

CITY OF WAUPACA, WISCONSIN
AUDITED FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the year ended December 31, 2018

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CITY OF WAUPACA, WISCONSIN
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Waupaca, Wisconsin

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 City of Waupaca, Wisconsin ("City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective January 1, 2018, the City of Waupaca adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. 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 budgetary comparison information, the Wisconsin Retirement System schedules, and the Local Retiree Life Insurance Fund Schedules on pages 56-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The miscellaneous financial data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
May 1, 2019

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Waupaca, Wisconsin
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,238,899	\$ 3,517,415	\$ 7,756,314
Receivables:			
Taxes	5,375,383		5,375,383
Due from other governments	21,596		21,596
Customer		415,254	415,254
Other	230,024	44,656	274,680
Internal balances	(6,677,888)	6,677,888	
Inventories	31,677	74,198	105,875
	<hr/>		
Total current assets	3,219,691	10,729,411	13,949,102
Noncurrent assets:			
Restricted assets:			
Cash and investments	110,000	1,807,440	1,917,440
Other assets:			
Long-term notes receivable	662,345		662,345
Less: discount on long-term notes receivable	(96,255)		(96,255)
Less: allowance for uncollectible loans	(43,175)		(43,175)
Special assessments receivable	44,264	65,261	109,525
Net pension asset	630,120	95,658	725,778
Capital assets:			
Property and plant	36,896,191	37,491,521	74,387,712
Less: accumulated provision for depreciation	(11,478,762)	(19,022,690)	(30,501,452)
	<hr/>		
Total noncurrent assets	26,724,728	20,437,190	47,161,918
	<hr/>		
Total assets	29,944,419	31,166,601	61,111,020
DEFERRED OUTFLOWS OF RESOURCES			
Pension outflows	1,191,264	180,841	1,372,105
OPEB - group life insurance plan outflows	29,095	6,335	35,430
Deferred charges on refunding	13,707		13,707
	<hr/>		
Total deferred outflows of resources	1,234,066	187,176	1,421,242
	<hr/>		
Total assets and deferred outflows of resources	\$ 31,178,485	\$ 31,353,777	\$ 62,532,262

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

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 610,971	\$ 87,996	\$ 698,967
Developer payable	5,918		5,918
Due to other governments	348		348
Accrued liabilities	129,279	8,314	137,593
Accrued interest	165,517	17,749	183,266
Current portion of long-term debt	1,605,403	552,876	2,158,279
Total current liabilities	2,517,436	666,935	3,184,371
Current liabilities (payable from restricted assets):			
Accrued interest		11,962	11,962
Current portion of mortgage revenue bonds		255,000	255,000
Total current liabilities (payable from restricted assets)		266,962	266,962
Long-term liabilities:			
Mortgage revenue bonds		5,959,182	5,959,182
Bonds and notes payable	9,864,122		9,864,122
OPEB - group life insurance plan	140,699	30,634	171,333
Compensated absences	788,792	106,526	895,318
Less: current portion	(1,605,403)	(807,876)	(2,413,279)
Total long-term liabilities	9,188,210	5,288,466	14,476,676
Total liabilities	11,705,646	6,222,363	17,928,009
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	1,248,216	189,489	1,437,705
OPEB - group life insurance plan inflows	1,983	431	2,414
Deferred revenues	5,224,871		5,224,871
Total deferred inflows of resources	6,475,070	189,920	6,664,990
NET POSITION			
Net investment in capital assets	22,735,266	12,509,649	35,244,915
Restricted	3,141,317	1,795,478	4,936,795
Unrestricted	(12,878,814)	10,636,367	(2,242,447)
Total net position	12,997,769	24,941,494	37,939,263
Total liabilities, deferred inflows of resources and net position	\$ 31,178,485	\$ 31,353,777	\$ 62,532,262

Exhibit A-2
City of Waupaca, Wisconsin
Statement of Activities
For the Year Ended December 31, 2018

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,078,156	\$ 162,512	\$	\$	\$ (915,644)	\$	\$ (915,644)
Public safety	2,078,638	307,286	15,484		(1,755,868)		(1,755,868)
Health and social services	195,159	23,155	11,667		(160,337)		(160,337)
Public works	2,479,778	368,126	280,093	17,699	(1,813,860)		(1,813,860)
Culture, recreation and education	1,823,027	238,534	628,045		(956,448)		(956,448)
Conservation and development	439,600	122,972		139,000	(177,628)		(177,628)
Interest and fiscal charges	371,581				(371,581)		(371,581)
Total governmental activities	<u>8,465,939</u>	<u>1,222,585</u>	<u>935,289</u>	<u>156,699</u>	<u>(6,151,366)</u>		<u>(6,151,366)</u>
Business-type activities:							
Water utility	1,032,616	1,260,754				228,138	228,138
Sewer utility	1,705,461	2,079,141		76,395		450,075	450,075
Telecommunication utility	<u>163,181</u>	<u>168,926</u>	<u>14,362</u>			<u>20,107</u>	<u>20,107</u>
Total business-type activities	<u>2,901,258</u>	<u>3,508,821</u>	<u>14,362</u>	<u>76,395</u>		<u>698,320</u>	<u>698,320</u>
Total primary government	<u>\$ 11,367,197</u>	<u>\$ 4,731,406</u>	<u>\$ 949,651</u>	<u>\$ 233,094</u>	<u>(6,151,366)</u>	<u>698,320</u>	<u>(5,453,046)</u>
<u>General Revenues and Transfers:</u>							
Property taxes							
General purposes					5,384,768		5,384,768
Other taxes					297,103		297,103
Federal and state aid not restricted for specific purposes					1,587,102		1,587,102
Interest and investment earnings					82,041	63,202	145,243
Proceeds from insurance					45,057		45,057
Gain on sale of fixed assets					28,809		28,809
Miscellaneous					233,696		233,696
Transfers					<u>487,578</u>	<u>(487,578)</u>	
Total general revenues					<u>8,146,154</u>	<u>(424,376)</u>	<u>7,721,778</u>
Change in net position					<u>1,994,788</u>	<u>273,944</u>	<u>2,268,732</u>
Net position - beginning, as previously reported					11,101,385	24,688,975	35,790,360
Prior period adjustment - implementation of GASB Statement No. 75					<u>(98,404)</u>	<u>(21,425)</u>	<u>(119,829)</u>
Net position - beginning of year, restated					<u>11,002,981</u>	<u>24,667,550</u>	<u>35,670,531</u>
Net position - ending					<u>\$ 12,997,769</u>	<u>\$ 24,941,494</u>	<u>\$ 37,939,263</u>

Exhibit A-3
City of Waupaca, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Capital Improvements	TIF #4	TIF #8	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 1,880,866	\$ 630,632	\$ 342,114	\$ 479,306	\$	\$ 905,981	\$ 4,238,899
Cash and investments - restricted			110,000				110,000
Receivables:							
Taxes	3,272,235			724,721	156,482	1,221,945	5,375,383
Due from other governments						21,596	21,596
Special assessments			44,264				44,264
Due from other funds	139,719						139,719
Other	143,301		63,173	373		23,177	230,024
Long-term notes receivable, net of discount of \$96,255	103,745					462,345	566,090
Inventory						31,677	31,677
Advance from other funds				819,783			819,783
Total assets	\$ 5,539,866	\$ 630,632	\$ 559,551	\$ 2,024,183	\$ 156,482	\$ 2,666,721	\$ 11,577,435
LIABILITIES							
Accounts payable	\$ 110,351	\$	\$ 254,114	\$	\$ 138,581	\$ 107,925	\$ 610,971
Developer payable			4,895			1,023	5,918
Accrued liabilities	118,180					11,099	129,279
Due to other governments	348						348
Due to other funds						214,719	214,719
Advances due to other funds					7,419,124	3,547	7,422,671
Total liabilities	228,879		259,009		7,557,705	338,313	8,383,906
DEFERRED INFLOWS OF RESOURCES							
Deferred revenues	3,352,854		44,621	724,721	156,482	1,556,548	5,835,226
Total deferred inflows of resources	3,352,854		44,621	724,721	156,482	1,556,548	5,835,226
Total liabilities and deferred inflows of resources	3,581,733		303,630	724,721	7,714,187	1,894,861	14,219,132
FUND BALANCES							
Nonspendable	103,745			819,783		31,677	955,205
Restricted		630,632		479,679		882,718	1,993,029
Assigned			255,921				255,921
Unassigned (deficit)	1,854,388				(7,557,705)	(142,535)	(5,845,852)
Total fund balances	1,958,133	630,632	255,921	1,299,462	(7,557,705)	771,860	(2,641,697)
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,539,866	\$ 630,632	\$ 559,551	\$ 2,024,183	\$ 156,482	\$ 2,666,721	\$ 11,577,435

Exhibit A-4
City of Waupaca, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2018

Total fund balances-governmental funds: \$ (2,641,697)

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital asset	36,896,191	
Governmental accumulated depreciation	<u>(11,478,762)</u>	25,417,429

Pension and OPEB deferred outflows and inflows of resources are actuarially determined by the plans.

