

Village of Hobart, Wisconsin
ANNUAL FINANCIAL REPORT

December 31, 2019

Village of Hobart, Wisconsin

DECEMBER 31, 2019

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Independent auditors' report

To the Village Board
Village of Hobart, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hobart, Wisconsin (the "Village") as of and for the year ended December 31, 2019, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1, during 2019, the Village adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the Village established a custodial fund for taxes and specials collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

OTHER MATTERS**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedules relating to pensions and other postemployment benefits on pages 60 through 61 be presented to supplement the basic financial statements. Such information, although not 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.

Other 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 financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP previously audited, in accordance with auditing standards generally accepted in the United States of America, the Village of Hobart, Wisconsin's basic financial statements for the year ended December 31, 2018, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the 2018 financial statements that collectively comprise the Village of Hobart, Wisconsin's basic financial statements as a whole. The 2018 actual amounts in the general fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare used to prepare the 2018 basic financial statements. The report of CliftonLarsonAllen LLP stated that the information has been subjected to the auditing procedures applied in the audit of those 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 their opinion, the 2018 actual amounts in the general fund budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Green Bay, Wisconsin

June 1, 2020



Management's Discussion and Analysis December 31, 2019

General accepted accounting principles (GAAP) requires management of the Village of Hobart, Wisconsin to provide the readers of the Village's basic financial statements a narrative introduction, overview, and analysis of the financial activities of the Village for the fiscal year ended December 31, 2019 in the form of a Management's Discussion and Analysis (MD&A). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Village of Hobart has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Village of Hobart's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village of Hobart's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village of Hobart's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village of Hobart for the fiscal year ended December 31, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that the Village of Hobart's financial statements for the fiscal year ended December 31, 2019 present fairly, in all material respects, the respective financial position of the government in conformity with GAAP. The independent auditor's report is presented on pages 1-3 of this report.

Profile of the Government

The Village of Hobart is in northeast Wisconsin in Brown County, adjacent to the Austin Straubel International Airport approximately 120 miles northwest of the City of Milwaukee, bordering the western border of the City of Green Bay, and 20 miles northeast of the City of Appleton. The Village encompasses approximately 33 square miles. The Town of Hobart was incorporated as the Village of Hobart on May 13, 2002. With a 2019 Wisconsin Department of Administration population estimate of 9,599, the population of Hobart has increased 55.3% since the 2010 Federal Census report of 6,182, and 88.6% since the 2000 Federal Census report of 5,090. The population and square mile statistics combine to produce a population density of 291 persons per square mile. This indicates ample land for future growth and orderly development. The Village of Hobart is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

The Village of Hobart operates under the board-administrator form of government. Policy making, and legislative authority are vested in a governing Village Board consisting of a Village President, elected for a three-year term, and four Trustees, elected at-large for two-year, staggered terms. The Village Board is elected on a non-partisan basis and is responsible, among other things, for passing ordinances, adopting the budget, appointing certain department directors, and member appointments to various boards, committees, and commissions. A Village Administrator is responsible for carrying out the policies and ordinances of the Village Board, for overseeing the day-to-day operations of the government, economic development, monitoring and lobbying on state and federal legislation affecting the Village, and annually compiling an executive budget recommendation, among other responsibilities.

The Village provides a full range of municipal services contemplated by statute or character, including public safety, streets, sanitation, parks/recreation/culture, public improvements, building safety and code compliance, neighborhood services, planning and zoning, water, sewer and storm water systems, and general administrative services. Public safety is provided with two fire stations and 28 volunteer firefighters, and a police department with 10.73 FTEs, which includes the Police Chief and Police/Administrative Clerk. The Public Works Division, in consultation with a contracted engineering firm, is responsible for the engineering, designing and inspection of Village construction projects, maintenance of public roadways within the Village, and a variety of other public works services throughout the year. The Village also provides for refuse and garbage disposal for its residents through an outside contract for services. Total full time equivalent (FTE) municipal employment numbers 20.88. The Pulaski Community School District and West DePere School District serve the Village and provides a comprehensive program for students in kindergarten through the twelfth grade. Higher education is provided by the University of Wisconsin-Green Bay and Northeast Wisconsin Technical College, both located in Green Bay, and St. Norbert College, located in DePere, Wisconsin.

The annual operating budget serves as the foundation for the Village of Hobart's financial planning and control. The operating budget includes proposed expenditures and the means of financing them and is legally enacted by Village Board action no later than December 1 each calendar year. The budget as enacted includes total expenditures at the organization level. An organization can be a department, division, fund, or other activity. Expenditures cannot legally exceed appropriations at this level. The general fund, debt service fund, tax incremental districts, and capital projects fund have legally adopted budgets and associated levies. For these funds, the budget-to-actual comparison is presented as part of the supplemental information section of this report.

The Village Board and staff work at length to achieve its budget priorities, and to move the Village further toward its started mission, which is as follows:

The Village of Hobart officials and employees will lead the community in the delivery of the finest municipal services in the most cost-responsible manner to ensure a high quality of life and safe neighborhoods while maintaining flexibility to respond to the needs of citizens in our ever-changing community. Actions taken in pursuit of our mission will be in accordance with democratic principles and the Constitution of the United States of America.

Overview of the Basic Financial Statements

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

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

The *statement of net position* presents information on all of the Village's assets, liabilities, and deferred outflows/inflows of resources with the difference between as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 17 - 19 of this report.

In 2015, the Village changed accounting policies related to pension accounting by adopting Statement of Governmental Accounting Standards Board (GASB) No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The statement of net position reflects the Village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. For purposes of measuring the net pension asset, deferred outflow/inflows of resources related to pension, 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.

The Village has adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits.

Required supplementary information found on pages 60-62 of this report recognizes GASB No. 68, No. 71, and No. 75 schedules.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Village maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, capital projects fund, tax increment district #1 fund, and tax increment district #2 fund which are all considered to be major funds. In 2016, the Village implemented a K-9 program and this aggregate remaining fund accounts for all financial activity relating to the K-9 program.

The Village adopts an annual appropriated budget for its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20 - 26 of this report.

Supplementary information found on pages 63 - 69 of this report provides budget comparison statements for all major governmental funds.

Proprietary funds. The Village maintains a single type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer, and storm water utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water utilities funds, all of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 27 - 30 of this report.

Fiduciary funds. In 2019, the Village adopted GASB Statement No. 84, *Fiduciary Activities*, and established a single type of fiduciary fund. The *tax collection custodial fund* is used to account for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years.

The basic fiduciary fund financial statements can be found on pages 31 - 32 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33 - 59 of this report.

Other information. Supplemental schedules can be found on pages 60 - 69.

Factors Affecting Financial Condition.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Village of Hobart operates. The basic financial statements focus on Hobart's financial position (existing resources and claims to those resources). Users of financial statements also desire information useful in assessing whether Hobart's financial position is likely to improve or deteriorate in the future (a government's economic condition). This letter provides relevant information for Hobart relating to each of the following:

Long-term Financial Planning. The Village of Hobart has developed a Five-Year Capital Improvement Plan (CIP). The plan contains capital and infrastructure costs of \$5,000 or more based on the Village's capitalization policy. The CIP details annual funding sources, expenditures, and narrative descriptions for the capital improvements. The CIP is updated on an annual basis and is used as a planning document during the annual budget process.

Strategic Plan. The Village of Hobart adopted its first ever Strategic Plan in 2014. This very inclusive process had Village stakeholders and decision-makers uprooting our core values to build upon, as well as our priority areas for improvement. The current Plan prioritized certain spending and projects initiatives for the years 2018-2020. 2019 initiatives were: effect time-certainty for WIS 29/CTH VV interchange construction, develop Business Park architectural & design standards, develop a social media plan, and village events.

Relevant Financial Policies. The Village of Hobart has adopted a comprehensive set of financial policies as guidelines for the annual budget process. The adopted policies consist of the following: General Fund Balance; Debt Management; Cash Management; Credit Card; Sewer Utility Fund Balance-Retained Earnings; and Green Bay Metropolitan Sewerage District Local Annual Rate Adjustment.

Economic Information/Outlook. The Village of Hobart is a growing community with an estimated 2019 population of 9,261 and a 2019 equalized valuation of \$971,510,200. The equalized valuation has grown by 57.84% since 2010 and 191.17% since 2000. Between 2019 and 2018, the Village gained 8.43% in the full value of its real and personal property, with the largest actual dollar increases in residential and commercial properties.

The Village of Hobart has continued a pattern of strong economic growth in 2019. The area's economic prosperity has translated into increased wages for the community and more spendable income to support new business development and growth. In 2019, the Village's top employer is Bayland Buildings-BayCo Properties, a real estate and commercial construction company with 192 employees. EMT International a web-processing designer and manufacturing company with 130 employees is the Village's second largest employer. Green Bay Paper Converting has 100 employees. Engineering consultant firm Robert E. Lee & Associates has a workforce of 53. Golf course and country club Thornberry Creek has a staff of 51. Metal fabricator High View Custom Fab – FCF Inv. employs 50, and Bay Valley Foods distributor has a workforce of 25.

For the past several years, the Village of Hobart has ranked near the top for new housing starts among all cities, villages, and towns in the state of Wisconsin. In 2019, Hobart experienced 27 new single-family housing starts and 11 multi-family structures containing 151 multi-family dwelling units. The total residential permit valuation equaled \$22,918,009 in 2019.

The Village has established two tax increment districts (TIDs); TID 1 in 2009 and TID 2 in 2011. The focused economic development of the Village within these two TIDs has resulted in \$235,644,300 in equalized incremental value. TID 1 had \$167,286,400 in equalized incremental value upon updated assessments as of January 1, 2019, and TID 2 had \$68,357,900 equalized incremental value.

Recent TID 1 development activities consist of adopting a public use space sub-area plan and completion of a multi-use pedestrian pathway trail loop. Recent TID 1 development agreements were executed with BASGIG Investors, LLC, for the construction of approximately twenty (20) condominium units on 5.3 acres of land, with a projected assessed value of \$6,000,000. Development agreements were executed with Fieldstone Investments, LLC for two (2) apartment complexes. The first (Madera Place) would create \$5,200,000 in assessed value on 7.92 acres; the second (Mulliner Place) would create \$4,500,000 in assessed value on 6.8 acres. Combined, the two apartment complexes will add over 100 new residential units to the TID. An amended development agreement with Centennial Centre Development Partners, LLC created incentives for the construction of an \$8.5 million multi-family residential building on 6.78 acres of land. This building will add to the current three-building complex (Hobart Crossing), which has already created over \$14,000,000 in assessed value. Construction on all four of these developments commenced in late 2018.

