

Town of East Troy

Financial Statements and
Required Supplementary Information

December 31, 2021

Town of East Troy

Table of Contents
December 31, 2021

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Fiduciary Net Position - Custodial Fund	9
Statement of Changes in Fiduciary Net Position - Custodial Fund	10
Index to Notes to Financial Statements	11
Notes to Financial Statements	12
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	32
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Landfill Special Revenue Fund	33
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System	34
Notes to Required Supplementary Information	35

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Town Board of
Town of East Troy

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Troy (the Town), Wisconsin, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Matter Giving Rise to Adverse Opinion on Governmental Activities paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of East Troy, Wisconsin, as of December 31, 2021 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town, as of December 31, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified 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 Town 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded general infrastructure and capital assets in the governmental activities and, accordingly, have not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities. The amount by which this departure would affect the assets, net position and expenses of the governmental activities has not been determined.

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 Town'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.

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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 Town'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 Town'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.

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 18, 2022

BASIC FINANCIAL STATEMENTS

Town of East Troy

Statement of Net Position
December 31, 2021

	Governmental Activities
Assets and Deferred Outflows of Resources	
Assets	
Cash and investments	\$ 1,271,964
Receivables:	
Taxes receivable	2,187,801
Delinquent personal property taxes	5,639
Accounts	147
Prepaid items	13,785
Restricted assets:	
Cash and investments	1,040,854
Net pension asset	407,261
Total assets	<u>4,927,451</u>
Deferred Outflows of Resources	
Pension related amounts	<u>671,181</u>
Total deferred outflows of resources	<u>671,181</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Accounts payable	109,967
Accrued liabilities	6,655
Due to other governmental units	7,597
Deposits	45,595
Noncurrent liabilities:	
Due within one year	497,331
Due in more than one year	1,704,840
Total liabilities	<u>2,371,985</u>
Deferred Inflows of Resources	
Subsequent year's tax levy	2,187,801
Pension related amounts	<u>894,081</u>
Total deferred inflows of resources	<u>3,081,882</u>
Net Position	
Restricted for:	
Landfill	1,312,337
Impact fees	18,574
American Rescue Plan Funding	212,111
Pension	407,261
Unrestricted (deficit)	<u>(1,805,518)</u>
Total net position	<u>\$ 144,765</u>

See notes to financial statements

Town of East Troy

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 564,239	\$ 18,600	\$ -	\$ (545,639)
Public safety	996,702	260,752	261,395	(474,555)
Public works	1,640,350	428,838	204,404	(1,007,108)
Culture, education and recreation	44,704	-	-	(44,704)
Conservation and development	1,953	-	-	(1,953)
Interest and fiscal charges	36,409	-	-	(36,409)
Total governmental activities	<u>\$ 3,284,357</u>	<u>\$ 708,190</u>	<u>\$ 465,799</u>	<u>\$ (2,110,368)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes				1,701,911
Other taxes				11,994
Intergovernmental revenues not restricted to specific programs				58,923
Public gifts and grants				4,270
Investment income				7,915
Miscellaneous				62,633
Total general revenues				<u>1,847,646</u>
Change in net position				(262,722)
Net Position, Beginning				<u>407,487</u>
Net Position, Ending				<u>\$ 144,765</u>

See notes to financial statements

Town of East Troy

Balance Sheet
 Governmental Funds
 December 31, 2021

	<u>General Fund</u>	<u>Landfill Special Revenue Fund</u>	<u>Total</u>
Assets			
Cash and investments	\$ 908,357	\$ 363,607	\$ 1,271,964
Receivables:			
Taxes	2,187,801	-	2,187,801
Accounts	147	-	147
Delinquent personal property taxes	5,639	-	5,639
Due from other funds	21	-	21
Prepaid items	13,785	-	13,785
Restricted, cash and investments	230,685	810,169	1,040,854
Advances to other funds	-	138,582	138,582
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,346,435</u>	<u>\$ 1,312,358</u>	<u>\$ 4,658,793</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 109,967	\$ -	\$ 109,967
Accrued liabilities	2,158	-	2,158
Deposits	45,595	-	45,595
Due to other governments	7,597	-	7,597
Due to other funds	-	21	21
Advances from other funds	138,582	-	138,582
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>303,899</u>	<u>21</u>	<u>303,920</u>
Deferred Inflows of Resources			
Subsequent year's tax levy	2,187,801	-	2,187,801
Unearned revenue	5,639	-	5,639
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>2,193,440</u>	<u>-</u>	<u>2,193,440</u>
Fund Balances			
Nonspendable	13,785	-	13,785
Restricted	230,685	1,312,337	1,543,022
Assigned	99,706	-	99,706
Unassigned	504,920	-	504,920
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>849,096</u>	<u>1,312,337</u>	<u>2,161,433</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,346,435</u>	<u>\$ 1,312,358</u>	<u>\$ 4,658,793</u>

