

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2020

Interest on the Notes is includable in gross income of the recipient for United States and State of Wisconsin income tax purposes according to present federal and Wisconsin laws, regulations, rulings and decisions.

The Village will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Notes to the extent permitted under prior law.

New Issue

Non-Rated

VILLAGE OF LANNON, WISCONSIN (Waukesha County)

\$1,000,000* TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020C

BID OPENING: September 14, 2020, 10:00 A.M., C.T. **CONSIDERATION:** September 14, 2020, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C (the "Notes") of the Village of Lannon, Wisconsin (the "Village") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, reimbursing expenses in Tax Incremental District No. 1 and Tax Incremental District No. 2. The Notes are general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Husch Blackwell LLP, Milwaukee, Wisconsin.

DATE OF NOTES: October 1, 2020

MATURITY: April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$50,000	2025	\$95,000	2028	\$150,000
2023	50,000	2026	115,000	2029	155,000
2024	75,000	2027	140,000	2030	170,000

MATURITY ADJUSTMENTS: * The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: April 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on April 1, 2028 and thereafter are subject to call for prior optional redemption on April 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$990,000.

MAXIMUM BID: \$1,060,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$20,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be determined by the Issuer.

BOND COUNSEL: Husch Blackwell LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Village to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Village. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the Village and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the Village, is contingent upon the delivery of the Notes.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the Village for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Village is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the Village nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded.

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VILLAGE OF LANNON VILLAGE BOARD

		<u>Term Expires</u>
Tom Gudex	Village President	April 2021
Eric Barbieri	Village Trustee	April 2022
Alex Gizelbach	Village Trustee	April 2021
Amy Martin	Village Trustee	April 2022
Ronald Nellis	Village Trustee	April 2022
Steve Reek	Village Trustee	April 2021
Patrick Yates	Village Trustee	April 2021

ADMINISTRATION

Brenda Klemmer, Village Clerk/Treasurer

PROFESSIONAL SERVICES

von Briesen & Roper, S.C., Village Attorney, Milwaukee, Wisconsin

Husch Blackwell LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the Village of Lannon, Wisconsin (the "Village") and the issuance of its \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C (the "Notes"). Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes to be included in the resolution authorizing the issuance and sale of the Notes ("Award Resolution") to be adopted by the Board of Trustees on September 14, 2020.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the Village's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE NOTES

GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of October 1, 2020. The Notes will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Award Resolution.

The Village may select a bank or trust company to act as paying agent (the "Paying Agent"). The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the Village, the Notes maturing on or after April 1, 2028 shall be subject to optional redemption prior to maturity on April 1, 2027 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the Village. If only part of the Notes having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed.

*Preliminary, subject to change

DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, reimbursing expenses in Tax Incremental District No. 1 and Tax Incremental District No. 2.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Notes	\$1,000,000	
Estimated Interest Earnings	<u>392</u>	
Total Sources		\$1,000,392
Uses		
Total Underwriter's Discount	\$10,000	
Costs of Issuance	26,350	
Deposit to Capitalized Interest Fund	22,500	
Deposit to Project Construction Fund	940,000	
Rounding Amount	<u>1,542</u>	
Total Uses		\$1,000,392

*Preliminary, subject to change

SECURITY

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the Village will be irrevocably pledged. The Village will levy a direct, annual, irrevocable tax on all taxable property in the Village sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the Village will be issuing General Obligation Promissory Notes, Series 2020B (the "Concurrent Obligations" or the "Series 2020B Notes") on October 1, 2020.

RATING

None of the outstanding indebtedness of the Village is currently rated, and the Village has not requested a rating on the Notes. A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the Village.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the Village shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the Village shall execute and deliver a Continuing Disclosure Agreement, under which the Village will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the Village are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the Village to comply with any Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years, the Village believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The Village has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the Village.

LEGAL OPINION

An opinion as to the validity of the Notes will be furnished by Husch Blackwell LLP, of Milwaukee, Wisconsin, bond counsel to the Village. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the Village; provided that the rights of the owners of the Bonds and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "Taxability of Interest" in the Official Statement and the "Form of Legal Opinion" found in the Appendix B) and has not performed any investigation as to its accuracy, completeness or sufficiency.

TAXABILITY OF INTEREST

Interest on the Notes is included in gross income for present Federal income tax purposes. Interest on the Taxable Notes is not exempt from present Wisconsin income or franchise taxes.

ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Notes") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Note over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such

Discounted Notes were sold (issue price). With respect to a taxpayer who purchases a Discounted Note in the initial public offering at the issue price and who holds such Discounted Note to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Note for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Note upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Note, on days that are determined by reference to the maturity date of such Discounted Note. The amount treated as original issue discount on a Discounted Note for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Note (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Note at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Note during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Note the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Note is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Note is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Note (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Note that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Notes may result in certain collateral federal income tax consequences for the owners of such Discounted Notes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Notes at a price other than the issue price or who purchase such Discounted Notes in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Notes. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Notes.

BOND PREMIUM

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Notes") will be considered to have bond premium.

Any Premium Note purchased in the initial offering at the issue price will have "amortizable premium" within the meaning of Section 171 of the Code. The amortizable premium of each Premium Note is calculated on a daily basis from the issue date of such Premium Note until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Note that has amortizable premium is not allowed any deduction for the amortizable premium; rather the amortizable premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable premium that is allocable to the portion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

Owners of Premium Notes who did not purchase such Premium Notes in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Notes. Owners of Premium Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Notes.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Village will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Notes to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the Village in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the Village, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the Village under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the Village for the fiscal year ended December 31, 2019, have been audited by Baker Tilly Virchow Krause, LLP, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Notes are general obligations of the Village, the ultimate payment of which rests in the Village's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the Village in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the Village, the taxable value of property within the Village, and the ability of the Village to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the Village and to the Notes. The Village can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the Village or the taxing authority of the Village.

Interest Rates: In the future, interest rates for this type of obligation may rise generally, possibly resulting in a reduction in the value of the Notes for resale prior to maturity.

Continuing Disclosure: A failure by the Village to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the Village to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the Village, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the Village may have an adverse effect on the value of the Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and

downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

Cybersecurity: The Village is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the Village will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the Village and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the Village, including the duration of the outbreak and measures taken to address the outbreak.

On March 12, 2020, Wisconsin Governor Tony Evers declared a public health emergency in the state in response to the growing threat of COVID-19. That declaration included direction to the state Department of Health Services to use any and all required resources to respond to and contain the outbreak. Governor Evers followed that up with a "safer at home" order on March 24, 2020, closing nonessential businesses, banning gatherings of any size and imposing strict travel restrictions through April 24, 2020. On April 16, 2020, the "safer at home" order (the "Order") was extended from April 24, 2020 through May 26, 2020. Schools remained closed for the duration of the 2019-2020 school year, but certain non-essential businesses were allowed to open operations on a limited basis during this time, including curbside pickup, delivery, mailings and minimum basic operations.

Also on April 16, 2020, President Trump outlined "Guidelines for Opening Up America Again," a three-phased approach to restarting the economy based on public health experts' advice. The guidelines start with a set of criteria that should be met before starting phases one to three. The criteria include a downward trajectory of people with flu-like and COVID-19-like symptoms for 14 days; a downward trajectory of documented cases for 14 days or a downward trajectory of positive tests as a percentage of total tests over a 14-day period; and hospitals with the ability to treat all patients without crisis care and a robust testing program for at-risk healthcare workers.

On April 20, 2020, Governor Evers announced Wisconsin's three-phased approach to reopening the State's economy, based on President Trump's guidelines, including similar criteria to be met before phase one can begin. On April 21, 2020, Republican legislators in the State filed a lawsuit challenging the legality of the Order. On May 13, 2020, the Wisconsin Supreme Court ruled that the State's "safer at home" order is unlawful, invalid and unenforceable because the emergency rulemaking procedures under Section 227.24 of the Wisconsin Statutes and procedures established by the Wisconsin Legislature for rulemaking if criminal penalties were to follow were not followed in connection with the order. The Supreme Court's decision does not invalidate any local health officials' orders or prevent future local health officials' orders related to the COVID-19 pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On May 27, 2020, Governor Tony Evers announced a program titled, "Routes to Recovery: Local Government Aid Grants," which will distribute \$190 million of the State's Coronavirus Relief Fund monies to all counties, cities, villages and towns across Wisconsin for unbudgeted eligible expenditures incurred due to COVID-19 between March 1 and October 31, 2020. The State allocated funds based on population with a guaranteed minimum allocation of \$5,000. The Village's allocation is \$19,883. These funds will be disbursed up to the amount of the allocation after eligible expenditures are reported through the State's cost tracker application.

