



CITY OF WAUPACA, WISCONSIN
AUDITED FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the year ended December 31, 2019

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CITY OF WAUPACA, WISCONSIN
DECEMBER 31, 2019

TABLE OF CONTENTS

Independent Auditor’s Report 1

Basic Financial Statements

Government-Wide Financial Statements:

Exhibit A-1 Statement of Net Position 3
Exhibit A-2 Statement of Activities..... 5

Fund Financial Statements:

Exhibit A-3 Balance Sheet – Governmental Funds..... 6
Exhibit A-4 Reconciliation of the Governmental Funds Balance Sheet with the
Statement of Net Position 7
Exhibit A-5 Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds..... 8
Exhibit A-6 Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities 9
Exhibit A-7 Statement of Net Position – Proprietary Funds 11
Exhibit A-8 Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds 13
Exhibit A-9 Statement of Cash Flows – Proprietary Funds 14
Notes to the Basic Financial Statements 16

Required Supplementary Information:

Exhibit B-1 Budgetary Comparison Schedule for the General Fund..... 57
Exhibit B-2 Wisconsin Retirement System Schedules..... 58
Exhibit B-3 Local Retiree Life Insurance Fund Schedules..... 56
Notes to Required Supplementary Information..... 60

Supplementary Information:

Exhibit C-1 Combining Balance Sheet – Nonmajor Governmental Funds..... 62
Exhibit C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
-Nonmajor Governmental Funds 63
Exhibit C-3 Combining Balance Sheet – TIF Districts 64
Exhibit C-4 Combining Statement of Revenues, Expenditures and Changes in
Fund Balance – TIF Districts 65

Miscellaneous Financial Data

Historical Sources, Uses and Status of Funds – Tax Incremental Financing Districts 66



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

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 57-61 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 & Company, Inc.
May 21, 2021

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Waupaca, Wisconsin
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 5,623,369	\$ 3,568,051	\$ 9,191,420
Receivables:			
Taxes	5,329,842		5,329,842
Due from other governments	128,380		128,380
Customer		411,250	411,250
Other	186,665	57,474	244,139
Internal balances	(6,602,888)	6,602,888	
Prepays	37,285		37,285
Inventories	47,906	69,689	117,595
Total current assets	<u>4,750,559</u>	<u>10,709,352</u>	<u>15,459,911</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments		1,884,260	1,884,260
Other assets:			
Long-term notes receivable	658,974		658,974
Less: discount on long-term notes receivable	(93,143)		(93,143)
Less: allowance for uncollectible loans	(43,175)		(43,175)
Special assessments receivable	29,446	283,313	312,759
Capital assets:			
Property and plant	38,278,808	37,852,580	76,131,388
Less: accumulated provision for depreciation	(12,294,549)	(19,921,948)	(32,216,497)
Total noncurrent assets	<u>26,536,361</u>	<u>20,098,205</u>	<u>46,634,566</u>
Total assets	<u>31,286,920</u>	<u>30,807,557</u>	<u>62,094,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension outflows	2,171,451	233,522	2,404,973
OPEB - group life insurance plan outflows	23,372	2,051	25,423
Deferred charges on refunding	7,154		7,154
Total deferred outflows of resources	<u>2,201,977</u>	<u>235,573</u>	<u>2,437,550</u>
Total assets and deferred outflows of resources	<u>\$ 33,488,897</u>	<u>\$ 31,043,130</u>	<u>\$ 64,532,027</u>

Exhibit A-1 (Continued)
City of Waupaca, Wisconsin
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 514,432	\$ 26,460	\$ 540,892
Developer payable	10,596		10,596
Due to other governments	1,577		1,577
Accrued liabilities	116,827	9,472	126,299
Accrued interest	101,708	15,128	116,836
Current portion of long-term debt	1,827,092	571,876	2,398,968
Total current liabilities	2,572,232	622,936	3,195,168
Current liabilities (payable from restricted assets):			
Accrued interest		10,666	10,666
Current portion of mortgage revenue bonds		260,000	260,000
Total current liabilities (payable from restricted assets)		270,666	270,666
Long-term liabilities:			
Mortgage revenue bonds		5,151,306	5,151,306
Bonds and notes payable	9,968,719		9,968,719
Net pension liability	795,627	85,564	881,191
OPEB - group life insurance plan	134,420	11,800	146,220
Compensated absences	691,387	103,383	794,770
Less: current portion	(1,827,092)	(831,876)	(2,658,968)
Total long-term liabilities	9,763,061	4,520,177	14,283,238
Total liabilities	12,335,293	5,413,779	17,749,072
DEFERRED INFLOWS OF RESOURCES			
Pension inflows	1,099,890	118,285	1,218,175
OPEB - group life insurance plan inflows	36,563	3,208	39,771
Deferred revenues	5,182,847		5,182,847
Total deferred inflows of resources	6,319,300	121,493	6,440,793
NET POSITION			
Net investment in capital assets	21,066,124	12,779,326	33,845,450
Restricted for:			
Debt Service	620,895		620,895
TIF #4	726,235		726,235
Inland lakes	858		858
Hotel/motel tax	41,755		41,755
Revolving loans	522,656		522,656
Adult recreation center	27,482		27,482
TIF #6	532,227		532,227
TIF #9	118,166		118,166
TIF #10	16,994		16,994
Donation and grants	126,915		126,915
Library	36,622		36,622
South park trust	106,451		106,451
Perpetual care	121,881		121,881
Water		479,530	479,530
Sewer		1,394,064	1,394,064
Unrestricted	(9,230,957)	10,854,938	1,623,981
Total net position	14,834,304	25,507,858	40,342,162
Total liabilities, deferred inflows of resources and net position	\$ 33,488,897	\$ 31,043,130	\$ 64,532,027

Exhibit A-2
City of Waupaca, Wisconsin
Statement of Activities
For the Year Ended December 31, 2019

<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
Primary Government:						
Governmental activities:						
General government	\$ 1,211,304	\$ 161,004	\$	\$	\$ (1,050,300)	\$ (1,050,300)
Public safety	2,169,685	351,026	8,796		(1,809,863)	(1,809,863)
Health and social services	204,652	18,200	17,117		(169,335)	(169,335)
Public works	2,280,541	417,629	461,896	2,665	(1,398,351)	(1,398,351)
Culture, recreation and education	1,883,123	250,173	607,953	6,982	(1,018,015)	(1,018,015)
Conservation and development	320,112	50,407			(269,705)	(269,705)
Interest and fiscal charges	337,501				(337,501)	(337,501)
Total governmental activities	<u>8,406,918</u>	<u>1,248,439</u>	<u>1,095,762</u>	<u>9,647</u>	<u>(6,053,070)</u>	<u>(6,053,070)</u>
Business-type activities:						
Water utility	1,037,562	1,267,728		223,282	453,448	453,448
Sewer utility	1,709,065	2,095,198		76,395	462,528	462,528
Telecommunication utility	172,307	186,426	14,779		28,898	28,898
Total business-type activities	<u>2,918,934</u>	<u>3,549,352</u>	<u>14,779</u>	<u>299,677</u>	<u>944,874</u>	<u>944,874</u>
Total primary government	<u>\$ 11,325,852</u>	<u>\$ 4,797,791</u>	<u>\$ 1,110,541</u>	<u>\$ 309,324</u>	<u>(6,053,070)</u>	<u>944,874</u>
<u>General Revenues and Transfers:</u>						
Property taxes						
General purposes					5,235,719	5,235,719
Other taxes					332,511	332,511
Federal and state aid not restricted for specific purposes					1,576,295	1,576,295
Interest and investment earnings					141,929	73,038
Proceeds from insurance					18,580	18,580
Gain on sale of fixed assets					9,075	253
Miscellaneous					123,695	123,695
Transfers					451,801	(451,801)
Total general revenues					<u>7,889,605</u>	<u>(378,510)</u>
Change in net position					1,836,535	566,364
Net position - beginning					12,997,769	24,941,494
Net position - ending					<u>\$ 14,834,304</u>	<u>\$ 25,507,858</u>
						<u>\$ 40,342,162</u>