These items are reflected in the statement of net position and are being amortized with pension and OPEB expense in the statement of activities.

The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore, are not reported in the fund statements.

Deferred outflows of resources	1,220,359
Deferred inflows of resources	(1,250,199)

The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements

630,120

Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred inflows on the fund statements.

Special assessments	44,264
Long-term notes receivable	619,171
Discount on notes receivable	(96,255)

Payments made to the refunding bond escrow are reported in the funds statement when expended, but are amortized over the life of the bond in the statement of net position.

Deferred charges on refunding	13,707
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	(9,864,122)
Accrued interest on general obligation debt	(165,517)
OPEB - group life insurance plan	(140,699)
Compensated absences	<u>(788,792)</u>

Total net position of governmental activities	<u>\$ 12,997,769</u>
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Exhibit A-5
City of Waupaca, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Debt Service	Capital Improvements	TIF #4	TIF #8	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 3,364,401	\$	\$	\$ 712,414	\$ 146,227	\$ 1,458,829	\$ 5,681,871
Special assessments			7,642	30,000			37,642
Licenses and permits	281,664						281,664
Fines, forfeits and penalties	74,109						74,109
Intergovernmental	1,686,094		16,666	4,437	3,296	629,202	2,339,695
Public charges for services	205,455					280,138	485,593
Miscellaneous:							
Interest	78,429		25			566	79,020
Other	213,440		70,640		50,000	418,063	752,143
Total revenues	5,903,592		94,973	746,851	199,523	2,786,798	9,731,737
EXPENDITURES							
General government	809,041					1,712	810,753
Public safety	1,832,697					1,074	1,833,771
Health and social services	176,333					6,368	182,701
Public works	942,872					721,851	1,664,723
Culture, recreation and education	823,233					844,429	1,667,662
Conservation and development						247,406	247,406
Capital outlay:							
General government			80,129				80,129
Public safety			393,877				393,877
Health and social services			5,817				5,817
Public works			1,544,817				1,544,817
Culture, recreation and education			52,361			2,980	55,341
Conservation and development				17,794	252,643	265,958	536,395
Debt service:							
Principal retirement		2,641,348		545,211	830,000	1,660,433	5,676,992
Interest and fiscal charges		113,567		20,630	105,724	84,000	323,921
Debt issuance costs				7,524	5,337	20,267	33,128
Total expenditures	4,584,176	2,754,915	2,077,001	591,159	1,193,704	3,856,478	15,057,433
Excess of revenues over (under) expenditures	1,319,416	(2,754,915)	(1,982,028)	155,692	(994,181)	(1,069,680)	(5,325,696)
OTHER FINANCIAL SOURCES (USES)							
Transfers in	568,293	1,158,945			372,479	1,140,309	3,240,026
Transfers out	(1,563,992)			(380,729)	(37,009)	(941,477)	(2,923,207)
Proceeds from sale of capital assets	1,157		54,870			33,329	89,356
Debt proceeds and debt premiums		1,741,460	1,722,477	330,000	705,000	885,000	5,383,937
Total other financing sources (uses)	(994,542)	2,900,405	1,777,347	(50,729)	1,040,470	1,117,161	5,790,112
Net change in fund balances	324,874	145,490	(204,681)	104,963	46,289	47,481	464,416
Fund balances - beginning	1,633,259	485,142	460,602	1,194,499	(7,603,994)	724,379	(3,106,113)
Fund balances - ending	\$ 1,958,133	\$ 630,632	\$ 255,921	\$ 1,299,462	\$ (7,557,705)	\$ 771,860	\$ (2,641,697)

Exhibit A-6
City of Waupaca, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances-total governmental funds \$ 464,416

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	2,184,062	
Depreciation expenses reported in the statement of activities	(807,885)	
Amount by which capital outlays and donations are greater (less) than depreciation in the current period.		1,376,177

The cost of capital assets disposed of during the current year is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets. (55,549)

Vested employee benefits and the OPEB liability are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year.

Change in OPEB -group life insurance plan liability and related deferred outflows and inflows of resources	(15,183)
Change in compensated absences	(52,247)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities

The amount of long-term debt principal payments in the current year is:	5,676,993
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The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds but does not affect the statement of activities

(5,347,477)

Deferred charges associated with long-term debt issued in a prior period are reported in the statement of activities, but are not a current financial resource and, therefore, are not reported in the governmental funds. This is the net decrease in deferred charges during the current period.

(8,605)

Exhibit A-6 (continued)
City of Waupaca, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

In governmental funds, special assessment collections are reflected as revenue when received.		
In the statement of activities, revenue is recognized when assessed.		
Amount assessed is greater (less) than collected by:	10,056	
Long-term notes receivable loans are reflected as expenditures in governmental funds, but are reported as additions to notes receivable in statement of net position and does not affect the statement of activities.		
Net amount of new loans versus loan repayments was:	23,252	
The amortization of a discount on notes receivable does not involve current financial resources and, therefore, is not reported as revenue in the governmental funds. In the statement of activities, the discount on notes receivable is being amortized as interest income over the life of the note.		3,022
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	299,752	
The amount of interest accrued during the current period	<u>(305,680)</u>	
Interest paid is greater (less) than interest expensed by		(5,928)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the statement of activities is actuarially determined by the defined pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension asset between years, with adjustments.		<u>(74,139)</u>
Change in net position-governmental activities		<u>\$ 1,994,788</u>

Exhibit A-7
City of Waupaca, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2018

	Water Utility	Sewer Utility	Telecommunications Utility	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,883,516	\$ 1,520,099	\$ 113,800	\$ 3,517,415
Receivables:				
Customer	154,242	244,876	16,136	415,254
Other	6,431	23,806	14,419	44,656
Due from other funds	208,112	38,764		246,876
Inventories	71,705	2,493		74,198
Total current assets	2,324,006	1,830,038	144,355	4,298,399
Restricted assets:				
Equipment replacement		438,000		438,000
Maintenance		256,500		256,500
Debt reserves	433,428	679,512		1,112,940
Total restricted assets	433,428	1,374,012		1,807,440
Other assets:				
Special assessments receivable	18,158	47,103		65,261
Net pension asset	42,531	51,313	1,814	95,658
Advance due from other funds	2,942,888	3,660,000		6,602,888
Total other assets	3,003,577	3,758,416	1,814	6,763,807
Capital assets:				
Property and plant	12,411,911	24,821,298	258,312	37,491,521
Less: accumulated provision for depreciation	(5,268,370)	(13,500,223)	(254,097)	(19,022,690)
Total capital assets	7,143,541	11,321,075	4,215	18,468,831
Total assets	12,904,552	18,283,541	150,384	31,338,477
DEFERRED OUTFLOWS OF RESOURCES				
Pension outflows	80,405	97,007	3,429	180,841
OPEB - group life insurance plan outflows	2,983	3,352		6,335
Total deferred outflows of resources	83,388	100,359	3,429	187,176
Total assets and deferred outflows of resources	\$ 12,987,940	\$ 18,383,900	\$ 153,813	\$ 31,525,653

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

	Water Utility	Sewer Utility	Telecommunications Utility	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 48,206	\$ 31,838	\$ 7,952	\$ 87,996
Due to other funds		171,876		171,876
Accrued liabilities	3,832	4,094	388	8,314
Accrued interest		17,749		17,749
Current portion of revenue bonds	9,274	543,602		552,876
Total current liabilities	61,312	769,159	8,340	838,811
Current liabilities (payable from restricted assets):				
Accrued interest	11,962			11,962
Current portion of revenue bonds	255,000			255,000
Total current liabilities (payable from restricted assets)	266,962			266,962
Long-term liabilities:				
Revenue bonds	2,301,593	3,657,589		5,959,182
OPEB - group life insurance plan	14,426	16,208		30,634
Compensated absences	65,302	41,224		106,526
Less: current portion	(264,274)	(543,602)		(807,876)
Total long-term liabilities	2,117,047	3,171,419		5,288,466
Total liabilities	2,445,321	3,940,578	8,340	6,394,239
DEFERRED INFLOWS OF RESOURCES				
Pension inflows	84,249	101,646	3,594	189,489
OPEB - group life insurance plan inflows	203	228		431
Total deferred inflows of resources	84,452	101,874	3,594	189,920
NET POSITION				
Net investment in capital assets	4,841,948	7,663,486	4,215	12,509,649
Restricted	421,466	1,374,012		1,795,478
Unrestricted	5,194,753	5,303,950	137,664	10,636,367
Total net position	10,458,167	14,341,448	141,879	24,941,494
Total liabilities, deferred inflows of resources, and net position	\$ 12,987,940	\$ 18,383,900	\$ 153,813	\$ 31,525,653