On July 30, 2020, Governor Evers issued Executive Order #82, declaring a public health emergency in Wisconsin to combat the spread of COVID-19. In conjunction with Executive Order #82, Governor Evers issued Emergency Order #1, requiring most people to wear face coverings when indoors, with certain exemptions in accordance with CDC guidelines. Executive Order #1 went into effect on August 1, 2020, and expires on September 28, 2020.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

The economic impact of COVID-19 may impact assessed and equalized valuations of property in the State, including in the Village. The Village cannot predict the extent of any such changes, but a material decrease in the equalized valuations of property in the Village may materially adversely affect the financial condition of the Village (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

CURRENT PROPERTY VALUATIONS

2020 Equalized Value	\$151,387,900
2020 Equalized Value Reduced by Tax Increment Valuation	\$150,856,200
2019 Assessed Value	\$124,943,897

2020 EQUALIZED VALUE BY CLASSIFICATION

	2020 Equalized Value ¹	Percent of Total Equalized Value
Residential	\$ 108,644,100	71.765%
Commercial	25,784,900	17.032%
Manufacturing	14,065,700	9.291%
Agricultural	44,900	0.030%
Undeveloped	900,500	0.595%
Ag Forest	553,000	0.365%
Forest	70,000	0.046%
Personal Property	1,324,800	0.875%
Total	<u>\$ 151,387,900</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2016	\$123,769,374	\$125,690,900	9.98%
2017	129,062,672	133,865,700	6.50%
2018	122,283,596	131,100,700	-2.07%
2019	124,943,897	141,268,000	7.76%
2020	N/A	151,387,900	7.16%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2019 Equalized Value¹	Percent of Village's Total Equalized Value
Green Star Properties	Storage buildings	\$ 4,818,368	3.18%
Lannon Development	Manufactured housing	2,214,713	1.46%
P&P Enterprises	Commercial	1,660,130	1.10%
Individual	Storage building	1,342,983	0.89%
Dawson Trust	Quarry	1,193,286	0.79%
Innovative Investment	Commercial	953,249	0.63%
Coral Holdings	Commercial	824,808	0.54%
Johnson & Sons Paving	Industrial	781,165	0.52%
AFW Foundry	Foundry	<u>714,343</u>	<u>0.47%</u>
Total		\$ 14,503,045	9.58%
Village's Total 2019 Equalized Value ²		\$151,387,900	

Source: The Village.

¹ Calculated by dividing the 2019 Assessed Values by the 2019 Aggregate Ratio of assessment for the Village.

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes and the Concurrent Obligations, as defined herein)*	<u>\$4,030,708</u>
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Revenue Debt (see schedules following)

Total revenue debt secured by sewer revenues ²	<u>\$3,243,618</u>
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Temporary Revenue Debt

Issue Date	Name of Issue	Final Maturity	Principal Outstanding
7/16/20	Water Revenue Bond Anticipation Note, Series 2020A	4/1/22	\$ 4,998,000

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Notes.

² Obligation of the Village of Sussex; the Village pays approximately 3.7% of the Note.

Village of Lannon, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/01/2020)

Calendar Year Ending	Radio Agreement 2014		Promissory Bank Notes 2016		Refunding Bonds Series 2017A		Promissory Notes Series 2020B		Taxable Promissory Notes Series 2020C		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Dated Amount	Maturity	11/10/2014 \$15,725	12/18/2016 \$29,441	12/27/2017 \$1,795,000	12/27/2017 \$1,795,000	10/01/2020 \$1,705,000*	10/01/2020 \$1,705,000*	10/01/2020 \$1,000,000*	04/01						
2020											5,888	19,876	25,764	4,024,819	.15%	2020
2021			0	5,888	0	19,650	0	0	0	0	177,854	91,838	269,692	3,846,966	4.56%	2021
2022	1,966		1,966	5,888	170,000	36,750	0	0	0	0	276,966	85,650	362,616	3,570,000	11.43%	2022
2023					175,000	31,575	50,000	50,000	50,000	50,000	280,000	78,500	358,500	3,290,000	18.38%	2023
2024					180,000	26,250	60,000	60,000	75,000	75,000	320,000	70,791	390,791	2,970,000	26.32%	2024
2025					185,000	20,775	75,000	75,000	95,000	95,000	365,000	62,095	427,095	2,605,000	35.37%	2025
2026					195,000	15,075	85,000	85,000	115,000	115,000	400,000	52,445	452,445	2,205,000	45.29%	2026
2027					200,000	9,150	90,000	90,000	140,000	140,000	435,000	41,925	476,925	1,770,000	56.09%	2027
2028					205,000	3,075	95,000	95,000	150,000	150,000	245,000	33,853	278,853	1,535,000	62.17%	2028
2029							100,000	100,000	155,000	155,000	235,000	28,544	263,544	1,270,000	68.49%	2029
2030							1,100,000	1,100,000	170,000	170,000	1,270,000	12,913	1,282,913	0	100.00%	2030
			3,931	11,776	1,310,000	162,300	1,705,000	1,705,000	1,000,000	1,000,000	4,030,708	578,429	4,609,137			

* Preliminary, subject to change.

Village of Lannon, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of 10/01/2020)

Sewerage System Revenue Bonds
(CWFL) 1) 2007

Dated Amount	08/22/2007 \$7,633,281	
Maturity	05/01	
Calendar Year Ending	Principal	Interest
2020	0	41,307
2021	429,154	77,150
2022	440,085	66,080
2023	451,294	54,728
2024	462,788	43,087
2025	474,576	31,150
2026	486,663	18,909
2027	499,058	6,356
	3,243,618	338,767

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
0	41,307	41,307	3,243,618	.00%	2020
429,154	77,150	506,304	2,814,464	13.23%	2021
440,085	66,080	506,165	2,374,379	26.80%	2022
451,294	54,728	506,022	1,923,085	40.71%	2023
462,788	43,087	505,876	1,460,297	54.98%	2024
474,576	31,150	505,726	985,721	69.61%	2025
486,663	18,909	505,572	499,058	84.61%	2026
499,058	6,356	505,414	0	100.00%	2027
3,243,618	338,767	3,582,385			

1) Issued by the Village of Sussex; the Village pays approximately 3.7% of the loan.

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 151,387,900
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 7,569,395
Less: General Obligation Debt (includes the Notes and the Concurrent Obligations)*	<u>(4,030,708)</u>
Unused Debt Limit*	<u><u>\$ 3,538,687</u></u>

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2019 Equalized Value ²	% In Village	Total G.O. Debt ³	Village's Proportionate Share
Waukesha County ⁴	\$ 62,260,157,900	0.2418%	\$ 84,665,000	\$ 204,720
Menomonee Falls School District	4,147,440,262	0.0839%	42,050,000	35,280
Hamilton School District	3,722,728,974	3.7012%	55,400,000	2,050,465
Waukesha County Technical College District	60,906,019,616	0.2486%	23,080,000	<u>57,377</u>
Village's Share of Total Overlapping Debt				<u><u>\$ 2,347,842</u></u>

¹ Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

² Includes tax increment valuation.

³ Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

⁴ 2020 Equalized Value shown.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$151,387,900	Debt/ Per Capita 1,264¹
Total General Obligation Debt (includes the Notes and the Concurrent Obligations)*	\$ 4,030,708	2.66%	\$ 3,188.85
Village's Share of Total Overlapping Debt	<u>2,347,842</u>	<u>1.55%</u>	<u>1,857.47</u>
Total*	\$ 6,378,550	4.21%	\$ 5,046.32

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The Village has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In addition to the Concurrent Obligations, the Village has no current plans for additional financing in the next 12 months.

¹ Preliminary 2020 population estimate.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for Village Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2015/16	\$484,225	100%	\$4.24
2016/17	508,335	100%	4.04
2017/18	417,571	100%	3.12
2018/19	410,130	100%	3.13
2019/20	423,762	100%	3.01

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. On April 15, 2020, Governor Tony Evers signed into law 2020 Wisconsin Act 185, which provides that for property taxes payable in 2020, a taxation district may, after making a general or case-by-case finding of hardship, choose to waive interest or penalties on property tax installment payments paid after April 1, 2020 but on or before October 1, 2020. In order to take such action, the county board of supervisors must first adopt a resolution authorizing such waiver and determining criteria for determining hardship and the taxation district must subsequently adopt a similar resolution. In the case of a county adopting such a resolution, the county shall proportionally settle with the taxation districts any taxes, interest and penalties collected on or before July 31, 2020

on August 20, 2020, and settle the remaining unpaid taxes, interest, and penalties on September 20, 2020. The County and the Village have not yet adopted such resolutions. The Village cannot predict whether and how much payment of property taxes will be impacted by COVID-19. Any delays or reduction in the receipt of property taxes may materially adversely impact the Village's finances and payment of debt obligations, including the Notes.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2015/16	\$10.04	\$2.32	\$4.24	\$0.17	\$16.77
2016/17	9.36	2.28	4.04	0.17	15.85
2017/18	8.98	2.22	3.12	0.00	14.32
2018/19	9.32	2.15	3.13	0.00	14.60
2019/20	9.50	2.06	3.01	0.00	14.57

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

THE ISSUER

VILLAGE GOVERNMENT

The Village was incorporated in 1930 and is governed by a seven-member Village Board, of which the Village President is a voting member. All Village Board are elected to staggered two-year terms. The appointed Village Clerk/Treasurer is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The Village employs a staff of two full-time, 20 part-time, and three seasonal employees. All eligible employees in the Village are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

Village employees are generally required to contribute half of the actuarially determined contributions, and the Village generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2017 ("Fiscal Year 2017"), the fiscal year ended December 31, 2018 ("Fiscal Year 2018") and the fiscal year ended December 31, 2019 ("Fiscal Year 2019"), the Village's portion of contributions to WRS (not including any employee contributions) totaled \$10,922, \$10,826 and \$9,995, respectively.