In late December, the Federal government awarded a \$19.8 million grant to Brown County for the construction of an interchange to be located at the intersection of County Highway VV and State Highway 29. This project, which has an estimated cost of \$30 million, will improve access to the TID from Highway 29, and is slated for construction in 2022. The Village anticipates it will be asked to contribute \$1.6-2 million to the project for land acquisition, which will be funded by the TID, in addition to local road and utility improvements.

In TID 2, a development agreement was executed with KES Commercial Properties, LLC, for the construction of \$1 million hydro-excavating business on 5.2 acres of property. Construction on the new business began in late 2018. A development agreement was executed with River Valley Industries, LLC, for the construction of a storage and small business series of buildings on 5.37 acres of land, with the intention of providing operational facilities for smaller businesses in the community. The project, which is scheduled to commence in 2019, is expected to initially add \$700,000 in assessed value by 2021 and a total of \$1,000,000 by 2024.

The Village adopted GASB Statement No. 77, Tax Abatement Disclosures 2016. As part of the project plans for each of the Village's tax increment districts, the Village entered into agreements with developers for the creation of tax base within the districts. The agreements require the Village to make annual repayments of property taxes collected within the district to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements. For the year ended December 31, 2018, the Village abated property taxes totaling \$1,148,836 under this program. Note 4(B) on page 58 of this report, discloses the required GASB 77 financial information.

Despite the Village's economic development, strategy utilizing tax increment financing, housing starts elsewhere in the Village also remains strong. High-end residential building, with homes valued at \$400,000 - \$750,000, continues in the Thornberry Creek subdivision. More moderately priced subdivisions including Polo Point, Polo Point II, and Trout Creek Estates are rapidly approaching their respective build-outs while the new Cross Country subdivision came on board in 2019.

The non-seasonal adjusted unemployment rate for the Village of Hobart in December 2019 was 2.8 percent, which is almost identical to the 2.5 percent rate for December 2018. The state's non-seasonal adjusted December unemployment rate was 3.5 percent, with an identical U.S. non-seasonal unemployment rate of 3.5 percent.

The Village continues to update the Village's homepage and website, (www.hobart-wi.org), including the compilation and coordination of website information for all Village departments and services. The Village also has a separate economic development website (www.buildinhobart.com) aimed at business attraction and recruitment efforts. The website is a very aesthetically-pleasing and user-friendly tool to market developable property.

In 2014, through a team effort Village staff formally implemented a new "logo" (see cover page) and tagline: "Greatness is Growing." The re-branding was part of a larger marketing strategy in the years 2015 through 2018 that included new community and gateway signage and placemaking strategies featuring the new logo/tagline.

Financial Highlights

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources as of December 31, 2019 by \$17,000,242 (*net position*). Of this amount, (\$10,857,918) (unrestricted net position) is negative because the Village has issued debt for noncapital items relating to development projects in Tax Increment Districts;
- The Village's change in net position decreased by \$44,185 due to expenditures exceeding revenues;
- As of December 31, 2019, the Village's governmental funds reported combined ending fund balances of \$4,949,512, a decrease of \$2,034,420 in comparison with the prior year. The decrease resulted from additional fund balance usage for capital outlay projects. Approximately, 6.0%, \$295,778 is restricted for park development and memorial brick/trees. Approximately, 3.3%, \$161,701 is restricted for tax levy supported debt relief. Approximately, 28.0%, \$1,388,189 is restricted for capital projects in tax incremental districts. Approximately, 35.1%, \$1,739,292 is assigned for development, capital projects, and K-9 program. Approximately 27.6%, \$1,364,552 is unassigned and *available for spending* at the Village's discretion;
- As of December 31, 2019, the unassigned general fund balance of \$1,364,552 was approximately 40.2% of total general fund expenditures;
- The Village's total debt decreased by \$2,121,310 during 2019. No additional debt was issued to finance 2019 Capital Projects;
- The Village's 2019 long-term debt credit rating issued by Standard and Poor's was AA with a stable outlook.
- On March 31, 2015, the Green Bay/Brown County Professional Football Stadium District Board completed the certifications necessary to end the football stadium district sales tax on September 30, 2015. Wisconsin Statutes 2015 Act 114 provided a mechanism for football stadium district sales taxes collected or imposed between April 1, 2015 and September 30, 2015 to be paid back to Brown County and municipalities within the County. Act 114 specifies this payment must be used only for the purpose of tax relief, tax levy supported debt relief, or economic development. On February 4, 2016, the Village Board passed a resolution which specified the use of Act 114 funds for tax levy supported debt relief. To date, the Village of Hobart's portion of the sales taxes collected or imposed was \$444,238. In 2015 \$406,658 was received, \$13,277 was received in 2016, \$12,923 was received in 2017, \$8,258 was received in 2018, and \$3,122 was received in 2019.

Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. In the case of the Village, assets exceeded liabilities and deferred outflows/inflows of resources by \$17,000,242 at the close of 2019.

The chart below details the Village of Hobart's Net Position.

Village of Hobart's Net Position (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 16,015	\$ 21,546	\$ 2,710	\$ 2,212	\$ 18,725	\$ 23,758
Net pension asset	-	216	-	50	-	266
Capital assets	16,426	14,221	23,914	22,557	40,340	36,778
Total Assets	32,441	35,983	26,624	24,819	59,065	60,802
Deferred Outflows of Resources						
Related to pension	817	412	157	91	974	503
Related to other postemployment	19	19	4	4	23	23
Total Deferred Outflows of Resources	836	431	161	95	997	526
Liabilities						
Long-term liabilities outstanding	27,429	29,045	5,155	5,695	32,584	34,740
Net pension liability	299	-	59	-	358	-
Other postemployment benefits	85	94	17	22	102	116
Other liabilities	786	1,164	467	190	1,253	1,354
Total Liabilities	28,599	30,303	5,698	5,907	34,297	36,210
Deferred Inflows of Resources						
Property taxes	8,235	7,541	-	-	8,235	7,541
Related to Pension	420	431	83	101	503	532
Related to other postemployment	23	1	4	-	27	1
Total Deferred Inflows of Resources	8,678	7,973	87	101	8,765	8,074
Net Position						
Net investment in capital assets	8,991	6,023	18,571	16,862	27,562	22,885
Restricted	296	484	-	50	296	534
Unrestricted	(13,287)	(8,369)	2,429	1,994	(10,858)	(6,375)
Total Net Position	\$ (4,000)	\$ (1,862)	\$ 21,000	\$ 18,906	\$ 17,000	\$ 17,044

The Village reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. On December 31, 2019, the governmental activities unrestricted net position is negative because the Village has issued debt for noncapital items relating to development projects in Tax Increment Districts.

The Village adopted Statement of Governmental Accounting Standards Board (GASB) No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The statement of net position reflects the Village's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. For purposes of measuring the net pension asset, deferred outflow/inflows of resources related to pension, 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.

The Village has adopted GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits.

Change in net position. The Village's governmental activities net position at the end of the year amounted to (\$3,999,466). The change in net position during 2019 was a decrease of \$2,137,410 because the Village has issued debt for noncapital items relating to development projects in Tax Increment Districts. Total general revenues and transfers of \$4,212,154 less \$6,349,564 governmental activities resulted in the net position decrease.

Net position of the water utility enterprise fund at the end of the year amounted to \$10,102,704. The change in net position during 2019 was an increase of \$1,451,213. Operating income of \$51,706, nonoperating revenue of \$6,192, and capital contributions of \$1,537,032, were more than nonoperating expenses of \$83,834 and transfers out of \$59,883 resulting in the net position increase. The 2019 operating income of \$51,706 resulted from operating revenues of \$970,712 exceeding operating expenditures of \$919,006 and the operating income was consistent with the prior year. The 2019 capital contributions of \$1,537,032 reflects a tax increment district no. 1 construction in progress contribution for a water tower.

Net position of the sewer utility enterprise fund at the end of the year amounted to \$6,099,420. The change in net position during 2019 was an increase of \$222,671. Operating income of \$361,161 and nonoperating revenue of \$1,866 were more than nonoperating expenses of \$100,356 and transfers out of \$40,000 resulting in the net position increase. The 2019 operating income of \$361,161 resulted from operating revenues of \$1,514,476 exceeding operating expenditures of \$1,153,315 and the operating income was consistent with the prior year.

Net position of the storm water utility enterprise fund at the end of the year amounted to \$4,797,584. The change in net position during 2019 was an increase of \$419,341. Operating income of \$235,112, nonoperating revenues of \$13,105 and capital contributions of \$171,124, resulted in the net position increase. The 2019 operating income of \$235,112 resulted from operating revenues of \$507,315 exceeding operating expenditures of \$272,203 and the operating income was consistent with the prior year.

Key elements of the Village's change in net position are shown in the chart on the next page.

Village of Hobart's Change in Net Position (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 1,413	\$ 1,376	\$ 2,981	\$ 2,830	\$ 4,394	\$ 4,206
Operating grants and contributions	451	371	-	-	451	371
Capital grants and contributions	-	12	32	140	32	152
General Revenues						
Property taxes	5,410	5,009	-	-	5,410	5,009
Other taxes	79	74	-	-	79	74
Grants and contributions not restricted to specific programs	84	65	-	-	84	65
Gain or (Loss) on sale of assets	37	4	-	-	37	4
Other	178	117	33	31	211	148
Total Revenues	7,652	7,028	3,046	3,001	10,698	10,029
Expenses						
General government	846	1,249	-	-	846	1,249
Public safety	2,180	1,815	-	-	2,180	1,815
Public works	1,143	1,133	-	-	1,143	1,133
Health and human services	4	3	-	-	4	3
Culture and recreation	11	27	-	-	11	27
Conservation and development	3,362	147	-	-	3,362	147
Interest on long-term debt	667	793	-	-	667	793
Water utility	-	-	1,003	939	1,003	939
Sewer utility	-	-	1,254	1,195	1,254	1,195
Storm Water utility	-	-	272	278	272	278
Total Expenses	8,213	5,167	2,529	2,412	10,742	7,579
Change in Net Position Before Transfers	(561)	1,861	517	589	(44)	2,450
Transfers	(1,577)	(2,369)	1,577	2,369	-	-
Change in Net Position	(2,138)	(508)	2,094	2,958	(44)	2,450
Net Position - January 1, as restated	(1,862)	(1,354)	18,906	15,948	17,044	14,594
Net Position - December 31	\$ (4,000)	\$ (1,862)	\$ 21,000	\$ 18,906	\$ 17,000	\$ 17,044

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of December 31, 2019, the Village's governmental funds reported combined ending fund balances of \$4,949,512, a decrease of \$2,034,420 in comparison with the prior year. The decrease resulted from additional fund balance usage for capital outlay projects. Approximately 27.6% of this amount (\$1,364,552) constitutes *unassigned fund balance*, which is available for spending at the Village's discretion. The remainder of fund balance is not available for new spending because it has already been committed for the following: restricted for park development and memorial brick/trees (\$295,778), restricted for tax levy supported debt relief (\$161,701), restricted for tax incremental districts capital projects (\$1,388,189) and assigned for both development capital projects (\$1,647,468) and the K-9 program (\$91,824).