Exhibit A-8
City of Waupaca, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
OPERATING REVENUES				
Sales of water	\$ 1,260,754		\$	\$ 1,260,754
Measured sewer service		2,079,141		2,079,141
Telecommunications revenues			168,926	168,926
Total operating revenues	1,260,754	2,079,141	168,926	3,508,821
OPERATING EXPENSES				
Operation and maintenance	714,733	849,852	163,181	1,727,766
Depreciation	220,313	694,363		914,676
Taxes	14,961	6,249		21,210
Total operating expenses	950,007	1,550,464	163,181	2,663,652
Operating income	310,747	528,677	5,745	845,169
NONOPERATING REVENUES (EXPENSES)				
Investment income	42,591	19,776	835	63,202
Interest expense	(82,609)	(154,997)		(237,606)
Total nonoperating revenues (expenses)	(40,018)	(135,221)	835	(174,404)
Income before contributions and transfers	270,729	393,456	6,580	670,765
Capital contributions		76,395		76,395
Operating grants and contributions			14,362	14,362
Transfer of tax equivalent	(237,570)	(250,008)		(487,578)
Change in net position	33,159	219,843	20,942	273,944
Net position - beginning, as previously reported	10,435,097	14,132,941	120,937	24,688,975
Prior period adjustment - implementation of GASB Statement No. 75	(10,089)	(11,336)		(21,425)
Net position - beginning of year, restated	10,425,008	14,121,605	120,937	24,667,550
Net position - ending	\$ 10,458,167	\$ 14,341,448	\$ 141,879	\$ 24,941,494

Exhibit A-9
City of Waupaca, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES				
Received from customers	\$ 1,271,944	\$ 2,108,861	\$ 160,630	\$ 3,541,435
Payments to employees	(341,896)	(463,010)	(44,137)	(849,043)
Payments to suppliers	(345,810)	(437,159)	(118,822)	(901,791)
Net cash flows from (used by) operating activities	584,238	1,208,692	(2,329)	1,790,601
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES				
Receipts of grants			14,362	14,362
Paid to municipality for tax equivalent	(237,570)	(250,008)		(487,578)
Net cash flows from (used by) noncapital financing activities	(237,570)	(250,008)	14,362	(473,216)
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(248,277)	(79,583)	(5,000)	(332,860)
Proceeds from sale of capital assets		5,000	785	5,785
Loan proceeds	2,160,000	2,740,000		4,900,000
Principal payments	(1,210,080)	(2,879,823)		(4,089,903)
Interest paid	(74,452)	(139,927)		(214,379)
Debt issuance costs	(5,426)	(21,906)		(27,332)
Contributed capital		76,395		76,395
Net cash flows from (used by) capital and related financing activities	621,765	(299,844)	(4,215)	317,706
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of interest	42,591	19,776	835	63,202
Net cash flows from investing activities	42,591	19,776	835	63,202
Net change in cash and cash equivalents	1,011,024	678,616	8,653	1,698,293
Cash and cash equivalents - beginning of year	1,305,920	2,215,495	105,147	3,626,562
Cash and cash equivalents - end of year	\$ 2,316,944	\$ 2,894,111	\$ 113,800	\$ 5,324,855
Reconciliation of cash and cash equivalents to statement of net position accounts				
Cash and investments	\$ 1,883,516	\$ 1,520,099	\$ 113,800	\$ 3,517,415
Cash and investments (restricted assets)	433,428	1,374,012		1,807,440
Cash and cash equivalents	\$ 2,316,944	\$ 2,894,111	\$ 113,800	\$ 5,324,855

Exhibit A-9 (Continued)
City of Waupaca, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 310,747	\$ 528,677	\$ 5,745	\$ 845,169
Noncash items in operating income:				
Depreciation expense	238,261	676,415		914,676
Pension expense	(7,407)	5,142	(1,211)	(3,476)
Life insurance expense	1,557	1,748		3,305
Amortization of major repair	12,176			12,176
Changes in assets and liabilities:				
Customer accounts receivable	(15,433)	(18,907)	6,123	(28,217)
Other accounts receivable	1,501	48,627	(14,419)	35,709
Due from other funds				
Special assessments receivable	25,122			25,122
Inventories	(7,367)			(7,367)
Accounts payable	21,792	(3,640)	1,401	19,553
Accrued liabilities	(654)	(2,291)	32	(2,913)
Compensated absences	3,943	(27,079)		(23,136)
Net cash provided by operating activities	<u>\$ 584,238</u>	<u>\$ 1,208,692</u>	<u>\$ (2,329)</u>	<u>\$ 1,790,601</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Waupaca, Wisconsin
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December 31, 2018

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City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waupaca conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The City of Waupaca, Wisconsin was incorporated under the provisions of Chapter 131, Laws of Wisconsin, 1981. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture, recreation, education, public improvements, planning and zoning, and general administrative services.

The basic criterion for including a legally separate organization as a Component Unit is the degree of financial accountability the City has with the organization. The following circumstances set forth the City's financial accountability for a legally separate organization:

- a. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.
- b. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The financial statements include the City of Waupaca Community Development Authority as a component unit. The Authority is organized as a legally separate organization under Section 66.431 of the State of Wisconsin Statutes for the purpose of carrying out blight elimination, slum clearance and urban renewal projects. The board of the Authority is appointed by the mayor of the City. Wisconsin statutes provide for circumstances whereby the City can impose its will on the Authority and also create a potential financial benefit to or burden the City. As a component unit, the activities of the Community Development Authority, when they occur, are blended into the City's general and capital projects funds. Separately issued financial statements of the Authority are not available.

For 2018, there were no revenues or expenditures for the Community Development Authority.

B. 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. Eliminations have been made to minimize the double-counting of internal activities of the City.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

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

Basis of Presentation:

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide Financial Statements (Continued)

Debt Service– Used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Capital Improvements – Used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

TIF No. 4 and 8 Capital Projects Funds – Accounts for the activity of Tax Incremental District No.’s 4 and 8, including any payment of long-term debt principal, interest and related costs.

The City reports the following major proprietary funds:

Water– All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer – This fund accounts for the maintenance of the City’s sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Non-Major Funds:

The City reports the following non-major governmental funds:

Special Revenue Funds – Accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Inland Lakes
- Hotel/Motel Tax
- Transit System
- Revolving Loans
- Adult Recreation Center
- Airport
- Donations and Grants
- Library
- South Park Trust

TIF No. 3, 5, 6, 7, 9 & 10 Capital Projects Funds – Accounts for the activity of Tax Incremental Districts, including any payment of long-term debt principal, interest and related costs.

Permanent Funds – Are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s programs.

-Cemetery Perpetual care

The City reports the following non-major proprietary funds:

Telecommunications– This fund accounts for the activities of the City’s communication utility. This utility offers broadband services to businesses and individuals. Expenditures are recovered through user fees.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

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

Fund Financial Statements

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

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

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

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

The preparation of financial statements 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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major funds.

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

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

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

E. Receivables

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

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
January settlement	January 15, 2019
February settlement	February 20, 2019
August settlement	August 20, 2019
Personal property taxes in full	January 31, 2019
Tax sale- 2018 delinquent real estate taxes	October 2021

No provision for uncollectible accounts receivable has been made for the City and the utilities because they have the right by law to place delinquent bills on the tax roll.

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Continued)

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

F. Inventories and Prepaid Items

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. Restricted Assets

Certain proceeds of the Utility revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond special redemption” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond depreciation” account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Other restricted assets include a “DNR Replacement Fund” which is required by the Wisconsin Department of Natural Resources for repairs and maintenance on the Wastewater Utility plant and the net pension asset related to the Wisconsin Retirement System. “Customer Deposits” are deposits made by the customer which are due to the customers unless their bills are not paid.

H. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost if actual cost is not available. Contributed assets are reported at acquisition value. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset’s lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction are capitalized as part of the additions to capital assets.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	20-35
Land		N/A
Improvements	5,000	5-15
Buildings	5,000	50-100
Machinery and equipment	5,000	5-20

Fund Financial Statements

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

I. Compensated Absences

Vacation pay is earned based on length of service (5-30 days per year). Vacation days are not cumulative and are based on the calendar year.

Regular full-time employees can accrue sick leave to a maximum of 150 days. For regular full-time employees hired after 2011, sick leave shall be eligible for a maximum accrual of 90 days. Employees earn 12 sick days per year. Accumulated unused sick leave is placed in a bank for the employee. All full-time employees leaving employment with the City in good standing will receive a lump sum payment of unused sick leave (paid at a pre-determined percentage based on years of service). An employee that is retiring also has the option to use unused sick leave as credit towards the City's health insurance plan. The City health insurance program is not available to retirees beyond COBRA requirements.

Compensated absence expenditures and liabilities are recorded and adjusted to December 31 salaries/wages at the close of each fiscal year.

J. Bond Premiums, Discounts, and Issuance Costs

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Bond Premiums, Discounts, and Issuance Costs (Continued)

Deferred amounts from refunding resulting in a debit are reported as deferred outflows. Deferred amounts from refunding resulting in a credit are reported as deferred inflows.

K. Claims and Judgments

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

L. Equity Classifications

Government-Wide Statements

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

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

Fund Statements

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

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Fund Statements (Continued)

- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The Council may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Council. Commitments of fund balance, once made, can be modified only by majority vote of the Council.