The Village implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2016.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2018, the total pension liability of the WRS was calculated as \$100.3 billion and the fiduciary net position of the WRS was calculated as \$96.7 billion, resulting in a net pension liability of \$3.6 billion. The spread of COVID-19 has significantly impacted investment markets, which may impact the funded status of the WRS and future contribution requirements as a result (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2019, the Village reported a liability of \$35,344 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2018 based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. The Village's proportion was 0.00099348% of the aggregate WRS net pension asset as of December 31, 2018.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible Village personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the Village is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the Village is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless Village were to seek approval for a higher increase through a referendum). Ultimately, the Village can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the Village, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The Village has no active collective bargaining units.

OTHER POST EMPLOYMENT BENEFITS

The Village does not provide any other post employment benefits.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the Village or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the Village to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the Village to file for relief under Chapter 9. If, in the future, the Village were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the Village could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the Village is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the Village could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the Village; (b) to any particular assets of the Village, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the Village were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

FUNDS ON HAND (as of August 31, 2020)

Fund	Total Cash and Investments
Government Checking - Court	\$ 21,196
Government Checking - Operating	199,312
Municipal Now	<u>2,414,551</u>
Total Funds on Hand	<u><u>\$ 2,635,059</u></u>

ENTERPRISE FUNDS

Revenues available for debt service for the Village's enterprise funds have been as follows as of December 31 each year:

	2017	2018	2019
Water			
Total Operating Revenues	\$ 87,608	\$ 138,341	\$ 298,288
Less: Operating Expenses	<u>(145,231)</u>	<u>(249,100)</u>	<u>(371,066)</u>
Operating Income	\$ (57,623)	\$ (110,759)	\$ (72,778)
Plus: Depreciation	74,873	75,142	78,520
Interest Income	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ 17,250</u></u>	<u><u>\$ (35,617)</u></u>	<u><u>\$ 5,742</u></u>
Sewer			
Total Operating Revenues	\$ 304,232	\$ 299,808	\$ 304,561
Less: Operating Expenses	<u>(474,531)</u>	<u>(439,006)</u>	<u>(495,387)</u>
Operating Income	\$ (170,299)	\$ (139,198)	\$ (190,826)
Plus: Depreciation	205,020	205,020	205,020
Interest Income	<u>59,704</u>	<u>51,635</u>	<u>97,243</u>
Revenues Available for Debt Service	<u><u>\$ 94,425</u></u>	<u><u>\$ 117,457</u></u>	<u><u>\$ 111,437</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the Village's General Fund. These summaries are not purported to be the complete audited financial statements of the Village, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village. Copies of the complete audited financial statements are available upon request. See Appendix A for the Village's 2019 audited financial statements.

		FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT		2016	2017	2018	2019	2020
		Audited	Audited	Audited	Audited	Budgeted 1)
Revenues						
	Taxes	\$399,369	\$416,717	\$417,539	\$395,664	\$426,260
	Special Assessments	0	0	0	0	0
	Intergovernmental	71,115	62,130	61,031	91,167	88,359
	License and Permits	67,129	130,234	81,703	652,033	110,652
	Fines, Forfeits and Penalties	118,915	99,681	142,764	148,934	132,686
	Public Charges for Services	66,430	64,207	64,260	67,846	73,825
	Investment Income	2,404	1,694	2,058	2,352	3,000
	Other revenues	63,597	175,201	43,711	44,721	32,850
Total Revenues		\$788,959	\$949,864	\$813,066	\$1,402,717	\$867,632
Expenditures						
	Current:					
	General government	\$253,099	\$255,850	\$258,156	\$257,789	\$248,607
	Public safety	353,902	384,763	369,138	411,791	445,343
	Public works	116,200	198,693	140,577	134,464	72,750
	Health and human services	250	500	200	200	67,560
	Culture, Recreation and Education	57,993	56,395	48,087	48,502	45,373
	Capital Outlay	24,134	35,080	1,248	6,466	0
	Debt Service					
	Principal	1,966	7,854	7,854	7,854	0
	Interest and fiscal charges	0	539	424	312	0
Total Expenditures		\$807,544	\$939,674	\$825,684	\$867,378	\$879,632
Excess of revenues over (under) expenditures		(\$18,585)	\$10,190	(\$12,618)	\$535,339	(\$12,000)
Other Financing Sources (Uses)						
	Transfers In	12,000	0	0	\$0	\$0
	Sale of capital assets	4,300	2,000	0	0	0
	General obligation debt issued	29,441	0	0	0	0
	Transfers Out	0	\$0	\$0	\$0	0
Total Other Financing Sources (Uses)		\$45,741	\$2,000	\$0	\$0	\$0
Net Changes in Fund Balances		\$27,156	\$12,190	(\$12,618)	\$535,339	(\$12,000)
	General Fund Balance January 1	\$362,517	\$389,673	\$401,863	\$389,245	\$924,584
	Prior Period Adjustment	0		0	0	0
	General Fund Balance December 31	\$389,673	\$401,863	\$389,245	\$924,584	\$912,584
DETAILS OF DECEMBER 31 FUND BALANCE						
	Nonspendable	\$63,080	\$64,977	\$251,489	\$825,417	
	Restricted	29,441	0	0	0	
	Committed	0	0	0	0	
	Assigned	12,812	30,924	6,725	12,000	
	Unassigned	284,340	305,962	131,031	87,167	
Total		\$389,673	\$401,863	\$389,245	\$924,584	

1) The 2020 Budget was adopted on October 16, 2019.

GENERAL INFORMATION

LOCATION

The Village, with a 2010 U.S. Census population of 1,107 and a current estimated population of 1,264 comprises an area of 2.46 square miles and is located approximately 21 miles northwest of the City of Milwaukee.

LARGER EMPLOYERS¹

Larger employers in the Village include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Dairyland Bus Company	School & employee bus transportation	70
Chemrite Corporation	Manufacturer of cleaning products	60
AFW Foundry Inc.	Iron foundries	50
Allister Fabricating Company Inc.	Sheet fabricating manufacturer	50
Lannon Quarry	Limestone quarry	50
Lannon Elementary School	Elementary and secondary education	49
Schneider Excavation	Site preparation contractors	40
Lannon Tank	Metal tank manufacturer	35
The Village	Municipal government and services	25
Universal Services	General freight trucking	20
Ken Becker & Sons	Aerial and underground utility construction company	18

Source: *ReferenceUSA, written and telephone survey (August 2020), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "RISK FACTORS - Impact of the Spread of COVID-19").

BUILDING PERMITS

	2016	2017	2018	2019	2020 ¹
<u>New Single Family Homes</u>					
No. of building permits	5	6	1	0	9
Valuation	\$1,355,000	\$1,545,000	\$300,000	\$0	\$1,339,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	5	2	13	9
Valuation	\$0	\$1,500,375	\$750,000	\$6,330,000	\$5,560,000
<u>New Commercial/Industrial</u>					
No. of building permits	2	3	0	0	0
Valuation	\$229,000	\$191,000	\$0	\$0	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	98	97	96	123	67
Valuation	\$2,196,657	\$4,000,124	\$1,701,988	\$7,996,334	\$8,018,995

Source: The Village.

¹ As of September 1, 2020.

U.S. CENSUS DATA

Population Trend: The Village

2000 U.S. Census	1,009
2010 U.S. Census	1,107
2020 Estimated Population	1,264
Percent of Change 2000 - 2010	+ 9.71%

Income and Age Statistics

	The Village	Waukesha County	State of Wisconsin	United States
2018 per capita income	\$33,786	\$44,301	\$32,018	\$32,621
2018 median household income	\$60,227	\$84,331	\$59,209	\$60,293
2018 median family income	\$74,271	\$104,438	\$75,313	\$73,965
2018 median gross rent	\$900	\$1,014	\$837	\$1,023
2018 median value owner occupied units	\$168,000	\$272,100	\$173,600	\$204,900
2018 median age	45.9 yrs.	43.2 yrs.	39.3 yrs.	37.9 yrs.

	State of Wisconsin	United States
Village % of 2018 per capita income	105.52%	103.57%
Village % of 2018 median family income	98.62%	100.41%

Housing Statistics

	<u>The Village</u>		
	2010	2018	Percent of Change
All Housing Units	433	543	25.40%

Source: 2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Waukesha County	Waukesha County	State of Wisconsin
2016	217,425	3.4%	4.0%
2017	219,636	2.9%	3.3%
2018	219,707	2.6%	3.0%
2019	218,151	2.9%	3.3%
2020, July ¹	207,103	6.4%	7.0%

Source: Wisconsin Department of Workforce Development.

¹ Preliminary.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the Village's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The Village has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the Village requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the Village since the date of the financial statements, in connection with the issuance of the Notes, the Village represents that there have been no material adverse change in the financial position or results of operations of the Village, nor has the Village incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

VILLAGE OF LANNON

Lannon, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

VILLAGE OF LANNON

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Lannon
Lannon, 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 Lannon, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village of Lannon'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor considers internal control relevant to the Village of Lannon'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 of Lannon'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.

To the Village Board
Village of Lannon

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 of Lannon, Wisconsin, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Village of Lannon adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note I, the Village of Lannon adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective January 1, 2019. 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
April 22, 2020

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

As management of the Village of Lannon, we offer readers of the Village of Lannon's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2019.