The general fund is the main operating fund of the Village. At the end of the current year, unassigned fund balance of the general fund was \$1,364,552. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20.2% of total general fund expenditures.

The fund balance of the Village's general fund on December 31, 2019 was \$1,660,330 a \$351,561 change from the December 31, 2018 general fund balance. The \$351,561 change in fund balance resulted from 2019 revenues of \$3,647,453 and transfer in of \$99,883 exceeding 2019 expenditures of \$3,395,775. The general fund balance is comprised of the unassigned fund balance of \$1,364,552 discussed in the previous paragraph and \$295,778 restricted for park development and memorial bricks and trees.

The debt service fund has a total fund balance of \$161,701 which represents proceeds available for tax levy supported debt relief.

The capital projects fund has a total fund balance of \$499,712 which represents unspent revenues and transfers in being carried over for financing future capital projects.

Tax increment finance (TIF) district #1 fund balance \$2,056,266 and TIF district #2 fund balance \$479,679, represents unspent revenues related towards future development in the Village's two TIF districts. District #1 was created in 2009 and District #2 was created in 2011.

The K-9 program fund has a total fund balance of \$91,824 which represents unspent donations for future program needs.

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

Net position of the water utility enterprise fund at the end of the year amounted to \$10,102,704. The change in net position during 2019 was an increase of \$1,451,213. Operating income of \$51,706, nonoperating revenues of \$6,192, and capital contributions of \$1,537,032, were more than nonoperating expenses of \$83,834 and transfers out of \$59,883 resulting in the net position increase. The 2019 operating income of \$51,706 resulted from operating revenues of \$970,712 exceeding operating expenditures of \$919,006 and the operating income was consistent with the prior year. The 2019 capital contributions of \$1,537,032 reflects a tax increment district no. 1 construction in progress contribution for a water tower.

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Net position of the storm water utility enterprise fund at the end of the year amounted to \$4,797,584. The change in net position during 2019 was an increase of \$419,341. Operating income of \$235,112, nonoperating revenues of \$13,105, and capital contributions of \$171,124, resulted in the net position increase. The 2019 operating income of \$235,112 resulted from operating revenues of \$507,315 exceeding operating expenditures of \$272,203 and the operating income was consistent with the prior year.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

Fiduciary funds. In 2019, the Village adopted GASB Statement No. 84, Fiduciary Activities, and established a single type of fiduciary fund. The *tax collection custodial fund* is used to account for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years.

General Fund Budget Highlights

The Village Board on August 6, 2019 approved an amendment to the 2019 original adopted General Fund Budget increasing revenues by \$104,748.64 and expenditures by the same amount. At the time of the amendment, the revenue adjustment was based on increased revenue for municipal court fees, investment income, and park fees. The expenditure adjustment reflected increased expenditures for road salt and contingency funds to provide a safety net for the second half of the year.

Actual year-end revenues of \$3,647,453 and transfers in of \$99,883 exceeded actual year-end expenditures of \$3,395,775 resulting in a positive variance of \$351,561. The positive variance results from increased revenues for building and park fee permits, court fines and penalties, Town of Lawrence reimbursements for police services, and expenditure savings for the non-use of budgeted contingency funds.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$40,339,986 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. The total increase in the Village's investment in capital assets for the current year was \$1,702,472.

Village of Hobart's Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,282,525	\$ 4,282,525	\$ 623,363	\$ 623,363	\$ 4,905,888	\$ 4,905,888
Land improvements	893,831	762,353	-	-	893,831	762,353
Buildings and improvements	1,127,224	1,127,224	28,117,306	25,101,571	29,244,530	26,228,795
Machinery and equipment	2,581,010	2,422,325	4,581,161	4,492,794	7,162,171	6,915,119
Infrastructure	11,656,172	10,912,458	-	-	11,656,172	10,912,458
Construction in progress	81,731	260,777	8,292	1,084,398	90,023	1,345,175
Less accumulated depreciation	(4,195,982)	(3,687,518)	(9,416,647)	(8,744,756)	(13,612,629)	(12,432,274)
Total	\$ 16,426,511	\$ 16,080,144	\$ 23,913,475	\$ 22,557,370	\$ 40,339,986	\$ 38,637,514

During 2019, land improvements increased \$131,478 for governmental activities, buildings and improvements capital assets increased \$3,015,735 for business-type activities, machinery and equipment assets increased \$158,685 for governmental activities and \$88,367 for business-type activities, infrastructure increased \$743,714 for governmental activities, and construction in progress decreased \$179,046 for governmental activities and \$1,076,106 for business-type activities.

In 2019, Capital Asset increases are in relation to the completion of construction for a water tower; completion of utility street and construction projects for single, multi-family, and condominium housing projects, and public green spaces within TID 1 and 2; and the continuation of infrastructure for our TID 2 Tailwind Crossing subdivision. Machinery and equipment increases were for a new Computer Server for Village Hall, 2 Police Interceptor Vehicles, 1 Fire Crew Cab, and a DPW Plow Truck.

An increase of \$1,180,355 was recognized in accumulated depreciation for the Village's capital assets. The Village's estimate of the depreciable life of capital assets is based upon analysis of the expected useful life of the capital assets. The Village evaluated key factors and assumptions used to develop the depreciable life of the assets and determined they are reasonable in relation to the financial statements.

More detailed information on the Village's capital asset activity may be found in Note B on pages 42 - 43 of the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the Village had total debt outstanding of \$32,260,734. Of this amount, \$28,379,273 comprises debt backed by the full faith and credit of the government, \$2,715,000 in revenue bonds for a new water tower, and \$1,166,461 is for interceptor costs being paid to the Green Bay Metropolitan Sewerage District (Green Bay MSD).

Village of Hobart's Outstanding Debt						
General Obligation Debt / Revenue Bonds / and Notes Payable						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation debt						
Bonds	\$ 15,668,000	\$ 16,815,500	\$ 3,277,000	\$ 3,539,500	\$ 18,945,000	\$ 20,355,000
Notes	7,320,000	7,695,000	-	-	7,320,000	7,695,000
Direct Borrowings	1,402,097	1,461,786	712,176	763,551	2,114,273	2,225,337
Total general obligation debt	24,390,097	25,972,286	3,989,176	4,303,051	28,379,273	30,275,337
Revenue Bonds	2,715,000	2,715,000	-	-	2,715,000	2,715,000
Notes payable - Green Bay MSD	-	-	1,166,461	1,391,707	1,166,461	1,391,707
Total	\$ 27,105,097	\$ 28,687,286	\$ 5,155,637	\$ 5,694,758	\$ 32,260,734	\$ 34,382,044

During 2019 the Village's total debt decreased by \$2,121,310. No additional debt was issued to finance 2019 Capital Projects. The Village had the following 2019 principal debt retirement: \$1,582,189 in governmental activity general obligation debt, \$313,875 in business-type activity general obligation debt, and \$225,246 in notes payable – Green Bay MSD.

State statutes limit the amount of general obligation debt the Village may issue to 5% of its total equalized valuation. The current debt limitation for the Village is \$48,575,510, which is significantly more than the Village's \$28,217,572 net outstanding general obligation debt applicable to the limit. The total net outstanding general obligation debt applicable to the debt limit is 58.09% which meets the percentage requirement of the Debt Management Policy adopted by the Village Board.

The Village's 2019 long-term debt credit rating issued by Standard and Poor's was AA with a stable outlook. Factors cited for the rating were: very strong economy; very strong budget flexibility; strong budgetary performance; very strong liquidity; strong management conditions; weak debt and contingent liability position; and adequate institutional framework.

More detailed information on the Village's long-term debt activity may be found in Note D on pages 44 - 47 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the Village of Hobart and were considered in developing the 2020 fiscal year budget.

- The unemployment rate for the Village of Hobart is currently 2.8 percent which is almost identical to the rate of 2.5% year ago;
- Taxable assessed value for the Village increased by 5.2 percent;
- Maintain a Village-only mill rate of \$4.41 the same as 2019, with no service or employee reductions;
- A wage adjustment of 2.5% for all full-time employees;
- Additional full-time patrol officer to continue commitment for public safety;
- Expenditures of more than \$335,000 for road and bridge improvements to maintain infrastructure;
- New equipment purchases for Public Works totaling \$77,000;
- Replace breathing apparatus equipment for the Fire Department at a cost of \$162,000;
- Implement a technology upgrade across all departments;
- Maintain Debt Reserve Funds to pay off General Obligation Bonds early in 2020, putting the Village on schedule for a likely borrowing to construct a new fire station in 2023-2024;
- Using \$108,500 of Park Funds Reserve and not General Tax Levy to make a substantial investment in the Village's parks;
- Maintain a responsible contingency fund for any unexpected expenditures in 2020.

The Village is experiencing a tremendous growth in tax base, but much of the growth is contained within the two Tax Increment Districts. This provides relatively little general tax base support to mitigate tax rate increases to accommodate the array of budgetary challenges outlined above. The Village is also experiencing population growth that, by percentage, is among the fastest rates of population growth in the state. State Department of Administration projections show Hobart to be one of the fastest growing city, village, or town's over the next 20 years.

Acknowledgements/Contacting the Village's Financial Management

The preparation of this report could not have been accomplished without the efficient and dedicated services of all Village Departments. Management would like to express our appreciation to Village team members who assisted and contributed to the preparation of this report. We would also like to thank the Village Board for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Hobart's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Village Administrator, 2990 S. Pine Tree Road, Hobart, Wisconsin 54155.