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

Exhibit A-3
City of Waupaca, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2019

	General	Debt Service	Capital Improvements	TIF #4	TIF #8	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 2,116,464	\$ 722,603	\$ 1,005,160	\$ 726,258	\$	\$ 1,052,884	\$ 5,623,369
Cash and investments - restricted							
Receivables:							
Taxes	3,301,743			673,236	162,183	1,192,680	5,329,842
Due from other governments						128,380	128,380
Special assessments			29,446				29,446
Due from other funds	63,033						63,033
Other	124,861		31,512	373		29,919	186,665
Long-term notes receivable, net of discount of \$93,143	106,857					458,975	565,832
Inventory						47,906	47,906
Advance from other funds				991,827			991,827
Prepays	37,285						37,285
Total assets	\$ 5,750,243	\$ 722,603	\$ 1,066,118	\$ 2,391,694	\$ 162,183	\$ 2,910,744	\$ 13,003,585
LIABILITIES							
Accounts payable	\$ 69,637	\$	\$ 282,404	\$ 396	\$	\$ 161,995	\$ 514,432
Developer payable			9,573			1,023	10,596
Accrued liabilities	116,120					707	116,827
Due to other governments	1,577						1,577
Due to other funds						63,033	63,033
Advances due to other funds					7,594,715		7,594,715
Total liabilities	187,334		291,977	396	7,594,715	226,758	8,301,180
DEFERRED INFLOWS OF RESOURCES							
Deferred revenues	3,389,002		32,051	673,236	162,182	1,523,912	5,780,383
Total deferred inflows of resources	3,389,002		32,051	673,236	162,182	1,523,912	5,780,383
Total liabilities and deferred inflows of resources	3,576,336		324,028	673,632	7,756,897	1,750,670	14,081,563
FUND BALANCES							
Nonspendable	144,142			991,827		47,906	1,183,875
Restricted		722,603		726,235		1,132,416	2,581,254
Assigned			742,090				742,090
Unassigned (deficit)	2,029,765				(7,594,714)	(20,248)	(5,585,197)
Total fund balances	2,173,907	722,603	742,090	1,718,062	(7,594,714)	1,160,074	(1,077,978)
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,750,243	\$ 722,603	\$ 1,066,118	\$ 2,391,694	\$ 162,183	\$ 2,910,744	\$ 13,003,585

Exhibit A-4
City of Waupaca, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2019

Total fund balances-governmental funds: \$ (1,077,978)

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	38,278,808	
Governmental accumulated depreciation	<u>(12,294,549)</u>	25,984,259

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	2,194,823	
Deferred inflows of resources		(1,136,453)

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	31,703	
Long-term notes receivable		615,800
Discount on notes receivable		(93,143)

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	7,154	
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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	(9,968,719)	
Accrued interest on general obligation debt	(101,708)	
Net pension liability	(795,627)	
OPEB - group life insurance plan	(134,420)	
Compensated absences	<u>(691,387)</u>	

Total net position of governmental activities	<u>\$ 14,834,304</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, 2019

	General	Debt Service	Capital Improvements	TIF #4	TIF #8	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 3,321,557	\$	\$	\$ 724,721	\$ 156,482	\$ 1,365,471	\$ 5,568,231
Special assessments			15,226				15,226
Licenses and permits	307,009						307,009
Fines, forfeits and penalties	72,075						72,075
Intergovernmental	1,683,973		40,317	10,065	4,509	821,134	2,559,998
Public charges for services	215,383					335,759	551,142
Miscellaneous:							
Interest	133,210		463			5,144	138,817
Other	254,645		31,719		50,000	213,661	550,025
Total revenues	5,987,852		87,725	734,786	210,991	2,741,169	9,762,523
EXPENDITURES							
General government	1,068,682					231	1,068,913
Public safety	1,878,485					5,711	1,884,196
Health and social services	180,487					16,594	197,081
Public works	963,346					845,464	1,808,810
Culture, recreation and education	834,302					844,802	1,679,104
Conservation and development						285,160	285,160
Capital outlay:							
General government			149,094				149,094
Public safety			69,145				69,145
Health and social services							
Public works			1,057,066				1,057,066
Culture, recreation and education			75,618			35,424	111,042
Conservation and development				16,093	84,306	37,337	137,736
Debt service:							
Principal retirement		834,028		117,341	125,000	529,034	1,605,403
Interest and fiscal charges		210,043		13,404	117,419	53,891	394,757
Debt issuance costs							
Total expenditures	4,925,302	1,044,071	1,350,923	146,838	326,725	2,653,648	10,447,507
Excess of revenues over (under) expenditures	1,062,550	(1,044,071)	(1,263,198)	587,948	(115,734)	87,521	(684,984)
OTHER FINANCIAL SOURCES (USES)							
Transfers in	761,126	1,092,194			153,538	727,195	2,734,053
Transfers out	(1,609,508)			(169,348)	(74,813)	(428,583)	(2,282,252)
Proceeds from sale of capital assets	1,606		39,367			2,081	43,054
Debt proceeds and debt premiums		43,848	1,710,000				1,753,848
Total other financing sources (uses)	(846,776)	1,136,042	1,749,367	(169,348)	78,725	300,693	2,248,703
Net change in fund balances	215,774	91,971	486,169	418,600	(37,009)	388,214	1,563,719
Fund balances - beginning	1,958,133	630,632	255,921	1,299,462	(7,557,705)	771,860	(2,641,697)
Fund balances - ending	\$ 2,173,907	\$ 722,603	\$ 742,090	\$ 1,718,062	\$ (7,594,714)	\$ 1,160,074	\$ (1,077,978)

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, 2019

Net change in fund balances-total governmental funds \$ 1,563,719

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	1,439,366	
Depreciation expenses reported in the statement of activities	(840,403)	
Amount by which capital outlays and donations are greater (less) than depreciation in the current period.		598,963

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. (32,133)

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		(34,024)
Change in compensated absences		97,405

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:		1,605,403
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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 (1,710,000)

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. (6,553)

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, 2019

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:	(12,561)
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:	(3,371)
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.	3,112
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	370,047
The amount of interest accrued during the current period	<u>(306,238)</u>
Interest paid is greater (less) than interest expensed by	63,809
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>(297,234)</u>
Change in net position-governmental activities	<u>\$ 1,836,535</u>

