\$ (53,667)	\$ 132,558	\$ 41,414
Revenue bonds	249,910		(94,411)	155,499	96,891
Total Business-Type Activities					
Long-Term Liabilities	\$ 436,135	\$	\$ (148,078)	\$ 288,057	\$ 138,305

The compensated absences liability attributed to governmental activities are typically being liquidated in the general fund.

All general obligation notes payable are backed by the full faith and credit of the Village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. 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.

General obligation debt

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/18
<u>Governmental Activities</u>					
State Trust Note	3/15/2013	3/15/2023	2.75%	\$ 158,022	\$ 84,364
State Trust Note	2/19/2013	3/15/2022	2.75%	173,735	82,617
Note Payable	4/20/2012	4/20/2022	2.79%	158,776	26,432
Total Governmental Activities – General Obligation Debt					\$ 193,413
 <u>Business-Type Activities</u>					
Note Payable	4/20/2012	4/20/2022	2.79%	\$ 143,898	\$ 49,942
State Trust Note	2/19/2013	3/15/2022	2.75%	173,734	82,616
Total Business-Type Activities – General Obligation Debt					\$ 132,558

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2018 was \$2,391,680. Total general obligation debt outstanding at year-end was \$325,971.

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2019	\$ 47,217	\$ 5,339	\$ 41,415	\$ 3,685
2020	48,513	4,043	42,564	2,536
2021	41,053	2,689	27,077	1,341
2022	38,829	1,557	21,502	591
2023	17,801	490		
Totals	<u>\$ 193,413</u>	<u>\$ 14,118</u>	<u>\$ 132,558</u>	<u>\$ 8,153</u>

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the utility. Revenue debt payable at December 31, 2018, consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/18
State of Wisconsin Clean Water Fund	8/11/1999	5/1/2019	2.64%	\$ 1,448,862	\$ 89,307
State of Wisconsin Clean Water Fund	4/25/2007	5/1/2026	2.48%	138,445	66,192
Total Business-Type Activities Revenue Debt					<u>\$ 155,499</u>

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Revenue Debt		
	Principal	Interest	Total
2019	\$ 96,890	\$ 2,723	\$ 99,613
2020	7,771	1,354	9,125
2021	7,964	1,160	9,124
2022	8,161	960	9,121
2023	8,363	756	9,119
2024-2026	26,350	989	27,339
Totals	<u>\$ 155,499</u>	<u>\$ 7,942</u>	<u>\$ 163,441</u>

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

As discussed in Note 7, the Village is a member of the Dane Iowa Wastewater Commission (DIWC). All of the amounts drawn on the sewer revenue bonds were advanced to the DIWC to pay the Village's share of construction cost of a joint wastewater treatment system. As of December 31, 2018, there are \$89,307 in outstanding sewer revenue bonds. The Village has an agency agreement with DIWC requiring the Commission to pay the debt. The sewer fund has a long-term receivable of \$89,307 from DIWC which is an offset to the sewer revenue bonds liability in the Village's name for the DIWC plant. The DIWC charges user fees to its members. The member user fees, together with revenue from other sources, are expected to provide adequate funds to retire the debt.

Bond covenant debt coverage

Under terms of the revenue bond resolutions, revenues must be sufficient to pay operation and maintenance expenses and debt service. By resolution, revenue less expenses must be 1.1 times the annual debt service requirements on the bonds and any other obligations payable. Debt coverage for 2018 was as follows:

	Sewer Utility	Water Utility
Gross revenues	\$ 247,323	\$ 149,878
Less: operating expenses	(251,830)	(107,697)
Plus: interest income	7,546	4,040
Plus: depreciation	29,668	35,436
Total net revenues	\$ 32,707	\$ 81,657
Highest Village debt service	\$ 89,307	\$ 9,127
Coverage ratio	110%	110%
Net revenues required	\$ 98,238	\$ 10,040

The debt payment of the sewer utility is presently being paid by the Dane Iowa Wastewater Commission (see note 8).