Village of Hobart, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
ASSETS				
Cash and investments	\$ 6,636,304	\$ 2,023,650	\$ 8,659,954	\$ 10,239,549
Receivables				
Taxes and special charges	7,061,204	-	7,061,204	6,660,627
Delinquent taxes	13,474	-	13,474	13,213
Accounts	39,163	529,064	568,227	544,308
Special assessments	-	125,931	125,931	123,933
Loans	150,000	-	150,000	150,000
Due from other governments	-	31,751	31,751	-
Inventories and prepaid items	-	-	-	61,283
Assets held for resale	2,114,800	-	2,114,800	4,105,621
Net pension asset	-	-	-	266,332
Capital assets, nondepreciable	4,364,256	631,655	4,995,911	6,251,063
Capital assets, depreciable	12,062,255	23,281,820	35,344,075	32,386,451
Total assets	32,441,456	26,623,871	59,065,327	60,802,380
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	\$ 816,734	\$ 156,980	\$ 973,714	\$ 503,027
Other postemployment related amounts	19,568	3,849	23,417	23,065
Total deferred outflows of resources	836,302	160,829	997,131	526,092
LIABILITIES				
Accounts payable	437,255	385,848	823,103	916,523
Accrued and other current liabilities	97,706	13,426	111,132	75,060
Accrued interest payable	246,168	67,422	313,590	358,748
Special deposits	5,048	-	5,048	4,106
Long-term obligations				
Due within one year	1,899,143	564,434	2,463,577	2,121,311
Due in more than one year	25,529,985	4,591,203	30,121,188	32,618,867
Net pension liability	299,194	58,830	358,024	-
Other postemployment benefits	85,097	16,732	101,829	115,734
Total liabilities	28,599,596	5,697,895	34,297,491	36,210,349
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	8,234,680	-	8,234,680	7,540,574
Pension related amounts	420,186	82,621	502,807	531,491
Other postemployment related amounts	22,762	4,476	27,238	1,631
Total deferred inflows of resources	8,677,628	87,097	8,764,725	8,073,696
NET POSITION				
Net investment in capital assets	8,991,417	18,570,965	27,562,382	22,886,073
Restricted	295,778	-	295,778	533,844
Unrestricted	(13,286,661)	2,428,743	(10,857,918)	(6,375,490)
Total net position	\$ (3,999,466)	\$ 20,999,708	\$ 17,000,242	\$ 17,044,427

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

Village of Hobart, Wisconsin

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 835,085	\$ 211,206	\$ -	\$ -
Public safety	2,179,660	655,911	125,687	-
Public works	1,154,771	453,813	325,436	-
Health and human services	3,630	-	-	-
Culture and recreation	11,563	92,100	-	-
Conservation and development	3,362,084	-	-	-
Interest and fiscal charges	666,924	-	-	-
Total governmental activities	8,213,717	1,413,030	451,123	-
BUSINESS-TYPE ACTIVITIES				
Water utility	1,002,840	970,712	-	-
Sewer utility	1,253,671	1,502,976	-	-
Storm water utility	272,203	507,315	-	31,750
Total business-type activities	2,528,714	2,981,003	-	31,750
Total	\$ 10,742,431	\$ 4,394,033	\$ 451,123	\$ 31,750

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Excess stadium district sales tax

Other taxes

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - January 1

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2019	2018
\$ (623,879)	\$ -	\$ (623,879)	\$ (988,617)
(1,398,062)	-	(1,398,062)	(1,135,766)
(375,522)	-	(375,522)	(382,502)
(3,630)	-	(3,630)	(3,465)
80,537	-	80,537	42,670
(3,362,084)	-	(3,362,084)	(147,218)
(666,924)	-	(666,924)	(793,102)
(6,349,564)	-	(6,349,564)	(3,408,000)
-	(32,128)	(32,128)	123,936
-	249,305	249,305	168,227
-	266,862	266,862	266,234
-	484,039	484,039	558,397
(6,349,564)	484,039	(5,865,525)	(2,849,603)
1,626,080	-	1,626,080	1,675,781
605,411	-	605,411	548,000
3,178,560	-	3,178,560	2,785,427
3,122	-	3,122	8,258
75,708	-	75,708	65,968
84,012	-	84,012	65,195
99,334	8,058	107,392	84,116
79,333	24,605	103,938	63,804
37,117	-	37,117	4,413
(1,576,523)	1,576,523	-	-
4,212,154	1,609,186	5,821,340	5,300,962
(2,137,410)	2,093,225	(44,185)	2,451,359
(1,862,056)	18,906,483	17,044,427	14,593,068
<u>\$ (3,999,466)</u>	<u>\$ 20,999,708</u>	<u>\$ 17,000,242</u>	<u>\$ 17,044,427</u>

Village of Hobart, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	General	Debt Service	Capital Projects	Tax Incremental District #1
ASSETS				
Cash and investments	\$ 2,216,062	\$ 252,303	\$ 666,883	\$ 2,717,205
Receivables				
Taxes and special charges	2,401,433	527,652	516,495	2,517,872
Delinquent taxes	13,474	-	-	-
Accounts	39,163	-	-	-
Loans	-	-	-	150,000
Inventories and prepaid items	-	-	-	-
Total assets	<u>\$ 4,670,132</u>	<u>\$ 779,955</u>	<u>\$ 1,183,378</u>	<u>\$ 5,385,077</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 108,917	\$ -	\$ 78,484	\$ 227,847
Accrued and other current liabilities	96,202	-	-	752
Special deposits	3,952	-	-	-
Total liabilities	<u>209,071</u>	<u>-</u>	<u>78,484</u>	<u>228,599</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	2,774,787	618,254	605,182	2,950,212
Loans receivable	-	-	-	150,000
Delinquent taxes and assessments	25,944	-	-	-
Total deferred inflows of resources	<u>2,800,731</u>	<u>618,254</u>	<u>605,182</u>	<u>3,100,212</u>
Fund balances				
Nonspendable for inventories and prepaid items	-	-	-	-
Restricted	295,778	161,701	-	908,510
Assigned	-	-	499,712	1,147,756
Unassigned	1,364,552	-	-	-
Total fund balances	<u>1,660,330</u>	<u>161,701</u>	<u>499,712</u>	<u>2,056,266</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,670,132</u>	<u>\$ 779,955</u>	<u>\$ 1,183,378</u>	<u>\$ 5,385,077</u>

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

Tax Incremental District #2	Non-Major K-9 Fund	Totals	
		2019	2018
\$ 690,842	\$ 93,009	\$ 6,636,304	\$ 8,637,044
1,097,752	-	7,061,204	6,660,627
-	-	13,474	13,213
-	-	39,163	59,075
-	-	150,000	150,000
-	-	-	61,283
<u>\$ 1,788,594</u>	<u>\$ 93,009</u>	<u>\$ 13,900,145</u>	<u>\$ 15,581,242</u>
\$ 21,918	\$ 89	\$ 437,255	\$ 813,956
752	-	97,706	62,992
-	1,096	5,048	4,106
<u>22,670</u>	<u>1,185</u>	<u>540,009</u>	<u>881,054</u>
1,286,245	-	8,234,680	7,540,574
-	-	150,000	150,000
-	-	25,944	25,682
<u>1,286,245</u>	<u>-</u>	<u>8,410,624</u>	<u>7,716,256</u>
-	-	-	61,283
479,679	-	1,845,668	4,203,569
-	91,824	1,739,292	1,718,434
-	-	1,364,552	1,000,646
<u>479,679</u>	<u>91,824</u>	<u>4,949,512</u>	<u>6,983,932</u>
<u>\$ 1,788,594</u>	<u>\$ 93,009</u>	<u>\$ 13,900,145</u>	<u>\$ 15,581,242</u>

Village of Hobart, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 4,949,512	\$ 6,983,932
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	16,426,511	16,080,144
Land held for resale in governmental activities is not a current financial resource and therefore are not reported in the funds.	2,114,800	4,105,621
Long-term asset are not considered available; therefore, are not reported in the funds:		
Net pension asset	-	216,078
Delinquent taxes and special assessments	25,944	25,682
Loan receivable	150,000	150,000
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	816,734	412,604
Deferred inflows related to pensions	(420,186)	(431,204)
Deferred outflows related to other postemployment benefits	19,568	18,713
Deferred inflows related to other postemployment benefits	(22,762)	(1,324)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, notes payable, and related premiums	(27,429,128)	(29,045,420)
Other postemployment benefit	(85,097)	(93,896)
Net pension liability	(299,194)	-
Accrued interest on long-term obligations	<u>(246,168)</u>	<u>(282,986)</u>
Net position of governmental activities as reported on the statement of net position (see page 17)	<u>\$ (3,999,466)</u>	<u>\$ (1,862,056)</u>

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

Village of Hobart, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Capital Projects	Tax Incremental District #1
REVENUES				
Taxes	\$ 1,643,935	\$ 605,411	\$ 695,411	\$ 1,875,389
Excess Stadium District sales tax	-	3,122	-	-
Special assessments	1,461	-	-	-
Intergovernmental	977,494	-	-	8,066
Licenses and permits	323,509	-	-	-
Fines and forfeits	90,422	-	-	-
Public charges for services	548,174	-	-	-
Intergovernmental charges for services	-	-	47,330	-
Miscellaneous	62,458	-	-	158,874
Total revenues	3,647,453	608,533	742,741	2,042,329
EXPENDITURES				
Current				
General government	737,823	-	-	71,567
Public safety	1,703,158	-	-	-
Public works	845,705	-	-	-
Conservation and development	109,089	-	-	552,061
Debt service				
Principal	-	432,500	-	945,502
Interest and fiscal charges	-	176,033	-	488,290
Capital outlay	-	-	776,906	2,195,616
Total expenditures	3,395,775	608,533	776,906	4,253,036
Excess of revenues over (under) expenditures	251,678	-	(34,165)	(2,210,707)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	99,883	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	99,883	-	-	-
Net change in fund balances	351,561	-	(34,165)	(2,210,707)
Fund balances - January 1	1,308,769	161,701	533,877	4,266,973
Fund balances - December 31	\$ 1,660,330	\$ 161,701	\$ 499,712	\$ 2,056,266

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

Tax Incremental District #2	Non-Major K-9 Fund	Totals	
		2019	2018
\$ 607,760	\$ -	\$ 5,427,906	\$ 5,017,673
-	-	3,122	8,258
-	-	1,461	-
2,314	-	987,874	901,694
-	-	323,509	346,133
-	-	90,422	83,163
-	-	548,174	526,542
-	-	47,330	24,235
29,819	55,777	306,928	224,084
639,893	55,777	7,736,726	7,131,782
38,327	-	847,717	1,241,964
-	754	1,703,912	1,601,557
-	-	845,705	763,845
60,000	-	721,150	581,108
204,187	-	1,582,189	1,547,964
184,373	-	848,696	955,655
349,138	-	3,321,660	4,305,796
836,025	754	9,871,029	10,997,889
(196,132)	55,023	(2,134,303)	(3,866,107)
-	-	-	3,730,000
-	-	-	24,436
-	-	99,883	75,544
-	-	-	(34,491)
-	-	99,883	3,795,489
(196,132)	55,023	(2,034,420)	(70,618)
675,811	36,801	6,983,932	7,054,550
\$ 479,679	\$ 91,824	\$ 4,949,512	\$ 6,983,932

Village of Hobart, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	2019	2018
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (2,034,420)	\$ (70,618)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	989,370	2,474,578
Depreciation expense reported in the statement of activities	(621,422)	(549,989)
Net book value of disposals	(838,741)	(15,986)
Loss on sale of land held for resale	-	(341,489)
Change in estimate for assets held for resale	(1,173,661)	-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	262	165,452
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	-	(3,730,000)
Premium on debt issued	-	(24,436)
Principal repaid	1,582,189	1,547,964
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	36,818	18,359
Amortization of premiums, discounts and loss on advance refunding	34,103	33,344
Net pension asset	(216,078)	216,077
Net pension liability	(299,194)	52,734
Deferred outflows of resources related to pensions	404,130	(12,054)
Deferred inflows of resources related to pensions	11,018	(260,970)
Other postemployment benefits	8,799	(27,992)
Deferred outflows of resources related to other postemployment benefits	855	18,713
Deferred inflows of resources related to other postemployment benefits	(21,438)	(1,324)
Change in net position of governmental activities as reported in the statement of activities (see pages 18 - 19)	<u>\$ (2,137,410)</u>	<u>\$ (507,637)</u>

