

# City of Two Rivers, Wisconsin

## ANNUAL FINANCIAL REPORT

December 31, 2018

# City of Two Rivers, Wisconsin

DECEMBER 31, 2018

---

## Table of Contents

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - Housing Revolving Loans Special Revenue Fund	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	31
Statement of Fiduciary Net Position - Fiduciary Fund	35
Statement of Changes in Net Position - Fiduciary Fund	36
Notes to Basic Financial Statements	37
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	71
Schedule of Contributions - Wisconsin Retirement System	71
Schedule of Proportionate Share of Net Pension Liability (Asset) - Local Retiree Life Insurance Fund	72
Schedule of Contributions - Local Retiree Life Insurance Fund	72
Schedule of Changes in OPEB Liability and Related Ratios	73
Notes to Required Supplementary Information	74

# City of Two Rivers, Wisconsin

DECEMBER 31, 2018

---

## **SUPPLEMENTARY INFORMATION**

### General Fund

Detailed Comparison of Budgeted and Actual Revenues	75
Detailed Comparison of Budgeted and Actual Expenditures	77

### Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	79
Combining Balance Sheet - Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	86
Combining Statement of Net Position - Nonmajor Enterprise Funds	92
Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Enterprise Funds	93
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	94

## **ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	95
Schedule of Findings and Responses	97



## Independent auditors' report

To the City Manager and City Council  
City of Two Rivers, Wisconsin

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Two Rivers, Wisconsin (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City'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 City'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 as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and the Housing Revolving Loans Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 3.G. to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedules relating to pensions and other postemployment benefits on pages 71 through 73 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

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

Schenck SC previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Two Rivers, Wisconsin's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the remaining aggregate fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Two Rivers, Wisconsin's basic financial statements as a whole. The 2017 actual amounts in the general fund budgetary comparison information and debt service fund budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The report of Schenck SC stated that the information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the 2017 actual amounts in the general fund budgetary comparison information and debt service fund budgetary comparison information were fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Prior Year Summarized Financial information**

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated August 28, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information from which the prior year summarized financial information was derived.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
September 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

---

# City of Two Rivers, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Two Rivers, Wisconsin, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended December 31, 2018. Please read this Discussion and Analysis in conjunction with the City's financial statements following this section.

### FINANCIAL HIGHLIGHTS

The City has combined Net Position of Governmental Activities and Business-type Activities that total \$45,894,831. This is a decrease of \$2,168,819 compared to year-end 2017, when including the cumulative effect of change in accounting related to the implementation of GASB Statement No. 75. Activities and resultant events that had major impacts on the City's 2018 financials were:

Sixteen funds of the City experienced cash deficits at year-end. For these funds to remain solvent, the City has temporarily advanced cash to these funds. These funds owe the General Fund a total of \$4,013,031, primarily from advances made to these funds in prior years. By comparison, the General Fund showed inter-fund receivables at the end of prior years as follows:

--\$2,876,491 at the end of 2017  
--\$4,548,549 at the end of 2016  
--\$3,302,532 at the end of 2015  
--\$2,809,554 at the end of 2014  
--\$2,827,785 at the end of 2013  
--\$2,421,393 at the end of 2012  
--\$2,877,221 at the end of 2011

Funds owed the General Fund by these other funds as of December 31, 2018 include:

--**\$443,842 owed by four of the City's ten active Tax Incremental Districts** (TIDs #4, #6, #10, #12), where monies were advanced by the General Fund in past years to finance project costs. This interfund payable decreased by \$21,761, from \$465,603 at 2017 year-end.

- TID #4's cash deficit was the result of project costs with a new commercial development that is estimated will increase property values by \$2 million.
- TID # 6, the increase in cash deficit is primarily due to expenses related to the Thermo Fisher property demolition and salvage. This former industrial site has a strong potential for redevelopment.
- TID #10 was started in 2015. The project costs will be paid from tax increments that began in 2017.
- TID #12 was started in 2018. The project costs will be paid from tax increments beginning in 2019.

Eight of the Ten City TID's are generating revenues sufficient to repay their debt obligations, including these interfund payables. Two TID's (TIDs #6 & #10) are currently projected to have deficit balances at their termination dates. Management is having on-going reviews to improve the future finances of these TID's.

--**\$2,099,885 owed by the Water Utility**, due to advances for distribution system capital improvements (paid from cash, instead of borrowing) in past years, debt service on a \$4.2 million filtration plant project completed in 2003, and lower than projected revenues in recent years.

The City has reduced staffing at this utility in recent years, to keep operating costs in check. In April 2008, the City implemented a 24.6 percent water rate increase. Another large rate increase of 27 percent was approved by the Public Service Commission in August 2010, and took effect September 1, 2010. A Simplified Rate Case (SRC) increased rates 3.2% on August 15, 2012. Another SRC of 3% was effective November 1, 2013. Most recently, a SRC of 3% was effective January 1, 2015. Complete rate case paperwork was completed in late 2017 and in 2018 we received approval for a 14% increase, effective 9/1/18.

Management is confident that this rate increase together with streamlining processes and cost savings measures will result in significant improvements in the cash position of this Utility.

--**\$582,364 owed by the Sewer Utility**, an increase of \$447,642 is due in part to a renovation project to our Wastewater Treatment Facility that began in 2018. The Utility secured long term financing of \$5.38 million dollars with the State of Wisconsin Clean Fund for the project. The borrowing contains a \$700,000 principal forgiveness component. At year end, the Utility had expended money on the project that will be reimbursed from loan money in 2019.



This enterprise fund has had a negative unrestricted fund balance for more than 10 years. The cash deficit has been driven by increased operating costs and by debt service payments on a \$6.2 million rehabilitation project at the treatment plant, completed in 2009. The Utility has implemented cost savings measures and rate analysis to improve the financial picture.

A six percent rate increase was implemented January 1, 2011 and a ten percent increase was implemented on May 1, 2012. Three percent rate increases were implemented on January 1, 2013 and January 1, 2014. Most recently, a four percent rate increase become effective on November 1, 2018 with plans for another one in 2019. These rate increases, together with cost saving measures and having attained full funding of a required equipment replacement reserve have significantly improved the cash position of the Utility. This utility has a restricted cash balance of \$1,176,392 for plant equipment replacement, in compliance with WDNR requirements for such reserves.

--**\$35,499 owed by the Stormwater Utility** was mainly caused by a \$500,000 interfund, short-term loan to our General Fund for the purpose of eliminating a portion of our Wisconsin Retirement Unfunded Pension Liability. This short-term loan will be paid back in early 2019. The Utility established in 2014 now creates a funding source for Stormwater related projects and maintenance that were formerly paid for with General Fund money and General Obligation debt.

--**\$63,774 owed to the City by Rogers Street Fishing Village**, for monies advanced by the City in 2002 for the purchase of the former Rogers Street Motel. During 2014, the City entered an agreement with Rogers Street Fishing Village to either recoup this money or create grants in exchange for some economic development investment in the property by the Fishing Village.

--**\$141,871 related to our Harbor Dredging & Seawall Projects**. Over the last couple years, the City has undertaken a major project to dredge our harbor and repair seawall on our riverfront. The project is being funded with some City money and significant outside grant money from a variety of governmental agencies. The work has been completed and we received grant funds in 2017 and 2018. We plan to eliminate these deficits by the close of the 2019 fiscal year with some General Obligation Debt.

--**\$15,784 related to our High School Bike Trail Construction**. This deficit is purely a matter of timing. Construction of the trail occurred in 2018, funded in part by grants that will not be received until 2019.

--**\$105,239 related to our Industrial Park Development Fund**. During 2018, the City purchased several parcels in the City that had are prime redevelopment sites. Some of these sites are of a new TID district which is planned to begin construction of a new hotel complex in 2019.

Also, a major industrial complex, which the City holds a first mortgage on, is nearing foreclosure. In an effort to protect the asset from becoming blighted, the City assumed responsibility for utility bills and some general maintenance on the structure.

The City will hopefully recoup these funds through future sale of the parcels.

--**\$39,944 short term amounts owed by five Funds**, for monies advanced by the City in 2018 for the various projects. City Staff will address these advances during 2019.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of the following parts:

- Management's discussion and analysis
- Basic financial statements
  - Government-wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements
- Required supplementary information, plus other supplementary information

The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of City government and report the City's operations in more detail than the government-wide statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds. The non-major funds are added together and presented in single columns in the basic financial statements.

### **Government-wide Statements**

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all government assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position - the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health, or position.

--Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

--To assess the overall health of the City one needs to consider additional non-financial factors such as changes in the City's property tax base, economy and rate of growth.

The government-wide financial statements of the City are divided into two categories:

--Governmental activities - The City's basic services are included here, such as police, fire, public works, parks, community development, assessing, finance and administration. Property taxes and state aid finance most of these activities.

--Business-type activities - The City Two Rivers Utilities charge user fees to cover the costs of services they provide, which include water, sewer, solid waste, electricity, stormwater and telecommunications services.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the City's significant funds. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of funds:

--**Governmental funds** - Most of the City's basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, governmental funds statements tell how general government services like public safety and public works were financed in the short term as well as what future spending remains. Because this information does not encompass the additional long-term focus of government-wide statements, additional information is provided at the bottom of the governmental funds statement explaining the differences between them.