The City has passed a fund balance policy to preserve working capital and to adequately prepare for unforeseen events which will require ready access to funds. The City requires that the unassigned fund balance be maintained between 20% and 25% of the General Fund budget. Amounts exceeding 30% shall be transferred to the Rainy-Day Fund. As of December 31, 2018, the unassigned fund balance of the general fund was 29% of the current year general fund budgeted expenditures.

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

M. Transfers

Transfers include the payment in lieu of taxes from the water, sewer, and telecommunications utilities to the general fund. The debt service fund transferred property tax levies to the TIF funds for shortfalls between the tax increments and their debt payments. TIF District No. 4 is a donor to TIF District No. 8. TIF District No. 6 is a donor to TIF District No. 3 and 5. A transfer of positive tax increment after satisfying current year debt service and project costs was made to TIF District No. 3 and 5 in the amount of \$230,299 and \$256,325, respectively.

N. Encumbrances

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Risk Management

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

P. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances.

Q. Regulation of Municipal Utilities

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

R. State and Federal Aids

State general and categorical aids are recognized as revenue in the entitlement year. Federal aids and certain state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred inflows of resources.

S. Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expense in the reimbursing fund and as revenue in the fund that is reimbursed.

T. Discount on Long-Term Notes Receivable

A long-term receivable is discounted at a rate of 3%. The discount is recognized and being amortized to interest income in the statement of activities over the course of the loan using the effective interest method.

U. Debt Policy

The City's General Guidelines per Debt Policy:

- a. The City shall assess the fiscal impact of the debt prior to issuance.
- b. Tax supported general obligation debt of the City will not exceed 2.5 percent (2.5%) of the equalized valuation, including tax incremental value, of the taxable property of the City ("TID-In"). Total general obligation debt for the City shall not exceed 3.75 percent (3.75%) of TID-In equalized valuation.
- c. Total annual debt service payments on tax-supported debt, excluding tax increment finance debt, of the City will not exceed 25 percent (25%) of total general government operating revenue.
- d. The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.

The City is in compliance with these general guidelines of the debt policy.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

V. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, 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 benefits terms. Investments are reported at fair value.

W. Other Postemployment Benefits

Group life insurance plan

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

X. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The City has items that qualify for reporting in this category. The deferred outflows of resources were derived from the WRS pension system and OPEB plan. The deferred outflows of resources for the WRS pension system are discussed in Note 6. The deferred outflows of resources for the OPEB plan are discussed in Note 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The City has items that qualify for reporting in this category. Deferred inflows of resources related to the WRS pension system are discussed in Note 6, deferred inflows of resources related to the OPEB plan are discussed in Note 7, and the remaining deferred inflows of resources are discussed in Note 16.

Y. Change in Accounting Principle

Effective January 1, 2018, the City adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Implementation of GASB 75 required net position in the governmental activities and business-type activities to be decreased by \$98,404 and \$21,425, respectively.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

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

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

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

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

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

NOTE 3 CASH AND INVESTMENTS

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

Petty cash/cash on hand	\$ 650
Deposits with financial institutions	5,921,362
Certificate of deposit	1,037,006
Mutual Fund	14,736
Municipal Bonds	50,000
U.S. government agencies	2,650,000
Total cash and investments	\$ 9,673,754

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

Exhibit A-1:	
Cash and investments	\$ 8,365,696
Cash and investments-restricted	1,308,058
Total cash and investments	\$ 9,673,754

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Income Allocation – Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	12 months or less	13 to 24 months	25 to 36 months	36 months or more
Certificates of deposit	\$ 1,037,006	\$ 887,006	\$ 150,000	\$	\$
Mutual Fund	14,736	14,736			
Municipal Bonds	50,000	50,000			
U.S. government agencies	2,650,000	400,000	250,000	750,000	1,250,000
Total	<u>\$ 3,751,742</u>	<u>\$ 1,351,742</u>	<u>\$ 400,000</u>	<u>\$ 750,000</u>	<u>\$ 1,250,000</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to those authorized by State Statutes. At December 31, 2018 the City's investments were rated as follows:

	<u>Amount</u>	<u>Rating</u>
Mutual Fund	\$ 14,736	(4) Stars (Morningstar)
Waunakee WI Taxable Municipal Bond	50,000	Aa2 (Moody's)
U.S. government agencies	2,650,000	Aaa (Moody's)

Custodial Credit Risk

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

Federal Deposit Insurance Corporation (FDIC) Insurance

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

Collateralization of Public Unit Deposits

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

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

The City's investment policy requires all certificates of deposits and other time deposits be collateralized in an amount equal to 102% of the investment less the amount insured by the State of Wisconsin and the FDIC.

As of December 31, 2018, \$2,063,892 of the City's deposits were insured by collateral at financial institutions, \$1,002,327 were insured by the FDIC and none of the City's deposits with financial institutions were in excess of federal depository insurance limits and pledged collateral were exposed to custodial credit risk.

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

Concentration of Credit Risk

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

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

Fair Value Measurement

The City uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the City's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The City uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the City measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

	Assets at Fair Value as of December 31, 2018	
	Fair Value	Level 1
Mutual Fund	\$ 14,736	\$ 14,736
Municipal Bonds	50,000	50,000
U.S. government agencies	2,650,000	2,650,000
Totals	\$ 2,714,736	\$ 2,714,736

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS

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

	Beginning Balance	Additions	Removals	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction work in progress	\$ 262,579	\$ 1,423,300	\$ (262,579)	\$ 1,423,300
Land	4,453,696	160,000	(10,500)	4,603,196
Total capital assets not being depreciated	4,716,275	1,583,300	(273,079)	6,026,496
 <i>Capital assets, being depreciated:</i>				
Building	12,046,874	469,000		12,515,874
Infrastructure	14,025,342			14,025,342
Improvements other than buildings	1,156,043	35,200	(12,439)	1,178,804
Machinery and equipment	1,328,248	235,207	(12,995)	1,550,460
Vehicles	1,576,173	123,934	(100,892)	1,599,215
Total capital assets, being depreciated	30,132,680	863,341	(126,326)	30,869,695
Total capital assets	34,848,955	2,446,641	(399,405)	36,896,191
 Less accumulated depreciation:				
Building	2,781,514	138,655		2,920,169
Infrastructure	5,882,795	414,075		6,296,870
Improvements other than buildings	429,722	55,401	(12,439)	472,684
Machinery and equipment	775,637	70,356	(8,096)	837,897
Vehicles	882,486	129,398	(60,742)	951,142
Total accumulated depreciation	10,752,154	807,885	(81,277)	11,478,762
Total net capital assets	\$ 24,096,801	\$ 1,638,756	\$ (318,128)	\$ 25,417,429

Depreciation expense for governmental activities was charged to functions as follows:

Governmental activities	
General government	\$ 56,780
Public safety	84,920
Public works	535,597
Culture, recreation and education	123,947
Health and human services	6,641
Total governmental activities depreciation expense	\$ 807,885

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 4

CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Salvage	Removals	Ending Balance
<i>Business-type Activities:</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 72,639	\$	\$	\$	\$ 72,639
Non-utility property	13,563				13,563
Property held for future use	100,000				100,000
Total capital assets not being depreciated	186,202				186,202
 <i>Capital assets, being depreciated:</i>					
Building	6,495,271	14,947			6,510,218
Infrastructure/systems/equipment	30,611,152	317,913		(133,964)	30,795,101
Total capital assets, being depreciated	37,106,423	332,860		(133,964)	37,305,319
Total capital assets	37,292,625	332,860		(133,964)	37,491,521
 <i>Less accumulated depreciation:</i>					
Building	4,686,021	278,313			4,964,334
Infrastructure/systems/equipment	13,550,172	636,363	5,785	(133,964)	14,058,356
Total accumulated depreciation	18,236,193	914,676	5,785	(133,964)	19,022,690
Total net capital assets	\$ 19,056,432	\$ (581,816)	\$ (5,785)	\$	\$ 18,468,831

Depreciation expense for business-type activities was charged to functions as follows:

Business-type activities	
Water	\$ 220,313
Wastewater	694,363
Total depreciation expense per exhibit A-8	\$ 914,676

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended December 31, 2018.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General obligation debt:					
Bonds payable	\$ 6,130,000	\$ 1,215,000	\$ (3,670,000)	\$ 3,675,000	\$ 525,000
Notes payable	4,063,638	4,132,477	(2,006,993)	6,189,122	1,080,403
Total general obligation debt	10,193,638	5,347,477	(5,676,993)	9,864,122	1,605,403
Other long-term obligations:					
Compensated absences	736,545	53,215	(968)	788,792	
Total governmental activities					
Long-term liabilities	\$ 10,930,183	\$ 5,400,692	\$ (5,677,961)	\$ 10,652,914	\$ 1,605,403

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

Interest costs incurred during the year totaled \$305,680. Total interest paid during the year aggregated \$299,752.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities</u>					
Mortgage revenue bonds	\$ 5,149,085	\$ 4,900,000	\$ (4,089,903)	\$ 5,959,182	\$ 807,876
Other long-term obligations:					
Compensated absences	129,662	3,943	(27,079)	106,526	
Total business-type activities					
Long-term liabilities	\$ 5,278,747	\$ 4,903,943	\$ (4,116,982)	\$ 6,065,708	\$ 807,876