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

Village of Hobart, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Actual		
REVENUES					
Taxes	\$ 1,764,951	\$ 1,643,935	\$ 1,643,935	\$ -	\$ 1,684,246
Special assessments	-	1,461	1,461	-	-
Intergovernmental	871,401	966,219	977,494	11,275	899,974
Licenses and permits	180,750	323,509	323,509	-	351,630
Fines and forfeits	74,200	90,422	90,422	-	83,333
Public charges for services	534,279	548,174	548,174	-	520,875
Miscellaneous	28,400	92,445	62,458	(29,987)	70,244
Total revenues	3,453,981	3,666,165	3,647,453	(18,712)	3,610,302
EXPENDITURES					
Current					
General government	924,292	737,823	737,823	-	1,146,758
Public safety	1,699,659	1,733,145	1,703,158	29,987	1,599,676
Public works	807,483	834,430	845,705	(11,275)	763,845
Conservation and development	107,535	109,089	109,089	-	106,585
Total expenditures	3,538,969	3,414,487	3,395,775	18,712	3,616,864
Excess of revenues over (under) expenditures	(84,988)	251,678	251,678	-	(6,562)
OTHER FINANCING SOURCES (USES)					
Transfers in	85,000	81,053	99,883	18,830	41,053
Transfers out	-	-	-	-	(34,491)
Total other financing sources (uses)	85,000	81,053	99,883	18,830	6,562
Net change in fund balance	12	332,731	351,561	18,830	-
Fund balance - January 1	1,308,769	1,308,769	1,308,769	-	1,308,769
Fund balance - December 31	<u>\$ 1,308,781</u>	<u>\$ 1,641,500</u>	<u>\$ 1,660,330</u>	<u>\$ 18,830</u>	<u>\$ 1,308,769</u>

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

Village of Hobart, Wisconsin

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	Water Utility	Sewer Utility	Storm Water Utility	Totals	
				2019	2018
ASSETS					
Current assets					
Cash and investments	\$ 813,961	\$ 239,470	\$ 970,219	\$ 2,023,650	\$ 1,602,505
Receivables					
Customer accounts	184,358	344,706	-	529,064	485,233
Special assessments	-	-	7,715	7,715	5,717
Due from other governments	-	-	31,751	31,751	-
Total current assets	998,319	584,176	1,009,685	2,592,180	2,093,455
Other assets					
Deferred special assessments	118,216	-	-	118,216	118,216
Net pension asset	-	-	-	-	50,254
Total other assets	118,216	-	-	118,216	168,470
Capital assets					
Nondepreciable	122,984	508,671	-	631,655	1,707,761
Depreciable	11,383,432	7,915,821	3,982,567	23,281,820	20,849,609
Total capital assets	11,506,416	8,424,492	3,982,567	23,913,475	22,557,370
Total assets	12,622,951	9,008,668	4,992,252	26,623,871	24,819,295
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	56,247	52,040	48,693	156,980	90,423
Other postemployment related amounts	1,365	1,277	1,207	3,849	4,352
Total deferred outflows of resources	57,612	53,317	49,900	160,829	94,775
LIABILITIES					
Current liabilities					
Accounts payable	55,317	140,737	189,794	385,848	102,567
Accrued and other current liabilities	5,239	4,422	3,765	13,426	12,068
Current portion of long-term debt	183,861	380,573	-	564,434	539,122
Accrued interest	8,112	59,310	-	67,422	75,762
Total current liabilities	252,529	585,042	193,559	1,031,130	729,519
Long-term obligations, less current portion					
General obligation debt	2,267,643	2,323,560	-	4,591,203	5,155,636
Net pension liability	20,864	19,517	18,449	58,830	-
Other postemployment benefits	5,934	5,551	5,247	16,732	21,838
Total long-term liabilities	2,294,441	2,348,628	23,696	4,666,765	5,177,474
Total liabilities	2,546,970	2,933,670	217,255	5,697,895	5,906,993
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	29,302	27,410	25,909	82,621	100,287
Other postemployment related amounts	1,587	1,485	1,404	4,476	307
Total deferred inflows of resources	30,889	28,895	27,313	87,097	100,594
NET POSITION					
Net investment in capital assets	9,054,912	5,720,359	3,795,694	18,570,965	16,862,612
Restricted	-	-	-	-	50,254
Unrestricted	1,047,792	379,061	1,001,890	2,428,743	1,993,617
Total net position	\$ 10,102,704	\$ 6,099,420	\$ 4,797,584	\$ 20,999,708	\$ 18,906,483

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

Village of Hobart, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Utility	Sewer Utility	Storm Water Utility	Totals	
				2019	2018
OPERATING REVENUES					
Charges for services	\$ 945,527	\$ 1,485,565	\$ -	\$ 2,431,092	\$ 2,254,431
Other	25,185	28,911	507,315	561,411	584,788
Total operating revenues	970,712	1,514,476	507,315	2,992,503	2,839,219
OPERATING EXPENSES					
Operation and maintenance	613,070	878,562	158,436	1,650,068	1,551,095
Depreciation	301,671	266,702	109,033	677,406	633,052
Taxes	4,265	8,051	4,734	17,050	18,124
Total operating expenses	919,006	1,153,315	272,203	2,344,524	2,202,271
Operating income	51,706	361,161	235,112	647,979	636,948
NONOPERATING REVENUES (EXPENSES)					
Interest income	6,192	1,866	13,105	21,163	21,777
Interest and fiscal charges	(83,834)	(100,356)	-	(184,190)	(208,951)
Total nonoperating revenues (expenses)	(77,642)	(98,490)	13,105	(163,027)	(187,174)
Income before contributions and transfers	(25,936)	262,671	248,217	484,952	449,774
Capital contributions	1,537,032	-	171,124	1,708,156	2,550,275
Transfers out	(59,883)	(40,000)	-	(99,883)	(41,053)
Change in net position	1,451,213	222,671	419,341	2,093,225	2,958,996
Net position - January 1	8,651,491	5,876,749	4,378,243	18,906,483	15,947,487
Net position - December 31	<u>\$ 10,102,704</u>	<u>\$ 6,099,420</u>	<u>\$ 4,797,584</u>	<u>\$ 20,999,708</u>	<u>\$ 18,906,483</u>

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

Village of Hobart, Wisconsin

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Utility	Sewer Utility	Storm Water Utility	Totals	
				2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 959,190	\$ 1,482,167	\$ 505,317	\$ 2,946,674	\$ 2,780,537
Cash paid for employee wages and benefits	(125,045)	(108,306)	(90,193)	(323,544)	(328,521)
Cash paid to suppliers	(448,271)	(699,112)	(73,998)	(1,221,381)	(1,272,972)
Net cash provided by operating activities	385,874	674,749	341,126	1,401,749	1,179,044
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	-	-	(31,751)	(31,751)	-
Transfer in	-	(40,000)	-	(40,000)	-
Transfer out	(59,883)	-	-	(59,883)	(41,053)
Net cash used by noncapital financing activities	(59,883)	(40,000)	(31,751)	(131,634)	(41,053)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(40,684)	-	(97,798)	(138,482)	(317,413)
Capital contributions	-	-	-	-	33,809
Principal paid on long-term debt	(173,671)	(365,450)	-	(539,121)	(521,953)
Interest paid on long-term debt	(84,379)	(108,151)	-	(192,530)	(210,216)
Net cash used by capital and related financing activities	(298,734)	(473,601)	(97,798)	(870,133)	(1,015,773)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	6,192	1,866	13,105	21,163	21,777
Change in cash and investments	33,449	163,014	224,682	421,145	143,995
Cash and investments - January 1	780,512	76,456	745,537	1,602,505	1,458,510
Cash and investments - December 31	<u>\$ 813,961</u>	<u>\$ 239,470</u>	<u>\$ 970,219</u>	<u>\$ 2,023,650</u>	<u>\$ 1,602,505</u>

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

Village of Hobart, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Utility	Sewer Utility	Storm Water Utility	Totals	
				2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 51,706	\$ 361,161	\$ 235,112	\$ 647,979	\$ 636,948
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	301,671	266,702	109,033	677,406	633,052
Depreciation charged to sewer utility	12,959	(12,959)	-	-	-
Change in liability (asset) and deferred outflows and inflows of resources					
Net pension asset	17,992	14,882	17,380	50,254	(50,254)
Deferred outflows -pension related	(24,204)	(23,589)	(18,764)	(66,557)	15,884
Net pension liability	20,864	19,517	18,449	58,830	(13,995)
Deferred inflows - pension related	(6,602)	(2,289)	(8,775)	(17,666)	55,110
Other postemployment benefits					
Deferred outflows - OPEB related	193	12	298	503	(4,352)
OPEB Liability	(1,884)	(916)	(2,306)	(5,106)	6,510
Deferred inflows - OPEB related	1,477	1,394	1,298	4,169	307
Change in operating assets and liabilities					
Accounts receivables	(11,522)	(32,309)	(1,998)	(45,829)	(58,682)
Accounts payable	24,012	81,381	(8,985)	96,408	(45,079)
Accrued and other current liabilities	526	448	384	1,358	3,595
Net cash provided by operating activities	<u>\$ 387,188</u>	<u>\$ 673,435</u>	<u>\$ 341,126</u>	<u>\$ 1,401,749</u>	<u>\$ 1,179,044</u>
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents in current assets	<u>\$ 813,961</u>	<u>\$ 239,470</u>	<u>\$ 970,219</u>	<u>\$ 2,023,650</u>	<u>\$ 1,602,505</u>
Noncash capital and related financing activities					
Capital assets contributed	\$ -	\$ -	\$ -	\$ -	\$ 140,000
Capital assets contributed by Village	1,537,032	-	171,124	1,708,156	2,410,275
Capital assets included in accounts payable	-	-	186,873	186,873	-

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

Village of Hobart, Wisconsin

STATEMENT OF NET POSITION
 FIDUCIARY FUND
 DECEMBER 31, 2019
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	Tax Collection Custodial Fund	
	2019	2018
ASSETS		
Cash and investments	\$ 1,500,546	\$ 1,181,781
LIABILITIES		
Due to other governments	1,500,546	1,181,781
NET POSITION		
Fiduciary net position - held for others	\$ -	\$ -

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

Village of Hobart, Wisconsin

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Tax Collection Custodial Fund	
	2019	2018
ADDITIONS		
Property tax collections	\$ 3,704,473	\$ 3,210,088
DEDUCTIONS		
Payments to taxing jurisdictions	3,704,473	3,210,088
Change in net position	-	-
Net position - January 1	-	-
Net position - December 31	<u>\$ -</u>	<u>\$ -</u>

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

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

General Fund

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

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Capital Projects Fund

This fund accounts for all other major capital expenditures of the Village, other than those accounted for in the Tax Incremental District Capital Projects Funds and the enterprise funds.