NOTE 6

CAPITAL LEASES, AS LESSEE

The following is an analysis of the original cost of leased property under capital leases by major classes as of December 31, 2018:

Equipment	\$ 29,103
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The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2018:

Year Ended December 31,	
2019	\$ 7,918
2020	7,919
Less: Interest	(1,310)
Remaining Principal Balance	\$ 14,527

Village of Arena, Wisconsin
Notes to the Basic Financial Statements
December 31, 2018

NOTE 7

INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transfer To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Governmental Funds			
General	Water	\$ 24,415	Tax Equivalent
Proprietary Funds			
General	Water	\$ 24,415	Tax Equivalent

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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

NOTE 8

JOINT VENTURES

Dane Iowa Wastewater Commission

The Arena Sewer Utility, an enterprise fund of the Village of Arena, has entered into a contract with the Villages of Black Earth and Mazomanie creating a joint sewerage commission pursuant to Wis. Stat. 66.30 for the purpose of providing facilities for the joint treatment and disposal of sewage and the operation and administration of a regional wastewater collection, treatment, and disposal system. The construction of this facility was completed in 2000. The Dane Iowa Wastewater Commission (DIWC) consists of seven (7) members including the Village President of the three member municipalities. The DIWC established user charges and bills the member municipalities, the Village of Cross Plains, and the Wisconsin Heights School District. The DIWC pays all operating, maintenance and debt service costs and, in turn, bills each member based on actual volumes and loadings and equivalent meters. The Village of Arena expensed \$148,588 in costs for DIWC in 2018.

As discussed in Note 5, sewer revenue bonds in the Village of Arena's name were issued for construction of the DIWC plant. The Village has an agency agreement with DIWC requiring the Commission to pay the debt.

At any time after 20 years from the date upon which all contracting municipalities close on the Clean Water Fund Revenue Bonds, and after payment in full of all obligations of the Commission used to finance the planning, construction, replacement maintenance, operation or extension of the system, any contracting municipality may, upon not less than three years' notice to the commission and the other contracting municipalities, withdraw from this agreement.

Audited financial information of the Commission as of June 30, 2018 is available from the DIWC's office. The financial transactions for the DIWC are not included in the Village's financial statements.

Fire Department

The Village of Arena and Town of Arena jointly operate the local fire department, which is called the Arena Fire Department, and provides fire protection. The communities share in the operation of the district based on the ratio of populations as follows:

Town of Arena	70%
Village of Arena	30%

Village of Arena, Wisconsin
Notes to Financial Statements
December 31, 2018

NOTE 8

JOINT VENTURES (CONTINUED)

The governing body is made up of citizens from each community. The village board appoints local representatives. The governing body has authority to adopt its own budget and control the financial affairs of the district. The Village made payments totaling \$42,590 to the district for 2018. The Village believes that the district will continue to provide services in the future at similar rates.

Financial information of the district as of December 31, 2018, is available directly from the district's office.

NOTE 9

DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable 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 December 31, 2018 the component of deferred inflows of resources and unearned revenue reported in the governmental funds was as follows:

Property tax receivable	\$ 533,579
Total deferred inflows of resources – governmental funds	<u>\$ 533,579</u>

NOTE 10

COMMITMENTS AND CONTINGENCIES

From time to time, the Village is party to various pending claims and legal proceedings. As of the date of this audit, the Village was not involved with any lawsuits.