Financial Highlights

The assets of the Village of Lannon exceeded its liabilities at the close of the most recent fiscal year by \$12,727,304.

The government's total net position has increased by \$269,097.

As of the close of the current fiscal year, the Village of Lannon's governmental funds reported combined ending fund balances of \$264,059.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$87,167.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lannon's basic financial statements. The Village of Lannon's basic financial statements comprise three components: 1) governments-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary 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 of Lannon's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village of Lannon's assets and liabilities, with the difference between the two reported 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 of Lannon is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal 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 the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Lannon 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 of Lannon include general

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

government, public safety, public works, health and sanitation, leisure activities, and interest and fiscal changes. The business-type activities of the Village of Lannon include both a Sewer and Water Utility.

The government-wide financial statements can be found on pages 11-12 of this report.

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 of Lannon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Lannon 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 government'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 of Lannon maintains three 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 and the debt service fund, both of which are considered to be major funds. Data from the other governmental fund is shown in a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

The Village of Lannon adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement, found on page 53, has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary funds. The Village of Lannon maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Lannon uses an enterprise fund to account for both its Sewer and Water Utility.

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 Sewer Utility and the Water Utility which are considered both to be major funds of the Village of Lannon.

The basic proprietary fund financial statements can be found on pages 17-20 of this report.

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Lannon's own programs. The only fiduciary fund maintained by the Village of Lannon is the Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the Village of Lannon. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the 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 financial statements can be found on pages 23-52 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Lannon, assets exceeded liabilities by \$12,727,304, at the close of the most recent fiscal year, as presented in the following table.

VILLAGE OF LANNON NET POSITION December 31, 2019

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 992,834	\$ 872,818	\$ 2,985,073	\$ 3,212,159
Capital assets	547,224	611,561	11,091,850	10,880,436
Total assets	<u>1,540,058</u>	<u>1,484,379</u>	<u>14,076,923</u>	<u>14,092,595</u>
Current and other liabilities	313,517	147,545	410,664	224,776
Long-term liabilities	274,639	316,903	1,210,111	1,366,089
Total liabilities	<u>588,156</u>	<u>464,448</u>	<u>1,620,775</u>	<u>1,590,865</u>
Deferred inflows of resources	537,794	532,631	240,387	589,534
Net position				
Net investment in capital assets	231,497	255,524	9,731,080	9,370,616
Restricted	67,104	89,827	679,178	666,411
Unrestricted	209,389	198,266	1,809,056	1,877,563
Total net position	<u>\$ 507,990</u>	<u>\$ 543,617</u>	<u>\$ 12,219,314</u>	<u>\$ 11,914,590</u>

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

The Village of Lannon's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and any infrastructure constructed during 2017); less any related debt used to acquire those assets that are still outstanding as a positive \$9.96 million. The Village of Lannon uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Lannon'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.

An additional portion of the Village of Lannon's governmental activities net position, \$67,104, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is \$209,389.

The government's net position has increased by \$269,097 during the current fiscal year. The increase was related to the business-type activities.

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

Governmental activities. Governmental activities decreased the Village of Lannon's net position by \$35,627. Key elements of this increase are as follows:

VILLAGE OF LANNON'S CHANGES IN NET POSITION For the year ending December 31, 2019

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Revenues				
Program revenues				
Charges for services	\$ 876,564	\$ 296,564	\$ 602,849	\$ 438,147
Operating grants and contributions	34,150	36,576	-	-
Capital grants and contributions	-	-	506,654	53,768
General revenues				
Property taxes	442,291	465,887	-	-
Intergovernmental revenues not restricted to specific programs	57,017	24,454	-	-
Investment income	2,619	2,925	97,243	51,635
Other	134,167	35,875	-	-
Total revenues	1,546,808	862,281	1,206,746	543,550
Expenses				
General government	618,365	267,251	-	-
Public safety	427,224	382,526	-	-
Public works	141,119	147,232	-	-
Conservation and development	294,242	189,862	-	-
Leisure activities	93,391	93,389	-	-
Health and sanitation	200	200	-	-
Interest and fiscal charges	7,894	9,162	-	-
Sewer	-	-	507,499	452,917
Water	-	-	394,523	276,989
Total expenses	1,582,435	1,089,622	902,022	729,906
Increase (decrease) in net position	(35,627)	(227,341)	304,724	(186,356)
Net position - January 1,	543,617	770,958	11,914,590	12,100,946
Net position - December 31,	\$ 507,990	\$ 543,617	\$ 12,219,314	\$ 11,914,590

Business-type activities. Business-type activities increased the Village of Lannon's net position by \$304,724 as shown above.

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Village of Lannon'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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village of Lannon's governmental funds reported combined ending fund balances of \$264,059 an increase of \$3,317. Management has assigned \$12,000 of fund balance for appropriation of General Fund fund balance to balance the 2020 Budget. A portion of fund balance has been classified as *nonspendable* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes (\$825,417). The governmental funds also have \$67,825 *restricted* for the payment of debt service.

The general fund is the chief operating fund of the Village of Lannon. At the end of the current fiscal year, unassigned fund balance of the general fund was \$87,167, while total fund balance amounted to \$924,584. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The debt service fund has a total fund balance of \$67,825, all of which is restricted for the payment of debt service.

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

Unrestricted net position of the Sewer Utility at the end of the year amounted to \$3,134,897. Unrestricted net position of the Water Utility at the end of the year amounted to (\$1,325,841). The total change in net position for the funds was a increase of \$304,724.

General Fund Budgetary Highlights

Budget expenditures exceeded budget and revenues exceeded budget for the year. A budgetary comparison can be found on page 53 of this report.

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

Capital Asset and Debt Administration

Capital assets. The Village of Lannon's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$11.64 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment, and utility infrastructure.

Major capital asset events during the current fiscal year included the following:

VILLAGE OF LANNON'S CAPITAL ASSETS (net of accumulated depreciation) December 31, 2019

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 45,397	\$ 45,397	\$ 69,917	\$ 69,917
Land improvements	31,714	39,217	-	-
Buildings	67,489	70,770	722,030	761,857
Vehicles and equipment	157,296	205,154	52,848	58,428
Intangible assets	-	-	330,115	380,762
Construction in Progress	-	-	178,008	123,007
Infrastructure	245,318	251,023	9,739,132	9,486,465
Total	\$ 547,224	\$ 611,561	\$ 11,091,850	\$ 10,880,436

Additional information on the Village of Lannon's capital assets can be found in Note III D on pages 37 - 38 of this report.

Long-term debt. At the end of the current fiscal year, the Village of Lannon had total debt outstanding of \$1.68 million. Of this amount, \$1.5 million comprises debt backed by the full faith and credit of the government. The remainder of the Village of Lannon's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

VILLAGE OF LANNON'S OUTSTANDING DEBT

December 31, 2019

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
General obligation bonds and notes	\$ 307,006	\$ 346,139	\$ 1,190,671	\$ 1,319,392
Premiums	8,721	9,897	35,406	40,725
Revenue bonds	-	-	134,693	149,703
Total	\$ 315,727	\$ 356,036	\$ 1,360,770	\$ 1,509,820

VILLAGE OF LANNON

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2019
(Unaudited)

The Village of Lannon's total debt has decreased by \$182,864 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the Village of Lannon is \$7.063 million, which is significantly in excess of the Village of Lannon's outstanding general obligation debt.

Additional information on the Village of Lannon's long-term debt can be found in note III E on pages 40-42 of this report.

Economic Factors and Next Year's Budgets and Rates

By agreement with the Village's financial institution all invested and operating funds are fully protected by combination of pledged collateral and the State Guarantee Fund.

The Village of Lannon continues to maintain unassigned fund balance to fund projects that will be needed to be completed.

The Village continues to experience some growth.

The sewer utility rates were reviewed in 2011 and it was determined not to change the rates. Based on that review it was determined to hold the rates steady for 2019. Additional studies may be conducted in 2020 to determine the adequacy of the sewer rates.

The Village established a Water Utility in 2008, with service beginning at the end of September, 2008. There have been no substantial changes to the water system during 2019.

Requests for Information

This financial report is designed to provide a general overview of the Village of Lannon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Clerk/Treasurer, Village of Lannon, 20399 West Main Street, P. O. Box 456, Lannon, Wisconsin 53046.