Tax Incremental District #1 Capital Projects Fund

This fund is accounts for the resources accumulated and payments made for the development of the Centennial Centre project.

Tax Incremental District #2 Capital Projects Fund

This fund accounts for the resources accumulated and payments made for the development of Tax Incremental District #2.

The Village reports the following major enterprise funds:

Water Utility Fund

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

Sewer Utility Fund

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

Storm Water Utility Fund

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

The Village also reports the following fiduciary fund:

Custodial Fund

This fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Village of Hobart, Wisconsin

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

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

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

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

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

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

1. Cash and Investments

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

2. Property Taxes and Special Charges Receivable

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

The Village bills its own property taxes and also levies taxes for the Pulaski School District, West De Pere School District, Brown County, and Northeast Wisconsin Technical College. Brown County has assumed tax collection responsibilities for the Village.

Village of Hobart, Wisconsin

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3. Accounts Receivable

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

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments is recognized when levied. (Installments placed on the 2018 tax roll are recognized as revenue in 2019.) Special assessments are subject to collection procedures.

5. Interfund Receivables and Payables

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

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

6. Inventories

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

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

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual costs of \$5,000 or higher and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The Village has not reported infrastructure assets acquired or constructed prior to 2004.

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

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

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

Assets	Governmental Activities	Business-type Activities
	Years	
Buildings	40	25 - 50
Improvements other than buildings	20	25 - 100
Machinery and equipment	4 - 20	3 - 10
Infrastructure	30	-

9. Land Held for Resale

Land held for resale consists of land and improvements and is valued at cost of acquisition, demolition, and site improvements. Properties include both land intended for resale and land designated as a public area. Land held for resale is recorded at lower of cost or market value.

10. Deferred Outflows/Inflows of Resources

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

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

11. Long-term Obligations

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

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

12. Pensions

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

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

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13. Other Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Fund Equity

Governmental Fund Financial Statements

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

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

The Village has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Government-Wide and Proprietary Fund Statements

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

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

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

E. USE OF ESTIMATES

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

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Village's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

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

The Village did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2019.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

B. EXCESS OF EXPENDITURES OVER BUDGET APPROPRIATIONS

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2019 as follows:

Fund	Excess Expenditures
General Fund	
General Government	
Village clerk	\$ 11,275

C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2019 and 2020 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2020 budget was 4.81%. The actual limit for the Village for the 2019 budget was 5.36%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the Village's cash and investments totaled \$10,160,500 on December 31, 2019 as summarized below:

Deposits with financial institutions	\$ 8,341,981
Deposits in escrow	127,919
Investments	
Wisconsin local government investment pool	1,690,600
	<u>\$ 10,160,500</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 8,659,954
Fiduciary Fund Statement of Net Position	1,500,546
	<u>\$ 10,160,500</u>

Village of Hobart, Wisconsin

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Fair Value Measurements

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

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

Custodial Credit Risk

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

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

As of December 31, 2019, \$3,830,724 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits. \$3,830,724 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Village's name.

The Village has investments in the Wisconsin local government investment pool of \$1,690,600 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of the 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, 2019, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

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

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 4,282,525	\$ -	\$ -	\$ 4,282,525
Construction in progress	260,777	81,731	260,777	81,731
Total capital assets, nondepreciable	<u>4,543,302</u>	<u>81,731</u>	<u>260,777</u>	<u>4,364,256</u>
Capital assets, depreciable:				
Land improvements	762,353	131,478	-	893,831
Buildings and improvements	1,127,224	-	-	1,127,224
Machinery and equipment	2,422,325	293,224	134,539	2,581,010
Infrastructure	10,912,458	743,714	-	11,656,172
Subtotals	<u>15,224,360</u>	<u>1,168,416</u>	<u>134,539</u>	<u>16,258,237</u>
Less accumulated depreciation for:				
Land improvements	10,959	42,144	-	53,103
Buildings and improvements	745,550	25,932	-	771,482
Machinery and equipment	1,265,502	180,200	112,958	1,332,744
Infrastructure	1,665,507	373,146	-	2,038,653
Subtotals	<u>3,687,518</u>	<u>621,422</u>	<u>112,958</u>	<u>4,195,982</u>
Total capital assets, depreciable, net	<u>11,536,842</u>	<u>546,994</u>	<u>21,581</u>	<u>12,062,255</u>
Governmental activities capital assets, net	<u>\$ 16,080,144</u>	<u>\$ 628,725</u>	<u>\$ 282,358</u>	16,426,511
Less: Capital related debt				7,275,570
Less: Debt premium				<u>159,524</u>
Net investment in capital assets				<u>\$ 8,991,417</u>

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 114,692	\$ -	\$ -	\$ 114,692
Assets held for future use	508,671	-	-	508,671
Construction in progress	1,084,398	8,292	1,084,398	8,292
Total capital assets, not being depreciated	1,707,761	8,292	1,084,398	631,655
Capital assets, being depreciated:				
Buildings and improvements	25,101,571	3,021,250	5,515	28,117,306
Machinery and equipment	4,492,794	88,367	-	4,581,161
Subtotals	29,594,365	3,109,617	5,515	32,698,467
Less accumulated depreciation for:				
Buildings and improvements	6,827,897	367,558	-	7,195,455
Machinery and equipment	1,916,859	309,848	5,515	2,221,192
Subtotals	8,744,756	677,406	5,515	9,416,647
Total capital assets, being depreciated, net	20,849,609	2,432,211	-	23,281,820
Business-type activities capital assets, net	<u>\$ 22,557,370</u>	<u>\$ 2,440,503</u>	<u>\$ 1,084,398</u>	23,913,475
Less: Capital related debt				5,155,637
Less: Accounts payable				186,873
Net investment in capital assets				<u>\$ 18,570,965</u>

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

Governmental activities	
General government	\$ 18,443
Public safety	106,064
Public works	298,139
Conservation and development	198,776
Total depreciation expense - governmental activities	<u>\$ 621,422</u>
Business-type activities	
Water utility	\$ 301,671
Sewer utility	266,702
Storm water management	109,033
Total depreciation expense - business-type activities	<u>\$ 677,406</u>

C. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 99,883	\$ -
Water Utility	-	59,883
Sewer Utility	-	40,000
	<u>\$ 99,883</u>	<u>\$ 99,883</u>

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

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Interfund transfers were made for the following purposes:

Tax equivalent payment made by water utility to general fund	\$ 59,883
Reimbursement of 2017 sanitary sewer transfer	40,000
	<u>\$ 99,883</u>

Transfers were made for the following purposes:

Tax equivalent payment made by water utility to general fund	\$ 59,883
Reimbursement of 2017 sanitary sewer transfer	40,000
Utility capital assets financed by Tax Incremental Districts	(1,676,406)
Total governmental activities	<u>\$ (1,576,523)</u>

D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 16,815,500	\$ -	\$ 1,147,500	\$ 15,668,000	\$ 1,187,500
Notes	7,695,000	-	375,000	7,320,000	550,000
Direct borrowings	1,461,786	-	59,689	1,402,097	61,643
Total general obligation debt	25,972,286	-	1,582,189	24,390,097	1,799,143
Revenue bonds	2,715,000	-	-	2,715,000	100,000
Debt premium	358,134	-	34,103	324,031	-
Governmental activities					
Long-term obligations	<u>\$ 29,045,420</u>	<u>\$ -</u>	<u>\$ 1,616,292</u>	<u>\$ 27,429,128</u>	<u>\$ 1,899,143</u>
Business-type activities:					
General obligation debt					
Bonds	\$ 3,539,500	\$ -	\$ 262,500	\$ 3,277,000	\$ 277,500
Direct borrowings	763,551	-	51,375	712,176	52,505
Total general obligation debt	4,303,051	-	313,875	3,989,176	330,005
Notes payable - GBMSD	1,391,707	-	225,246	1,166,461	234,429
Business-type activities					
Long-term obligations	<u>\$ 5,694,758</u>	<u>\$ -</u>	<u>\$ 539,121</u>	<u>\$ 5,155,637</u>	<u>\$ 564,434</u>

Total interest paid during the year on long-term debt totaled \$1,040,177.

Sate Trust Fund Loan

The Village's outstanding notes from direct borrowings related to the governmental activities of \$1,402,097 are subject to a statutory provision that in an event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Clean Water Fund Loan Programs

The Village's outstanding notes from direct borrowings related to business type activities of \$712,176 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the Village or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
Bonds					
General obligation refunding bonds	11/22/10	12/01/24	3.00 - 3.45%	\$ 1,300,000	\$ 260,000
General obligation bonds	11/22/10	03/01/26	3.50 - 5.05%	1,895,000	1,010,000
General obligation refunding bonds	06/07/11	06/01/26	3.50 - 4.05%	2,900,000	1,920,000
General obligation refunding bonds	07/10/12	03/01/29	2.75 - 3.125%	5,000,000	3,235,000
General obligation taxable refunding bonds	04/15/13	03/01/29	2.40 - 3.70%	6,450,000	5,200,000
General obligation refunding bonds	01/28/14	03/01/29	2.70 - 3.80%	3,780,000	3,230,000
General obligation refunding bonds	06/15/15	03/01/29	2.30 - 3.25%	1,090,000	1,090,000
General obligation refunding bonds	06/15/15	03/01/32	3.00 - 4.20%	2,540,000	1,500,000
General obligation refunding bonds	08/08/16	03/01/32	2.15 - 2.80%	1,790,000	1,500,000
Notes					
Taxable general obligation notes	01/28/14	03/01/23	3.05 - 4.10%	1,110,000	600,000
General obligation notes	08/01/17	03/01/27	2.00 - 2.25%	4,065,000	3,865,000
Taxable general obligation notes	08/01/17	03/01/22	1.50 - 2.15%	2,140,000	1,840,000
Taxable general obligation notes	08/28/18	05/01/28	3.00 - 3.40%	1,015,000	1,015,000
Direct placement					
Clean water fund bonds	07/27/11	05/01/31	2.20%	1,123,268	712,176
State trust fund bonds	10/26/16	03/15/36	3.50%	1,500,000	1,402,097
Total outstanding general obligation debt					<u>\$ 28,379,273</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$28,379,273 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,737,500	\$ 657,199	\$ 61,643	\$ 49,208	\$ 1,799,143	\$ 706,407
2021	1,777,500	607,859	63,935	46,916	1,841,435	654,775
2022	3,482,500	537,460	66,173	44,678	3,548,673	582,138
2023	1,940,250	462,971	68,489	42,362	2,008,739	505,333
2024	2,065,250	403,154	70,777	40,074	2,136,027	443,228
2025-2029	11,070,000	985,553	393,326	160,931	11,463,326	1,146,484
2030-2034	915,000	45,353	467,180	87,077	1,382,180	132,430
2035-2036	-	-	210,574	11,129	210,574	11,129
	<u>\$ 22,988,000</u>	<u>\$ 3,699,549</u>	<u>\$ 1,402,097</u>	<u>\$ 482,375</u>	<u>\$ 24,390,097</u>	<u>\$ 4,181,924</u>