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

NOTE 11

NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2018, includes the following:

Net Investment in Capital Assets	
Capital assets, net of accumulated depreciation	\$ 482,520
Less: related long-term debt outstanding	<u>(125,324)</u>
Total Net Investment in Capital Assets	<u>357,196</u>
Restricted:	
Tax incremental district No. 1	231,438
Donor Purposes	<u>2,361</u>
Total Restricted	<u>233,799</u>
Unrestricted:	
Total Governmental Activities Net Position	<u>\$ 658,386</u>

Village of Arena, Wisconsin
Notes to Financial Statements
December 31, 2018

NOTE 11 NET POSITION (CONTINUED)

Business-type activities and proprietary fund net position at December 31, 2018 includes the following:

Net Investment in Capital Assets	
Capital assets, net of accumulated depreciation	\$ 1,290,235
Less: related long-term debt outstanding	<u>(116,134)</u>
Total Net Investment in Capital Assets	1,174,101
Unrestricted:	
Total Business-type Activities and Proprietary Fund Net Position	<u><u>\$ 1,632,354</u></u>

NOTE 12 GOVERNMENTAL FUND BALANCES

Fund balance as of December 31, 2018, includes the following items:

General Fund:

Nonspendable:

Prepays	\$ 6,320
Total Nonspendable	<u>\$ 6,320</u>

Restricted for:

Donation - Community Improvement	\$ 731
Donation - Parks	1,630
Total Restricted	<u>\$ 2,361</u>

Unassigned	<u>\$ 148,397</u>
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Tax Incremental Financing District No. 1:

Restricted for:

Future TIF expenditures	<u>\$ 231,438</u>
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NOTE 13 TAX LEVY LIMIT

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the Village's future tax levies. Generally the Village is limited to its prior tax levy dollar amount, increased by the greater of the percentage change in the Village's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the Village adopts a new fee or a fee increase for covered services (which were partly or wholly funded by property tax levy), the Village must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions. Covered services include garbage collection, snow plowing, street sweeping and stormwater management.

NOTE 14 TAX INCREMENTAL DISTRICT

The Village of Arena, Wisconsin Tax Incremental Financing District (TID) was created under the provisions of Wisconsin Statute Section 66.46. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

Village of Arena, Wisconsin
Notes to Financial Statements
December 31, 2018

NOTE 14

TAX INCREMENTAL DISTRICT (CONTINUED)

Project costs may not be incurred up to five years before the District's mandatory termination date. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or for a maximum of years. An industrial and mixed-use TID has the option to extend the maximum life by 5 years. Project costs uncollected at the dissolution date are absorbed by the municipality.

	Creation Date	Last Date to Incur Project Costs	Final Dissolution Date
District #1	9/28/06	9/28/21	9/28/26

Following is the cumulative status of TIF #1 as of December 31, 2018:

Revenue		
Tax Increments		\$ 925,083
Intergovernmental		15
Interest Income		4,041
Total Revenues		929,139
Expenditures:		
Administration		60,800
Construction		542,853
Developer Grants Incentive		57,307
Interest and Discounts		115,770
Debt Insurance Costs		5,333
Total Expenditures		782,063
Amount to be Recovered Through Future Increments		\$ (147,076)
Cash		\$ (231,438)
Note Payable		84,632
Total		\$ (147,076)

NOTE 15

TAX ABATEMENTS

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

The Village of Arena, through its TID #1, has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID #1 project plan. The developers issue bonds to finance construction and guarantee a certain amount of increment each year. The developers pay property taxes as they become due and if they generate the guaranteed increment, the excess increment is repaid to the developers up to the amount of the developers' debt service.

For the year ended December 31, 2018, the Village abated property taxes totaling \$10,459 related to TID #1 developer agreements.

Village of Arena, Wisconsin
Notes to Financial Statements
December 31, 2018

NOTE 16 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 87, *Leases*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. When these become effective, application of these standards may restate portions of these financial statements.