Exhibit A-7
City of Waupaca, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2019

	Water Utility	Sewer Utility	Telecommunications Utility	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,669,375	\$ 1,761,964	\$ 136,712	\$ 3,568,051
Receivables:				
Customer	151,531	240,810	18,909	411,250
Other	5,718	37,204	14,552	57,474
Due from other funds	125,101			125,101
Inventories	67,196	2,493		69,689
Total current assets	2,018,921	2,042,471	170,173	4,231,565
Restricted assets:				
Equipment replacement		438,000		438,000
Maintenance		256,500		256,500
Debt reserves	490,196	699,564		1,189,760
Total restricted assets	490,196	1,394,064		1,884,260
Other assets:				
Special assessments receivable	236,210	47,103		283,313
Advance due from other funds	2,942,888	3,660,000		6,602,888
Total other assets	3,179,098	3,707,103		6,886,201
Capital assets:				
Property and plant	12,682,385	24,911,883	258,312	37,852,580
Less: accumulated provision for depreciation	(5,490,053)	(14,177,298)	(254,597)	(19,921,948)
Total capital assets	7,192,332	10,734,585	3,715	17,930,632
Total assets	12,880,547	17,878,223	173,888	30,932,658
DEFERRED OUTFLOWS OF RESOURCES				
Pension outflows	88,503	138,767	6,252	233,522
OPEB - group life insurance plan outflows	1,060	991		2,051
Total deferred outflows of resources	89,563	139,758	6,252	235,573
Total assets and deferred outflows of resources	\$ 12,970,110	\$ 18,017,981	\$ 180,140	\$ 31,168,231

Exhibit A-7 (Continued)
City of Waupaca, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2019

	Water Utility	Sewer Utility	Telecommunications Utility	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 13,711	\$ 9,803	\$ 2,946	\$ 26,460
Due to other funds		125,101		125,101
Accrued liabilities	3,275	5,743	454	9,472
Accrued interest		15,128		15,128
Current portion of revenue bonds	9,397	562,479		571,876
Total current liabilities	26,383	718,254	3,400	748,037
Current liabilities (payable from restricted assets):				
Accrued interest		10,666		10,666
Current portion of revenue bonds		260,000		260,000
Total current liabilities (payable from restricted assets)		270,666		270,666
Long-term liabilities:				
Revenue bonds	2,037,319	3,113,987		5,151,306
Net pension liability	32,428	50,845	2,291	85,564
OPEB - group life insurance plan	6,097	5,703		11,800
Compensated absences	57,499	45,884		103,383
Less: current portion	(269,397)	(562,479)		(831,876)
Total long-term liabilities	1,863,946	2,653,940	2,291	4,520,177
Total liabilities	2,160,995	3,372,194	5,691	5,538,880
DEFERRED INFLOWS OF RESOURCES				
Pension inflows	44,829	70,289	3,167	118,285
OPEB - group life insurance plan inflows	1,657	1,551		3,208
Total deferred inflows of resources	46,486	71,840	3,167	121,493
NET POSITION				
Net investment in capital assets	5,155,013	7,620,598	3,715	12,779,326
Restricted	479,530	1,394,064		1,873,594
Unrestricted	5,128,086	5,559,285	167,567	10,854,938
Total net position	10,762,629	14,573,947	171,282	25,507,858
Total liabilities, deferred inflows of resources, and net position	\$ 12,970,110	\$ 18,017,981	\$ 180,140	\$ 31,168,231

Exhibit A-8
City of Waupaca, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
OPERATING REVENUES				
Sales of water	\$ 1,267,728		\$	\$ 1,267,728
Measured sewer service		2,095,198		2,095,198
Telecommunications revenues			186,426	186,426
Total operating revenues	1,267,728	2,095,198	186,426	3,549,352
OPERATING EXPENSES				
Operation and maintenance	720,516	905,381	171,807	1,797,704
Depreciation	229,690	696,018	500	926,208
Taxes	15,368	5,539		20,907
Total operating expenses	965,574	1,606,938	172,307	2,744,819
Operating income	302,154	488,260	14,119	804,533
NONOPERATING REVENUES (EXPENSES)				
Investment income	52,807	19,979	252	73,038
Sale of fixed assets			253	253
Interest expense	(71,988)	(102,127)		(174,115)
Total nonoperating revenues (expenses)	(19,181)	(82,148)	505	(100,824)
Income before contributions and transfers	282,973	406,112	14,624	703,709
Capital contributions	223,282	76,395		299,677
Operating grants and contributions			14,779	14,779
Transfer of tax equivalent	(201,793)	(250,008)		(451,801)
Change in net position	304,462	232,499	29,403	566,364
Net position - beginning	10,458,167	14,341,448	141,879	24,941,494
Net position - ending	\$ 10,762,629	\$ 14,573,947	\$ 171,282	\$ 25,507,858

Exhibit A-9
City of Waupaca, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES				
Received from customers	\$ 1,053,100	\$ 2,085,866	\$ 183,520	\$ 3,322,486
Payments to employees	(374,965)	(462,841)	(54,434)	(892,240)
Payments to suppliers	(274,822)	(468,539)	(121,458)	(864,819)
Net cash flows from (used by) operating activities	403,313	1,154,486	7,628	1,565,427
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES				
Receipts of grants			14,779	14,779
Paid to municipality for tax equivalent	(201,793)	(250,008)		(451,801)
Net cash flows from (used by) noncapital financing activities	(201,793)	(250,008)	14,779	(437,022)
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(297,424)	(90,585)		(388,009)
Proceeds from sale of capital assets			253	253
Principal payments	(264,274)	(543,602)		(807,876)
Interest paid	(73,284)	(104,748)		(178,032)
Contributed capital	223,282	76,395		299,677
Net cash flows from (used by) capital and related financing activities	(411,700)	(662,540)	253	(1,073,987)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of interest	52,807	19,979	252	73,038
Net cash flows from investing activities	52,807	19,979	252	73,038
Net change in cash and cash equivalents	(157,373)	261,917	22,912	127,456
Cash and cash equivalents - beginning of year	2,316,944	2,894,111	113,800	5,324,855
Cash and cash equivalents - end of year	\$ 2,159,571	\$ 3,156,028	\$ 136,712	\$ 5,452,311
Reconciliation of cash and cash equivalents to statement of net position accounts				
Cash and investments	\$ 1,669,375	\$ 1,761,964	\$ 136,712	\$ 3,568,051
Cash and investments (restricted assets)	490,196	1,394,064		1,884,260
Cash and cash equivalents	\$ 2,159,571	\$ 3,156,028	\$ 136,712	\$ 5,452,311