--**Proprietary funds** - Services for which the City charges customers a fee are reported in proprietary funds. These include all of the above-referenced utility funds. Proprietary fund statements offer short and long-term financial information about activities the City operates like a business.

--**Fiduciary funds** - The City is the trustee, or fiduciary, for collection of all property taxes within the City for all taxing districts, including the Two Rivers Public School District, Manitowoc Public School District, Manitowoc County and Lakeshore Technical College. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements because these assets cannot be used to finance operations.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Statement of Net Position**

The City's combined Net Position total \$45,894,831. Governmental Activities account for about 44.1 percent of the Net Position, Business-Type Activities for 55.9 percent.

<b>Table A-1</b>			
<b>City Two Rivers Net Position</b>			
	<b>Governmental Activities</b>	<b>Business –type Activities</b>	<b>Total</b>
Current and other assets	\$25,074,052	\$1,981,634	\$27,055,686
Capital assets, less depreciation	\$30,780,646	\$39,507,874	\$70,288,520
<b>Total Assets</b>	<b>\$55,854,698</b>	<b>\$41,489,508</b>	<b>\$97,344,206</b>
<b>Deferred outflows</b>	<b>\$3,519,249</b>	<b>\$763,612</b>	<b>\$4,282,861</b>
Long-term debt outstanding	\$20,813,889	\$14,616,477	\$35,430,366
Other Liabilities	\$8,936,713	\$1,239,959	\$10,176,672
<b>Total Liabilities</b>	<b>\$29,750,602</b>	<b>\$15,856,436</b>	<b>\$45,607,038</b>
<b>Deferred Inflows</b>	<b>\$9,372,974</b>	<b>\$752,224</b>	<b>\$10,125,198</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$17,792,171	\$26,877,297	\$44,669,468
Restricted	\$8,429,221	\$1,864,816	\$10,294,037
Unrestricted	-\$5,971,021	-\$3,097,653	-\$9,068,674
<b>Total Net Position</b>	<b>\$20,250,371</b>	<b>\$25,644,460</b>	<b>\$45,894,831</b>

The Net Pension Assets and Restricted Net Position are presented in accordance with GASB Statement No. 68, due to the City's participation in the Wisconsin Retirement System.

While this year reflects a major shift from Unrestricted to Restricted Net Position, the Total Net Position on these financial statements reflect fairly consistent growth:

Year	Governmental Activities	Business-type Activities	Total	Change %
2014	\$ 17,817,037	\$ 19,385,398	\$ 37,202,435	
2015	\$ 18,370,455	\$ 20,831,859	\$ 39,202,314	+ 5.4%
2016	\$ 22,537,057	\$ 21,638,900	\$ 44,175,957	+12.7%
2017	\$ 25,625,074	\$ 22,438,576	\$ 48,063,650	+ 8.8%
2018	\$ 20,250,371	\$ 25,644,460	\$ 45,894,831	- 4.5%

The City's Net Position for 2018 is greatly impacted on these statements by the cumulative effect of the change in accounting principle, due the implementation of GASB Statement No. 75 related to other postemployment benefits. This change in principle, shown on the Statement of Activities on page 15 & 16 of the financial statements show the net effect to be a reduction of \$2,954,201 on the Governmental Activities and \$1,407,485 on the Business-type Activities.

In the past, the City's General Fund has contributed capital to the City's business activities. The restricted net position of the Business-type Activities largely reflects the current deficit situations in the Water and Sewer funds (which more than offset positive balances in the Electric, Solid Waste, and Telecommunications funds). All business and government type activities are intended to be self-supporting entities. Net position of one entity are not permanently used by other entities. Contributions by the General Fund to the business type activities is intended to be repaid over time, as addressed in the "Financial Highlights" section above.

**Governmental Activities**

The City's 2018 General Fund revenues totaled \$9,411,451 and expenditures totaled \$9,921,349. Net transfers to/from various other funds and Sales of Capital Assets into the General Fund were \$477,593, resulting in a net General Fund budget deficit of \$32,305. Details are found in Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds and can be found on page 20-21 of the 2018 Financial Report. Table A-2 presents a summary of this detail.

**Table A-2  
City of Two Rivers Statement of Revenues and Expenditures**

<b>Revenues</b>	<b>General Government</b>	<b>Debt Service</b>	<b>Other Funds</b>	<b>Total All Funds</b>
Taxes	\$2,087,203	\$2,445,283	\$1,239,891	\$5,772,377
Special Assessments	\$112,871	\$0	\$37,100	\$149,971
Intergovernmental	\$4,706,939	\$0	\$290,089	\$4,997,028
Licenses and permits	\$278,058	\$0	\$0	\$278,058
Fines, forfeitures and penalties	\$78,159	\$0	\$0	\$78,159
Public Charges for services	\$1,334,585	\$0	\$314,195	\$1,648,780
Intergovernmental charges	\$132,965	\$0	\$0	\$132,965
Interdepartmental charges	\$486,543	\$0	\$0	\$486,543
Miscellaneous	\$194,128	\$26,367	\$1,256,109	\$1,476,604
<b>Total Revenues</b>	<b>\$9,411,451</b>	<b>\$2,471,650</b>	<b>\$3,137,384</b>	<b>\$15,020,485</b>
<b>Expenditures</b>				
General Government	\$1,108,186	\$635,000	\$0	\$1,743,186
Public Safety	\$5,602,607	\$0	\$51,346	\$5,653,953
Public Works	\$1,677,372	\$0	\$537,094	\$2,214,466
Health & human services	\$374,176	\$0	\$365,688	\$739,864
Culture, recreation & education	\$1,129,209	\$0	\$1,485,296	\$2,614,505
Conservation & development	\$29,799	\$0	\$554,523	\$584,322
Capital outlay	\$0	\$0	\$1,676,372	\$1,676,372
Debt service	\$0	\$3,766,853	\$33,827	\$3,800,680
<b>Total Expenditures</b>	<b>\$9,921,349</b>	<b>\$4,401,853</b>	<b>\$4,704,146</b>	<b>\$19,027,348</b>
<b>Sale of Capital Assets</b>	\$21	\$0	\$32,837	\$32,858
<b>Transfers In</b>	\$850,851	\$401,849	\$479,877	\$1,732,577
<b>Transfers Out</b>	-\$373,279	-\$250,000	-\$947,187	-\$1,570,466
<b>Notes Issued</b>	\$0	\$1,291,000	\$1,425,500	\$2,716,500
<b>Payment to Current Noteholder</b>	\$0	\$0	\$0	\$0
<b>Net Change in Fund Balance</b>	<b>-\$32,305</b>	<b>-\$487,354</b>	<b>-\$575,735</b>	<b>-\$1,095,394</b>

**Business-type Activities**

Operating Revenue for the City's business-type activities totaled \$15,136,489, with user fees accounting for 97.5% of all operating revenues. Business-type operating expenses totaled \$13,428,940. The electric utility is the largest business type fund, accounting for 62.3% of all business-type operating expense activity. The water and sewer utilities operating expenses were \$2.09 million and \$1.95 million, respectively.

Table A-3  
Change in Business Type Activity Net Position

Operating Revenues	Electric Utility	Water Utility	Sewer Utility	Telecom Utility	Solid Waste	Stormwater Utility	Total Current Year
Charges for services	\$8,666,298	\$2,586,796	\$2,469,762	\$0	\$381,930	\$657,617	\$14,762,403
Other	\$83,694	\$27,001	\$27,828	\$0	\$235,563	\$0	\$374,086
<b>Total Operating Revenues</b>	<b>\$8,749,992</b>	<b>\$2,613,797</b>	<b>\$2,497,590</b>	<b>\$0</b>	<b>\$617,493</b>	<b>\$657,617</b>	<b>\$15,136,489</b>
Operating Expenses							
Operating and maintenance	\$7,870,387	\$1,571,187	\$1,444,253	\$101	\$774,164	\$149,569	\$11,809,661
Depreciation	\$417,842	\$473,837	\$471,499	\$28,060	\$0	\$72,902	\$1,464,140
Taxes	\$80,382	\$42,147	\$32,610	\$0	\$0	\$0	\$155,139
<b>Total Operating Expenses</b>	<b>\$8,368,611</b>	<b>\$2,087,171</b>	<b>\$1,948,362</b>	<b>\$28,161</b>	<b>\$774,164</b>	<b>\$222,471</b>	<b>\$13,428,940</b>
<b>Operating Income (Loss)</b>	<b>\$381,381</b>	<b>\$526,626</b>	<b>\$549,228</b>	<b>(\$28,161)</b>	<b>(\$156,671)</b>	<b>\$435,146</b>	<b>\$1,707,549</b>
Nonoperating Revenues (Expense)							
Grants – State of WI	\$0	\$0	\$0	\$0	\$81,526	\$0	\$81,526
Interest Expense	(\$20,968)	(\$184,030)	(\$144,339)	\$0	(\$746)	(\$33,885)	(\$383,968)
Other	\$17,518	\$11,131	\$9,995	\$15,885	\$0	\$0	\$54,529
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(\$3,450)</b>	<b>(\$172,899)</b>	<b>(\$134,344)</b>	<b>\$15,885</b>	<b>\$80,780</b>	<b>(\$33,885)</b>	<b>(\$247,913)</b>
<b>Net Income (Loss)</b>	<b>\$377,931</b>	<b>\$353,727</b>	<b>\$414,884</b>	<b>(\$12,276)</b>	<b>(\$75,891)</b>	<b>\$401,261</b>	<b>\$1,459,636</b>
Customer Contributions	\$84,248	\$0	\$1,233,038	\$0	\$ -	\$ 118,188	\$1,435,474
Net Transfers In (Out)	(\$308,524)	(\$139,395)	(\$307,151)	\$0	(\$1,080)	\$2,474,409	\$1,718,259
<b>Change in Net Position</b>	<b>\$153,655</b>	<b>\$214,332</b>	<b>\$1,340,771</b>	<b>(\$12,276)</b>	<b>(\$76,971)</b>	<b>\$2,993,858</b>	<b>\$4,613,369</b>
Net Position – Jan. 1, as originally reported	\$8,514,861	\$5,779,216	\$6,736,091	\$100,024	\$242,174	\$1,066,210	\$22,438,576
Cumulative effect of change in accounting principle	(\$668,012)	(\$419,964)	(\$309,721)	\$0	(\$9,788)	\$0	(\$1,407,485)
Net Position – Jan. 1, as restated	\$7,846,849	\$5,359,252	\$6,426,370	\$100,024	\$232,386	\$1,066,210	\$21,031,091
Net Position – Dec. 31	\$8,000,504	\$5,573,584	\$7,767,141	\$87,748	\$155,415	\$4,060,068	\$25,644,460