Town of East Troy

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

Total Fund Balances, Governmental Funds \$ 2,161,433

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

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. 5,639

The net pension asset does not relate to current financial resources and is not reported in the governmental funds. 407,261

Deferred outflows of resources related to pension do not relate to current financial resources and are not reported in the governmental funds. 671,181

Deferred inflows of resources related to pension do not relate to current financial resources and are not reported in the governmental funds. (894,081)

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable	(2,099,840)
Vested vacation and sick pay	(102,331)
Accrued interest	<u>(4,497)</u>

Net Position of Governmental Activities \$ 144,765

Town of East Troy

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

	<u>General Fund</u>	<u>Landfill Special Revenue Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 1,701,030	\$ -	\$ 1,701,030
Intergovernmental	524,394	-	524,394
Licenses and permits	146,071	-	146,071
Fines, forfeitures and penalties	111,909	-	111,909
Public charges for services	489,276	-	489,276
Intergovernmental charges for services	12,092	-	12,092
Investment income	1,652	6,263	7,915
Miscellaneous revenues	5,837	-	5,837
	<u>2,992,261</u>	<u>6,263</u>	<u>2,998,524</u>
Expenditures			
Current:			
General government	475,339	-	475,339
Public safety	902,599	-	902,599
Public works	1,644,558	11,974	1,656,532
Culture, recreation and education	44,704	-	44,704
Conservation and development	1,953	-	1,953
Capital outlay	359,667	-	359,667
Debt service:			
Principal	356,017	-	356,017
Interest and fiscal charges	48,946	-	48,946
	<u>3,833,783</u>	<u>11,974</u>	<u>3,845,757</u>
Excess (deficiency) of revenues over expenditures	<u>(841,522)</u>	<u>(5,711)</u>	<u>(847,233)</u>
Other Financing Sources (Uses)			
Debt issued	825,000	-	825,000
Proceeds from sale of property	22,000	-	22,000
Transfers in	328,048	-	328,048
Transfers out	-	(328,048)	(328,048)
	<u>1,175,048</u>	<u>(328,048)</u>	<u>847,000</u>
Net change in fund balances	333,526	(333,759)	(233)
Fund Balances, Beginning	<u>515,570</u>	<u>1,646,096</u>	<u>2,161,666</u>
Fund Balances, Ending	<u>\$ 849,096</u>	<u>\$ 1,312,337</u>	<u>\$ 2,161,433</u>

See notes to financial statements

Town of East Troy

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 \$ (233)

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

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.

Delinquent special charges held by the county 1,111

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 (825,000)
Principal repaid 356,016

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.

Vested vacation and sick leave 74,805
Accrued interest on debt 12,537
Net pension asset/liability 194,116
Deferred outflows of resources related to pension 176,702
Deferred inflows of resources related to pension (252,776)

Change in Net Position of Governmental Activities \$ (262,722)

Town of East Troy

Statement of Fiduciary Net Position

Custodial Fund

December 31, 2021

	<u>Custodial Fund</u> <u>Tax Roll Fund</u>
Assets	
Cash and investments	\$ 5,333,720
Receivables:	
Ensuing year levy	<u>6,765,200</u>
Total assets	<u>12,098,920</u>
Liabilities	
Due to other taxing units	12,090,666
Tax refunds payable	<u>8,254</u>
Total liabilities	<u>12,098,920</u>
Net Position	
Total net position	<u>\$ -</u>

See notes to financial statements

Town of East Troy

Statement of Changes in Fiduciary Net Position

Custodial Fund

Year Ended December 31, 2021

	<u>Custodial Fund</u> <u>Tax Roll Fund</u>
Additions	
Tax collections	\$ 9,698,707
Deductions	
Payments to overlying districts	<u>9,698,707</u>
Change in fiduciary net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to financial statements