Exhibit A-9 (Continued)
City of Waupaca, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 302,154	\$ 488,260	\$ 14,119	\$ 804,533
Noncash items in operating income:				
Depreciation expense	248,633	677,075	500	926,208
Pension expense	27,441	29,041	855	57,337
Life insurance expense	(4,952)	(6,821)		(11,773)
Amortization of major repair				
Changes in assets and liabilities:				
Customer accounts receivable	2,711	4,066	(2,773)	4,004
Other accounts receivable	713	(13,398)	(133)	(12,818)
Due from other funds	83,011	38,764		121,775
Special assessments receivable	(218,052)			(218,052)
Inventories	4,509			4,509
Accounts payable	(34,495)	(22,035)	(5,006)	(61,536)
Due to other funds		(46,775)		(46,775)
Accrued liabilities	(557)	1,649	66	1,158
Compensated absences	(7,803)	4,660		(3,143)
Net cash provided by operating activities	<u>\$ 403,313</u>	<u>\$ 1,154,486</u>	<u>\$ 7,628</u>	<u>\$ 1,565,427</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Waupaca, Wisconsin
 Index to Notes to Basic Financial Statements
 December 31, 2019

	<u>Page</u>
Note 1. <u>Summary of Significant Accounting Policies</u>	
A. Reporting Entity	16
B. Government-Wide Financial Statements	16 – 18
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	19 – 20
D. Cash and Cash Equivalents	21
E. Receivables	21 – 22
F. Inventories and Prepaid Items	22
G. Restricted Assets	22
H. Capital Assets	22 – 23
I. Compensated Absences	23
J. Bond Premiums, Discounts, Issuance Costs, and Conduit Debt	23 – 24
K. Claims and Judgments	24
L. Equity Classifications	24 – 25
M. Transfers	25
N. Encumbrances	25
O. Risk Management	25
P. Advances to Other Funds	25
Q. Regulation of Municipal Utilities	26
R. State and Federal Aids	26
S. Interfund Transactions	26
T. Discount on Long-Term Notes Receivable	26
U. Debt Policy	26
V. Pensions	26
W. Other Postemployment Benefits	27
X. Deferred Outflows and Deferred Inflows of Resources	27
Note 2. <u>Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements</u>	28
Note 3. <u>Cash and Investments</u>	28 – 31
Note 4. <u>Capital Assets</u>	32 – 33
Note 5. <u>Long-Term Obligations</u>	34 – 37
Note 6. <u>Defined Benefit Pension Plan</u>	38 – 43
Note 7. <u>Other Postemployment Benefits</u>	43 – 47
Note 8. <u>Interfund Receivables, Payables, and Transfers</u>	47 – 48
Note 9. <u>Governmental Activities Net Position/Fund Balances</u>	49 – 51
Note 10. <u>Net Position Restriction – Proprietary Funds</u>	52
Note 11. <u>Joint Ventures</u>	52 – 53
Note 12. <u>Landfill Post Closure Care Cost</u>	53
Note 13. <u>Tax Incremental Finance Districts</u>	53
Note 14. <u>Wastewater Revenue Contributions – Other Governments</u>	54
Note 15. <u>Contingencies</u>	54
Note 16. <u>Deferred Inflows of Resources</u>	54
Note 17. <u>Concentration of Risk</u>	54
Note 18. <u>Tax Levy Limit</u>	55
Note 19. <u>Tax Abatements</u>	55
Note 20. <u>Contingent Liability</u>	55
Note 21. <u>Subsequent Events</u>	55 - 56
Note 22. <u>Effect of New Accounting Standards on Current Financial Statements</u>	56

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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 2019, 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, 2019

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, 2019

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, 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, 2019

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, 2019

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 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, 2019

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 - 2019 tax roll:

Lien date and levy date	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
January settlement	January 15, 2020
February settlement	February 20, 2020
August settlement	August 20, 2020
Personal property taxes in full	January 31, 2020
Tax sale- 2019 delinquent real estate taxes	October 2024

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, 2019

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, 2019

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, Issuance Costs, and Conduit Debt

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.

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.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$4,600,000.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Fund Statements (Continued)

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, 2019, the unassigned fund balance of the general fund was 30.9% 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 \$187,721 and \$0, 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.

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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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, 2019, cash and investments included the following:

Petty cash/cash on hand	\$ 650
Deposits with financial institutions	8,210,336
Certificate of deposit	1,846,719
Mutual Fund	17,975
U.S. government agencies	1,000,000
Total cash and investments	\$ 11,075,680

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 9,191,420
Cash and investments-restricted	1,884,260
Total cash and investments	\$ 11,075,680

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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	\$ 1,846,719	\$ 961,519	\$ 885,200	\$	\$
Mutual Fund	17,975	17,975			
U.S. government agencies	1,000,000		500,000		500,000
Total	<u>\$ 2,864,694</u>	<u>\$ 979,494</u>	<u>\$ 1,385,200</u>	<u>\$</u>	<u>\$ 500,000</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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, 2019 the City's investments were rated as follows:

	<u>Amount</u>	<u>Rating</u>
Mutual Fund	\$ 17,975	(4) Stars (Morningstar)
U.S. government agencies	1,000,000	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, 2019

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, 2019, \$3,563,280 of the City's deposits were insured by collateral at financial institutions, \$886,506 were insured by the FDIC and \$2,676,774 of the City's deposits with financial institutions were insured by pledged collateral.

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, 2019	
	Fair Value	Level 1
Mutual Fund	\$ 17,975	\$ 17,975
U.S. government agencies	1,000,000	1,000,000
Totals	\$ 1,017,975	\$ 1,017,975

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 4

CAPITAL ASSETS

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

	Beginning Balance	Additions	Removals	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction work in progress	\$ 1,423,300	\$ 740,998	(1,423,300)	\$ 740,998
Land	4,603,196	7,000	(10,500)	4,599,696
Total capital assets not being depreciated	6,026,496	747,998	(1,433,800)	5,340,694
 <i>Capital assets, being depreciated:</i>				
Building	12,515,874	58,878		12,574,752
Infrastructure	14,025,342	1,697,018		15,722,360
Improvements other than buildings	1,178,804			1,178,804
Machinery and equipment	1,550,460	83,324		1,633,784
Vehicles	1,599,215	275,448	(46,249)	1,828,414
Total capital assets, being depreciated	30,869,695	2,114,668	(46,249)	32,938,114
Total capital assets	36,896,191	2,862,666	(1,480,049)	38,278,808
 Less accumulated depreciation:				
Building	2,920,169	138,655		3,058,824
Infrastructure	6,296,870	422,540		6,719,410
Improvements other than buildings	472,684	55,401		528,085
Machinery and equipment	837,897	77,956		915,853
Vehicles	951,142	145,851	(24,616)	1,072,377
Total accumulated depreciation	11,478,762	840,403	(24,616)	12,294,549
Total net capital assets	\$ 25,417,429	\$ 2,022,263	\$ (1,455,433)	\$ 25,984,259

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

Governmental activities	
General government	\$ 55,502
Public safety	73,593
Public works	591,261
Culture, recreation and education	112,476
Health and human services	7,571
Total governmental activities depreciation expense	\$ 840,403

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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	6,510,218				6,510,218
Infrastructure/systems/equipment	30,795,101	388,009		(26,950)	31,156,160
Total capital assets, being depreciated	37,305,319	388,009		(26,950)	37,666,378
Total capital assets	37,491,521	388,009		(26,950)	37,852,580
 <i>Less accumulated depreciation:</i>					
Building	4,964,334	279,157			5,243,491
Infrastructure/systems/equipment	14,058,356	647,051		(26,950)	14,678,457
Total accumulated depreciation	19,022,690	926,208		(26,950)	19,921,948
Total net capital assets	\$ 18,468,831	\$ (538,199)	\$	\$	\$ 17,930,632