Historically, the Business-type Activities have been making efforts to keep operating expenses in control. While we've seen decreases in demand from our customers, we've needed to constantly search for efficiencies and streamline our processes to keep expenses in control.

<u>Year</u>	<u>Total Operating Expenses</u>	<u>Change %</u>
2014	\$ 13,696,868	
2015	\$ 13,387,050	-2.26%
2016	\$ 13,462,619	+ .56%
2017	\$ 13,433,217	- .22%
2018	\$ 13,428,940	- .03%

The most recent **Electric Utility** rate increase, averaging 2.33 percent, took effect January 1, 2015. Other recent rate increases were 1.4 percent in January 2011, 1.8 percent in September 2006 and 2 percent in January 2005. We are currently beginning the process to file for another rate increase, mostly likely to be effective in the last quarter of 2019.

In the **Water Utility**, our current rates became effective on September 1, 2018. This increased rates an average of 14%. Previously, a water rate adjustment averaging 27 percent took effect September 1, 2010. This followed closely on the heels of a 24.6 percent increase that took effect in April 2008. The City also implemented Simplified Rate Cases of 3.2 percent effective August 15, 2012, 3.0 percent effective November 1, 2013, and 3.0 percent effective January 1, 2015. This utility has continued to work at trimming operating expenses to reduce its cash deficit, but operating expenses for items such as chemicals and electricity have continued to grow, while revenues from industrial and commercial customers have declined. The Utility continues to invest in plant efficiencies and cost savings procedures.

**Sewer Utility** rates were increased 10 percent January 1, 2009, 6 percent January 1, 2010, 6 percent January 1, 2011, and a 10 percent rate increase became effective May 1, 2012. Additional 3% increases became effective January 1, 2013 and January 1, 2014. Finally, a rate increase went into effect on November 1, 2018 which raised the typical residential user's bill 3.5%. While the cash position of this utility has improved, staff continues to analyze revenues and expenses to solidify its financial position. The Sewer Utility began addressing their Unfunded Pension Liability, paying off approximately 40 percent of their portion of the debt in 2016.

In the last part of 2014, the City created a **Stormwater Utility**. This user fee will raise money to maintain the City's Stormwater infrastructure and to fund mandated runoff programs. The fund has performed well, creating equity reserves that will be invested in much-needed infrastructure.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed 2018, its governmental funds reported a combined fund balance of \$4,663,934. This compares with \$5,759,328 at the end of 2017, \$4,855,232 at the end of 2016, \$4,488,158 at the end of 2015, \$5,910,200 at the end of 2014, \$5,786,344 at the end of 2013, \$6,221,759 at the end of 2012, and \$7,102,083 at the end of 2011. The General Fund balance decreased by \$32,305, due to a small operating deficit.

The City is making every attempt not to draw on its fund balance, and is continuing to concentrate on rebuilding the General Fund Balance, while at the same time eliminating deficits in the Water and Sewer utility funds. This continues to be a major challenge, as General Fund revenues from both property taxes and intergovernmental sources have been frozen or reduced.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

All budgets are adopted at the department level of expenditures. In 2018, General Fund revenues exceeded the budgeted amount by \$225,853 (2.5% of budget) per both summarized and detailed budget schedules in the statements. Total expenditures were \$181,991 over budget (1.9% of budget), resulting in a \$32,305 operating deficit and year-end Fund Balance in the General Fund of \$2,323,046.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Government Activities Net Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in both the governmental and business-type activities. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life more than one year.

Table A-4  
City of Two Rivers Capital Assets  
(Net of Depreciation and Related Debt)

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,313,117	\$ 38,227	\$ 1,351,344
Construction in Progress	\$ -	\$ 7,954,218	\$ 7,954,218
Buildings	\$ 15,081,392	\$ 6,487,298	\$ 21,568,690
Improvements	\$ 3,774,460	\$ 35,594,071	\$ 39,368,531
Equipment	\$ 9,756,140	\$ 16,404,809	\$ 26,160,949
Infrastructure	\$ 36,065,183	\$ -	\$ 36,065,183
<b>Total Capital Assets</b>	<b>\$ 65,990,292</b>	<b>\$ 66,478,623</b>	<b>\$132,468,915</b>
Less: Accumulated Depreciation	\$(35,209,646)	\$(26,970,749)	\$(62,180,395)
Less: Related long-term debt outstanding	\$(12,988,475)	\$(12,630,577)	\$(25,619,052)
<b>Total Invested in Capital Assets</b>	<b>\$ 17,792,171</b>	<b>\$ 26,877,297</b>	<b>\$ 44,669,468</b>

**Long-term Debt**

At year-end, the City had \$16,906,149 in outstanding general obligation (G.O.) debt that is subject to statutory debt limitations. That amount of debt is equivalent to 68.14 percent of the statutory debt limit (5 percent of equalized valuation, or \$24,812,230 as of December 31, 2018). This level of G.O. debt exceeds the City's long-term policy of staying at or below 60 percent of the statutory limit; this came about as the result of issuing debt for water and sewer projects in 2011 as G.O. debt, rather than revenue debt, due to the weak financial condition of the water and sewer utilities. Also, the City had need to replace a lift span bridge which the City was able to secure a large amount of Federal and State funding; however, the City share of the project was over \$3 million. This amount is included in our G.O. debt.

During this period, we have also seen significant decreases in Equalized Values caused mostly by economic conditions in the entire nation. The City's long-term debt plans anticipate getting total G.O. debt back below 60 percent of the statutory limit, within the next five years. The City's legal margin for new G.O. debt as of December 31, 2018 is \$7,906,081.

Outstanding revenue bonds to be repaid from the Water Utility totaled \$3,278,611 at the end of 2018, associated mainly with a \$4.2 million upgrade of the water filtration plant, completed in 2005 (funded through a 20-year Safe Drinking Water Fund borrowing, at 2.365 percent).

Outstanding revenue bonds to be repaid from the Sewer Utility totaled \$6,074,138 at the end of 2018. Most of this debt is associated with a \$6.2 million upgrade of the wastewater treatment plant, completed in 2009 (funded through a 20-year Clean Water Fund borrowing, at 2.39 percent); that borrowing had at balance of \$3,342,762 at year-end. The Utility started a major renovation of the wastewater treatment plant in 2018, securing 20-year financing @ 1.87% through the State of Wisconsin Clean Water Fund Program. As of 12/31/18 we have drawn \$1,429,589 of the maximum loan amount of \$4,677,695.

Outstanding state trust fund loans to be repaid from the Electric Utility totaled \$547,376 at the end of 2018. The first \$247,775 represents the balance on a 15-year bond issue for \$805,000, issued in 2006, which was re-financed in 2017 for interest payment savings over the remaining life of the issue. Final payment will be made in 2021. The remaining \$299,601 is a debt issue to cover the Electric Utility's portion of the Wisconsin Retirement Unfunded Pension Liability. The Solid Waste Utility and Sewer Utility also took out small loans to eliminate their share of the Wisconsin Retirement Unfunded Pension Liability.

The above-cited utility revenue bonds do not affect the City's borrowing capacity for general obligation debt.

## **ECONOMIC DEVELOPMENT & COMMUNITY NOTES**

The City's location on the shore of Lake Michigan, with well-maintained infrastructure, sound housing, and available residential development land, make it attractive for residential and small business development.