Interest costs incurred during the year totaled \$210,274. Total interest paid during the year aggregated \$214,379.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes, special assessments, and tax increments. General obligation debt at December 31, 2018, is comprised of the following issues:

Description	Issue Dates	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
<u>Notes payable</u>					
G.O. promissory notes	03/05/18	03/01/25	2.00-3.00%	\$ 3,960,000	\$ 3,960,000
Promissory note	12/27/18	12/15/23	4.00%	172,477	172,477
State trust fund loan	07/05/16	03/15/22	3.00%	545,000	369,686
State trust fund loan	09/30/16	03/15/22	3.00%	278,926	145,774
State trust fund loan	09/30/16	03/15/23	3.00%	923,644	791,185
State trust fund loan	12/29/17	03/15/22	3.00%	600,000	600,000
State trust fund loan	12/29/17	03/15/19	3.00%	150,000	150,000
					<u>\$ 6,189,122</u>
<u>Refunding bonds</u>					
G.O. promissory bonds	03/15/18	03/01/23	1.63-2.29%	1,215,000	\$ 1,215,000
G.O. promissory bonds	11/09/10	04/01/30	3.25-4.7%	6,670,000	2,285,000
G.O. promissory bonds	04/05/11	10/01/20	4.00%	1,040,000	175,000
					<u>\$ 3,675,000</u>
Total governmental activities - general obligation debt					<u>\$ 9,864,122</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Enterprise Fund debt is expected to be repaid with Enterprise Fund revenue. The mortgage revenue bonds are expected to be repaid with water and wastewater revenue. Enterprise Fund debt at December 31, 2018, is comprised of the following:

Description	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/18
<u>Revenue bonds</u>					
Sewerage system revenue bond	07/24/02	05/01/22	2.84%	1,135,476	\$ 291,638
Sewerage system revenue bond	11/01/04	05/01/24	2.37%	454,008	177,445
Sewerage system revenue bond	01/01/05	05/01/25	2.37%	437,107	177,109
Sewerage system revenue bond	07/11/07	05/01/27	2.48%	502,814	271,396
Sewerage system revenue bond	03/05/18	05/01/28	3.00-3.375%	2,740,000	2,740,000
Water system revenue bond	03/05/18	05/01/28	3.00-4.00%	2,160,000	2,160,000
Water system revenue bond	06/13/12	05/01/32	1.32%	194,758	141,594
Total business-type activities revenue debt					<u>\$ 5,959,182</u>

The sewerage system and water system revenue bonds require that the following requirements:

Debt Service Fund Requirement: The Bond covenants require the utility to establish and maintain a Debt Service Fund Account, deposits to be made monthly equal to one-sixth (1/6) of the next installment of interest coming due on the Prior Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Prior Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Fund from accrued interest, any premium or any other source). This requirement was met for both the sewer utility and the water utility for the year ended December 31, 2018. The debt service fund requirement for the sewer utility is \$370,062 and the Debt Service Fund Account had a balance of \$370,062 at December 31, 2018. The debt service fund requirement for the water utility is \$133,496 and the Debt Service Fund Account had a balance of \$133,496 at December 31, 2018.

Bond Reserve Requirement: The City covenants to establish and maintain a Reserve Account in an amount equal to the least of (a) 10% of the principal of the Bonds and the Parity Bonds; (b) maximum amount of principal and interest due on the outstanding Bonds and Parity Bonds in any Fiscal Year; or (c) 125% of average annual debt service on the outstanding Bonds and the Parity Bonds requirement will be deposited in the Reserve Account. This requirement was met for both the sewer utility and the water utility for the year ended December 31, 2018. The reserve requirement for the sewer utility is \$274,000 and the Bond Reserve Account had a balance of \$309,450 at December 31, 2018. The reserve requirement for the water utility is \$216,000 and the Bond Reserve Account had a balance of \$299,932 at December 31, 2018.

Annual Debt Service Requirement: The City covenants to establish, charge and collect such lawfully established rates and charges for the services provided by the Sewerage and Water System so that net revenues (i.e. gross revenues less all costs of operation and maintenance, exclusive of debt service, depreciation, or local tax equivalents) will be at least 1.10 times the amount of principal and interest coming due on all outstanding bonds payable from the income and revenues of the Sewerage and Water System each year. This requirement was met for the year ended December 31, 2018. The net earnings for the sewer utility were \$1,243,230 or 2.63 times the annual principal and interest amount of \$472,181. The net earnings for the water utility were \$371,977 or 1.16 times the annual principal and interest amount of \$321,075.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt Limit Calculation

The 2018 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$425,420,500. The legal debt limit and margin of indebtedness as of December 31, 2018 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$425,420,500)	\$ 21,271,025
General obligation debt outstanding	(9,864,122)
Margin of indebtedness	\$ 11,406,903

Maturities of Long-Term Obligations

Maturities of the long-term debt to maturity, at December 31, 2018, are:

Years	Governmental Fund Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2019	\$ 1,605,403	\$ 339,795	\$ 807,876	\$ 166,493
2020	1,622,093	237,797	831,876	142,662
2021	1,624,322	196,049	860,978	118,031
2022	932,091	162,922	880,189	92,691
2023	1,130,213	134,324	826,545	67,828
2024-2028	2,225,000	368,285	1,708,777	104,601
2029-2032	725,000	34,250	42,941	1,148
Totals	\$ 9,864,122	\$ 1,473,422	\$ 5,959,182	\$ 693,454

NOTE 6

DEFINED BENEFIT PENSION PLAN

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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided. Employees who retire at or after age 65 (54 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.

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
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0

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

During the reporting period, the WRS recognized \$253,651 in contributions from the employer.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution rates as of December 31, 2018 are:

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

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

At December 31, 2018, the City reported a liability (asset) of (\$725,778) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.02444423%, which was an increase of 0.00051521% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$310,569.

Pension amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the proprietary funds and business-type activities relative to the total contributions made by the City.

At December 31, 2018, the City 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	\$ 922,119	\$ 431,336
Changes of assumptions	143,399	
Net differences between projected and actual earnings on pension plan investments		997,515
Changes in proportion and differences between employer contributions and proportionate share of contributions	62	8,854
Employer contributions subsequent to the measurement date	306,525	
Total	\$ 1,372,105	\$ 1,437,705

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$306,525 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Net Outflows (Inflows) of Resources
2019	\$ 74,273
2020	(9,193)
2021	(249,827)
2022	(189,112)
2023	1,734
Total	\$ (372,125)

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% 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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Allocation Targets and Expected Returns			
As of December 31, 2017			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

Single Discount rate. A single discount rate of 7.20% 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 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the City of Waupaca's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$1,877,835	(\$725,778)	(\$2,704,605)

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

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

Contribution rates as of December 31, 2018 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of employee contribution

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$1,081 in contributions from the employer.

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

At December 31, 2018, the LRLIF Employer reported a liability (asset) of \$171,333 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.056948%, which was an increase of 0.003866% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$19,376.

OPEB amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the OPEB plan made by the proprietary fund and business-type activities relative to the total contributions made by the City.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 2,414
Changes of assumptions	16,556	
Net differences between projected and actual earnings on OPEB plan investments	1,973	
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,140	
Employer contributions subsequent to the measurement date	8,761	
Totals	\$ 35,430	\$ 2,414

\$8,761 reported as deferred outflows related to OPEB resulting from the City employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Net Outflows (Inflows) of Resources
2019	\$ 3,905
2020	3,905
2021	3,905
2022	3,905
2023	3,412
Thereafter	5,223
Total	\$ 24,255

Actuarial assumptions. The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	3.63%
Salary Increases	
Inflation:	3.20%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2017**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
City's proportionate share of the net OPEB liability (asset)	\$242,158	\$171,333	\$116,981

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 8

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables as of December 31, 2018 were as follows:

Receivable Fund	Payable Fund	Amount
Government Funds:		
General	Transit system	\$ 139,719
Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Water utility	Sewer utility	\$ 171,876
Water utility	TIF #3	36,236
Sewer utility	TIF #3	38,764
	Total	\$ 246,876

The following is a schedule of interfund advances at December 31, 2018:

Receivable Fund	Payable Fund	Amount
Water utility	TIF #8	\$ 2,942,888
Sewer utility	TIF #8	3,660,000
TIF #4	TIF #8	816,236
TIF #4	TIF #6	3,547
	Total	\$ 7,422,671

No repayment schedule has been prepared for the advance to the TIF District's and no interest is being charged on the advance.