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

Business-type activities	
Water	\$ 229,690
Telecommunication	500
Wastewater	696,018
Total depreciation expense per exhibit A-8	\$ 926,208

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 5

LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended December 31, 2019.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 3,675,000	\$	\$ (525,000)	\$ 3,150,000	\$ 555,000
General obligation notes	3,960,000	1,555,000	(495,000)	5,020,000	820,000
Notes from direct borrowings and direct placements	2,229,122	155,000	(585,403)	1,798,719	452,092
Total general obligation debt	9,864,122	1,710,000	(1,605,403)	9,968,719	1,827,092
Other long-term obligations:					
Compensated absences	788,792	42,596	(140,001)	691,387	
Total governmental activities					
Long-term liabilities	\$ 10,652,914	\$ 1,752,596	\$ (1,745,404)	\$ 10,660,106	\$ 1,827,092

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

At December 31, 2019 the City had an open Line of Credit with a local financial institution for \$500,000 with a final maturity of December 15, 2023. As of December 31, the City had a balance of \$172,523 left on the line to borrow in 2020. Interest on the line of credit for 2019 was \$5,577.

Interest costs incurred during the year totaled \$306,238. Total interest paid during the year aggregated \$370,047.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities</u>					
Mortgage Revenue bonds	\$ 4,900,000	\$	\$ (650,000)	\$ 4,250,000	\$ 670,000
Revenue Bonds from direct borrowings and direct placements	1,059,182		(157,876)	901,306	161,876
Other long-term obligations:					
Compensated absences	106,526	5,639	(8,782)	103,383	
Total business-type activities					
Long-term liabilities	\$ 6,065,708	\$ 5,639	\$ (816,658)	\$ 5,254,689	\$ 831,876

Interest costs incurred during the year totaled \$168,239. Total interest paid during the year aggregated \$172,156.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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, 2019, is comprised of the following issues:

Description	Issue Dates	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
<u>Notes payable</u>					
G.O. promissory notes	03/05/18	03/01/25	3.00%	\$ 3,960,000	\$ 3,465,000
Promissory note	12/27/18	12/15/23	4.00%	172,477	327,477
State trust fund loan	07/05/16	03/15/22	3.00%	545,000	281,315
State trust fund loan	09/30/16	03/15/22	3.00%	278,926	88,433
State trust fund loan	09/30/16	03/15/23	3.00%	923,644	642,151
State trust fund loan	12/29/17	03/15/22	3.00%	600,000	459,343
G.O. promissory notes	03/26/19	03/01/29	3.00-4.00%	1,555,000	1,555,000
					<u>\$ 6,818,719</u>
<u>Refunding bonds</u>					
G.O. promissory bonds	03/15/18	03/01/23	1.63-2.29%	1,215,000	\$ 870,000
G.O. promissory bonds	11/09/10	04/01/30	3.40-4.70%	6,670,000	2,190,000
G.O. promissory bonds	04/05/11	10/01/20	4.00%	1,040,000	90,000
					<u>\$ 3,150,000</u>
Total governmental activities - general obligation debt					<u>\$ 9,968,719</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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, 2019, is comprised of the following:

Description	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/19
<u>Revenue bonds</u>					
Sewerage system revenue bond	07/24/02	05/01/22	2.84%	\$ 1,135,476	\$ 221,763
Sewerage system revenue bond	11/01/04	05/01/24	2.37%	454,008	149,572
Sewerage system revenue bond	01/01/05	05/01/25	2.37%	437,107	153,547
Sewerage system revenue bond	07/11/07	05/01/27	2.48%	502,814	244,105
Sewerage system revenue bond	03/05/18	05/01/28	3.00-3.375%	2,740,000	2,345,000
Water system revenue bond	03/05/18	05/01/28	3.00-4.00%	2,160,000	1,905,000
Water system revenue bond	06/13/12	05/01/32	1.32%	194,758	132,319
Total business-type activities revenue debt					<u>\$ 5,151,306</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, 2019. The debt service fund requirement for the sewer utility is \$390,114 and the Debt Service Fund Account had a balance of \$390,114 at December 31, 2019. The debt service fund requirement for the water utility is \$190,264 and the Debt Service Fund Account had a balance of \$190,264 at December 31, 2019.

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, 2019. The reserve requirement for the sewer utility is \$234,500 and the Bond Reserve Account had a balance of \$309,450 at December 31, 2019. The reserve requirement for the water utility is \$190,000 and the Bond Reserve Account had a balance of \$299,932 at December 31, 2019.

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, 2019. The net earnings for the sewer utility were \$1,204,257 or 2.53 times the annual principal and interest amount of \$522,617. The net earnings for the water utility were \$382,858 or 1.20 times the annual principal and interest amount of \$318,350.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt Limit Calculation

The 2019 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$451,855,500. The legal debt limit and margin of indebtedness as of December 31, 2019 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$451,855,500)	\$ 22,592,775
General obligation debt outstanding	(9,968,719)
Margin of indebtedness	\$ 12,624,056

Maturities of Long-Term Obligations

Maturities of the long-term debt to maturity for Governmental Activities, at December 31, 2019, are:

Years	Governmental Activities					
	Bonds		Notes		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 555,000	\$ 110,041	\$ 820,000	\$ 166,540	\$ 452,093	\$ 50,610
2021	460,000	97,586	860,000	118,800	434,322	39,134
2022	70,000	91,385	580,000	96,525	417,091	25,968
2023	70,000	89,842	860,000	73,550	495,213	20,382
2024		89,040	615,000	50,000		
2025-2029	1,625,000	275,925	1,285,000	69,525		
2030	370,000	8,695				
Totals	\$ 3,150,000	\$ 762,514	\$ 5,020,000	\$ 574,940	\$ 1,798,719	\$ 136,094

Maturities of the long-term debt to maturity for Enterprise Activities, at December 31, 2019, are:

Years	Enterprise Fund Debt			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 670,000	\$ 123,456	\$ 161,876	\$ 19,206
2021	695,000	102,981	165,978	15,050
2022	710,000	81,906	170,189	10,785
2023	730,000	60,306	96,545	7,522
2024	760,000	37,956	98,555	5,287
2025-2029	685,000	53,991	175,796	7,866
2030-2032			32,367	649
Totals	\$ 4,250,000	\$ 460,596	\$ 901,306	\$ 66,365

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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.

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:

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2018	2.4	17

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 \$258,992 in contributions from the employer.

Contribution rates as of December 31, 2019 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.55%	6.55%
Protective with social security	6.55%	10.55%
Protective without social security	6.55%	14.95%

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

At December 31, 2019, the City reported a liability (asset) of \$881,191 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2018, the City's proportion was 0.02476867%, which was an increase of 0.00032444% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$590,725.