Town of East Troy

Index to Notes to Financial Statements
December 31, 2021

	<u>Page</u>
1. Summary of Significant Accounting Policies	12
Reporting Entity	12
Government-Wide and Fund Financial Statements	12
Measurement Focus, Basis of Accounting and Financial Statement Presentation	13
Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	14
Deposits and Investments	14
Receivables	15
Prepaid Items	16
Restricted Assets	16
Capital Assets	16
Deferred Outflows of Resources	16
Compensated Absences	16
Long-Term Obligations	16
Deferred Inflows of Resources	17
Equity Classifications	17
Pension	18
2. Stewardship, Compliance and Accountability	18
Limitations on the Town's Tax Levy	18
3. Detailed Notes on All Funds	19
Deposits and Investments	19
Receivables	20
Restricted Assets	20
Interfund Receivables/Payables, Advances and Transfers	21
Long-Term Obligations	22
Fund Balance	24
4. Other Information	24
Employees' Retirement System	24
Risk Management	30
Commitments and Contingencies	30
Joint Ventures	30
Effect of New Accounting Standards on Current-Period Financial Statements	31
Landfill Special Revenue Fund	31

Town of East Troy

Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies

The accounting policies of the Town of East Troy, Wisconsin (the Town) 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 Town. The reporting entity for the Town consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The Town has not identified any organizations that meet this criteria.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. 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 Town 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 Town 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 Town 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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

- c. In addition, any other governmental fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

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

The Town reports the following major governmental funds:

General Fund

General Fund accounts for the Town'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 Fund

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

In addition, the Town reports the following fund type:

Custodial Fund

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

Tax Roll Fund

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 Town 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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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 Town is entitled the resources and the amounts are available. Amounts owed to the Town 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.

Fiduciary Funds

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

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

Investment of Town 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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

The Town has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk
- Interest rate 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. 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 Town'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 Town, 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	July 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.

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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are not reported in the government-wide financial statements because the town has not maintained a record of its capital assets and accumulated depreciation.

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.

Deferred Outflows of Resources

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

Compensated Absences

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

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

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

Long-Term Obligations

All long-term obligations to be repaid from governmental 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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as an other financing source and payments of principal and interest are reported as expenditures.

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 Town'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 Town 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 Town Board that originally created the commitment.

Town of East Troy

Notes to Financial Statements
December 31, 2021

- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- 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.

The Town 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 Town would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town maintains a cash flow reserve of \$204,253 and is included in unassigned fund balance.

Pension

For purposes of measuring the net pension liability (asset), 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.

2. Stewardship, Compliance and Accountability

Limitations on the Town's Tax Levy

Wisconsin law limits the Town's future tax levies. Generally the Town is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the Town'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 Town 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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

3. Detailed Notes on All Funds

Deposits and Investments

The Town'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	\$ 6,839,855	\$ 6,893,524	Custodial credit risk
LGIP	<u>806,683</u>	<u>805,682</u>	Credit risk
Total deposits and investments	<u>\$ 7,646,538</u>	<u>\$ 7,699,206</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 1,271,964		
Restricted cash and investments	1,040,854		
Per statement of fiduciary net position:			
Custodial fund	<u>5,333,720</u>		
Total deposits and investments	<u>\$ 7,646,538</u>		

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

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

Custodial Credit Risk

Deposits

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

As of December 31, 2021, \$6,189,855 of the Town's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,189,855
--------------------------------	--------------

Credit Risk

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

The Town had investments in the external Wisconsin Local Government Investment Pool which is not rated.

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

Town of East Troy

Notes to Financial Statements
December 31, 2021

Receivables

All of the receivables on the balance sheet are expected to be collected within one year except for delinquent personal property taxes.

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

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 2,187,801	\$ -
Delinquent property taxes receivable	<u>-</u>	<u>5,369</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 2,187,801</u>	<u>\$ 5,369</u>

Restricted Assets

The following represent the balances of the restricted assets:

Impact Fee Account

The Town has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

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.

Landfill Accounts

The Town has set aside reserve funds to protect the town from landfill related claims and liabilities and shall exist in lieu of landfill liability impairment insurance. The ordinance establishing the landfill fund states that the landfill reserve funds will not be used for purposes other than payment of claims or for environmental protection related to the landfill site for a period of not less than 15 years after final closure of the site, which occurred in the mid-1990's.