After two years of growth in equalized value, the City of Two Rivers recorded a decrease in its equalized value of nearly 3% in 2018. Equalized value increased an average of three percent annually from 2005 to 2009. The recession of 2008 had an adverse impact on the local tax base, reflective of the declines experienced in other areas of the state and nation. Total Equalized Value, dating back to its high point in 2009, is as follows:

<u>Year</u>	<u>Equalized Value</u>	<u>Change %</u>
2009	\$584,076,300	-----
2010	\$556,805,900	-4.67%
2011	\$547,897,000	-1.60%
2012	\$524,968,600	-4.18%
2013	\$513,529,800	-2.18%
2014	\$510,431,200	-0.06%
2015	\$499,375,900	-2.17%
2016	\$509,197,200	+1.97%
2017	\$511,532,900	+0.45%
2018	\$496,244,600	-2.99%

The City's development efforts in recent years have addressed both new, Greenfield development, and the redevelopment of existing sites in the community. Its ten active tax incremental financing (TIF) districts are performing well, with \$29 million in new tax base created. The total equalized value of the ten TIF districts is \$38.1 million. Four of the TIF districts have assisted with redevelopment of formerly tax-exempt properties, which now have valuations totaling nearly \$13.9 million. Wisconsin's TIF law has created new opportunities for existing TIF districts to spur additional development. Two Rivers has also used its \$2.5 million Economic Development Revolving Loan Fund to help finance various commercial and manufacturing projects.

As a mature community with a relatively modest tax base, the City continues to be heavily dependent on State Shared Revenue and Expenditure Restraint Programs, which account for about 36 percent of its General Fund Revenue Budget. This major revenue source has seen no growth in recent years. Aggressive cost-cutting strategies have helped hold down growth in operating budgets and the City's tax rate; 28 full-time positions have been eliminated from a workforce of 140 over the past fifteen years, largely through attrition. The City's 2018 General Fund budget is \$524,434 more than the 2000 General Fund Budget, resulting in a 5.49% increase over 18 years, or .31% annually. This reflects the aggressive cost containment that has been occurring over the last 18 years.

Use of a five-year capital improvement plan, updated annually, has allowed the City to re-invest aggressively in its infrastructure, while keeping debt levels manageable. Debt retirement schedules are aggressive, with approximately 89.1 percent of G.O. debt principal due in ten years or less. Re-investment in city facilities and infrastructure is viewed as essential for the long-term economic health of the City, and significant Federal and State funds (notably for street and bridge projects) have been leveraged by the City to aid such re-investment. A debt policy was adopted in 2007, which formalized the City's longstanding practice of maintaining general obligation debt levels at or below 60 percent of statutory limits. While we are over that self-imposed debt policy, the projects have addressed some infrastructure that will have lives well past the related debt issue maturities. We are also confident the equalized value component (discussed earlier in this section) of the calculation will return to previous levels.

In 2015, the City began addressing the outstanding **Wisconsin Retirement System Unfunded Pension Liability**, which had grown to a debt of \$4.19 million, by making a \$1.12 million payment. Additional payments were made annually from 2016-2018, totaling nearly \$1.4 million. The liability stands at \$1.74 million as of 12/31/18. The City plans to eliminate the debt over the next 5 years, which will create savings in interest payments and savings in required contributions to the Wisconsin Retirement System.

### **Economic Development Activity in 2018**

**New Hotel Development.** The City continues to work with a developer on the redevelopment of blighted and City-owned properties for a new hotel development, one block off the main downtown thoroughfare and overlooking our harbor where the "two rivers" meet flow out to Lake Michigan. We created TID #12 to assist in financing the project and work is being done on a developer agreement. We anticipate the project will be announced and groundbreaking on the project will be done in 2019.

**Sandy Bay Highlands Conservation Subdivision, Phase 2.** With 16 of 21 lots in Phase 1 sold, the City budgeted in 2017 to proceed with development of Phase 2 of this residential subdivision. Planning and construction began in 2017 and was completed in 2018. The project extended street and utility infrastructure to serve another 19 single family home sites.



**Investments in City Infrastructure and Quality of Life Facilities in 2018**

**27<sup>th</sup> Street Reconstruction.** The project included replacement of all infrastructure (water, sewer, storm sewer) and the roadway, including the replacement of city-owned and privately-owned lead water services.

**Washington LED Street Light project.** The City's Electric Utility proceeded in 2016 with a three-year program to replace its existing 1,100 street lights with energy-saving LED lights. This included re-lamping on Washington Street, Two Rivers' main downtown artery. This project continued in 2018.

**Wayside on Memorial Drive.** In 2016, the City initiated negotiations with the WI Department of Transportation and Manitowoc County for the transfer of this approximately 5-acre facility, on Lake Michigan, to City ownership. Those negotiation continued throughout 2017 and 2018. It is anticipated that ownership will officially transfer in 2019.

In 2018, the "Spirit of the Rivers" sculpture, a large piece of community-funded public art, was installed on the site. Budget for the Spirit project, funded entirely from private sources, will be \$1.6 million.

We anticipate that this site will also be home to a privately funded monument, placed in tribute to all first responders from Manitowoc County.

On-going review of five-year utility business plans and more frequent rate filings by the City's utilities is intended to eliminate past utility fund deficits that have been covered by loans from the General Fund. With a revenue base made up largely of residential customers, demand for utility services is growing slowly; aggressive cost containment measures along with prudent rate adjustments are necessary to put the utility funds back "in the black."

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

David Buss, Finance Director  
1717 E. Park Street  
P.O. Box 87  
Two Rivers, WI 54241  
920-793-7274  
[davbus@two-rivers.org](mailto:davbus@two-rivers.org)

Gregory Buckley, City Manager  
1717 E. Park Street  
P.O. Box 87  
Two Rivers, WI 54241  
920-793-5532  
[grebuc@two-rivers.org](mailto:grebuc@two-rivers.org)

## BASIC FINANCIAL STATEMENTS

---

# City of Two Rivers, Wisconsin

## STATEMENT OF NET POSITION

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
<b>ASSETS</b>				
Cash and investments	\$ 7,432,360	\$ 278,864	\$ 7,711,224	\$ 9,047,166
Receivables				
Taxes	7,878,577	-	7,878,577	8,149,465
Accounts	582,005	1,529,326	2,111,331	1,728,747
Special assessments	461,861	424,298	886,159	578,608
Loans	3,656,392	-	3,656,392	3,801,656
Other	-	69,001	69,001	47,457
Internal balances	2,839,220	(2,839,220)	-	-
Due from other governments	-	163,127	163,127	620,384
Inventories and prepaid items	540,330	491,422	1,031,752	1,271,271
Restricted assets				
Cash and investments	-	1,485,696	1,485,696	1,634,604
Net pension asset	1,683,307	379,120	2,062,427	-
Capital assets, nondepreciable	1,313,117	7,992,445	9,305,562	3,892,075
Capital assets, depreciable	29,467,529	31,515,429	60,982,958	60,740,441
<b>Total assets</b>	<b>55,854,698</b>	<b>41,489,508</b>	<b>97,344,206</b>	<b>91,511,874</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	3,088,277	698,085	3,786,362	4,534,899
Other postemployment related amounts	430,972	65,527	496,499	-
<b>Total deferred outflows of resources</b>	<b>3,519,249</b>	<b>763,612</b>	<b>4,282,861</b>	<b>4,534,899</b>
<b>LIABILITIES</b>				
Accounts payable	494,136	972,789	1,466,925	820,838
Accrued and other current liabilities	373,355	92,720	466,075	705,087
Due to other governments	7,552,099	-	7,552,099	7,640,828
Accrued interest payable	340,703	80,245	420,948	333,193
Special deposits	20,594	94,205	114,799	106,538
Unearned revenues	155,826	-	155,826	281,441
Long-term obligations				
Due within one year	2,141,036	1,206,723	3,347,759	3,568,762
Other postemployment benefits	322,000	98,000	420,000	-
Due in more than one year	11,889,024	11,879,184	23,768,208	22,110,746
Net pension liability	1,741,148	-	1,741,148	2,972,486
Other postemployment benefits	4,720,681	1,432,570	6,153,251	1,707,191
<b>Total liabilities</b>	<b>29,750,602</b>	<b>15,856,436</b>	<b>45,607,038</b>	<b>40,247,110</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	6,040,210	-	6,040,210	5,975,879
Pension related amounts	3,328,198	749,588	4,077,786	1,760,134
Other postemployment related amounts	4,566	2,636	7,202	-
<b>Total deferred inflows of resources</b>	<b>9,372,974</b>	<b>752,224</b>	<b>10,125,198</b>	<b>7,736,013</b>
<b>NET POSITION</b>				
Net investment in capital assets	17,792,171	26,877,297	44,669,468	40,424,037
Restricted	8,429,221	1,864,816	10,294,037	8,371,478
Unrestricted	(5,971,021)	(3,097,653)	(9,068,674)	(731,865)
<b>Total net position</b>	<b>\$ 20,250,371</b>	<b>\$ 25,644,460</b>	<b>\$ 45,894,831</b>	<b>\$ 48,063,650</b>