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.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2019, 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	\$ 686,314	\$ 1,213,157
Changes of assumptions	148,536	
Net differences between projected and actual earnings on pension plan investments	1,286,920	
Changes in proportion and differences between employer contributions and proportionate share of contributions	41	5,018
Employer contributions subsequent to the measurement date	283,162	
Total	\$ 2,404,973	\$ 1,218,175

\$283,162 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Net Outflows (Inflows) of Resources
2020	\$ 325,767
2021	81,916
2022	143,434
2023	352,519
Total	\$ 903,636

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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, 2019

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Allocation Targets and Expected Returns			
As of December 31, 2018			
<u>Core Fund Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term</u>	<u>Long-Term</u>
	%	Expected Nominal	Expected Real
		Rate of Return %	Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

Single Discount rate. A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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 municipal bond 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, 2019

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	\$3,501,947	\$881,191	(\$1,067,543)

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, 2019 are:

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

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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, 2018 are as listed below:

Life Insurance Employee Contribution Rates* For the year ended December 31, 2018		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit.		

During the reporting period, the LRLIF recognized \$1,091 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, 2019, the LRLIF Employer reported a liability (asset) of \$146,220 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2018, the City's proportion was 0.056667%, which was a decrease of 0.000281% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized OPEB expense of \$15,665.

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, 2019

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At December 31, 2019, 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	\$	\$ 7,417
Changes of assumptions	13,952	31,695
Net differences between projected and actual earnings on OPEB plan investments	3,494	
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,894	659
Employer contributions subsequent to the measurement date	1,083	
Totals	\$ 25,423	\$ 39,771

\$1,083 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, 2020. 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
2020	\$ (1,739)
2021	(1,739)
2022	(1,739)
2023	(2,230)
2024	(2,735)
Thereafter	(5,249)
Total	\$ (15,431)

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

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 7

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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, 2018**

<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%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount rate. A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. 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. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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 4.22 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 (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
City's proportionate share of the net OPEB liability (asset)	\$208,008	\$146,220	\$98,565

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>.

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables as of December 31, 2019 were as follows:

Receivable Fund	Payable Fund	Amount
Government Funds:		
General	Airport	\$ 27,047
General	TIF #3	35,986
		\$ 63,033
Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Water utility	Sewer utility	\$ 125,101
		\$ 125,101

The following is a schedule of interfund advances at December 31, 2019:

Receivable Fund	Payable Fund	Amount
Water utility	TIF #8	\$ 2,942,888
Sewer utility	TIF #8	3,660,000
TIF #4	TIF #8	991,827
	Total	\$ 7,594,715

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, 2019

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	\$ 201,793
General	Sewer utility-tax equivalent	250,008
General	Hotel/Motel revenue	75,946
Airport	General	60,000
Transit system	General	132,920
Library	General	346,554
Debt service fund	General	1,070,034
Debt service fund	TIF #5	22,160
TIF #3	TIF #6	187,721
TIF #8	TIF #4	153,538
General	TIF #6	37,753
General	TIF #10	30,190
General	TIF #3	74,813
General	TIF #8	74,813
General	TIF #4	15,810
	<u>Total</u>	<u>\$ 2,734,053</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 #6	640,639
TIF #8	1,647,546
TIF #10	36,063
	<u>\$ 3,162,741</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, 2019

NOTE 9

GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

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

GOVERNMENTAL ACTIVITIES

Net investment in capital assets	
Land	\$ 4,599,696
Other capital assets, net of accumulated depreciation	21,384,563
Less: related long-term debt outstanding	<u>(4,918,135)</u>
Total net investment in capital assets	<u>21,066,124</u>
Restricted:	
Debt service	620,895
TIF #4	726,235
Inland Lakes	858
Hotel/motel tax	41,755
Revolving loans	522,656
Adult Recreation Center	27,482
TIF #6	532,227
TIF #9	118,166
TIF #10	16,994
Donation and Grants	126,915
Library	36,622
South Park Trust	106,451
Perpetual care	<u>121,881</u>
Total restricted	<u>2,999,137</u>
Unrestricted	<u>(9,230,957)</u>
Total governmental activities net assets	<u>\$ 14,834,304</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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

GOVERNMENTAL FUND BALANCES

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

Major Funds

General Fund:

Nonspendable:

Prepays	\$ 37,285
Long-term receivable	106,857
Total	\$ 144,142

Unassigned:

\$ 2,029,765

Debt Service Fund:

Restricted:

Restricted for future debt payments	\$ 722,603
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Capital Improvements Fund:

Assigned:

Assigned for future capital projects	\$ 742,090
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TIF District #4 Fund:

Nonspendable:

Advance	\$ 991,827
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Restricted:

Restricted for TIF purposes	\$ 726,235
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Other Non-major Governmental Funds:

Nonspendable:

Airport fund:

Inventories	\$ 47,906
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City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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

Restricted:	
Inland Lakes fund:	
Restricted for future expenditures	\$ 858
Hotel/motel tax fund:	
Restricted for economic development	41,755
Revolving loan fund:	
Restricted for economic development	3,065
Adult Recreation Center:	
Restricted for future expenditures	27,482
Donations and Grants fund:	
Restricted for future expenditures	126,915
Library fund:	
Restricted for future expenditures	36,622
South Park Trust fund:	
Restricted for future expenditures	106,451
TIF Districts fund:	
Restricted for future TIF expenditures	
TIF #6	532,227
TIF #9	118,166
TIF #10	16,994
Perpetual care fund:	
Restricted for future cemetery expenditures	121,881
Total restricted non-major funds	<u>\$ 1,132,416</u>
 Assigned:	
Capital Improvements Fund:	
Assigned for future capital projects	<u>\$ 742,090</u>

The following funds had deficit balances as of December 31, 2019:

Unassigned fund balance (deficit)	
Airport	\$ (30,914)
TIF Districts Fund:	
TIF #3	(37,009)
TIF #8	(7,594,714)
	<u>\$ (7,662,637)</u>

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

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>\$ 479,530</u>
Sewer Utility:	
Restricted for:	
Equipment	\$ 438,000
Maintenance	256,500
Debt reserves	<u>699,564</u>
Total	<u>\$ 1,394,064</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 – 33.530%; Town of Waupaca – 7.063%; Town of Dayton – 21.404%; Town of Farmington – 32.134%; and Town of Lind – 5.868%.

The percentage shares of each municipality are based on their 2019 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, 2019

NOTE 11

JOINT VENTURES (CONTINUED)

The percentage shares of each municipality are based on the 2018 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. \$712,585, including current year costs of \$3,305 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. TIF District #5 was closed in 2019 and #7 was closed in 2018.

The City has six active Tax Incremental Financing Districts. Project summaries of the activity and status of the districts through December 31, 2019 are provided as supplemental financial information.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 14 WASTEWATER REVENUE CONTRIBUTIONS - OTHER GOVERNMENTS

The Wastewater Utility provides treatment services to the Chain O'Lakes Sanitary District. During 2019, the following amounts were received:

Contributed capital:	
Replacement component	\$ 28,215
Customer charges:	
Flow component (net of overcharge)	147,289
Total	<u>\$ 175,504</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, 2019 the various components of deferred inflows of resources were as follows:

Property tax receivable	\$ 5,182,848
Special assessments	31,703
Long-term notes receivable – CDBG	458,975
Long-term notes receivable – Townhouse Land	106,857
Total deferred inflows of resources for government funds	<u>\$ 5,780,383</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, 2019 was \$93,143.