American Rescue Plan Funds

The Town has received funds related to the American Rescue Plan Act of 2021 (ARPA) which established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The purpose of these funds are to provide state, local, and Tribal governments with the resources needed to respond to the pandemic and its economic effects and to build a stronger, more equitable economy during the recovery.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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

	Restricted Assets
American rescue plan funds	\$ 212,111
Impact fee account	18,574
Net pension asset	407,261
Landfill reserve account	<u>810,169</u>
Total	<u>\$ 1,448,115</u>

Interfund Receivables/Payables, Advances and Transfers

Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Landfill Special Revenue Fund	\$ 21
Total, fund financial statements		21
Less fund eliminations		<u>(21)</u>
Total internal balances, government-wide statement of net position		<u>\$ -</u>

All amounts are due within one year.

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

Advances

The Landfill Special Revenue Fund has advanced funds to the general fund. Interest is not charged on the advances.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
Landfill Special Revenue Fund	General Fund	\$ 138,582	\$ 138,582
Total, fund financial statements		138,582	
Less fund eliminations		<u>(138,582)</u>	
Total, interfund advances, government-wide statement of net position		<u>\$ -</u>	

The principal purpose of this advance is for park-related purposes.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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>
General Fund	Landfill Special Revenue Fund	\$ 328,048	Transfer for capital purchases
	Total, fund financial statements	328,048	
	Less fund eliminations	<u>(328,048)</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 notes from direct borrowings and direct placements	\$ 1,630,856	\$ 825,000	\$ 356,016	\$ 2,099,840	\$ 395,000
Total bonds and notes payable	<u>1,630,856</u>	<u>825,000</u>	<u>356,016</u>	<u>2,099,840</u>	<u>395,000</u>
Other liabilities:					
Vested vacation	31,775	-	7,527	24,248	24,248
Vested sick leave	<u>145,361</u>	<u>-</u>	<u>67,278</u>	<u>78,083</u>	<u>78,083</u>
Total other liabilities	<u>177,136</u>	<u>-</u>	<u>74,805</u>	<u>102,331</u>	<u>102,331</u>
Total governmental activities long-term liabilities	<u>\$ 1,807,992</u>	<u>\$ 825,000</u>	<u>\$ 430,821</u>	<u>\$ 2,202,171</u>	<u>\$ 497,331</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed 5 percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2021, was \$46,634,900. Total general obligation debt outstanding at year end was \$2,099,840.

Town of East Troy

Notes to Financial Statements
December 31, 2021

General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the Town. Debt in the governmental funds will be retired by the general fund.

<u>Governmental Activities</u>					Balance December 31, 2021
<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	
State Trust Fund Loan	05/8/13	03/15/23	2.75%	\$ 720,000	\$ 159,414
First Citizens State Bank	07/28/17	03/28/24	2.88	409,000	175,285
First Citizens State Bank	11/15/17	09/1/25	3.00	494,000	189,873
First Citizens State Bank	10/15/18	09/1/28	4.00	286,000	200,200
First Citizens State Bank	08/13/19	08/13/28	3.49	361,000	290,068
First Citizens State Bank	09/1/20	09/1/25	2.25	325,000	260,000
State Trust Fund Loan	07/6/21	03/15/31	3.00	825,000	<u>825,000</u>
Total governmental activities, general obligation debt					<u>\$ 2,099,840</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 395,000	\$ 54,877
2023	392,258	51,827
2024	314,961	40,358
2025	260,287	31,644
2026	151,619	23,748
2027-2031	<u>585,715</u>	<u>48,574</u>
Total	<u>\$ 2,099,840</u>	<u>\$ 251,028</u>

The Town's outstanding notes from direct borrowings and / or direct placements related to governmental activities of \$2,099,840 contain a provision that in an event of default, outstanding amounts become immediately due and payable

Other Debt Information

Estimated payments of vested vacation and vested sick leave are not included in the debt service requirement schedules. The vested vacation liability and vested sick leave liability attributable to governmental activities will be liquidated primarily by the general fund.

Town of East Troy

Notes to Financial Statements
December 31, 2021

Fund Balances

Governmental Funds

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

	<u>General Fund</u>	<u>Landfill Special Revenue Fund</u>	<u>Total</u>
Fund Balances			
Nonspendable			
Prepaid items	\$ 13,785	\$ -	\$ 13,785
Subtotal	<u>13,785</u>	<u>-</u>	<u>13,785</u>
Restricted for			
Landfill	-	1,312,337	1,312,337
Impact fees	18,574	-	18,574
American rescue plan funding	212,111	-	212,111
Subtotal	<u>230,685</u>	<u>1,312,337</u>	<u>1,543,022</u>
Assigned to			
Boat launch	2,191	-	2,191
General equipment	8,394	-	8,394
Equipment replacement, public works	17,752	-	17,752
Employee benefits	53,047	-	53,047
Emergency service	18,322	-	18,322
Subtotal	<u>99,706</u>	<u>-</u>	<u>99,706</u>
Unassigned	<u>504,920</u>	<u>-</u>	<u>504,920</u>
Total fund balances	<u>\$ 849,096</u>	<u>\$ 1,312,337</u>	<u>\$ 2,161,433</u>

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>.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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

Town of East Troy

Notes to Financial Statements
December 31, 2021

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 \$73,511 in contributions from the Town.