VILLAGE OF LANNON

STATEMENT OF NET POSITION

As of December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 472,237	\$ 1,878,226	\$ 2,350,463
Receivables			
Taxes	219,466	4,473	223,939
Accounts	255,131	130,280	385,411
Due from other governmental units	-	14,092	14,092
Other assets	-	38,801	38,801
Land held for resale	46,000	-	46,000
Prepays	-	58	58
Restricted assets			
Cash and investments	-	680,534	680,534
Special assessments receivable	-	238,609	238,609
Capital assets			
Land	45,397	69,917	115,314
Construction in progress	-	178,008	178,008
Other capital assets, net of depreciation/amortization	501,827	10,843,925	11,345,752
Total Assets	<u>1,540,058</u>	<u>14,076,923</u>	<u>15,616,981</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>93,882</u>	<u>3,553</u>	<u>97,435</u>
LIABILITIES			
Accounts payable and accrued expenses	238,584	246,859	485,443
Customer deposits	-	11,647	11,647
Noncurrent liabilities			
Net pension liability	33,845	1,499	35,344
Due within one year	41,088	152,158	193,246
Due in more than one year	274,639	1,208,612	1,483,251
Total Liabilities	<u>588,156</u>	<u>1,620,775</u>	<u>2,208,931</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - taxes	490,912	-	490,912
Unearned revenue - special assessments & water hookup fees	-	238,609	238,609
Deferred inflows related to pension	46,882	1,778	48,660
Total Deferred Inflows of Resources	<u>537,794</u>	<u>240,387</u>	<u>778,181</u>
NET POSITION			
Net investment in capital assets	231,497	9,731,080	9,962,577
Restricted for			
Debt service	67,104	364,998	432,102
Replacement of capital assets	-	314,180	314,180
Pensions	-	-	-
Unrestricted	<u>209,389</u>	<u>1,809,056</u>	<u>2,018,445</u>
TOTAL NET POSITION	<u>\$ 507,990</u>	<u>\$ 12,219,314</u>	<u>\$ 12,727,304</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 618,365	\$ 394,563	\$ -	\$ -	\$ (223,802)	\$ -	\$ (223,802)
Public safety	427,224	415,589	5,012	-	(6,623)	-	(6,623)
Public works	141,119	61,040	29,138	-	(50,941)	-	(50,941)
Health and human services	200	-	-	-	(200)	-	(200)
Conservation and development	294,242	-	-	-	(294,242)	-	(294,242)
Culture, education and recreation	93,391	5,372	-	-	(88,019)	-	(88,019)
Interest and fiscal charges	7,894	-	-	-	(7,894)	-	(7,894)
Total Governmental Activities	1,582,435	876,564	34,150	-	(671,721)	-	(671,721)
Business-type Activities							
Water utility	394,523	298,288	-	412,835	-	316,600	316,600
Sewer utility	507,499	304,561	-	93,819	-	(109,119)	(109,119)
Total Business-type Activities	902,022	602,849	-	506,654	-	207,481	207,481
Totals	\$ 2,484,457	\$ 1,479,413	\$ 34,150	\$ 506,654	(671,721)	207,481	(464,240)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes							
Property taxes, levied for debt service							
Intergovernmental revenues not restricted to specific programs							
Investment income							
Miscellaneous							
Total General Revenues							
Change in Net Position							
NET POSITION - Beginning of Year							
NET POSITION - END OF YEAR							

See accompanying notes to financial statements.

VILLAGE OF LANNON

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2019

	General	Debt Service	Special Revenue Funds		Total Governmental Funds
			TID No. 1	TID No. 2	
ASSETS					
Cash and investments	\$ 377,770	\$ 94,467	\$ -	\$ -	\$ 472,237
Receivables					
Taxes	187,172	20,860	-	-	208,032
Delinquent personal property taxes	11,434	-	-	-	11,434
Accounts	157,934	-	49,414	47,783	255,131
Due from other funds	767,983	-	-	-	767,983
Land held for resale	46,000	-	-	-	46,000
TOTAL ASSETS	<u>\$ 1,548,293</u>	<u>\$ 115,327</u>	<u>\$ 49,414</u>	<u>\$ 47,783</u>	<u>\$ 1,760,817</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts payable	\$ 180,299	\$ -	\$ 15,375	\$ 42,189	\$ 237,863
Due to other funds	-	-	350,829	417,154	767,983
Total Liabilities	<u>180,299</u>	<u>-</u>	<u>366,204</u>	<u>459,343</u>	<u>1,005,846</u>
Deferred inflows of resources					
Unearned Revenues	<u>443,410</u>	<u>47,502</u>	<u>-</u>	<u>-</u>	<u>490,912</u>
Total Deferred Inflows of Resources	<u>443,410</u>	<u>47,502</u>	<u>-</u>	<u>-</u>	<u>490,912</u>
Fund Balances (Deficits)					
Nonspendable	825,417	-	-	-	825,417
Restricted	-	67,825	-	-	67,825
Assigned	12,000	-	-	-	12,000
Unassigned (deficits)	<u>87,167</u>	<u>-</u>	<u>(316,790)</u>	<u>(411,560)</u>	<u>(641,183)</u>
Total Fund Balances (Deficits)	<u>924,584</u>	<u>67,825</u>	<u>(316,790)</u>	<u>(411,560)</u>	<u>264,059</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 1,548,293</u>	<u>\$ 115,327</u>	<u>\$ 49,414</u>	<u>\$ 47,783</u>	<u>\$ 1,760,817</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2019

Fund balance - total governmental funds	\$ 264,059
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and other assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	45,397
Other capital assets	1,107,624
Less: Accumulated depreciation	(605,797)

The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(33,845)
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Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	93,882
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(46,882)
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, not reported in the funds.

Bonds and notes payable	(307,006)
Accrued interest	(721)
Unamortized debt premium	(8,721)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 507,990
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See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	General	Debt Service	Special Revenue Funds		Total Governmental Funds
			TID No. 1	TID No. 2	
REVENUES					
Taxes	\$ 395,664	\$ 46,627	\$ -	\$ -	\$ 442,291
Intergovernmental	91,167	-	-	-	91,167
Licenses and permits	652,033	-	-	-	652,033
Fines, forfeitures and penalties	148,934	-	-	-	148,934
Public charges for services	67,846	-	-	-	67,846
Interest income	2,352	267	-	-	2,619
Other revenues	44,721	-	49,414	47,783	141,918
Total Revenues	<u>1,402,717</u>	<u>46,894</u>	<u>49,414</u>	<u>47,783</u>	<u>1,546,808</u>
EXPENDITURES					
Current					
General government	257,789	-	-	-	257,789
Public safety	411,791	-	-	-	411,791
Public works	134,464	-	-	-	134,464
Health and human services	200	-	-	-	200
Conservation and development	-	-	259,522	376,163	635,685
Culture, recreation and education	48,502	-	-	-	48,502
Capital Outlay	6,466	-	-	-	6,466
Debt Service					
Principal	7,854	31,279	-	-	39,133
Interest and fiscal charges	312	9,149	-	-	9,461
Total Expenditures	<u>867,378</u>	<u>40,428</u>	<u>259,522</u>	<u>376,163</u>	<u>1,543,491</u>
Net change in fund balances	535,339	6,466	(210,108)	(328,380)	3,317
FUND BALANCES (DEFICITS) - Beginning of Year	<u>389,245</u>	<u>61,359</u>	<u>(106,682)</u>	<u>(83,180)</u>	<u>260,742</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 924,584</u>	<u>\$ 67,825</u>	<u>\$ (316,790)</u>	<u>\$ (411,560)</u>	<u>\$ 264,059</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$ 3,317
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 these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is reported in the government-wide financial statements as capital or other assets	6,466
Some items reported as capital outlay were not capitalized	(6,466)
Depreciation is reported in the government-wide statements	(64,337)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid	39,133
Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are deferred and reported as other assets or as deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as amortization expense.	
Amortization of premium	1,176
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 debt	80
Net pension liability	(63,115)
Deferred outflows of resources related to pension	37,565
Deferred inflows of resources related to pension	10,554
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (35,627)