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

# City of Two Rivers, Wisconsin

STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 2,250,566	\$ 68,329	\$ -	\$ 1,827
Public safety	5,644,757	1,131,352	86,769	4,979
Public works	2,978,557	323,684	671,756	647,937
Health and human services	1,007,032	388,268	52,783	-
Culture and recreation	2,115,147	198,389	206,205	81,401
Conservation and development	396,795	109,048	-	-
Interest and fiscal charges	562,757	-	-	-
Total governmental activities	<u>14,955,611</u>	<u>2,219,070</u>	<u>1,017,513</u>	<u>736,144</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Electric utility	8,372,061	8,749,992	-	84,248
Water utility	2,271,201	2,613,797	-	-
Sewer utility	2,092,701	2,497,590	-	1,233,038
Telecommunications utility	28,161	15,885	-	-
Solid waste	774,910	617,493	81,526	-
Stormwater utility	256,356	657,617	-	118,188
Total business-type activities	<u>13,795,390</u>	<u>15,152,374</u>	<u>81,526</u>	<u>1,435,474</u>
Total	<u>\$ 28,751,001</u>	<u>\$ 17,371,444</u>	<u>\$ 1,099,039</u>	<u>\$ 2,171,618</u>

General revenues  
 Taxes  
 Property taxes  
 Other taxes  
 Federal and state grants and other contributions not restricted to specific functions  
 Interest and investment earnings  
 Miscellaneous  
 Gain on sale of asset  
 Transfers  
 Total general revenues and transfers  
 Change in net position  
 Net position - January 1, as originally reported  
 Cumulative effect of change in accounting principle  
 Net position - January 1, as restated  
 Net position - December 31

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

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-type Activities	Totals	
		2018	2017
\$ (2,180,410)	\$ -	\$ (2,180,410)	\$ (2,006,414)
(4,421,657)	-	(4,421,657)	(4,663,570)
(1,335,180)	-	(1,335,180)	1,466,500
(565,981)	-	(565,981)	(253,308)
(1,629,152)	-	(1,629,152)	(1,869,141)
(287,747)	-	(287,747)	(275,359)
(562,757)	-	(562,757)	(580,927)
<u>(10,982,884)</u>	<u>-</u>	<u>(10,982,884)</u>	<u>(8,182,219)</u>
-	462,179	462,179	375,359
-	342,596	342,596	160,123
-	1,637,927	1,637,927	532,981
-	(12,276)	(12,276)	(17,963)
-	(75,891)	(75,891)	104,783
-	519,449	519,449	597,201
<u>-</u>	<u>2,873,984</u>	<u>2,873,984</u>	<u>1,752,484</u>
<u>(10,982,884)</u>	<u>2,873,984</u>	<u>(8,108,900)</u>	<u>(6,429,735)</u>
5,646,284	-	5,646,284	5,604,082
116,213	-	116,213	117,912
3,979,559	-	3,979,559	3,989,549
186,935	-	186,935	170,932
318,792	21,126	339,918	375,929
32,858	-	32,858	59,024
<u>(1,718,259)</u>	<u>1,718,259</u>	<u>-</u>	<u>-</u>
<u>8,562,382</u>	<u>1,739,385</u>	<u>10,301,767</u>	<u>10,317,428</u>
(2,420,502)	4,613,369	2,192,867	3,887,693
<u>25,625,074</u>	<u>22,438,576</u>	<u>48,063,650</u>	<u>44,175,957</u>
(2,954,201)	(1,407,485)	(4,361,686)	-
<u>22,670,873</u>	<u>21,031,091</u>	<u>43,701,964</u>	<u>44,175,957</u>
<u>\$ 20,250,371</u>	<u>\$ 25,644,460</u>	<u>\$ 45,894,831</u>	<u>\$ 48,063,650</u>

# City of Two Rivers, Wisconsin

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,104,108	\$ 48,955	\$ 207,448	\$ 3,037,885
Receivables				
Taxes	7,821,858	-	-	-
Delinquent taxes	56,719	-	-	-
Accounts	99,397	-	-	482,608
Special assessments	461,861	-	-	-
Loans	-	-	2,522,600	1,133,792
Due from other funds	4,013,031	2,445,283	-	1,762,027
Due from other governments	-	-	-	-
Inventories and prepaid items	534,357	-	-	5,973
<b>Total assets</b>	<b>\$ 17,091,331</b>	<b>\$ 2,494,238</b>	<b>\$ 2,730,048</b>	<b>\$ 6,422,285</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 318,031	\$ -	\$ 131,467	\$ 43,760
Accrued and other current liabilities	351,089	-	-	22,266
Due to other funds	3,905,493	500,000	-	975,628
Due to other governments	7,552,066	-	-	33
Special deposits	13,728	-	-	6,866
Unearned revenues	64,500	-	-	91,326
<b>Total liabilities</b>	<b>12,204,907</b>	<b>500,000</b>	<b>131,467</b>	<b>1,139,879</b>
<b>Deferred inflows of resources</b>				
Property taxes levied for subsequent year	2,162,265	2,445,283	-	1,432,662
Loans receivable	-	-	2,522,600	1,133,792
Special assessments	401,113	-	-	-
<b>Total deferred inflows of resources</b>	<b>2,563,378</b>	<b>2,445,283</b>	<b>2,522,600</b>	<b>2,566,454</b>
<b>Fund balances</b>				
Nonspendable	4,110,587	-	-	5,973
Restricted	-	-	75,981	3,013,541
Committed	-	-	-	707,006
Unassigned	(1,787,541)	(451,045)	-	(1,010,568)
<b>Total fund balances</b>	<b>2,323,046</b>	<b>(451,045)</b>	<b>75,981</b>	<b>2,715,952</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 17,091,331</b>	<b>\$ 2,494,238</b>	<b>\$ 2,730,048</b>	<b>\$ 6,422,285</b>

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

---

Totals	
2018	2017
\$ 7,398,396	\$ 8,190,318
7,821,858	8,087,408
56,719	62,057
582,005	174,072
461,861	434,959
3,656,392	3,797,531
8,220,341	7,616,258
-	435,351
540,330	788,472
<u>\$ 28,737,902</u>	<u>\$ 29,586,426</u>

\$ 493,258	\$ 191,109
373,355	622,461
5,381,121	5,043,476
7,552,099	7,640,828
20,594	21,366
155,826	152,243
<u>13,976,253</u>	<u>13,671,483</u>

6,040,210	5,975,879
3,656,392	3,797,531
401,113	382,205
<u>10,097,715</u>	<u>10,155,615</u>

4,116,560	3,215,134
3,089,522	2,996,793
707,006	1,145,941
(3,249,154)	(1,598,540)
<u>4,663,934</u>	<u>5,759,328</u>

<u>\$ 28,737,902</u>	<u>\$ 29,586,426</u>
----------------------	----------------------

# City of Two Rivers, Wisconsin

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	2018	2017
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 4,663,934	\$ 5,759,328
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	30,780,646	33,703,785
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	4,057,505	4,179,736
Net position of the internal service fund is reported in the statement of net position as governmental activities	33,086	33,058
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	3,088,277	3,684,566
Deferred inflows related to pensions	(3,328,198)	(1,422,729)
Deferred outflows related to other postemployment benefits	430,972	-
Deferred inflows related to other postemployment benefits	(4,566)	-
Long-term assets are not considered available, therefore, are not reported in the funds.		
Net pension asset	1,683,307	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(13,840,751)	(14,998,642)
Capital leases	(77,093)	(488,143)
Compensated absences	(112,216)	-
Net pension liability	-	(448,835)
Other postemployment benefit	(5,042,681)	(1,707,191)
Unfunded pension liability	(1,741,148)	(2,417,208)
Accrued interest on long-term obligations	(340,703)	(252,651)
Net position of governmental activities as reported on the statement of net position (see page 14)	\$ 20,250,371	\$ 25,625,074

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



# City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,087,203	\$ 2,445,283	\$ -	\$ 1,239,891
Special assessments	112,871	-	-	37,100
Intergovernmental	4,706,939	-	-	290,089
Licenses and permits	278,058	-	-	-
Fines and forfeits	78,159	-	-	-
Public charges for services	1,334,585	-	-	314,195
Intergovernmental charges for services	132,965	-	-	-
Interdepartmental charges for services	486,543	-	-	-
Miscellaneous	194,128	26,367	114,235	1,141,874
<b>Total revenues</b>	<b>9,411,451</b>	<b>2,471,650</b>	<b>114,235</b>	<b>3,023,149</b>
<b>EXPENDITURES</b>				
Current				
General government	1,108,186	635,000	-	-
Public safety	5,602,607	-	-	51,346
Public works	1,677,372	-	-	537,094
Health and human services	374,176	-	-	365,688
Culture and recreation	1,129,209	-	-	1,485,296
Conservation and development	29,799	-	206,495	348,028
Capital outlay	-	-	-	1,676,372
Debt service				
Principal	-	2,022,066	-	12,908
Interest and fiscal charges	-	453,787	-	20,919
<b>Total expenditures</b>	<b>9,921,349</b>	<b>3,110,853</b>	<b>206,495</b>	<b>4,497,651</b>
Excess of revenues under expenditures	(509,898)	(639,203)	(92,260)	(1,474,502)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	1,291,000	-	1,425,500
Payment to current noteholder	-	(1,291,000)	-	-
Proceeds from sale of capital assets	21	-	-	32,837
Transfers in	850,851	401,849	-	479,877
Transfers out	(373,279)	(250,000)	-	(947,187)
<b>Total other financing sources</b>	<b>477,593</b>	<b>151,849</b>	<b>-</b>	<b>991,027</b>
Net change in fund balances	(32,305)	(487,354)	(92,260)	(483,475)
Fund balances - January 1	2,355,351	36,309	168,241	3,199,427
Fund balances - December 31	<u>\$ 2,323,046</u>	<u>\$ (451,045)</u>	<u>\$ 75,981</u>	<u>\$ 2,715,952</u>