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 Town reported an asset of \$407,261 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 Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the Town's proportion was 0.00652334 percent, which was a decrease of 0.00008693 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized pension expense of \$45,491.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 589,431	\$ 126,962
Changes in assumptions	9,237	-
Net differences between projected and actual earnings on pension plan investments	-	764,599
Changes in proportion and differences between employer contributions and proportionate share of contributions	122	2,520
Employer contributions subsequent to the measurement date	<u>72,391</u>	<u>-</u>
Total	<u>\$ 671,181</u>	<u>\$ 894,081</u>

\$72,391 reported as deferred outflows related to pension resulting from the WRS Employer's conPlan fiduciary net position as a percentage of the total pension liability 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:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2022	\$ (76,102)
2023	(21,362)
2024	(139,141)
2025	(58,686)

Town of East Troy

Notes to Financial Statements
December 31, 2021

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.

Town of East Troy

Notes to Financial Statements

December 31, 2021

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	3.3
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.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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

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

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 387,656	\$ (407,261)	\$ (991,122)

Pension Plan Fiduciary Net Position

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

At December 31, 2021, the Town reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

Risk Management

The Town 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 and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

Joint Ventures

East Troy Area Emergency Services District

The Town of East Troy, Village of East Troy, Town of Lafayette and Town of Spring Prairie jointly operate the local EMS District, which is called the East Troy Area Emergency Services District.

The District adopts its own budget. Net operating costs including debt service are shared by the three communities based on the ratio of equalized values. The District is governed by the East Troy Area Emergency Services Commission which consists of citizens from each community. Town of East Troy representatives are appointed by the Town Board. The Town is obligated by the joint venture agreement to remit an amount annually to the district. The Town made a payment to the district in 2021 of \$290,875.

Financial information of the district is available directly from the District's office.

The Town does not have an equity interest in the East Troy Area Emergency Services District.

Town of East Troy

Notes to Financial Statements
December 31, 2021

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. 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.

Landfill Special Revenue Fund

Revenues and expenditures regarding the Troy Area Landfill have been accounted for in the Town of East Troy Landfill Fund. The ordinance establishing the Landfill Fund states that all sums placed into the Landfill Fund shall be used solely for expenses reasonably related to the town's involvement with the Troy Area Landfill. In 1998, the landfill ordinance was amended to allow the use of funds for environmental projects including but not limited to acquisition and improvement of park, wetland or conservancy properties, or any cost or expense reasonably related thereto. Investment earnings of the operating fund are to be transferred to the general fund annually unless the operating fund balance is less than \$500,000. The operating fund balance was \$363,607 at December 31, 2021.

A portion of the East Troy Landfill fund has been set aside in a separate reserve fund. This reserve fund was established to protect the town from landfill related claims and liabilities and shall exist in lieu of landfill liability impairment insurance. The ordinance establishing the landfill fund states that the landfill reserve funds will not be used for purposes other than payment of claims or for environmental protection related to the landfill site for a period of not less than 15 years after final closure of the site, which occurred in the mid-1990's. Investment earnings of the reserve fund may be transferred to the general fund annually without limitation. The reserve fund balance was \$810,169 at December 31, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Town of East Troy