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 1,878,226	\$ -	\$ 1,878,226
Receivables			
Taxes	4,240	233	4,473
Accounts	84,527	45,753	130,280
Due from other governments	14,092	-	14,092
Prepaid items	30	28	58
Restricted Assets			
Cash and investments	37,359	-	37,359
Total Current Assets	<u>2,018,474</u>	<u>46,014</u>	<u>2,064,488</u>
Non-Current Assets			
Restricted Assets			
Cash and investments	643,175	-	643,175
Special assessments	238,609	-	238,609
Capital Assets			
Construction in progress	-	178,008	178,008
Land	-	69,917	69,917
Property and equipment	13,841,584	4,387,708	18,229,292
Less: Accumulated depreciation/amortization	(6,590,064)	(795,303)	(7,385,367)
Other Assets			
Advance to other fund	1,190,581	-	1,190,581
Unamortized start-up costs	-	38,801	38,801
Total Non-Current Assets	<u>9,323,885</u>	<u>3,879,131</u>	<u>13,203,016</u>
Total Assets	<u>11,342,359</u>	<u>3,925,145</u>	<u>15,267,504</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	912	2,641	3,553
Total Deferred Outflows of Resources	<u>912</u>	<u>2,641</u>	<u>3,553</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 36,884	\$ 206,426	\$ 243,310
Accrued interest payable	-	2,193	2,193
Customer deposits	-	11,647	11,647
Current portion of general obligation debt	-	100,763	100,763
Current portion of Sussex Clean Water Fund loan	15,392	-	15,392
Liabilities Payable from Restricted Assets			
Current portion of general obligation debt	36,003	-	36,003
Accrued interest payable	1,356	-	1,356
Total Current Liabilities	<u>89,635</u>	<u>321,029</u>	<u>410,664</u>
Noncurrent Liabilities			
Net pension liability	376	1,123	1,499
Long-Term Debt			
Advance from other funds	-	1,190,581	1,190,581
Unamortized debt premiums	9,447	25,959	35,406
General obligation debt payable	277,438	776,467	1,053,905
Sussex Clean Water Fund loans	119,301	-	119,301
Total Noncurrent Liabilities	<u>406,562</u>	<u>1,994,130</u>	<u>2,400,692</u>
Total Liabilities	<u>496,197</u>	<u>2,315,159</u>	<u>2,811,356</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - special assessments & water hookup fees	238,609	-	238,609
Deferred inflows related to pension	451	1,327	1,778
Total Deferred Inflows of Resources	<u>239,060</u>	<u>1,327</u>	<u>240,387</u>
NET POSITION			
Net investment in capital assets	6,793,939	2,937,141	9,731,080
Restricted for			
Replacement of capital assets	314,180	-	314,180
Debt service	364,998	-	364,998
Unrestricted (deficit)	<u>3,134,897</u>	<u>(1,325,841)</u>	<u>1,809,056</u>
TOTAL NET POSITION	<u>\$ 10,608,014</u>	<u>\$ 1,611,300</u>	<u>\$ 12,219,314</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
OPERATING REVENUES			
Public charges for services	\$ 304,561	\$ 79,071	\$ 383,632
Other operating revenues	-	219,217	219,217
Total Operating Revenues	<u>304,561</u>	<u>298,288</u>	<u>602,849</u>
OPERATING EXPENSES			
Operation and maintenance	239,720	291,212	530,932
Depreciation	205,020	78,520	283,540
Amortization	50,647	1,334	51,981
Total Operating Expenses	<u>495,387</u>	<u>371,066</u>	<u>866,453</u>
Operating Loss	<u>(190,826)</u>	<u>(72,778)</u>	<u>(263,604)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	97,243	-	97,243
Interest and fiscal charges	<u>(12,112)</u>	<u>(23,457)</u>	<u>(35,569)</u>
Total Nonoperating Revenues (Expenses)	<u>85,131</u>	<u>(23,457)</u>	<u>61,674</u>
Loss Before Contributions	<u>(105,695)</u>	<u>(96,235)</u>	<u>(201,930)</u>
CAPITAL CONTRIBUTIONS	<u>93,819</u>	<u>412,835</u>	<u>506,654</u>
Change in Net Position	<u>(11,876)</u>	<u>316,600</u>	<u>304,724</u>
NET POSITION – Beginning of Year	<u>10,619,890</u>	<u>1,294,700</u>	<u>11,914,590</u>
NET POSITION – END OF YEAR	<u>\$ 10,608,014</u>	<u>\$ 1,611,300</u>	<u>\$ 12,219,314</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 343,675	\$ 340,170	\$ 683,845
Paid to suppliers for goods and services	(233,241)	(122,298)	(355,539)
Paid to employees for services	(1,697)	(5,091)	(6,788)
Net Cash Flows From Operating Activities	108,737	212,781	321,518
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to (from) other funds	(34,307)	34,307	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	97,243	-	97,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(545,601)	(545,601)
Capital contributions	70,364	421,087	491,451
Principal paid on debt	(48,896)	(94,835)	(143,731)
Interest paid on debt	(13,533)	(27,739)	(41,272)
Special assessments received	23,455	-	23,455
Net Cash Flows From Capital and Related Financing Activities	31,390	(247,088)	(215,698)
Net Change in Cash and Cash Equivalents	203,063	-	203,063
CASH AND CASH EQUIVALENTS - Beginning of Year	\$ 2,355,697	-	2,355,697
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,558,760	\$ -	\$ 2,558,760
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION			
Unrestricted	\$ 1,878,226	\$ -	\$ 1,878,226
Restricted	680,534	-	680,534
	\$ 2,558,760	\$ -	\$ 2,558,760
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (190,826)	\$ (72,778)	\$ (263,604)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities			
Depreciation	205,020	78,520	283,540
Amortization	50,647	1,334	51,981
Change in Assets and Liabilities			
Accounts receivable	39,115	31,987	71,102
Accounts payable	4,618	173,227	177,845
Prepayments	(3)	(3)	(6)
Pension related deferrals	166	494	660
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 108,737	\$ 212,781	\$ 321,518
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
None	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND As of December 31, 2019

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 906,730
Taxes receivable	<u>724,910</u>
Total Assets	<u>1,631,640</u>
LIABILITIES	
Accounts Payable	1,051
Due to other taxing units	<u>1,630,589</u>
Total Liabilities	<u>1,631,640</u>
NET POSITION	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the Year Ended December 31, 2019

	<u>Custodial Fund</u>
	<u>Tax Collection</u>
	<u>Fund</u>
Additions	
Tax collections	\$ <u>1,410,387</u>
Deductions	
Tax payments	<u>1,410,387</u>
Change in Fiduciary Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF LANNON

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VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the Village. The reporting entity for the Village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The Village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

Government-Wide Financial Statements

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

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements

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

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

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

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

The Village reports the following major governmental funds:

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

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

Tax Incremental District No. 1 (TID No. 1) Tax Incremental District No. 2 (TID No. 2)

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

The Village reports the following major enterprise funds:

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

In addition, the Village reports the following fund types:

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

Tax Collection Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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

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

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

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

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

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

The Village has not adopted an investment policy.

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

See Note III. A. for further information.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

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

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

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

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

3. Prepaid Items

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

4. Restricted Assets

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

Government-Wide Statements

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

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

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

Buildings	10-40	Years
Utility System	15-60	Years
Vehicles and Equipment	10-20	Years
Intangible - Plant Capacity	30	Years
Infrastructure	50-100	Years

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

7. *Compensated Absences*

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

8. *Long-Term Obligations*

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

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

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

9. *Deferred Inflows of Resources*

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

10. *Equity Classifications*

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications

Fund Statements (cont.)

d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Village Board has, by resolution, adopted a financial policy authorizing the Village Clerk/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

See Note III. G. for further information.

11. Pension

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

12. Land Held for Resale

The Village purchased land held for resale in 2016. In both the fund financial statements and the government-wide statements, this item is reported at the lower of cost or estimated market value of the property.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund and debt service fund. A budget has not been formally adopted for special revenue funds - tax incremental district no. 1 or tax incremental district no. 2. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2019, the following individual funds held a deficit balance:

Fund	Amount	Reason
Special Revenue - TID No. 1 Fund	\$ 316,790	Expenditures exceed revenue
Special Revenue - TID No. 2 Fund	411,560	Expenditures exceed revenue

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

C. LIMITATIONS ON THE VILLAGE'S TAX LEVY

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits			
Petty cash	\$ 3,937,477	\$ 3,536,009	Custodial Credit Risk
	250	-	N/A
Total Deposits and Investments	<u>\$ 3,937,727</u>	<u>\$ 3,536,009</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 2,350,463		
Restricted cash and investments	680,534		
Per statement of assets and liabilities -			
Custodial Fund			
Custodial Fund	<u>906,730</u>		
Total Deposits and Investments	<u>\$ 3,937,727</u>		

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

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

Custodial Credit Risk

Deposits

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

As of December 31, 2019, \$2,886,009 of the Village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institution's trust department or agent not in the Village's name \$ 2,886,009

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

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VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$238,609 of special assessments that are outstanding.

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

	Unearned
Property taxes receivable for subsequent year	<u>\$ 490,912</u>

Enterprise funds report unearned revenue for special assessments and deferred water hookup fees. As of December 31, 2019 unearned revenue totaled \$238,609.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2019:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Debt service- cash and investments	\$ 366,354	\$ (1,356)	\$ 364,998
Special assessments	238,609	-	238,609
Equipment replacement - cash and investments	<u>314,180</u>	-	<u>314,180</u>
Total	<u>\$ 919,143</u>	<u>\$ (1,356)</u>	<u>\$ 917,787</u>
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VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 45,397	\$ -	\$ -	\$ 45,397
Total Capital Assets Not Being depreciated	45,397	-	-	45,397
Capital assets being depreciated				
Land improvements	85,860	-	-	85,860
Buildings	193,438	-	-	193,438
Vehicles and equipment	543,073	-	-	543,073
Infrastructure/Storm Sewer	285,253	-	-	285,253
Total Capital Assets Being Depreciated	1,107,624	-	-	1,107,624
Total Capital Assets	1,153,021	-	-	1,153,021
Less: Accumulated depreciation for				
Land improvements	(46,643)	(7,503)	-	(54,146)
Buildings	(122,668)	(3,271)	-	(125,939)
Vehicles and equipment	(337,919)	(47,858)	-	(385,777)
Infrastructure/Storm Sewer	(34,230)	(5,705)	-	(39,935)
Total Accumulated depreciation	(641,460)	(64,337)	-	(605,797)
Net Capital Assets Being Depreciated	566,164	(64,337)	-	501,827
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 611,561	\$ (64,337)	\$ -	\$ 547,224
Depreciation/amortization expense was charged to functions as follows:				
Governmental Activities				
General government				\$ 5,013
Public safety				7,531
Culture, education and recreation				44,888
Public works				6,905
Total Governmental Activities Depreciation Expense				\$ 64,337