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

Totals	
2018	2017
\$ 5,772,377	\$ 5,732,832
149,971	109,379
4,997,028	5,441,380
278,058	277,271
78,159	72,521
1,648,780	1,534,913
132,965	136,500
486,543	466,337
1,476,604	868,931
<u>15,020,485</u>	<u>14,640,064</u>
1,743,186	1,535,234
5,653,953	5,468,929
2,214,466	1,899,969
739,864	712,077
2,614,505	2,037,899
584,322	391,868
1,676,372	1,677,790
2,034,974	2,043,703
474,706	478,072
<u>17,736,348</u>	<u>16,245,541</u>
<u>(2,715,863)</u>	<u>(1,605,477)</u>
2,716,500	3,072,340
(1,291,000)	(1,300,000)
32,858	59,024
1,732,577	1,653,918
<u>(1,570,466)</u>	<u>(975,709)</u>
<u>1,620,469</u>	<u>2,509,573</u>
(1,095,394)	904,096
<u>5,759,328</u>	<u>4,855,232</u>
<u>\$ 4,663,934</u>	<u>\$ 5,759,328</u>

# City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (1,095,394)	\$ 904,096
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	1,841,794	3,609,821
Depreciation expense reported in the statement of activities	(1,428,416)	(1,403,505)
Net book value of disposals	(152,642)	(157,035)
Net book value of certain capital assets along with the related long-term debt were transferred between governmental activities and business type activities. This transfer is not reported in the governmental funds.	(2,224,409)	-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(122,230)	147,103
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(2,716,500)	(3,072,340)
Capital leases issued	-	(43,870)
Principal repaid	2,914,924	3,309,585
Capital leases paid	411,050	34,118
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	(88,052)	(65,787)
Unfunded pension liability	676,060	350,850
Compensated absences	(112,216)	-
Net pension liability (asset)	2,132,142	427,880
Deferred outflows of resources related to pensions	(596,289)	(1,345,009)
Deferred inflows of resources related to pensions	(1,905,469)	426,743
Other postemployment benefits	40,601	(42,845)
Deferred outflows of resources related to other postemployment benefits	9,082	-
Deferred inflows of resources related to other postemployment benefits	(4,566)	-
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	28	8,212
Change in net position of governmental activities as reported in the statement of activities (see pages 15 - 16)	\$ (2,420,502)	\$ 3,088,017

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

# City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>REVENUES</b>					
Taxes	\$ 2,092,322	\$ 2,092,322	\$ 2,087,203	\$ (5,119)	\$ 2,043,160
Special assessments	107,000	107,000	112,871	5,871	74,410
Intergovernmental	4,708,576	4,708,576	4,706,939	(1,637)	4,717,416
Licenses and permits	272,200	272,200	278,058	5,858	277,271
Fines and forfeits	91,400	91,400	78,159	(13,241)	72,521
Public charges for services	1,171,500	1,171,500	1,334,585	163,085	1,219,237
Intergovernmental charges for services	133,300	133,300	132,965	(335)	136,500
Interdepartmental charges for services	432,700	432,700	486,543	53,843	466,337
Miscellaneous	176,600	176,600	194,128	17,528	191,061
<b>Total revenues</b>	<b>9,185,598</b>	<b>9,185,598</b>	<b>9,411,451</b>	<b>225,853</b>	<b>9,197,913</b>
<b>EXPENDITURES</b>					
Current					
General government	1,236,840	1,236,840	1,108,186	128,654	1,172,234
Public safety	5,369,743	5,369,743	5,602,607	(232,864)	5,437,186
Public works	1,573,922	1,573,922	1,677,372	(103,450)	1,640,285
Health and human services	388,933	388,933	374,176	14,757	358,287
Culture and recreation	1,138,795	1,138,795	1,129,209	9,586	1,070,680
Conservation and development	31,125	31,125	29,799	1,326	37,130
<b>Total expenditures</b>	<b>9,739,358</b>	<b>9,739,358</b>	<b>9,921,349</b>	<b>(181,991)</b>	<b>9,715,802</b>
Excess of revenues under expenditures	(553,760)	(553,760)	(509,898)	43,862	(517,889)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	55,000	55,000	21	(54,979)	3,697
Transfers in	828,000	828,000	850,851	22,851	880,721
Transfers out	(329,240)	(329,240)	(373,279)	(44,039)	(338,268)
<b>Total other financing sources (uses)</b>	<b>553,760</b>	<b>553,760</b>	<b>477,593</b>	<b>(76,167)</b>	<b>546,150</b>
Net change in fund balance	-	-	(32,305)	(32,305)	28,261
Fund balance - January 1	2,355,351	2,355,351	2,355,351	-	2,327,090
Fund balance - December 31	<u>\$ 2,355,351</u>	<u>\$ 2,355,351</u>	<u>\$ 2,323,046</u>	<u>\$ (32,305)</u>	<u>\$ 2,355,351</u>

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

# City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - HOUSING REVOLVING LOANS SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

---

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
REVENUES					
Miscellaneous	\$ 100,000	\$ 100,000	\$ 114,235	\$ 14,235	\$ 65,733
EXPENDITURES					
Current					
Conservation and development	222,500	222,500	206,495	16,005	66,172
Net change in fund balance	(122,500)	(122,500)	(92,260)	30,240	(439)
Fund balance - January 1	168,241	168,241	168,241	-	168,680
Fund balance - December 31	<u>\$ 45,741</u>	<u>\$ 45,741</u>	<u>\$ 75,981</u>	<u>\$ 30,240</u>	<u>\$ 168,241</u>

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

# City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 82,364	\$ -	\$ -
Receivables			
Customer accounts	915,277	284,368	273,091
Special assessments	-	55,095	267,336
Other	29,350	-	-
Due from other funds	-	13,251	8,767
Due from other governments	-	-	163,127
Inventories and prepaid items	354,776	136,646	-
<b>Total current assets</b>	<b>1,381,767</b>	<b>489,360</b>	<b>712,321</b>
Noncurrent assets			
Restricted assets			
Cash and investments	-	288,163	1,176,392
Other assets			
Net pension asset	179,028	106,764	83,128
Capital assets			
Nondepreciable	101,166	1,733,588	5,026,279
Depreciable	8,348,145	11,074,548	8,933,645
<b>Total capital assets</b>	<b>8,449,311</b>	<b>12,808,136</b>	<b>13,959,924</b>
<b>Total assets</b>	<b>10,010,106</b>	<b>13,692,423</b>	<b>15,931,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	328,674	196,005	154,681
Other postemployment related amounts	32,586	24,832	6,341
<b>Total deferred outflows of resources</b>	<b>361,260</b>	<b>220,837</b>	<b>161,022</b>

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

Stormwater Utility	Nonmajor Funds	Totals		Governmental Activities - Internal Service Fund Health Insurance	
		2018	2017	2018	2017
\$ -	\$ 196,500	\$ 278,864	\$ 821,834	\$ 33,964	\$ 35,014
56,590	-	1,529,326	1,558,800	-	-
101,867	-	424,298	143,649	-	-
-	39,651	69,001	47,457	-	-
573,176	2,356	597,550	394,189	-	-
-	-	163,127	185,033	-	-
-	-	491,422	482,799	-	-
731,633	238,507	3,553,588	3,633,761	33,964	35,014
21,141	-	1,485,696	1,634,604	-	-
-	10,200	379,120	-	-	-
1,131,412	-	7,992,445	2,578,493	-	-
3,110,973	48,118	31,515,429	28,350,238	-	-
4,242,385	48,118	39,507,874	30,928,731	-	-
4,995,159	296,825	44,926,278	36,197,096	33,964	35,014
-	18,725	698,085	850,333	-	-
-	1,768	65,527	-	-	-
-	20,493	763,612	850,333	-	-

# City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 528,700	\$ 109,019	\$ 310,222
Accrued and other current liabilities	41,713	26,200	22,155
Due to other funds	-	2,818,957	582,364
Accrued interest payable	19,823	27,524	27,663
Special deposits	94,105	100	-
Unearned revenue	-	-	-
Current portion of long-term debt	8,800	102,554	65,962
Current portion of other postemployment benefits payable from restricted assets	47,000	29,000	22,000
Current portion of long-term debt	108,088	341,406	509,307
<b>Total current liabilities</b>	<b>848,229</b>	<b>3,454,760</b>	<b>1,539,673</b>
Long-term obligations, less current portion			
General obligation debt	-	1,285,398	735,000
Revenue bonds	439,288	2,937,205	5,564,831
Capital lease payable	-	-	-
Compensated absences	49,852	24,642	5,552
Net pension liability	-	-	-
Other postemployment benefits	678,355	425,931	315,590
<b>Total long-term liabilities</b>	<b>1,167,495</b>	<b>4,673,176</b>	<b>6,620,973</b>
<b>Total liabilities</b>	<b>2,015,724</b>	<b>8,127,936</b>	<b>8,160,646</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	353,971	211,091	164,359
Other postemployment related amounts	1,167	649	641
<b>Total deferred inflows of resources</b>	<b>355,138</b>	<b>211,740</b>	<b>165,000</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,192,735	8,141,573	7,136,132
Restricted	179,028	394,927	1,259,520
Unrestricted	(371,259)	(2,962,916)	(628,511)
<b>Total net position</b>	<b>\$ 8,000,504</b>	<b>\$ 5,573,584</b>	<b>\$ 7,767,141</b>