NOTE 17 CONCENTRATION OF RISK

Approximately 16% 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, 2019

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, and street sweeping.

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, 2019, the City abated property taxes totaling \$28,876 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 the delinquent taxes.

NOTE 21

SUBSEQUENT EVENTS

The recent spread of the COVID-19 coronavirus has created economic uncertainty domestically and internationally. The potential of COVID-19 having a financial impact on the City is a possibility, although no such impact is known at this time.

Subsequent to December 31, 2019, the City approved sewer projects of \$289,700 for a WWTP Clarifier rehab project and \$120,000 for an Aeration & Blower upgrade and purchase of a 2020 Vacuum Sweeper for \$273,310. In addition, a street project (Granite St) was approved for \$1,035,000 and \$125,185 for a new salt shed.

City of Waupaca, Wisconsin
Notes to Basic Financial Statements
December 31, 2019

NOTE 21

SUBSEQUENT EVENTS (CONTINUED)

On November 23, 2020 the City issued \$5,935,000 of general promissory notes for 2021 capital projects. Additional \$1,095,000 of Sewer Revenue bonds were issued and \$1,150,000 of Water Revenue bonds were issued. Debt repayment schedules are:

Years	<u>Governmental Activities</u>		<u>Enterprise Fund Debt</u>	
	<u>Notes from Direct Borrowings and Direct Placements</u>		<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$	\$	\$	\$
2021	385,000	118,823	110,000	39,244
2022	680,000	139,600	110,000	39,670
2023	725,000	118,525	160,000	36,970
2024	745,000	96,475	165,000	34,237
2025-2029	2,830,000	218,600	1,350,000	103,628
2030	570,000	5,700	350,000	3,260
Totals	<u>\$ 5,935,000</u>	<u>\$ 697,723</u>	<u>\$ 2,245,000</u>	<u>\$ 257,009</u>

NOTE 22

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, 2019

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 3,291,061	\$ 3,291,061	\$ 3,321,557	\$ 30,496	\$ 30,496
Licenses and permits	174,535	174,535	307,009	132,474	132,474
Fines, forfeits and penalties	72,000	72,000	72,075	75	75
Public charges for services	190,200	190,200	215,383	25,183	25,183
Intergovernmental	1,632,614	1,632,614	1,683,973	51,359	51,359
Interest	11,000	11,000	133,210	122,210	122,210
Miscellaneous	166,741	166,741	254,645	87,904	87,904
Total revenues	5,538,151	5,538,151	5,987,852	449,701	449,701
EXPENDITURES					
General government	964,629	964,629	1,068,682	(104,053)	(104,053)
Public safety	1,814,020	1,814,020	1,878,485	(64,465)	(64,465)
Health and social services	190,224	190,224	180,487	9,737	9,737
Public works	1,096,306	1,096,306	963,346	132,960	132,960
Culture, recreation and education	894,083	894,083	834,302	59,781	59,781
Total expenditures	4,959,262	4,959,262	4,925,302	33,960	33,960
Excess of revenues over (under) expenditures	578,889	578,889	1,062,550	483,661	483,661
OTHER FINANCIAL SOURCES (USES)					
Proceeds from sale of capital assets			1,606	1,606	1,606
Transfers in	738,630	738,630	761,126	22,496	22,496
Transfers out	(1,617,519)	(1,617,519)	(1,609,508)	8,011	8,011
Total other financing sources (uses)	(878,889)	(878,889)	(846,776)	32,113	32,113
Net change in fund balance	(300,000)	(300,000)	215,774	515,774	515,774
Fund balance - beginning	1,958,133	1,958,133	1,958,133		
Fund balance - ending	\$ 1,658,133	\$ 1,658,133	\$ 2,173,907	\$ 515,774	\$ 515,774

Exhibit B-2
City of Waupaca, Wisconsin
Wisconsin Retirement System Schedules
December 31, 2019

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)
2018	0.02476867%	\$ 881,191	\$ 3,236,938	27.22%	96.45%
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
2019	\$ 283,162	\$ (283,162)		\$ 3,137,235	9.02%
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, 2019

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)
2018	0.05666700%	\$ 146,220	\$ 2,846,000	5.14%	48.69%
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
2019	\$ 11,178	(11,178)		\$ 3,091,000	0.36%
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, 2019

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, 2019, expenditures exceeded budgeted amounts for the following:

General government	\$ 104,053
Public safety	64,465

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 5 preceding years.

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

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

City of Waupaca, Wisconsin
Notes to Required Supplementary Information
December 31, 2019

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 8 preceding years.

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

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

SUPPLEMENTARY INFORMATION

Exhibit C-1
City of Waupaca, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	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	\$ 858	\$ 42,196	\$ 21,303	\$ 3,065	\$ 28,022	\$	\$ 123,115	\$ 66,146	\$ 106,451	\$ 539,847	\$ 121,881	\$ 1,052,884
Receivables:												
Taxes	10,000									1,182,680		1,192,680
Notes				458,975								458,975
Due from other governments			128,380									128,380
Other		25,799					320	3,800				29,919
Inventory						47,906						47,906
Total assets	10,858	67,995	149,683	462,040	28,022	48,226	126,915	66,146	106,451	1,722,527	121,881	2,910,744
LIABILITIES												
Accounts payable	\$	\$ 26,240	\$ 102,008	\$	\$ 540	\$ 4,187	\$	\$ 28,817	\$	\$ 203	\$	\$ 161,995
Developer payable										1,023		1,023
Accrued liabilities								707				707
Due to other funds						27,047				35,986		63,033
Total liabilities		26,240	102,008		540	31,234		29,524		37,212		226,758
DEFERRED INFLOWS OF RESOURCES												
Deferred revenue	10,000			458,975						1,054,937		1,523,912
Total deferred inflows of resources	10,000			458,975						1,054,937		1,523,912
Total liabilities and deferred inflows of resources	10,000	26,240	102,008	458,975	540	31,234		29,524		1,092,149		1,750,670
FUND BALANCES												
Nonspendable						47,906						47,906
Restricted	858	41,755		3,065	27,482		126,915	36,622	106,451	667,387	121,881	1,132,416
Unassigned (deficit)			47,675			(30,914)				(37,009)		(20,248)
Total fund balances	858	41,755	47,675	3,065	27,482	16,992	126,915	36,622	106,451	630,378	121,881	1,160,074
Total liabilities, deferred inflows of resources and fund balances	\$ 10,858	\$ 67,995	\$ 149,683	\$ 462,040	\$ 28,022	\$ 48,226	\$ 126,915	\$ 66,146	\$ 106,451	\$ 1,722,527	\$ 121,881	\$ 2,910,744