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VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 69,917	\$ -	\$ -	\$ 69,917
Construction in progress	123,007	55,001	-	178,008
Total Capital Assets Not Being depreciated	192,924	55,001	-	247,925
Capital assets being depreciated/amortized				
Buildings	1,521,130	-	-	1,521,130
Equipment	1,162,581	-	-	1,162,581
Sewer system	10,547,563	-	-	10,547,563
Intangible - plant capacity	1,100,217	-	-	1,100,217
Water system	3,407,448	490,600	247	3,897,801
Total Capital Assets Being Depreciated/Amortized	17,738,939	490,600	247	18,229,292
Total Capital Assets	17,931,863	545,601	247	18,477,217
Less: Accumulated depreciation/amortization for				
Buildings	(759,273)	(39,827)	-	(799,100)
Equipment	(1,104,153)	(5,780)	-	(1,109,933)
Sewer system	(3,920,096)	(175,468)	-	(4,095,564)
Intangible - plant capacity	(719,455)	(50,647)	-	(770,102)
Water system	(548,450)	(62,465)	247	(610,668)
Total Accumulated depreciation/amortization	(7,051,427)	(334,187)	247	(7,385,367)
Net Capital Assets Being Depreciated/Amortized	10,687,512	156,413	-	10,843,925
Business-type Capital Assets, Net of Accumulated depreciation/amortization	\$ 10,880,436	\$ 211,414	\$ -	\$ 11,091,850
Depreciation/amortization expense was charged to functions as follows:				
Business-type Activities				
Sewer				\$ 255,667
Water				78,520
Total Business-type Activities Depreciation/Amortization Expense				\$ 334,187

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VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND ADVANCES

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund - Tax Incremental District No. 1	\$ 350,829
General Fund	Special revenue Fund - Tax Incremental District No. 2	417,154
Total - Fund Financial Statements		767,983
Less: Fund eliminations		(767,983)
Total Internal Balances - Government-Wide Statement of Net Position		\$ -

All amounts are due within one year.

The principal purpose of these interfunds is an overdraft on pooled cash. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances

The sewer fund is advancing funds to the water utility. The amount advanced is determined by the deficit cash balance in the water utility. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Sewer Utility	Water Utility	\$ 1,190,581	\$ 1,190,581

The principal purpose of this advance is an overdraft on pooled cash.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable	\$ 346,139	\$ -	\$ 39,133	\$ 307,006	\$ 41,088
General obligation debt (Discounts)/Premiums	8,897	-	1,176	8,721	-
Sub-totals	355,036	-	40,309	315,727	41,088
Net pension liability	-	33,845	-	33,845	-
Total Other Liabilities	-	33,845	-	33,845	-
Total Governmental Activities Long-Term Liabilities	\$ 355,036	\$ 33,845	\$ 40,309	\$ 349,572	\$ 41,088
Business-type Activities					
Bonds and Notes Payable	\$ 1,319,392	\$ -	\$ 128,721	\$ 1,190,671	\$ 136,766
General obligation debt (Discounts)/Premiums	149,703	-	15,010	134,693	15,392
General obligation debt from direct borrowings and direct placements	40,725	-	5,319	35,406	-
Sub-totals	1,509,820	-	149,050	1,360,770	152,158
Other Liabilities	-	-	-	-	-
Net pension liability	-	1,499	-	1,499	-
Total Other Liabilities	-	1,499	-	1,499	-
Total Business-type Activities Long-Term Liabilities	\$ 1,509,820	\$ 1,499	\$ 149,050	\$ 1,362,269	\$ 152,158

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed 5% of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2019, was \$7,063,400. Total general obligation debt outstanding at year end was \$1,497,677.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Trunked Radio Agreement	11/10/2014	02/15/2022	0%	\$ 15,725	\$ 5,895
Promissory Note	12/18/2016	12/28/2021	1.92%	29,441	11,777
Refunding GO Bonds	12/27/2017	06/01/2027	3.0%	350,912	289,334
Total Governmental Activities - General Obligation Debt					<u>\$ 307,006</u>

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Refunding GO Bonds	12/27/2017	06/01/2027	3.0%	\$ 1,444,088	\$ 1,190,671
Total Business-type Activities - General Obligation Debt					<u>\$ 1,190,671</u>

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 41,088	\$ 8,380	\$ 136,766	\$ 33,669
2021	41,088	7,269	136,766	29,566
2022	36,174	6,173	140,789	25,402
2023	35,189	5,132	144,811	21,118
2024	36,166	4,061	148,834	16,714
2025-2027	117,301	5,337	482,705	21,963
Totals	<u>\$ 307,006</u>	<u>\$ 36,352</u>	<u>\$ 1,190,671</u>	<u>\$ 148,432</u>

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Business-type Activities

Notes from Direct Borrowings and Direct Placements	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Clean Water Fund Loan	8/22/2007	05/01/2027	2.547%	\$ 280,752	\$ 134,693
Total Business-type Activities Debt					<u>\$ 134,693</u>

Business-type Activities		Notes from Direct Borrowings and Direct Placements	
Years	Principal	Interest	
2020	\$ 15,392	\$ 3,235	
2021	15,784	2,838	
2022	16,186	2,430	
2023	16,599	2,013	
2024	17,021	1,585	
2025-2027	53,711	2,075	
Totals	<u>\$ 134,693</u>	<u>\$ 14,176</u>	

The Village's outstanding revenue bonds from direct borrowings and/or direct placements related to business type activities of \$134,693 contains provisions that in an event of default, outstanding amounts are recoverable by the State by deducting those amounts from any State payments due to the Village, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the Village is located; or to collect user fees from the operations of the Village's water and sewer system.

Other Debt Information

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Village believes it is in compliance with all significant limitations and restriction, including federal arbitrage regulations.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 45,397
Other capital assets, net of accumulated depreciation	501,825
Less: Long-term debt outstanding	(307,003)
Less: Unamortized debt premium	(8,721)
Total Net Investment in Capital Assets	<u>\$ 231,498</u>

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

Nonspendable

Major Fund	
General Fund	
Delinquent personal property taxes	\$ 11,434
Amount due from TID No. 1 & 2	767,983
Land held for resale	46,000
Total	<u>\$ 825,417</u>

Restricted

Major Fund	
Debt Service Fund	
Debt Service	\$ 67,825

Assigned

Major Fund	
General Fund	
Budgeted use of fund balance - 2020	\$ 12,000

Unassigned

Major Funds	
General fund	\$ 87,167
Special Revenue Funds	
Tax Incremental District No. 1	(316,790)
Tax Incremental District No. 2	(411,560)
Total	<u>\$ (641,183)</u>

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 69,917
Construction in progress	178,008
Other capital assets, net of accumulated depreciation/amortization	10,843,925
Less: Long-term debt outstanding	(1,325,364)
Less: Unamortized debt premium	(35,406)
Total Net Investment in Capital Assets	<u>\$ 9,731,080</u>

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year 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>.

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

Benefits provided. Employees who retire at or after age 65 (64 for protective occupations and 62 for elected officials and executive service retirement plan participants; if hired on or before 12/31/2016) 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 annual 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 LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employees are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$10,281 in contributions from the Village.

Contribution rates for the plan year reported as of December 31, 2019 are:

Employee Category	Employee	Employer
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the Village reported a liability of \$35,344 for its proportionate share of the net pension liability. The net pension liability 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, 2017 rolled forward to December 31, 2018. 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 0.00099348%, which was a decrease of 0.00003648% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Village recognized pension expense of \$26,482.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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	\$ 27,528	\$ 48,660
Changes in assumptions	5,957	-
Net differences between projected and actual earnings on pension plan investments	51,619	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,336	-
Employer contributions subsequent to the measurement date	9,995	-
Totals	\$ 97,435	\$ 48,660

\$9,995 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 14,223
2021	4,066
2022	6,230
2023	14,261

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	3.0%
Inflation	0.1% - 5.6%
Seniority/Merit	Wisconsin 2018 Mortality Table
Mortality:	1.9%
Post-retirement Adjustments*:	

* 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 initiation 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 LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
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
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

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 WPS, 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 member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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	\$140,464	\$35,344	\$(42,819)

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://efw.wi.gov/publications/cafr.htm>.

At December 31, 2019, the Village reported a payable to the pension plan of \$1,328, which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

VILLAGE OF LANNON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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

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

In 2019, the Village issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$567,500, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 2.

Payments are scheduled through the year 2041, and do not carry an interest rate. The obligation does not constitute a charge upon any funds of the Village. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the Village. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$567,500.

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*

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

VILLAGE OF LANNON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 428,503	\$ 395,664	\$ (32,839)
Intergovernmental	90,614	91,167	553
Licenses and permits	100,552	652,033	551,481
Fines, forfeitures and penalties	115,000	148,934	33,934
Public charges for services	69,401	67,846	(1,555)
Investment income	3,000	2,352	(648)
Other revenues	17,850	44,721	26,871
Total Revenues	824,920	1,402,717	577,797
EXPENDITURES			
Current:			
General government	234,195	257,789	(23,594)
Public safety	386,783	411,791	(25,008)
Public works	158,625	134,464	24,161
Health and human services	200	200	-
Culture, recreation and education	43,965	48,502	(4,537)
Capital Outlay	5,117	6,466	(1,349)
Debt Service	2,760	8,166	(5,406)
Total Expenditures	831,645	867,378	(35,733)
Net Change in Fund Balance	<u>\$ (6,725)</u>	<u>535,339</u>	<u>\$ 542,064</u>
FUND BALANCE - Beginning of Year		<u>389,245</u>	
FUND BALANCE - END OF YEAR		<u>\$ 924,584</u>	

REQUIRED SUPPLEMENTARY INFORMATION

See independent auditors' report and notes to required supplementary information.
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VILLAGE OF LANNON

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

WRS Fiscal Year End Date	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			Covered Payroll	Uncovered Payroll	
12/31/14	0.001275270%	\$ (31,324)	\$ 143,284	21.86%	102.74%
12/31/15	0.001232220%	19,877	129,439	15.36%	98.20%
12/31/16	0.001268400%	9,287	154,763	79.50%	99.12%
12/31/17	0.001029960%	(30,580)	118,686	25.77%	102.93%
12/31/18	0.000983480%	35,344	119,627	29.48%	96.45%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

For the Year Ended December 31, 2019

Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 11,199	\$ (11,199)	\$ -	\$ 129,439	8.65%
12/31/16	9,724	(9,724)	-	154,763	6.28%
12/31/17	10,922	(10,922)	-	118,686	9.20%
12/31/18	10,826	(10,826)	-	119,627	9.05%
12/31/19	9,955	(9,955)	-	113,604	8.80%

See independent auditors' report and notes to required supplementary information.