NOTE 17

SUBSEQUENT EVENT

Subsequent to December 31, 2018, the Village approved a bid of \$317,507 for construction of a new Village shop.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
Required Supplementary Information
Village of Arena, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variances-	
				Original	Final
	Original	Final	Actual	to Actual	to Actual
<u>Revenues</u>					
Taxes	\$ 395,868	\$ 395,868	\$ 395,868	\$	\$
Intergovernmental	152,809	152,809	153,297	488	488
Licenses and permits	11,050	11,050	15,936	4,886	4,886
Fines and forfeitures	12,000	12,000	10,912	(1,088)	(1,088)
Public charges for services	1,216	1,216	2,332	1,116	1,116
Investment income	4,600	4,600	5,014	414	414
Miscellaneous revenues	20,750	20,750	40,013	19,263	19,263
Total revenues	598,293	598,293	623,372	25,079	25,079
<u>Expenditures</u>					
Current:					
General government	132,208	132,208	106,471	25,737	25,737
Public safety	248,829	248,829	252,105	(3,276)	(3,276)
Public works	110,939	110,939	128,423	(17,484)	(17,484)
Leisure activities	16,075	16,075	15,156	919	919
Conservation and development	13,956	13,956	13,564	392	392
Health and social services	100	100	80	20	20
Debt service	81,471	81,471	75,188	6,283	6,283
Capital outlay	20,715	20,715	103,731	(83,016)	(83,016)
Total expenditures	624,293	624,293	694,718	(70,425)	(70,425)
Excess (deficiency) of revenues over over expenditures	(26,000)	(26,000)	(71,346)	(45,346)	(45,346)
<u>Other Financing Sources (Uses)</u>					
Transfer from water utility - tax equivalent	26,000	26,000	24,415	(1,585)	(1,585)
Total other financing sources (uses)	26,000	26,000	24,415	(1,585)	(1,585)
Net change in fund balances			(46,931)	(46,931)	(46,931)
Fund balance-beginning of year	204,009	204,009	204,009		
Fund balance-end of year	\$ 204,009	\$ 204,009	\$ 157,078	\$ (46,931)	\$ (46,931)

Village of Arena, Wisconsin
Notes to Required Supplementary Information
December 31, 2018

NOTE 1

BUDGET SCHEDULE

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. (C) to the financial statements.

The Village budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the Village board. Such revisions are required by a statutory provision which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Revisions require a two-thirds vote of the Village Board. Appropriations for the general fund lapse at year end unless specifically carried forward by Board action.

The Village does not utilize encumbrances in its budget process but does take into consideration certain appropriations, which do not lapse on an annual basis.

NOTE 2

EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2018:

<u>Expenditure</u>	<u>Excess Expenditure</u>
Public safety	\$ 3,276
Public Works	17,484
Capital Outlay	83,016

NOTE 3

CAPITAL LEASES

The Village budgets for its capital lease payment in the public safety expenditure function. This differs from the fund statements where capital lease payments are reported as debt service expenditures.

SUPPLEMENTARY INFORMATION

Exhibit C-1
Village of Arena, Wisconsin
General Fund
Detailed Statement of Revenues
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>
<u>Taxes</u>		
General property	\$ 394,368	\$ 394,368
Payment in lieu of taxes	1,500	1,500
	<u> </u>	<u> </u>
Totals	<u>\$ 395,868</u>	<u>\$ 395,868</u>
 <u>Intergovernmental</u>		
Shared taxes from state	\$ 114,448	\$ 114,448
State aid - tax exempt computers	95	100
State aid - recycling	1,105	1,000
State aid - fire insurance dues	2,775	2,000
State aid - road allotment	34,234	34,261
State aid - other	640	1,000
	<u> </u>	<u> </u>
Totals	<u>\$ 153,297</u>	<u>\$ 152,809</u>
 <u>Licenses and Permits</u>		
Liquor and malt beverage licenses	\$ 3,000	\$ 2,400
Operators' licenses	520	400
Cigarette licenses	300	200
Building permits	8,876	5,000
Cable TV fees	2,409	2,200
Zoning fees	400	400
Dog pound and tags	431	450
	<u> </u>	<u> </u>
Totals	<u>\$ 15,936</u>	<u>\$ 11,050</u>
 <u>Public Charges for Services</u>		
Publication fees	\$ 20	\$ 16
Recreation revenue	1,487	1,050
Weed cutting revenue	450	
Park rent	375	150
	<u> </u>	<u> </u>
Totals	<u>\$ 2,332</u>	<u>\$ 1,216</u>