For the statement of net assets, interfund balances which are owned within the government activities or business-type activities are netted and eliminated.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The following is a schedule of interfund transfers:

<u>Fund Transfer To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Government Funds:		
General	Water utility-tax equivalent	\$ 237,570
General	Sewer utility-tax equivalent	250,008
General	Hotel/Motel revenue	77,915
General	Adult recreation	2,800
Airport	General	60,000
Transit system	General	10,000
Library	General	359,554
Debt service fund	General	1,155,569
Debt service fund	TIF #7	3,376
TIF #3	TIF #6	230,299
TIF #5	TIF #6	277,456
TIF #8	TIF #4	372,479
TIF #9	TIF #7	54,860
TIF #10	TIF #9	148,140
	Total	<u>\$ 3,240,026</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Cumulative transfers from the Debt Service fund to the TIF Districts due to a shortfall of the increment versus the required debt payments are:

TIF #3	\$ 838,493
TIF #5	554,287
TIF #6	640,639
TIF #8	1,647,546
TIF #10	36,063
	<u>\$ 3,717,028</u>

Repayment by the TIF Districts was determined to be unlikely, and as such, a transfer has been recorded.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 9

GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

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

GOVERNMENTAL ACTIVITIES

Net investment in capital assets	
Land	\$ 4,603,196
Other capital assets, net of accumulated depreciation	20,814,233
Less: related long-term debt outstanding	<u>(2,682,163)</u>
Total net investment in capital assets	<u>22,735,266</u>
Restricted:	
Debt service	465,115
TIF #4	1,299,462
Inland Lakes	3,235
Hotel/motel tax	86,797
Revolving loans	484,183
Adult Recreation Center	28,276
Airport	63,205
TIF #6	124,195
TIF #9	118,089
TIF #10	66,968
Donation and Grants	106,400
Library	36,719
South Park Trust	139,229
Perpetual care-expendable	<u>119,444</u>
Total restricted	<u>3,141,317</u>
Unrestricted	<u>(12,878,814)</u>
Total governmental activities net assets	<u>\$ 12,997,769</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONTINUED)

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 includes the following:

Major Funds

General Fund:

Nonspendable:

Long-term receivable \$ 103,745

Unassigned: \$ 1,854,388

Debt Service Fund:

Restricted:

Restricted for future debt payments \$ 630,632

Capital Improvements Fund:

Assigned:

Assigned for future capital projects \$ 255,921

TIF District #4 Fund:

Nonspendable:

Advance \$ 833,027

Restricted:

Restricted for TIF purposes \$ 466,435

Other Non-major Governmental Funds:

Nonspendable:

Airport fund:

Inventories \$ 31,677

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONTINUED)

Restricted:	
Inland Lakes fund:	
Restricted for future expenditures	\$ 3,235
Hotel/motel tax fund:	
Restricted for economic development	86,797
Revolving loan fund:	
Restricted for economic development	21,838
Adult Recreation Center:	
Restricted for future expenditures	28,276
Airport fund:	
Restricted for future expenditures	31,528
Donations and Grants fund:	
Restricted for future expenditures	106,400
Library fund:	
Restricted for future expenditures	36,719
South Park Trust fund:	
Restricted for future expenditures	139,229
TIF Districts fund:	
Restricted for future TIF expenditures	
TIF #7	145,326
TIF #9	118,089
TIF #10	66,968
Perpetual care fund:	
Restricted for future cemetery expenditures	119,444
Total restricted non-major funds	\$ 903,849

The following funds had deficit balances as of December 31, 2018:

Unassigned fund balance (deficit)	
Transit System Fund	\$ (142,535)
TIF Districts Fund:	
TIF #8	(7,557,705)
	\$ (7,700,240)

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 NET POSITION RESTRICTION – PROPRIETARY FUNDS

Portions of net position are restricted and are not available for current expenses as follows:

<u>Proprietary Funds</u>	
Water Utility:	
Restricted for:	
Debt reserves	<u>\$ 421,466</u>
Sewer Utility:	
Restricted for:	
Equipment	\$ 438,000
Maintenance	256,500
Debt reserves	<u>679,512</u>
Total	<u>\$ 1,374,012</u>

NOTE 11 JOINT VENTURES

The Waupaca Area Fire District was established in 1991 for the purpose of furnishing firefighting services to the territory included within the district. The municipalities participating in the fire district and their percentage shares are as follows: City of Waupaca – 33.390%; Town of Waupaca – 6.812%; Town of Dayton – 22.422%; Town of Farmington – 31.395%; and Town of Lind – 5.980%.

The percentage shares of each municipality are based on their 2018 share of equalized value within the district. The governing body consists of five voting members, those being the four town chairpersons and the chairperson of the Police and Fire Committee of the City of Waupaca. Budgets and expenditures must be approved by at least 80% of the shares. Fire district dues are based on the percentages above, and all shortfalls in revenue are allocated to each participating municipality in the same percentage. The Fire District does not have authority to borrow funds and participating municipalities do not have any equity interest in the assets of the district. The City accounts for its share of the operation in the general fund. The City believes that the district will continue to provide services in the future at similar rates.

Summary unaudited financial information of the Waupaca Area Fire District may be obtained at City Clerk’s Office, 111 South Main Street, Waupaca, WI 54981.

The Waupaca Regional Recycling/Composting Center was established in July of 1990 for the purpose of joining together in the recycling of items in the waste stream that can be recycled. Additionally, the other purposes of the center are to protect the interests of the taxpayers and to ensure that solid wastes generated within the district are properly recycled or disposed of in accordance with the applicable laws. The municipalities currently participating in the recycling district and their percentage shares are as follows: City of Waupaca – 38.92%; Town of Farmington – 25.53%; Town of Dayton – 17.70%; Town of Waupaca – 7.65%; and Town of Lind – 10.20%.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 11

JOINT VENTURES (CONTINUED)

The percentage shares of each municipality are based on the 2017 census of all municipalities of Waupaca County. The budgeted costs are paid by each municipality in proportion to their share of ownership. The governing body consists of two delegates appointed from each municipality included in the center. The chairman of the center will be elected from the two delegates of the municipality having the largest population. Budgets and expenditures must be approved by two-thirds of the members present. Shortfalls in revenues or deficits will be paid pro-rata by all participating municipalities. The Center does not have the authority to borrow funds and participating municipalities do not have any equity interest assets of the Center. The City accounts for its share of the operation in the general fund. The City believes that the Center will continue to provide services in the future at similar rates.

Summary unaudited financial information of the Waupaca Regional Recycling/Compositing Center may be obtained at the City Clerk's Office, 111 South Main Street, Waupaca, WI 54981.

NOTE 12

LANDFILL POST CLOSURE CARE COST

The City of Waupaca has an old landfill that is no longer accepting waste and is being monitored. State and federal laws and regulations require the City to monitor, document and report the condition of the City's closed landfill site in perpetuity. City officials are unable to estimate the total cost of closing the landfill and post closure monitoring at this time. \$709,280, including current year costs of \$2,957 have been incurred to date in closing and monitoring the landfill. The City has received a grant from the Wisconsin Department of Natural Resources, which will finance approximately 50% of the original costs of the landfill over a period of years beginning in 1992. The City received \$27,559 from the DNR in 2000. Actual post closure care costs will be paid as incurred. No escrow accounts are required as a part of the current closure agreement and annual costs are paid from property tax revenues.

NOTE 13

TAX INCREMENTAL FINANCE DISTRICTS

Tax increment financing, as authorized by Section 66.46 of the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in Tax Incremental Finance District (TIF) designated areas. These costs are recovered from the increased valuation in the designated area. The City has financed development and public improvement costs in its TIF primary through the issuance of long-term debt. Project costs have been reported primarily as Capital Projects Funds expenditures. Tax increments will be used to meet maturing debt obligations incurred to provide financing for development and public improvement costs within the tax incremental district. The District is allowed to collect tax increments until its termination date. Any over collections are returned to the various taxing entities of the District. The City becomes liable for any cost not recovered by the termination date.

During 2010, the City declared TIF District Numbers 3, 5, 8, and 10 to be distressed Districts. The City also declared TIF District Number 4 to be a donor to TIF District Number 8, TIF District Number 6 to be a donor to TIF Districts Number 3 and 5, and TIF District Number 9 to be a donor to TIF Districts Number 6, 7, and 10 (each of which have the same overlying taxing jurisdictions). As such, the donor Districts can use cumulative excess revenues over expenditures to aid in paying the costs of the distressed Districts. This could potentially add ten years to the life of the distressed Districts.

The City has eight active Tax Incremental Financing Districts. Project summaries of the activity and status of the districts through December 31, 2018 are provided as supplemental financial information.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 14 WASTEWATER REVENUE CONTRIBUTIONS - OTHER GOVERNMENTS

The Wastewater Utility provides treatment services to the Chain O'Lakes Sanitary District. During 2018, the following amounts were received:

Contributed capital:	
Replacement component	\$ 28,215
Customer charges:	
Flow component (net of overcharge)	145,734
Total	<u>\$ 173,949</u>

NOTE 15 CONTINGENCIES

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

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

NOTE 16 DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2018 the various components of deferred inflows of resources were as follows:

Property tax receivable	\$ 5,224,871
Special assessments	44,265
Long-term notes receivable – CDBG	462,345
Long-term notes receivable – Townhouse Land	103,745
Total deferred inflows of resources for government funds	<u>\$ 5,835,226</u>

Postponed special assessments are generally collectible in annual installments over five years while the CDBG notes receivable have been deferred until the property is sold or homeowner becomes deceased.