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,698,590	\$ 1,698,590	\$ 1,701,030	\$ 2,440
Intergovernmental	289,929	289,929	524,394	234,465
Licenses and permits	97,100	97,100	146,071	48,971
Fines, forfeitures and penalties	100,000	100,000	111,909	11,909
Public charges for services	473,245	473,245	489,276	16,031
Intergovernmental charges for services	10,400	10,400	12,092	1,692
Investment income	2,775	2,775	1,652	(1,123)
Miscellaneous revenues	400	400	5,837	5,437
Total revenues	<u>2,672,439</u>	<u>2,672,439</u>	<u>2,992,261</u>	<u>319,822</u>
Expenditures				
Current:				
General government	474,556	500,882	475,339	25,543
Public safety	924,931	924,931	902,599	22,332
Public works	1,600,092	1,657,476	1,644,558	12,918
Culture, recreation and education	43,692	43,692	44,704	(1,012)
Conservation and development	4,110	4,110	1,953	2,157
Total current	<u>3,047,381</u>	<u>3,131,091</u>	<u>3,069,153</u>	<u>61,938</u>
Capital Outlay				
Public safety	58,000	183,000	183,908	(908)
Highway equipment	40,000	40,000	47,503	(7,503)
General public buildings	230,000	230,000	128,256	101,744
Total capital outlay	<u>328,000</u>	<u>453,000</u>	<u>359,667</u>	<u>93,333</u>
Debt Service				
Principal	356,017	356,017	356,017	-
Interest and fiscal charges	49,025	49,025	48,946	79
Total debt service	<u>405,042</u>	<u>405,042</u>	<u>404,963</u>	<u>79</u>
Total expenditures	<u>3,780,423</u>	<u>3,989,133</u>	<u>3,833,783</u>	<u>155,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,107,984)</u>	<u>(1,316,694)</u>	<u>(841,522)</u>	<u>475,172</u>
Other Financing Sources				
Debt issued	700,000	825,000	825,000	-
Sales of capital assets	-	-	22,000	22,000
Transfer in	326,600	326,600	328,048	1,448
Total other financing sources	<u>1,026,600</u>	<u>1,151,600</u>	<u>1,175,048</u>	<u>23,448</u>
Net change in fund balance	<u>\$ (81,384)</u>	<u>\$ (165,094)</u>	333,526	<u>\$ 498,620</u>
Fund Balance, Beginning			<u>515,570</u>	
Fund Balance, Ending			<u>\$ 849,096</u>	

See notes to required supplementary information

Town of East Troy

Schedule of Revenues, Expenditures and Changes
in Fund Balance, Budget and Actual, Landfill Special Revenue Fund
Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	\$ 4,600	\$ 6,263	\$ 1,663
Total revenues	<u>4,600</u>	<u>6,263</u>	<u>1,663</u>
Expenditures			
Current:			
Public works	<u>13,550</u>	<u>11,974</u>	<u>1,576</u>
Total expenditures	<u>13,550</u>	<u>11,974</u>	<u>1,576</u>
Excess of revenues over expenditures	<u>(8,950)</u>	<u>(5,711)</u>	<u>3,239</u>
Other Financing Uses			
Transfers out	<u>(4,188)</u>	<u>(328,048)</u>	<u>(323,860)</u>
Total other financing uses	<u>(4,188)</u>	<u>(328,048)</u>	<u>(323,860)</u>
Net change in fund balance	<u>\$ (13,138)</u>	<u>(333,759)</u>	<u>\$ (320,621)</u>
Fund Balance, Beginning		<u>1,646,096</u>	
Fund Balance, Ending		<u>\$ 1,312,337</u>	

See notes to required supplementary information

Town of East Troy

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
Year Ended December 31, 2021

<u>WRS Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.00689332 %	\$ (169,272)	\$ 749,529	22.58 %	102.74 %
12/31/15	0.00677247	110,051	760,430	14.47	98.20
12/31/16	0.00668937	55,136	765,728	7.20	99.12
12/31/17	0.00669576	(198,805)	760,284	26.15	102.93
12/31/18	0.00676600	240,713	779,972	30.86	96.45
12/31/19	0.00661027	(213,145)	741,084	28.76	102.96
12/31/20	0.00652334	(407,261)	773,096	52.68	105.26

Schedule of Employer Contributions - Wisconsin Retirement System
Year Ended December 31, 2021

<u>Town Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 64,195	\$ 64,195	\$ -	\$ 760,430	8.44 %
12/31/16	63,574	63,574	-	767,768	8.28
12/31/17	68,725	68,725	-	761,921	9.02
12/31/18	71,918	71,918	-	782,249	9.19
12/31/19	68,319	68,319	-	744,520	9.18
12/31/20	72,551	72,551	-	771,920	9.40
12/31/21	72,391	72,391	-	762,656	9.49

See notes to required supplementary information

Town of East Troy

Notes to Required Supplementary Information
Year Ended December 31, 2021

Budgetary Information

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

The budgeted amounts presented include any amendments made. The Town may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

Wisconsin Retirement System

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

The Town 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.