Exhibit C-1 (Continued)
Village of Arena, Wisconsin
General Fund
Detailed Statement of Revenues
For the Year Ended December 31, 2018

	Actual	Budget
<u>Fines and Forfeitures</u>		
Court penalties and costs	\$ 10,912	\$ 12,000
 <u>Investment Income</u>		
Investment income	\$ 5,014	\$ 4,600
 <u>Miscellaneous</u>		
Miscellaneous general revenues	\$ 40,013	\$ 20,750
Sale of capital assets	\$	
Proceeds from capital lease	\$	
Transfer from water utility - tax equivalent	\$ 24,415	\$ 26,000
Total revenues	\$ 647,787	\$ 624,293

Exhibit C-2
Village of Arena, Wisconsin
General Fund
Detailed Statement of Expenditures
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>
<u>General Government</u>		
Village board	\$ 6,445	\$ 6,959
Village president	2,466	2,153
Clerk-treasurer	28,785	31,536
Deputy clerk	856	969
Elections	4,122	3,399
Notice ads	454	400
Assessment of property	2,385	2,300
Strategic planning		1,000
Long range planning	4,467	750
Independent accounting and auditing	6,896	7,000
Legal counsel	5,564	9,000
Village hall	11,431	14,000
League dues	392	392
Property and liability insurance	14,756	26,000
Workmen's compensation	5,798	8,000
Ordinance revision	622	1,500
Uncollectible accounts	1,033	
Miscellaneous	9,999	16,850
	<u>\$ 106,471</u>	<u>\$ 132,208</u>
 <u>Public Safety</u>		
Police	\$ 162,731	\$ 163,732
Fire suppression	81,089	80,097
Animal control	75	500
Building inspection	8,210	4,500
	<u>\$ 252,105</u>	<u>\$ 248,829</u>
 <u>Health and Social Services</u>		
Vermin control	<u>\$ 80</u>	<u>\$ 100</u>

Exhibit C-2 (Continued)
Village of Arena, Wisconsin
General Fund
Detailed Statement of Expenditures
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>
<u>Public Works</u>		
Streets - gas	\$ 5,406	\$ 4,300
Public works - salary	11,756	14,000
Public works - FICA	1,576	1,071
Street machinery - other	6,562	4,000
Contingency - street machinery	2,653	
Garage and shed	6,867	6,000
Streets and alleys - salary	7,900	2,200
Streets and alleys - FICA	437	168
Streets and alleys - other	6,715	10,000
Snow control	5,637	4,000
Engineering	9,855	1,000
Diggers hotline	174	100
Street signs	390	300
Street lighting	11,287	13,200
Sidewalks		-
Garbage and refuse	38,005	37,600
Recycling	13,203	13,000
	<u>\$ 128,423</u>	<u>\$ 110,939</u>
<u>Conservation and Development</u>		
Weed control	<u>\$ 13,564</u>	<u>\$ 13,956</u>
<u>Leisure Activities</u>		
Summer recreation - other	\$ 1,844	\$ 3,775
Parks	13,312	6,300
Contingency - equipment		6,000
	<u>\$ 15,156</u>	<u>\$ 16,075</u>
<u>Capital Outlay</u>		
General government	\$ 17,868	\$ 12,715
Public works	64,692	4,000
Public safety	21,171	4,000
	<u>\$ 103,731</u>	<u>\$ 20,715</u>
<u>Debt Service</u>		
Principal and interest	<u>75,188</u>	<u>\$ 81,471</u>
	<u>\$ 694,718</u>	<u>\$ 624,293</u>