VILLAGE OF LANNON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

WISCONSIN RETIREMENT SYSTEM

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

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

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.

See independent auditors' report.
55

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

555 East Wells Street, Suite 1900
Milwaukee, WI 53202
Phone: 414-273-2100
Fax: 414-223-5000

October 1, 2020

\$1,000,000*
Village of Lannon
Waukesha County, Wisconsin
Taxable General Obligation Promissory Notes, Series 2020C

We have acted as bond counsel in connection with the issuance by the Village of Lannon, Waukesha County, Wisconsin (the “Village”), of its \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C, dated October 1, 2020 (the “Notes”). We have examined the law and a certified copy of the proceedings of record of the Village preliminary to and in connection with the issuance of the Notes, as well as other documents and records which we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of officers of the Village and other public officials furnished to us, without undertaking to verify the same by independent investigation. The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Based on the foregoing, we are of the opinion and hereby certify that, as of the date hereof:

1. The Notes are valid and binding general obligations of the Village, payable from a nonrepealable, direct annual tax levied upon all the taxable property of the Village for the express purpose of paying interest on the Notes as it falls due and also to pay and discharge the principal thereof at maturity.
2. Interest on the Notes is not excluded for federal income tax purposes from the gross income of the owners of the Notes under existing law. Ownership of the Notes may result in other federal tax consequences to certain taxpayers arising with respect to the Notes, and we express no opinion regarding any such collateral consequences arising with respect to the Notes.

* Preliminary; subject to change.

October 1, 2020
Page 2

Very truly yours,

HUSCH BLACKWELL LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

(See following pages)

\$1,000,000*
Village of Lannon
Waukesha County, Wisconsin
Taxable General Obligation Promissory Notes, Series 2020C

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) is executed and delivered by the Village of Lannon, Waukesha County, Wisconsin (the “Village”), in connection with the issuance of \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C (the “Notes”). The Notes are being issued pursuant to a Resolution adopted by the Village Board on September 14, 2020 (the “Resolution”). The Village covenants and agrees as follows:

Section 1. Purpose of Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Village for the benefit of the Noteholders and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Village pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“Audited Financial Statements” shall mean the Village’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Village intends to continue to prepare in substantially the same form.

“Dissemination Agent” shall mean any Dissemination Agent designated in writing by the Village which has filed with the Village a written acceptance of such designation.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the fiscal year of the Village, currently ending on December 31 of each year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

* Preliminary; subject to change

“MSRB” shall mean the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, D.C. 20005.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The sole National Repository is the MSRB, through the operation of EMMA, as provided in Section 3(e) hereof.

“Noteholder” shall mean the registered owner or any beneficial owner of any of the Notes.

“Official Statement” shall mean the final official statement dated September ____, 2020 delivered in connection with the Notes, which is available from the MSRB.

“Participating Underwriter” shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Continuing Disclosure Agreement, there is no State Repository.

“Village Contact” shall mean the Village Clerk of the Village, 20399 West Main Street, Lannon, Wisconsin 53046.

Section 3. Provision of Annual Reports.

(a) The Village shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Village’s Fiscal Year in each year, commencing with the Fiscal Year ending December 31, 2020, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Continuing Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Village shall provide the Annual Report to the Dissemination Agent, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Continuing Disclosure Agreement; provided that the Audited Financial Statements of the Village may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to each Repository as soon as received by the Village.

(b) If the Village is unable or fails to provide an Annual Report to the Repositories by the date required above, the Village shall, in a timely manner, send a notice of that fact to the National Repositories, the MSRB and any State Repository.

(c) The Village shall determine each year prior to the date for providing the Annual Report, the name and address of each National Repository and each State Repository, if any.

- (d) The Dissemination Agent, if any, shall:
- (1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
 - (2) file a report with the Village certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

(e) The Securities and Exchange Commission has approved the submission of continuing disclosure filings with the Electronic Municipal Market Access (“EMMA”) system established by the MSRB until EMMA shall no longer be the sole National Repository recognized by the Securities and Exchange Commission for purposes of the Rule. All continuing disclosure filings under this Continuing Disclosure Agreement may thereafter be filed solely by transmitting such filings to EMMA at www.emma.msrb.org.

Section 4. Content of Annual Reports. The Village’s Annual Report shall contain or incorporate by reference the Audited Financial Statements of the Village and current general fund budget summary.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Village is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Village shall clearly identify each such other document so incorporated by reference

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Village;
- (13) The consummation of a merger, consolidation, or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee, or the change of the name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Village, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Village, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Village, any of which reflect financial difficulties.

(b) The Village shall file a notice of the occurrence of any of the Listed Events in a timely manner not in excess of ten business days after the occurrence of the event with the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination of Reporting Obligation The Village's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 7. Village Contact/Dissemination Agent. Information may be obtained from the Village Contact. The Village may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Village may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is

supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Village from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Village chooses to include any information or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Village shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Village to comply with any provision of this Continuing Disclosure Agreement, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Village to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Village to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Village agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Village under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 12. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Village, the Dissemination Agent, if any, the Participating Underwriters, and the Noteholders from time to time of the Notes, and shall create no rights in any other person or entity.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, we have executed this Continuing Disclosure Agreement in our official capacities effective October 1, 2020.

**VILLAGE OF LANNON,
WAUKESHA COUNTY, WISCONSIN**

[SEAL]

By: _____
Thomas J. Gudex, Village President

By: _____
Brenda Klemmer, Village Clerk

APPENDIX E

NOTICE OF SALE

\$1,000,000* TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020C VILLAGE OF LANNON, WISCONSIN

Bids for the purchase of \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C (the "Notes") of the Village of Lannon, Wisconsin (the "Village") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the Village, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on September 14, 2020, at which time they will be opened, read and tabulated. The bids will be presented to the Board of Trustees for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the Village will be accepted unless all bids are rejected.

PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, reimbursing expenses in Tax Incremental District No. 1 and Tax Incremental District No. 2. The Notes are general obligations of the Village, and all the taxable property in the Village is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Notes will be dated October 1, 2020, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$50,000	2025	\$95,000	2028	\$150,000
2023	50,000	2026	115,000	2029	155,000
2024	75,000	2027	140,000	2030	170,000

ADJUSTMENT OPTION

* The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of

twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

PAYING AGENT

The Village may select a bank or trust company to act as paying agent (the "Paying Agent"). The Village will pay the charges for Paying Agent services. The Village reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the Village, the Notes maturing on or after April 1, 2028 shall be subject to optional redemption prior to maturity on April 1, 2027 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the Village. If only part of the Notes having a common maturity date are called for redemption, then the Village or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

DELIVERY

On or about October 1, 2020, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the Village will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the Village, threatened. Payment for the Notes must be received by the Village at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Notes will be furnished by Husch Blackwell LLP, of Milwaukee, Wisconsin, bond counsel to the Village. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the Village; provided that the rights of the owners of the Bonds and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

SUBMISSION OF BIDS

Bids must not be for less than \$990,000 nor more than \$1,060,000 plus accrued interest on the principal sum of \$1,000,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the Village nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$20,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The Village reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the Village may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the Village as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The Village and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the Village scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The Village's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The Village reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the Village requested and received a rating on the Notes from a rating agency, the Village will pay that rating fee. Any rating agency fees not requested by the Village are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The Village will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Village will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Notes to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the Village will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Trustees

Brenda Klemmer, Village Clerk/Treasurer
Village of Lannon, Wisconsin

BID FORM

The Board of Trustees
Village of Lannon, Wisconsin

September 14, 2020

RE: \$1,000,000* Taxable General Obligation Promissory Notes, Series 2020C (the "Notes")

DATED: October 1, 2020

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$990,000 nor more than \$1,060,000) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due 2022	_____ % due 2025	_____ % due 2028
_____ % due 2023	_____ % due 2026	_____ % due 2029
_____ % due 2024	_____ % due 2027	_____ % due 2030

* The Village reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%. A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the Village.

A good faith deposit ("Deposit") in the amount of \$20,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The Village reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the Village may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the Village as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about October 1, 2020.

This bid is subject to the Village's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the Village with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 1, 2020 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Board of Trustees of the Village of Lannon, Wisconsin, on September 14, 2020.

By: _____	By: _____
Title: _____	Title: _____