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



Stormwater Utility	Nonmajor Funds	Totals		Governmental Activities - Internal Service Fund Health Insurance	
		2018	2017	2018	2017
\$ 2,320	\$ 22,528	\$ 972,789	\$ 627,773	\$ 878	\$ 1,956
186	2,466	92,720	82,626	-	-
35,449	-	3,436,770	2,966,971	-	-
4,690	545	80,245	80,542	-	-
-	-	94,205	85,172	-	-
-	-	-	129,198	-	-
69,134	-	246,450	588,585	-	-
-	-	98,000	-	-	-
-	1,472	960,273	437,071	-	-
111,779	27,011	5,981,452	4,997,938	878	1,956
823,312	-	2,843,710	2,787,211	-	-
-	14,104	8,955,428	6,282,726	-	-
-	-	-	15,962	-	-
-	-	80,046	81,168	-	-
-	-	-	106,443	-	-
-	12,694	1,432,570	-	-	-
823,312	26,798	13,311,754	9,273,510	-	-
935,091	53,809	19,293,206	14,271,448	878	1,956
-	20,167	749,588	337,405	-	-
-	179	2,636	-	-	-
-	20,346	752,224	337,405	-	-
3,349,939	48,118	26,868,497	21,217,176	-	-
21,141	10,200	1,864,816	1,613,463	-	-
688,988	184,845	(3,088,853)	(392,063)	33,086	33,058
\$ 4,060,068	\$ 243,163	\$ 25,644,460	\$ 22,438,576	\$ 33,086	\$ 33,058

# City of Two Rivers, Wisconsin

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility
<b>OPERATING REVENUES</b>				
Charges for services	\$ 8,666,298	\$ 2,586,796	\$ 2,469,762	\$ 657,617
Other	83,694	27,001	27,828	-
Total operating revenues	<u>8,749,992</u>	<u>2,613,797</u>	<u>2,497,590</u>	<u>657,617</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	7,870,387	1,571,187	1,444,253	149,569
Depreciation	417,842	473,837	471,499	72,902
Taxes	80,382	42,147	32,610	-
Total operating expenses	<u>8,368,611</u>	<u>2,087,171</u>	<u>1,948,362</u>	<u>222,471</u>
Operating income (loss)	<u>381,381</u>	<u>526,626</u>	<u>549,228</u>	<u>435,146</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Nonoperating grants	-	-	-	-
Interest and fiscal charges	(20,968)	(184,030)	(144,339)	(33,885)
Other nonoperating revenues (expenses)	17,518	11,131	9,995	-
Total nonoperating revenues (expenses)	<u>(3,450)</u>	<u>(172,899)</u>	<u>(134,344)</u>	<u>(33,885)</u>
Income (loss) before contributions and transfers	377,931	353,727	414,884	401,261
Capital contributions	84,248	-	1,233,038	2,342,597
Transfers in	-	-	-	250,000
Transfers out	<u>(308,524)</u>	<u>(139,395)</u>	<u>(307,151)</u>	<u>-</u>
Change in net position	153,655	214,332	1,340,771	2,993,858
Net position - January 1, as originally reported	<u>8,514,861</u>	<u>5,779,216</u>	<u>6,736,091</u>	<u>1,066,210</u>
Cumulative effect of change in accounting principle	(668,012)	(419,964)	(309,721)	-
Net position - January 1, as restated	<u>7,846,849</u>	<u>5,359,252</u>	<u>6,426,370</u>	<u>1,066,210</u>
Net position - December 31	<u>\$ 8,000,504</u>	<u>\$ 5,573,584</u>	<u>\$ 7,767,141</u>	<u>\$ 4,060,068</u>

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

Nonmajor Funds	Totals		Governmental Activities - Internal Service Fund	
	2018	2017	Health Insurance	
			2018	2017
\$ 381,930	\$ 14,762,403	\$ 14,867,629	\$ 309,065	\$ 293,542
235,563	374,086	361,472	3	-
617,493	15,136,489	15,229,101	309,068	293,542
774,265	11,809,661	11,847,571	663,079	590,483
28,060	1,464,140	1,437,396	-	-
-	155,139	148,250	-	-
802,325	13,428,940	13,433,217	663,079	590,483
(184,832)	1,707,549	1,795,884	(354,011)	(296,941)
81,526	81,526	81,391	10,000	10,000
(746)	(383,968)	(341,642)	-	-
15,885	54,529	22,690	-	-
96,665	(247,913)	(237,561)	10,000	10,000
(88,167)	1,459,636	1,558,323	(344,011)	(286,941)
-	3,659,883	214,715	-	-
-	250,000	9,875	344,039	295,153
(1,080)	(756,150)	(983,237)	-	-
(89,247)	4,613,369	799,676	28	8,212
342,198	22,438,576	21,638,900	33,058	24,846
(9,788)	(1,407,485)	-	-	-
332,410	21,031,091	21,638,900	33,058	24,846
\$ 243,163	\$ 25,644,460	\$ 22,438,576	\$ 33,086	\$ 33,058

# City of Two Rivers, Wisconsin

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 8,813,443	\$ 2,468,256	\$ 2,504,209
Cash received from other departments	-	-	-
Cash paid for employee wages and benefits	(830,598)	(657,910)	(441,080)
Cash paid to suppliers	(6,987,353)	(809,714)	(693,915)
Net cash provided (used) by operating activities	<u>995,492</u>	<u>1,000,632</u>	<u>1,369,214</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Special assessments	-	(31,796)	(191,084)
Nonoperating grants	-	-	-
Due to/from other funds	-	349,132	89,971
Transfer in (out)	(308,524)	(139,395)	(307,149)
Net cash provided (used) by noncapital financing activities	<u>(308,524)</u>	<u>177,941</u>	<u>(408,262)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(803,628)	(1,742,600)	(3,608,829)
Cost of removal of capital assets	(101,796)	(1,168)	-
Capital contributions	84,248	-	1,233,038
Sale of capital assets	16,468	136,680	-
Long-term debt issued	-	1,009,256	2,011,851
Principal paid on long-term debt	(104,624)	(395,916)	(526,084)
Interest paid on long-term debt	(24,359)	(184,871)	(145,170)
Net cash used by capital and related financing activities	<u>(933,691)</u>	<u>(1,178,619)</u>	<u>(1,035,194)</u>
Change in cash and cash equivalents	(246,723)	(46)	(74,242)
Cash and cash equivalents - January 1	<u>329,087</u>	<u>288,209</u>	<u>1,250,634</u>
Cash and cash equivalents - December 31	<u>\$ 82,364</u>	<u>\$ 288,163</u>	<u>\$ 1,176,392</u>

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

Stormwater Utility	Nonmajor Funds	Totals		Governmental Activities - Internal Service Fund Health Insurance	
		2018	2017	2018	2017
\$ 664,878	\$ 632,385	\$ 15,083,171	\$ 15,308,808	\$ -	\$ -
-	-	-	-	309,068	293,542
(24,911)	(71,625)	(2,026,124)	(1,787,678)	-	-
(128,778)	(675,887)	(9,295,647)	(10,038,317)	(664,157)	(588,730)
<u>511,189</u>	<u>(115,127)</u>	<u>3,761,400</u>	<u>3,482,813</u>	<u>(355,089)</u>	<u>(295,188)</u>
(57,769)	-	(280,649)	(143,649)	-	-
-	81,526	81,526	81,391	10,000	10,000
(173,045)	380	266,438	370,072	-	-
<u>(1,974,409)</u>	<u>(1,080)</u>	<u>(2,730,557)</u>	<u>(973,362)</u>	<u>344,039</u>	<u>295,153</u>
<u>(2,205,223)</u>	<u>80,826</u>	<u>(2,663,242)</u>	<u>(665,548)</u>	<u>354,039</u>	<u>305,153</u>
(886,820)	-	(7,041,877)	(2,472,979)	-	-
-	-	(102,964)	(89,560)	-	-
2,342,597	-	3,659,883	214,715	-	-
-	-	153,148	23,586	-	-
-	-	3,021,107	1,117,681	-	-
(67,020)	(1,424)	(1,095,068)	(1,205,492)	-	-
(29,195)	(670)	(384,265)	(318,746)	-	-
<u>1,359,562</u>	<u>(2,094)</u>	<u>(1,790,036)</u>	<u>(2,730,795)</u>	<u>-</u>	<u>-</u>
(334,472)	(36,395)	(691,878)	86,470	(1,050)	9,965
<u>355,613</u>	<u>232,895</u>	<u>2,456,438</u>	<u>2,369,968</u>	<u>35,014</u>	<u>25,049</u>
<u>\$ 21,141</u>	<u>\$ 196,500</u>	<u>\$ 1,764,560</u>	<u>\$ 2,456,438</u>	<u>\$ 33,964</u>	<u>\$ 35,014</u>