The long-term notes receivable for the townhouse land is for a principal sum of \$200,000, payable in one installment on March 15, 2041. The note carries an interest rate of 0%. The note has been discounted at a rate of 3% in these financial statements. The discount as of December 31, 2018 was \$96,255.

NOTE 17 CONCENTRATION OF RISK

Approximately 18% of the water utility operating revenues and approximately 5% of the sewer utility operating revenues are provided by one customer.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 18

TAX LEVY LIMIT

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

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

NOTE 19

TAX ABATEMENTS

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

The City of Waupaca, through one of its TID districts, has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plan. The developers pay property taxes as they become due, and if they generate the guaranteed increment, a percentage of property tax generated based on a certain tax base is returned to developers.

For the year ended December 31, 2018, the City abated property taxes totaling \$35,991 related to TID developer agreements.

NOTE 20

CONTINGENT LIABILITY

The City received residential lots in satisfaction of outstanding delinquent taxes. When the City sells the lots, it is to pay the County approximately \$46,745 in delinquent taxes.

NOTE 21

SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the City approved street reconstruction bid for approximately \$613,000. Also, the City issued General Obligation Promissory Notes for 2019 projects. Debt requirements are as follows:

Year	Principal	Interest	Total
2020	\$ 205,000	\$ 71,815	\$ 276,815
2021	130,000	44,250	174,250
2022	135,000	39,600	174,600
2023	140,000	34,100	174,100
2024	145,000	28,400	173,400
2025-2029	800,000	62,250	862,250
Totals	<u>\$ 1,555,000</u>	<u>\$ 280,415</u>	<u>\$ 1,835,415</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2018

NOTE 22

PRIOR PERIOD ADJUSTMENT

Prior period adjustments have been recorded effective January 1, 2018, as follows:

	Governmental Activities	Business-type Activities
Total net position as previously reported	\$ 11,101,385	\$ 24,688,975
Cumulative effect of change in accounting principle (GASB Statement No. 75)	(98,404)	(21,425)
Net position, January 1, as restated	\$ 11,002,981	\$ 24,667,550

Implementation of GASB Statement No. 75 required net position in the governmental and business-type activities to be decreased. The decrease in net position was to reflect the OPEB liability balances as of January 1, 2018 and beginning deferred outflows of resources for City contributions to the OPEB plans after the actuarial measurement dates.

NOTE 23

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 3,358,770	\$ 3,358,770	\$ 3,364,401	\$ 5,631	\$ 5,631
Licenses and permits	166,285	166,285	281,664	115,379	115,379
Fines, forfeits and penalties	70,000	70,000	74,109	4,109	4,109
Public charges for services	221,800	221,800	205,455	(16,345)	(16,345)
Intergovernmental	1,625,452	1,625,452	1,686,094	60,642	60,642
Interest	2,300	2,300	78,429	76,129	76,129
Miscellaneous	173,900	173,900	213,440	39,540	39,540
Total revenues	5,618,507	5,618,507	5,903,592	285,085	285,085
EXPENDITURES					
General government	772,273	772,273	809,041	(36,768)	(36,768)
Public safety	1,781,941	1,781,941	1,832,697	(50,756)	(50,756)
Health and social services	178,479	178,479	176,333	2,146	2,146
Public works	1,112,552	1,112,552	942,872	169,680	169,680
Culture, recreation and education	932,254	932,254	823,233	109,021	109,021
Total expenditures	4,777,499	4,777,499	4,584,176	193,323	193,323
Excess of revenues over (under) expenditures	841,008	841,008	1,319,416	478,408	478,408
OTHER FINANCIAL SOURCES (USES)					
Proceeds from sale of capital assets			1,157	1,157	1,157
Transfers in	589,835	589,835	568,293	(21,542)	(21,542)
Transfers out	(1,563,992)	(1,563,992)	(1,563,992)		
Total other financing sources (uses)	(974,157)	(974,157)	(994,542)	(20,385)	(20,385)
Net change in fund balance	(133,149)	(133,149)	324,874	458,023	458,023
Fund balance - beginning	1,633,259	1,633,259	1,633,259		
Fund balance - ending	<u>\$ 1,500,110</u>	<u>\$ 1,500,110</u>	<u>\$ 1,958,133</u>	<u>\$ 458,023</u>	<u>\$ 458,023</u>

Exhibit B-2
City of Waupaca, Wisconsin
Wisconsin Retirement System Schedules
December 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2017	(0.02444423%)	\$ (725,778)	\$ 3,176,272	(22.85%)	(102.93%)
2016	0.02392902%	197,232	3,042,669	6.48%	99.12%
2015	0.02391266%	388,576	3,068,385	12.66%	98.20%
2014	(0.02371278%)	(582,291)	2,935,377	(19.84%)	(102.74%)

*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Calendar Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 306,525	\$ (306,525)		\$ 3,243,270	9.45%
2017	294,186	(294,186)		3,176,273	9.26%
2016	259,551	(259,551)		3,042,669	8.53%
2015	269,909	(269,909)		2,937,144	9.19%

**The contribution and other amounts presented above for each calendar year are based on information that occurred during that calendar year.

Exhibit B-3
City of Waupaca, Wisconsin
Local Retiree Life Insurance Fund Schedules
December 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2017	0.05694800%	\$ 171,333	\$ 2,394,826	7.15%	44.81%

*The proportionate share of the net OPEB liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 8,761	\$ (8,761)		\$ 2,892,641	0.30%

**The contribution and other amounts presented above for each calendar year are based on information that occurred during that fiscal year.

City of Waupaca, Wisconsin
Notes to Required Supplementary Information
December 31, 2018

NOTE 1

BUDGET SCHEDULE

General Policies – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

The City budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution, designated carryovers from prior years, and subsequent revisions authorized by the City Council. Such revisions are required by a statutory provision, which states that no expenditures can be made from an expired appropriation. The statutes also require publication of the budget revisions. Revisions require a majority vote of the Common Council. Appropriations for the general fund lapse at year end unless specifically carried forward by council action.

Annual budgets, as required by state statutes, are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. Budgets have not been formally adopted for certain special revenue and capital projects funds, since effective control is achieved through alternative means.

The budgeted amounts presented include both the original and amended budgets. The City council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year-end unless assigned. Budgets are adopted at the broad functional category level of expenditures in the general fund and total expenditures level for other funds.

Although there are adopted budgets for the enterprise funds, budget to actual data is not shown since there is no requirement under U.S. generally accepted accounting principles to present budget to actual comparisons for enterprise funds as part of the financial statements, even if annual budgets are legally adopted for these funds.

Encumbrances – Encumbrance accounting is not used.

Excess of Expenditures Over Appropriations – For the year ended December 31, 2018, expenditures exceeded budgeted amounts for the following:

General government	\$	36,768
Public safety		50,756

NOTE 2

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively; therefore, the illustrations do not present similar information for the 6 preceding years.

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

Changes of assumptions. There were no changes in the assumptions.

City of Waupaca, Wisconsin
Notes to Required Supplementary Information
December 31, 2018

NOTE 3

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

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

Changes of assumptions. There were no changes in the assumptions.

SUPPLEMENTARY INFORMATION

Exhibit C-1
City of Waupaca, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Inland Lakes	Hotel/Motel Tax	Transit System	Revolving Loans	Adult Recreation Center	Airport	Donations and Grants	Library	South Park Trust	TIF Districts	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
ASSETS												
Cash and investments	\$ 3,235	\$ 93,288	\$	\$ 21,838	\$ 31,691	\$ 36,766	\$ 106,400	\$ 85,400	\$ 138,754	\$ 269,979	\$ 118,630	\$ 905,981
Receivables:												
Taxes										1,221,945		1,221,945
Notes				462,345								462,345
Due from other governments			21,596									21,596
Other		21,888							475		814	23,177
Inventory						31,677						31,677
Total assets	3,235	115,176	21,596	484,183	31,691	68,443	106,400	85,400	139,229	1,491,924	119,444	2,666,721
LIABILITIES												
Accounts payable	\$	\$ 28,379	\$ 24,412	\$	\$ 3,399	\$ 5,238	\$	\$ 37,598	\$	\$ 8,899	\$	\$ 107,925
Developer payable										1,023		1,023
Accrued liabilities					16			11,083				11,099
Advances due from other funds										3,547		3,547
Due to other funds			139,719							75,000		214,719
Total liabilities		28,379	164,131		3,415	5,238		48,681		88,469		338,313
DEFERRED INFLOWS OF RESOURCES												
Deferred revenue				462,345						1,094,203		1,556,548
Total deferred inflows of resources				462,345						1,094,203		1,556,548
Total liabilities and deferred inflows of resources		28,379	164,131	462,345	3,415	5,238		48,681		1,182,672		1,894,861
FUND BALANCES												
Nonspendable						31,677						31,677
Restricted	3,235	86,797		21,838	28,276	31,528	106,400	36,719	139,229	309,252	119,444	882,718
Unassigned (deficit)			(142,535)									(142,535)
Total fund balances	3,235	86,797	(142,535)	21,838	28,276	63,205	106,400	36,719	139,229	309,252	119,444	771,860
Total liabilities, deferred inflows of resources and fund balances	\$ 3,235	\$ 115,176	\$ 21,596	\$ 484,183	\$ 31,691	\$ 68,443	\$ 106,400	\$ 85,400	\$ 139,229	\$ 1,491,924	\$ 119,444	\$ 2,666,721