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Year Ended December 31,	Business-type Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 277,500	\$ 108,539	\$ 52,505	\$ 15,090	\$ 330,005	\$ 123,629
2021	282,500	99,489	53,660	13,923	336,160	113,412
2022	427,500	87,811	54,841	12,729	482,341	100,540
2023	444,750	73,148	56,047	11,509	500,797	84,657
2024	464,750	57,284	57,280	10,263	522,030	67,547
2025-2029	1,380,000	80,768	305,868	31,633	1,685,868	112,401
2030-2034	-	-	131,975	2,919	131,975	2,919
2035-2036	-	-	-	-	-	-
	<u>\$ 3,277,000</u>	<u>\$ 507,039</u>	<u>\$ 712,176</u>	<u>\$ 98,066</u>	<u>\$ 3,989,176</u>	<u>\$ 605,105</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2019 was \$20,357,938 as follows:

Equalized valuation of the Village		\$ 971,510,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		48,575,510
Total outstanding general obligation debt applicable to debt limitation	\$ 28,379,273	
Less: Amounts available for financing general obligation debt		
Debt service fund	161,701	
Net outstanding general obligation debt applicable to debt limitation		28,217,572
Legal margin for new debt		<u>\$ 20,357,938</u>

Notes Payable - GBMSD

Annual principal and interest maturities of the outstanding notes payable to GBMSD of \$1,166,461 on December 31, 2019 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 234,429	\$ 48,994	\$ 283,423
2021	239,324	39,426	278,750
2022	249,294	29,456	278,750
2023	141,627	19,067	160,694
2024	147,717	12,977	160,694
2025-2026	154,070	6,625	160,695
	<u>\$ 1,166,461</u>	<u>\$ 156,545</u>	<u>\$ 1,323,006</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2019 totaled \$2,715,000 and were comprised of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
Revenue Bond	08/07/18	05/01/38	3.25 - 3.50%	\$ 2,715,000	\$ 2,715,000

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Annual principal and interest maturities of the outstanding revenue bonds of \$2,715,000 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 100,000	\$ 88,625	\$ 188,625
2021	100,000	85,375	185,375
2022	105,000	82,044	187,044
2023	110,000	78,550	188,550
2024	115,000	74,894	189,894
2025-2029	650,000	313,938	963,938
2030-2034	785,000	197,166	982,166
2035-2038	750,000	53,674	803,674
	<u>\$ 2,715,000</u>	<u>\$ 974,265</u>	<u>\$ 3,689,265</u>

Revenues Pledged

Revenue bonds are payable only from revenues derived from the operation of the water utility and tax increments generated by the Village's Tax Incremental Financing District No. 1 and does not constitute debt where the full faith and credit or taxing powers of the Village are pledged. The Village has pledged future water utility revenues, net of specified operating expenses, and tax increments to repay the revenue bonds through 2038. Proceeds from the bonds provided financing for the construction or acquisition of capital assets paid for by the Village's Tax Incremental Financing District No. 1 and used by the utilities. The Village has recorded the revenue bonds in governmental activities because the Village believes Tax Incremental Financing District No. 1 will have sufficient resources to retire the debt when due. If the Village's Tax Incremental Financing District No. 1 cannot make a debt payment, the Village's water utility will be responsible for the debt service maturities.

A summary of net customer revenues, tax increments, and remaining principal and interest due on revenue bonds follows:

	<u>Water Utility</u>
Net Customer Revenues	
Charges for services	\$ 945,527
Other	25,185
Total Operating Revenues	<u>970,712</u>
Less: operating expenses	<u>617,335</u>
Net customer revenues	353,377
Tax increments	<u>90,250</u>
Total pledged revenues	<u>\$ 443,627</u>
Debt Service	
Principal	\$ -
Interest	90,250
Total debt service	<u>\$ 90,250</u>
Remaining principal and interest	<u>\$ 3,689,265</u>

There are various requirements associated with each of the Village's bond issues. The Village believes it is in compliance with all significant bond issue requirements.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

E. PENSION PLAN

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and 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 Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

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

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

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

The WRS also provides death and disability benefits for employees.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. 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 follow

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

3. Contributions

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

During the reporting period ending December 31, 2019, the WRS recognized \$111,615 in contributions from the Village.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Village reported a liability of \$358,024 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Village's proportion was 0.01006341%, which was an increase of 0.00109332% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized pension expense of \$237,869.

At December 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 278,846	\$ 492,901
Net differences between projected and actual earnings on pension plan investments	522,870	-
Changes in assumptions	60,349	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	218	9,906
Employer contributions subsequent to the measurement date	111,431	-
Total	<u>\$ 973,714</u>	<u>\$ 502,807</u>

\$111,431 reported as deferred outflows related to pension resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2020	\$ 130,349
2021	30,792
2022	56,364
2023	141,971
Total	<u>\$ 359,476</u>

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

5. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market 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% 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. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<u>Core Fund Asset Class</u>			
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9%	6.5%	3.9%
Private Equity/Debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.6%	5.0%
International Equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Village's proportionate share of the net pension liability (asset)	\$ 1,422,827	\$ 358,024	\$ (433,738)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

6. Payables to the Pension Plan

At December 31, 2019, the Village reported a payable of \$15,294 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

F. OTHER POSTEMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

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

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Contribution rates as of December 31, 2019 are:

Coverage Type	Employer Contribution
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2018	
Attained Age	Basic
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$760 in contributions from the employer.

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

At December 31, 2019, the Village reported a liability of \$101,829 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net OPEB liability was based on the Village's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Village's proportion was 0.03946400%, which was an increase of 0.00099600% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Village recognized OPEB expense of \$12,111.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

At December 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,166
Net differences between projected and actual earnings on OPEB plan investments	2,433	-
Changes in assumptions	9,716	22,072
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,268	-
Total	<u>\$ 23,417</u>	<u>\$ 27,238</u>

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

Year Ended December 31,	Expense
2019	\$ (9)
2020	(9)
2021	(9)
2022	(351)
2023	(703)
Thereafter	(2,740)
Total	<u>\$ (3,821)</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Village of Hobart, Wisconsin

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

Single discount rate. A single discount rate of 4.22% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the Village's proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the Village's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what the Village's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	<u>1% Decrease to Discount Rate (2.2%)</u>	<u>Current Discount Rate (3.2%)</u>	<u>1% Increase to Discount Rate (4.2%)</u>
Village's proportionate share of the net OPEB liability	\$ 144,861	\$ 101,829	\$ 68,642

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the OPEB Plan

At December 31, 2019, the Village reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

G. FUND EQUITY

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2019, restricted fund balance was as follows:

General Fund	
Restricted for	
Park development	\$ 290,492
Memorial bricks/trees	5,286
Total General Fund restricted fund balance	<u>295,778</u>
Debt Service Fund	
Restricted for debt retirement	161,701
Tax Incremental Financial District No. 1	
Restricted for project plan development	908,510
Tax Incremental Financial District No. 2	
Restricted for project plan development	<u>479,679</u>
Total restricted fund balance	<u>\$ 1,845,668</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, fund balance was assigned as follows:

Capital Projects Funds	
Assigned for subsequent year's expenditures	
Capital Improvements	\$ 499,712
Tax Incremental District No. 1	
Project plan development	1,147,756
Special Revenue Fund	
Assigned for subsequent year's expenditures	
K-9 program	<u>91,824</u>
Total	<u>\$ 1,739,292</u>

Net Position

The Village reports restricted net position at December 31, 2019 as follows:

Governmental activities	
Restricted for	
Park development	\$ 290,492
Memorial bricks/trees	5,286
Total governmental activities restricted net position	<u>\$ 295,778</u>

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 4: OTHER INFORMATION

A. TAX INCREMENTAL FINANCING DISTRICTS

The Village has established separate capital projects funds for Tax Incremental District (TID) #1 and #2, which were created by the Village in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within the Districts were “frozen” and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the Village to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The Village’s Districts are still eligible to incur project costs.

Since creation of the above Districts, the Village has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the Village from any future excess tax increment revenues. As of December 31, 2019, the Village can recover \$19,913,124 from future excess tax increment revenues of the following:

	Recoverable Costs
TID #1	\$ 13,838,290
TID #2	6,074,834

The intent of the Village is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. Unless terminated by the Village prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID #1	2029
TID #2	2031

B. TAX ABATEMENTS

The Village has created tax incremental financing districts (the “Districts”) in accordance with Wisconsin State Statute 66.1105, *Tax Increment Law*. As part of the project plan for the Districts, the Village entered into agreements with developers for a creation of tax base within the Districts. The agreements require the Village to make annual repayments of property taxes collected within the Districts to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

For the year ended December 31, 2019, the Village abated property taxes totaling \$1,148,836 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- ▶ A property tax abatement of \$288,006 to a developer for 25.07% within Tax Incremental District #1.
- ▶ A property tax abatement of \$131,799 to a developer for 11.47% within Tax Incremental District #1.
- ▶ A property tax abatement of \$134,032 to a developer for 11.67% within Tax Incremental District #1.
- ▶ A property tax abatement of \$303,489 to a developer for 26.42% within Tax Incremental District #2.

Village of Hobart, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

C. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage.

D. CONTINGENCIES

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

E. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

F. SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the VILLAGE, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness, shortages of personnel and potential delays in revenue collections. Management believes the Village is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Village of Hobart, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00774009%	\$ (190,118)	\$ 939,257	20.24%	102.74%
12/31/15	0.00770979%	125,283	969,185	12.93%	98.20%
12/31/16	0.00809579%	66,729	1,105,339	6.04%	99.12%
12/31/17	0.00897009%	(266,332)	1,200,250	22.19%	102.93%
12/31/18	0.01006341%	358,024	1,287,386	27.81%	96.45%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 74,384	\$ 74,384	\$ -	\$ 969,185	7.67%
12/31/16	85,438	85,438	-	1,105,339	7.73%
12/31/17	103,000	103,000	-	1,200,250	8.58%
12/31/18	111,615	111,615	-	1,287,387	8.67%
12/31/19	111,431	111,431	-	1,308,652	8.51%

See notes to required supplementary information.