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, 2019

	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	\$	\$ 271,268	\$	\$	\$	\$	\$	\$	\$	\$ 1,094,203	\$	\$ 1,365,471
Intergovernmental			414,524					394,509		12,101		821,134
Public charges for services			192,533		17,506	105,539		20,181				335,759
Miscellaneous:												
Interest				61					2,646		2,437	5,144
Other			54,350	23,585		25,470	77,003	33,253				213,661
Total revenues		271,268	661,407	23,646	17,506	131,009	77,003	447,943	2,646	1,106,304	2,437	2,741,169
EXPENDITURES												
General government							231					231
Public safety							5,711					5,711
Health and social services							16,594					16,594
Public works			604,117			239,303	2,044					845,464
Culture, recreation and education					18,300		31,908	794,594				844,802
Conservation and development	2,377	240,364		42,419								285,160
Capital outlay:												
Culture, recreation and education									35,424			35,424
Conservation and development										37,337		37,337
Debt service:												
Principal retirement										529,034		529,034
Interest and fiscal charges										53,891		53,891
Debt issuance costs												
Total expenditures	2,377	240,364	604,117	42,419	18,300	239,303	56,488	794,594	35,424	620,262		2,653,648
Excess of revenues over (under) expenditures	(2,377)	30,904	57,290	(18,773)	(794)	(108,294)	20,515	(346,651)	(32,778)	486,042	2,437	87,521
OTHER FINANCIAL SOURCES (USES)												
Transfers in			132,920			60,000		346,554		187,721		727,195
Transfers out		(75,946)								(352,637)		(428,583)
Proceeds from sale of capital assets						2,081						2,081
Debt proceeds												
Total other financing sources (uses)		(75,946)	132,920			62,081		346,554		(164,916)		300,693
Net change in fund balances	(2,377)	(45,042)	190,210	(18,773)	(794)	(46,213)	20,515	(97)	(32,778)	321,126	2,437	388,214
Fund balances - beginning	3,235	86,797	(142,535)	21,838	28,276	63,205	106,400	36,719	139,229	309,252	119,444	771,860
Fund balances - ending	\$ 858	\$ 41,755	\$ 47,675	\$ 3,065	\$ 27,482	\$ 16,992	\$ 126,915	\$ 36,622	\$ 106,451	\$ 630,378	\$ 121,881	\$ 1,160,074

Exhibit C-3
City of Waupaca, Wisconsin
Combining Balance Sheet
TIF Districts
December 31, 2019

	TIF #3	TIF #5	TIF #6	TIF #9	TIF #10	Total
ASSETS						
Cash and investments	\$	\$	\$ 404,484	\$ 118,166	\$ 17,197	\$ 539,847
Receivables:						
Taxes	385,184		723,005		74,491	1,182,680
 Total assets	<u>\$ 385,184</u>	<u>\$</u>	<u>\$ 1,127,489</u>	<u>\$ 118,166</u>	<u>\$ 91,688</u>	<u>\$ 1,722,527</u>
LIABILITIES						
Accounts payable	\$	\$	\$	\$	\$ 203	\$ 203
Developer payable	1,023					1,023
Due to other funds	35,986					35,986
Advances due from other funds						
 Total liabilities	<u>37,009</u>				<u>203</u>	<u>37,212</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	385,184		595,262		74,491	1,054,937
 Total deferred inflows of resources	<u>385,184</u>		<u>595,262</u>		<u>74,491</u>	<u>1,054,937</u>
 Total liabilities and deferred inflows of resources	<u>422,193</u>		<u>595,262</u>		<u>74,694</u>	<u>1,092,149</u>
FUND BALANCES						
Restricted for TIF expenditures			532,227	118,166	16,994	667,387
Unassigned (deficit)	(37,009)					(37,009)
 Total fund balances	<u>(37,009)</u>		<u>532,227</u>	<u>118,166</u>	<u>16,994</u>	<u>630,378</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 385,184</u>	<u>\$</u>	<u>\$ 1,127,489</u>	<u>\$ 118,166</u>	<u>\$ 91,688</u>	<u>\$ 1,722,527</u>

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, 2019

	TIF #3	TIF #5	TIF #6	TIF #9	TIF #10	Total
REVENUES						
Taxes	\$ 354,097	\$ 23,131	\$ 629,585	\$	\$ 87,390	\$ 1,094,203
Intergovernmental	3,329	189	6,151	1,727	705	12,101
Miscellaneous:						
Other						
Total revenues	357,426	23,320	635,736	1,727	88,095	1,106,304
EXPENDITURES						
Conservation and development						
Capital outlay:						
Conservation and development	28,583	1,160	2,230	1,650	3,714	37,337
Debt service:						
Principal retirement	434,034				95,000	529,034
Interest and fiscal charges	44,726				9,165	53,891
Debt issuance costs						
Total expenditures	507,343	1,160	2,230	1,650	107,879	620,262
OTHER FINANCIAL SOURCES (USES)						
Transfers in	187,721					187,721
Transfers out	(74,813)	(22,160)	(225,474)		(30,190)	(352,637)
Proceeds from sale of capital assets						
Debt proceeds						
Total other financing sources (uses)	112,908	(22,160)	(225,474)		(30,190)	(164,916)
Net change in fund balance	(37,009)		408,032	77	(49,974)	321,126
Fund balances - beginning			124,195	118,089	66,968	309,252
Fund balances - ending	\$ (37,009)	\$	\$ 532,227	\$ 118,166	\$ 16,994	\$ 630,378

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, 2019

	TIF #3	TIF #4	TIF #6	TIF #8	TIF #9	TIF #10	Totals
SOURCES OF FUNDS							
Taxes	\$ 4,161,973	\$ 9,881,531	\$ 8,576,245	\$ 1,071,459	\$ 57,655	\$ 1,033,778	\$ 24,782,641
Intergovernmental	236,540	76,110	36,309	536,680	240,858	889	1,127,386
Other revenue	970,461	1,114,021	1,021,484	463,788	5,600	322,141	3,897,495
Sale of capital assets	446,829			536,835			983,664
Proceeds of long-term debt	8,768,644	8,565,985	9,915,000	21,410,000		1,919,915	50,579,544
Transfers	2,320,991		640,639	3,402,956	67,636	334,203	6,766,425
Total sources	16,905,438	19,637,647	20,189,677	27,421,718	371,749	3,610,926	88,137,155
USES OF FUNDS							
Capital expenditures	5,706,920	9,230,573	7,725,170	27,858,929	35,030	1,069,380	51,626,002
Debt service:							
Principal retirement	5,321,492	5,355,421	8,384,793	2,714,870		820,130	22,596,706
Interest and fiscal charges	1,489,796	2,250,870	1,345,207	2,153,481		298,915	7,538,269
Transfers	4,424,239	1,082,721	2,202,280	2,289,152	218,553	1,405,507	11,622,452
Total uses	16,942,447	17,919,585	19,657,450	35,016,432	253,583	3,593,932	93,383,429
Fund balance at December 31	\$ (37,009)	\$ 1,718,062	\$ 532,227	\$ (7,594,714)	\$ 118,166	\$ 16,994	\$ (5,246,274)
Cash	\$	\$(1,718,085)	\$(404,484)	\$	\$(118,166)	\$(17,197)	\$(2,257,932)
Other receivable		(373)					(373)
Accounts payable		396				203	599
Developer payables	1,023						1,023
Debt outstanding	1,242,151	358,433		2,575,000		195,000	4,370,584
Advance due from other funds				7,594,715			7,594,715
Due to other funds	35,986						35,986
Balance to be collected (surplus) at December 31	\$ 1,279,160	\$(1,359,629)	\$(404,484)	\$ 10,169,715	\$(118,166)	\$ 178,006	\$ 9,744,602