Exhibit C-2
City of Waupaca, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Inland Lakes	Hotel/Motel Tax	Transit System	Revolving Loans	Adult Recreation Center	Airport	Donations and Grants	Library	South Park Trust	TIF Districts	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
REVENUES												
Taxes	\$	\$ 259,923	\$	\$	\$	\$	\$	\$	\$	\$ 1,198,906	\$	\$ 1,458,829
Intergovernmental			254,112					370,779		4,311		629,202
Public charges for services			156,227		16,735	88,888		18,288				280,138
Miscellaneous:												
Interest				43					475		48	566
Other			47,778	3,609		34,433	87,840	65,629	138,754	40,020		418,063
Total revenues		259,923	458,117	3,652	16,735	123,321	87,840	454,696	139,229	1,243,237	48	2,786,798
EXPENDITURES												
General government							1,712					1,712
Public safety							1,074					1,074
Health and social services							6,368					6,368
Public works			491,455			229,415	981					721,851
Culture, recreation and education					14,268		30,704	799,457				844,429
Conservation and development	1,715	210,690		28,751						6,250		247,406
Capital outlay:												
Culture, recreation and education					2,980							2,980
Conservation and development										265,958		265,958
Debt service:												
Principal retirement										1,660,433		1,660,433
Interest and fiscal charges										84,000		84,000
Debt issuance costs										20,267		20,267
Total expenditures	1,715	210,690	491,455	28,751	17,248	229,415	40,839	799,457		2,036,908		3,856,478
Excess of revenues over (under) expenditures	(1,715)	49,233	(33,338)	(25,099)	(513)	(106,094)	47,001	(344,761)	139,229	(793,671)	48	(1,069,680)
OTHER FINANCIAL SOURCES (USES)												
Transfers in			10,000			60,000		359,554		710,755		1,140,309
Transfers out		(77,915)			(2,800)					(860,762)		(941,477)
Proceeds from sale of capital assets			934							32,395		33,329
Debt proceeds										885,000		885,000
Total other financing sources (uses)		(77,915)	10,934		(2,800)	60,000		359,554		767,388		1,117,161
Net change in fund balances	(1,715)	(28,682)	(22,404)	(25,099)	(3,313)	(46,094)	47,001	14,793	139,229	(26,283)	48	47,481
Fund balances - beginning	4,950	115,479	(120,131)	46,937	31,589	109,299	59,399	21,926		335,535	119,396	724,379
Fund balances - ending	\$ 3,235	\$ 86,797	\$ (142,535)	\$ 21,838	\$ 28,276	\$ 63,205	\$ 106,400	\$ 36,719	\$ 139,229	\$ 309,252	\$ 119,444	\$ 771,860

Exhibit C-3
City of Waupaca, Wisconsin
Combining Balance Sheet
TIF Districts
December 31, 2018

	TIF #3	TIF #5	TIF #6	TIF #7	TIF #9	TIF #10	Total
ASSETS							
Cash and investments	\$ 78,778	\$ 4,340	\$	\$	\$ 118,089	\$ 68,772	\$ 269,979
Receivables:							
Taxes	354,097	23,131	757,327			87,390	1,221,945
Total assets	\$ 432,875	\$ 27,471	\$ 757,327	\$	\$ 118,089	\$ 156,162	\$ 1,491,924
LIABILITIES							
Accounts payable	\$ 2,755	\$ 4,340	\$	\$	\$	\$ 1,804	\$ 8,899
Developer payable	1,023						1,023
Due to other funds	75,000						75,000
Advances due from other funds			3,547				3,547
Total liabilities	78,778	4,340	3,547			1,804	88,469
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	354,097	23,131	629,585			87,390	1,094,203
Total deferred inflows of resources	354,097	23,131	629,585			87,390	1,094,203
Total liabilities and deferred inflows of resources	432,875	27,471	633,132			89,194	1,182,672
FUND BALANCES							
Restricted for TIF expenditures			124,195		118,089	66,968	309,252
Unassigned (deficit)							
Total fund balances			124,195		118,089	66,968	309,252
Total liabilities, deferred inflows of resources and fund balances	\$ 432,875	\$ 27,471	\$ 757,327	\$	\$ 118,089	\$ 156,162	\$ 1,491,924

Exhibit C-4
City of Waupaca, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
TIF Districts
For the Year Ended December 31, 2018

	TIF #3	TIF #5	TIF #6	TIF #7	TIF #9	TIF #10	Total
REVENUES							
Taxes	\$ 322,688	\$ 22,462	\$ 670,864	\$ 95,856	\$	\$ 87,036	\$ 1,198,906
Intergovernmental	809	15	930	842	1,686	29	4,311
Miscellaneous:							
Other			40,020				40,020
Total revenues	323,497	22,477	711,814	96,698	1,686	87,065	1,243,237
EXPENDITURES							
Conservation and development	6,250						6,250
Capital outlay:							
Conservation and development	62,596	29,547	1,118	61,276	1,088	110,333	265,958
Debt service:							
Principal retirement	1,282,458	232,975	55,000			90,000	1,660,433
Interest and fiscal charges	62,611	8,030	1,116			12,243	84,000
Debt issuance costs	20,267						20,267
Total expenditures	1,434,182	270,552	57,234	61,276	1,088	212,576	2,036,908
OTHER FINANCIAL SOURCES (USES)							
Transfers in	230,299	277,456			54,860	148,140	710,755
Transfers out	(37,009)	(29,381)	(530,385)	(92,217)	(149,140)	(22,630)	(860,762)
Proceeds from sale of capital assets	32,395						32,395
Debt proceeds	885,000						885,000
Total other financing sources (uses)	1,110,685	248,075	(530,385)	(92,217)	(94,280)	125,510	767,388
Net change in fund balance			124,195	(56,795)	(93,682)	(1)	(26,283)
Fund balances - beginning				56,795	211,771	66,969	335,535
Fund balances - ending	\$	\$	\$ 124,195	\$	\$ 118,089	\$ 66,968	\$ 309,252

MISCELLANEOUS FINANCIAL DATA

City of Waupaca, Wisconsin
Historical Sources, Uses and Status of Funds - Tax Incremental Financing Districts
From Dates of Creation Through December 31, 2018

	TIF #3	TIF #4	TIF #5	TIF #6	TIF #7	TIF #8	TIF #9	TIF #10	Totals
SOURCES OF FUNDS									
Taxes	\$ 3,807,876	\$ 9,156,810	\$ 303,858	\$ 7,946,660	\$ 613,741	\$ 914,977	\$ 57,655	\$ 946,388	\$ 23,747,965
Intergovernmental	233,211	66,045	42,979	30,158	17,473	532,171	239,131	184	1,161,352
Other revenue	970,461	1,114,021	106,818	1,021,484	58,447	413,788	5,600	322,141	4,012,760
Sale of capital assets	446,829					536,835			983,664
Proceeds of long-term debt	8,768,644	8,565,985	1,187,975	9,915,000	690,000	21,410,000		1,919,915	52,457,519
Transfers	2,133,270		985,528	640,639	74,388	3,249,418	67,636	334,203	7,485,082
Total sources	16,360,291	18,902,861	2,627,158	19,553,941	1,454,049	27,057,189	370,022	3,522,831	89,848,342
USES OF FUNDS									
Capital expenditures	5,678,337	9,214,480	1,356,108	7,701,809	882,287	27,774,623	33,380	1,065,666	53,706,690
Debt service:									
Principal retirement	4,887,458	5,238,080	885,110	8,384,793	192,880	2,589,870		725,130	22,903,321
Interest and fiscal charges	1,445,070	2,237,466	377,690	1,345,207	90,565	2,036,062		289,750	7,821,810
Transfers	4,349,426	913,373	29,381	1,976,806	288,317	2,214,339	218,553	1,375,317	11,365,512
Total uses	16,360,291	17,603,399	2,648,289	19,408,615	1,454,049	34,614,894	251,933	3,455,863	95,797,333
Fund balance at December 31	\$	\$ 1,299,462	\$ (21,131)	\$ 145,326	\$	\$ (7,557,705)	\$ 118,089	\$ 66,968	\$ (5,948,991)
Cash	\$ (78,778)	\$(1,299,089)	\$	\$ (17,584)	\$	\$	\$ (118,089)	\$ (68,772)	\$(1,582,312)
Other receivable		(373)							(373)
Accounts payable	2,755		4,340			138,581		1,804	147,480
Developer payables	1,023								1,023
Debt outstanding	1,676,186	475,774	232,975			2,700,000		290,000	5,374,935
Advance due from other funds			16,791			7,419,124			7,435,915
Due to other funds	75,000								75,000
Balance to be collected (surplus) at December 31	\$ 1,676,186	\$ (823,688)	\$ 254,106	\$ (17,584)	\$	\$ 10,257,705	\$ (118,089)	\$ 223,032	\$ 11,451,668