Village of Hobart, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.03846000%	\$ 115,734	\$ 1,200,250	9.64%	44.81%
12/31/18	0.03946400%	101,829	1,171,000	8.70%	48.69%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
12/31/18	\$ 759	\$ 759	\$ -	\$ 1,171,000	0.06%
12/31/19	633	633	-	1,308,652	0.05%

See notes to required supplementary information.

Village of Hobart, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

A. WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

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

B. OTHER POST EMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total OPEB liability changed, including the discount rate, wage inflation rate, mortality and separation rates.

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

Village of Hobart, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Actual		
Taxes					
General property	\$ 1,755,326	\$ 1,625,818	\$ 1,625,818	\$ -	\$ 1,672,798
Managed forest crop tax	125	138	138	-	126
Use value penalty	7,000	14,397	14,397	-	7,549
Interest and taxes	2,500	3,582	3,582	-	3,773
Total taxes	1,764,951	1,643,935	1,643,935	-	1,684,246
Special assessments	-	1,461	1,461	-	-
Intergovernmental					
Federal					
Police	-	29,896	29,896	-	25,830
State					
State shared taxes	71,901	71,902	71,902	-	61,786
Fire insurance dues	34,518	40,014	40,014	-	34,518
Fire department	-	-	-	-	43
Tax exempt computer aid	1,689	1,730	1,730	-	1,689
Transportation	307,021	307,021	307,021	-	266,975
Local road improvement project	-	-	-	-	34,052
Recycling	18,383	7,140	18,415	11,275	-
Local					
Reimbursements from the Town of Lawrence	437,889	508,516	508,516	-	475,081
Total intergovernmental	871,401	966,219	977,494	11,275	899,974
Licenses and permits					
Licenses					
Liquor and malt beverage	2,450	2,470	2,470	-	2,434
Operators license	6,250	8,964	8,964	-	9,562
Cigarette license	100	300	300	-	100
Cable television fees	51,000	57,591	57,591	-	54,520
Dog	1,500	3,076	3,076	-	1,345
Permits					
Quarry	2,000	5,550	5,550	-	7,982
Building	109,000	142,673	142,673	-	200,771
Park developer fees	-	41,100	41,100	-	7,566
Park fee/building	5,500	56,910	56,910	-	62,500
Site review	750	1,650	1,650	-	1,200
Zoning	2,200	3,225	3,225	-	3,650
Total licenses and permits	180,750	323,509	323,509	-	351,630
Fines and forfeits					
Court fines and penalties	74,000	89,392	89,392	-	83,163
Dog license late fee	200	1,030	1,030	-	170
Total fines and forfeits	74,200	90,422	90,422	-	83,333

Village of Hobart, Wisconsin

**GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget			Variance Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Actual		
Public charges for services					
General government	4,500	8,305	8,305	-	7,475
Garbage collection	380,000	383,979	383,979	-	373,452
Police liaison fees	57,779	57,803	57,803	-	49,113
Street lighting	64,000	69,834	69,834	-	63,249
Fire calls	500	200	200	-	1,700
Land and tower rent fees	27,500	28,053	28,053	-	25,886
Total public charges for services	534,279	548,174	548,174	-	520,875
Miscellaneous					
Reimbursements	-	30,703	716	(29,987)	18,927
Interest	25,000	57,617	57,617	-	47,238
Other general government	3,400	4,125	4,125	-	3,329
Donations	-	-	-	-	750
Total miscellaneous	28,400	92,445	62,458	(29,987)	70,244
Total revenues	\$ 3,453,981	\$ 3,666,165	\$ 3,647,453	\$ (18,712)	\$ 3,610,302

Village of Hobart, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget			Variance Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Actual		
General government					
Village board	\$ 50,740	\$ 53,741	\$ 53,741	\$ -	\$ 51,194
Municipal court	90,450	83,452	83,452	-	91,427
Legal	230,000	191,475	191,475	-	532,069
Village administration	64,846	62,487	62,487	-	76,409
Village clerk	106,486	96,337	96,337	-	118,697
Economic development	55,078	25,233	25,233	-	21,134
Tribal affairs	13,500	12,000	12,000	-	14,641
Elections	5,600	15,429	15,429	-	11,116
Audit and other accounting	6,500	8,818	8,818	-	6,009
Treasurer	41,837	35,575	35,575	-	40,604
Property assessment	31,000	36,956	36,956	-	34,365
Buildings and grounds	44,523	39,314	39,314	-	48,155
General office	46,000	47,514	47,514	-	55,937
Insurance and bonds	28,000	29,492	29,492	-	42,485
General contingency	109,732	-	-	-	2,516
Total general government	924,292	737,823	737,823	-	1,146,758
Public safety					
Police department	1,235,569	1,288,254	1,258,267	29,987	1,167,621
Animal control	3,000	3,630	3,630	-	3,465
Fire protection	393,590	372,972	372,972	-	367,511
Rescue service	67,500	68,289	68,289	-	61,079
Total public safety	1,699,659	1,733,145	1,703,158	29,987	1,599,676
Public works					
Highway administration	131,819	141,559	152,834	(11,275)	134,697
Highway maintenance and construction	317,664	336,714	336,714	-	278,273
Street lighting	75,000	75,777	75,777	-	80,131
Garbage collection	283,000	280,380	280,380	-	270,744
Total public works	807,483	834,430	845,705	(11,275)	763,845
Conservation and development					
Memorial bricks	-	297	297	-	-
Parks	9,500	11,563	11,563	-	27,396
Neighborhood services	96,535	95,679	95,679	-	76,964
Planning/zoning	1,500	1,550	1,550	-	2,225
Total conservation and development	107,535	109,089	109,089	-	106,585
Total expenditures	\$ 3,538,969	\$ 3,414,487	\$ 3,395,775	\$ 18,712	\$ 3,616,864

Village of Hobart, Wisconsin

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 615,533	\$ 605,411	\$ 605,411	\$ -
Excess Stadium District sales tax	8,000	3,122	3,122	-
Total revenues	623,533	608,533	608,533	-
EXPENDITURES				
Debt service				
Principal	447,500	432,500	432,500	-
Interest and fiscal charges	176,033	176,033	176,033	-
Total expenditures	623,533	608,533	608,533	-
Net change in fund balance	-	-	-	-
Fund balance - January 1	161,701	161,701	161,701	-
Fund balance - December 31	<u>\$ 161,701</u>	<u>\$ 161,701</u>	<u>\$ 161,701</u>	<u>\$ -</u>

Village of Hobart, Wisconsin

TAX INCREMENTAL DISTRICT #1 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,739,007	\$ 2,703,275	\$ 1,875,389	\$ (827,886)
Intergovernmental	1,400	8,031	8,066	35
Miscellaneous	10,000	135,044	158,874	23,830
Total revenues	2,750,407	2,846,350	2,042,329	(804,021)
EXPENDITURES				
Current				
General government	84,444	84,448	71,567	12,881
Conservation and development	796,481	973,848	552,061	421,787
Debt service				
Principal	945,501	945,502	945,502	-
Interest and fiscal charges	488,286	488,290	488,290	-
Capital outlay	-	1,005,752	2,195,616	(1,189,864)
Total expenditures	2,314,712	3,497,840	4,253,036	(755,196)
Net change in fund balance	435,695	(651,490)	(2,210,707)	(1,559,217)
Fund balance - January 1	4,266,973	4,266,973	4,266,973	-
Fund balance - December 31	<u>\$ 4,702,668</u>	<u>\$ 3,615,483</u>	<u>\$ 2,056,266</u>	<u>\$ (1,559,217)</u>

Village of Hobart, Wisconsin

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 555,790	\$ 695,411	\$ 695,411	\$ -
Intergovernmental	15,160	-	-	-
Intergovernmental charges for services	53,400	-	47,330	47,330
Total revenues	624,350	695,411	742,741	47,330
EXPENDITURES				
Capital outlay	752,370	695,411	776,906	(81,495)
Excess of revenues under expenditures	(128,020)	-	(34,165)	(34,165)
OTHER FINANCING SOURCES				
Transfers in	128,020	-	-	-
Net change in fund balance	-	-	(34,165)	(34,165)
Fund balance - January 1	533,877	533,877	533,877	-
Fund balance - December 31	<u>\$ 533,877</u>	<u>\$ 533,877</u>	<u>\$ 499,712</u>	<u>\$ (34,165)</u>

Village of Hobart, Wisconsin

TAX INCREMENTAL DISTRICT #2 CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 898,757	\$ 928,710	\$ 607,760	\$ (320,950)
Intergovernmental	320	2,307	2,314	7
Miscellaneous	4,000	4,600	29,819	25,219
Total revenues	903,077	935,617	639,893	(295,724)
EXPENDITURES				
Current				
General government	49,444	39,448	38,327	1,121
Conservation and development	415,706	380,950	60,000	320,950
Debt service				
Principal	204,187	204,187	204,187	-
Interest and fiscal charges	184,171	184,173	184,373	(200)
Capital outlay	-	69,409	349,138	(279,729)
Total expenditures	853,508	878,167	836,025	42,142
Excess of revenues under expenditures	49,569	57,450	(196,132)	(253,582)
Net change in fund balance	49,569	57,450	(196,132)	(253,582)
Fund balance - January 1	675,811	675,811	675,811	-
Fund balance - December 31	<u>\$ 725,380</u>	<u>\$ 733,261</u>	<u>\$ 479,679</u>	<u>\$ (253,582)</u>



Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Village Board
Village of Hobart, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hobart, Wisconsin, (the "Village") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's financial statements, and have issued our report thereon dated June 1, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

VILLAGE OF HOBART, WISCONSIN'S RESPONSE TO FINDINGS

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

CliftonLarsonAllen LLP

Green Bay, Wisconsin

June 1, 2020

Village of Hobart, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2019-001	Segregation of Duties - Clerk/Treasurer Repeat of Finding 2018-001
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	The Village has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Village's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Context:	While performing audit procedures, it was noted that the Village does not have adequate segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the Village's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Village Board continue to monitor transactions and the financial records of the Village.
Management Response:	The Village has contracted with an experienced governmental finance professional to provide oversight and review of Village transactions and financial records.

Village of Hobart, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

FINDING NO.	CONTROL DEFICIENCIES
2019-002	Adjustments to the Village's Financial Records Repeat of Finding 2018-002
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the Village's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While Village staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the Village may contain material misstatements.
Recommendation:	We recommend the Village continue reviewing the adjusting, closing and GASB 34 conversion entries. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the Village is necessary to obtain and adequate understanding of the Village's financial reports.
Management Response:	The Village has contracted with an experienced governmental finance professional to review the adjusting, closing and GASB 34 conversion entries drafted by CLA. Management has reviewed and approved the financial statements and other information prior to issuance.

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2019.