# City of Two Rivers, Wisconsin

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 381,381	\$ 526,626	\$ 549,228
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	417,842	473,837	471,499
Depreciation charged to operating accounts	81,328	50,957	-
Other	17,518	11,131	9,995
Change in asset, liability and deferred outflows and inflows of resources			
Pension	36,524	27,054	13,549
Other postemployment benefits	25,924	10,784	22,169
Change in operating assets and liabilities			
Accounts receivables	53,518	(26,574)	(25,282)
Due from other governments	-	-	21,906
Inventories and prepaid items	16,027	(24,650)	-
Accounts payable	(56,771)	80,643	303,197
Accrued and other current liabilities	5,351	1,191	1,923
Special deposits	9,933	(900)	-
Unearned revenue	-	(129,198)	-
Compensated absences	6,917	(269)	1,030
Net cash provided (used) by operating activities	<u>\$ 995,492</u>	<u>\$ 1,000,632</u>	<u>\$ 1,369,214</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	\$ 82,364	\$ -	\$ -
Cash and cash equivalents in restricted assets	<u>-</u>	<u>288,163</u>	<u>1,176,392</u>
Total cash and cash equivalents	<u>\$ 82,364</u>	<u>\$ 288,163</u>	<u>\$ 1,176,392</u>
Noncash capital and related financing activities			
None			

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

Stormwater Utility	Nonmajor Funds	Totals		Governmental Activities - Internal Service Fund Health Insurance	
		2018	2017	2018	2017
\$ 435,146	\$ (184,832)	\$ 1,707,549	\$ 1,795,884	\$ (354,011)	\$ (296,941)
72,902	28,060	1,464,140	1,437,396	-	-
-	-	132,285	104,105	-	-
-	15,885	54,529	22,690	-	-
-	1,741	78,868	133,942	-	-
-	1,317	60,194	-	-	-
7,261	(993)	7,930	24,266	-	-
-	-	21,906	21,910	-	-
-	-	(8,623)	(8,569)	-	-
(4,306)	22,252	345,015	(83,407)	(1,078)	1,753
186	1,443	10,094	3,588	-	-
-	-	9,033	(2,908)	-	-
-	-	(129,198)	-	-	-
-	-	7,678	33,916	-	-
<u>\$ 511,189</u>	<u>\$ (115,127)</u>	<u>\$ 3,761,400</u>	<u>\$ 3,482,813</u>	<u>\$ (355,089)</u>	<u>\$ (295,188)</u>
\$ -	\$ 196,500	\$ 278,864	\$ 821,834	\$ 33,964	\$ 35,014
21,141	-	1,485,696	1,634,604	-	-
<u>\$ 21,141</u>	<u>\$ 196,500</u>	<u>\$ 1,764,560</u>	<u>\$ 2,456,438</u>	<u>\$ 33,964</u>	<u>\$ 35,014</u>

# City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2018  
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

---

	Smongeski Health	
	2018	2017
<b>ASSETS</b>		
Cash and investments	<u>\$ 157,548</u>	<u>\$ 155,921</u>
<b>LIABILITIES</b>		
Accounts payable	<u>-</u>	<u>139</u>
<b>NET POSITION</b>		
Held in trust for other purposes	<u>\$ 157,548</u>	<u>\$ 155,782</u>

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



# City of Two Rivers, Wisconsin

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

---

	Smongeski Health	
	2018	2017
ADDITIONS		
Interest on investments	\$ 1,766	\$ 2,005
DEDUCTIONS		
Benefits	-	1,533
Change in net position	1,766	472
Net position - January 1	155,782	155,310
Net position - December 31	<u>\$ 157,548</u>	<u>\$ 155,782</u>

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

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. REPORTING ENTITY**

The City is a municipal corporation governed by an elected nine member council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

#### **General Fund**

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

#### **Debt Service Fund**

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

#### **Housing Revolving Loans Fund**

This fund accounts for loans made for housing programs. Additional loans are made as previous loans are repaid.

The City reports the following major enterprise funds:

#### **Electric Utility Enterprise Fund**

The electric utility enterprise fund accounts for the provision of electric service to City residents, businesses and public authorities.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### **Water Utility Enterprise Fund**

The water utility enterprise fund accounts for the provision of water service to City residents, businesses and public authorities.

### **Sewer Utility Enterprise Fund**

The sewer utility enterprise fund accounts for the provision of wastewater collection and treatment for City residents, businesses and public authorities.

### **Stormwater Utility Enterprise Fund**

The stormwater utility enterprise fund accounts for the provision of stormwater collection and management for City residents, businesses and public authorities.

Additionally, the City reports the following fund types:

- ▶ *Internal service fund* accounts for health insurance services provided to other departments of the City on a cost reimbursement basis.

The *fiduciary fund* is used to account for resources legally held in trust for assisting low income individuals in paying for the cost of eyeglasses.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

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

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

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 City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

#### **1. Cash and Investments**

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

#### **2. Property Taxes**

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in three equal installments on or before January 31, March 31, and July 31. Real estate taxes not paid by July 31 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Two Rivers School District, Manitowoc School District, Manitowoc County, and Lakeshore Technical College. Collections and remittances of taxes for other entities are accounted for in the general fund.

#### **3. Accounts Receivable**

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

#### **4. Special Assessments**

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2017 tax roll are recognized as revenue in 2018).

#### **5. Loans Receivable**

The housing, business, and industrial revolving loans represent various loans to City homeowners and local businesses that were originally financed from economic development grants received by the City from the Wisconsin Department of Administration. The housing revolving loans will be repaid to the City when the property is no longer the loan recipient's principal place of residence while business and industrial revolving loans are being repaid to the City in installments at various rates.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Principal and interest repayments are used to finance additional development loans. The industrial park loans receivable represents various sales of industrial park land that are being paid to the City, including interest, on the installment basis.

### 6. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

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

### 7. Inventories

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

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

### 8. Prepaid Items

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

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

### 9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual costs of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Assets	Governmental	Business-type
	Activities	Activities
	Years	
Buildings	7 - 75	25 - 50
Improvements other than buildings	10 - 75	25 - 100
Machinery and equipment	3 - 25	3 - 10
Infrastructure	35 - 75	-

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### 10. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

### 11. **Deferred Outflows/Inflows of Resources**

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

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments and loan receivables. These inflows are recognized as revenues in the government-wide financial statements.

### 12. **Long-term Obligations**

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

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

### 13. **Pensions**

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

### 14. **Other Postemployment Benefits Other Than Pensions (OPEB)**

#### ***Local Retiree Life Insurance Fund***

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

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### ***Single-employer Defined Postemployment Benefit Plan***

The City's OPEB plan is a single employer defined benefit plan that provides eligible retirees access to group medical and dental benefits. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the City has used values provided by their actuary.

## **15. Fund Equity**

### ***Governmental Fund Financial Statements***

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

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
  - ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
  - ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
  - ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of City management. The City Council has authorized the City Manager and the Finance Director to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

### ***Government-Wide and Proprietary Fund Statements***

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

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

## **E. USE OF ESTIMATES**

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

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### **F. PRIOR YEAR INFORMATION**

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### **NOTE 2: STEWARDSHIP AND COMPLIANCE**

#### **A. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2018.



# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### B. EXCESS OF EXPENDITURES OVER BUDGET APPROPRIATIONS

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2018 as follows:

Funds	Excess Expenditures
General Fund	
General government	
Council	\$ 251
Judicial	9,433
Clerk	10,138
City manager	22,905
Contingency	3,137
Public safety	
Police and fire commission	921
Police department	126,574
Ambulance	101,151
Inspection	10,568
Public works	
Public works shop	138,122
Highway administration	16,185
Bridge repairs and maintenance	3,455
Traffic control	30,522
Work done for others	93,935
Culture and recreation	
Community center	21,471
Special events	1,489
Recreation fields	3,467
Conservation and development	
Economic development	1,176
Debt service fund	
General government	17,308

### C. DEFICIT FUND EQUITY

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

Funds	Deficit Fund Balance
Debt service	\$ 451,045
Community tourism	254
Urban forestry	2,127
Senior Center	50,859
Rogers Street Park	63,774
Police Equipment	71,268
TIF District No. 4	108,681
TIF District No. 6	248,441
TIF District No. 10	172,966
TIF District No. 12	5,340
Industrial Park Development	120,710
City Landfill	17,941
Harbor Master Plan	142,234

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

The City anticipates funding the above deficits from future revenues of the funds.

### D. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2018 and 2019 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2018 budget was 0.6%. The actual limit for the City for the 2018 budget was 0.6%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

### NOTE 3: DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the City's cash and investments totaled \$9,354,468 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$ 10,635
Deposits with financial institutions	6,344,575
Investments	
Wisconsin local government investment pool	2,606,574
Mutual funds	392,684
	<u>\$ 9,354,468</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 7,711,224
Restricted cash and investments	1,485,696
Fiduciary fund statement of net position	
Agency fund	157,548
	<u>\$ 9,354,468</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Mutual funds	\$ -	\$ 392,684	\$ -

The valuation method for the fair value measurements of the mutual funds is based on institutional quotes with evaluations based on various market and industry inputs.

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

### Custodial Credit Risk

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

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

As of December 31, 2018, \$3,945,171 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Mutual funds	\$ 392,684	\$ -	\$ -	\$ -	\$ 392,684
Wisconsin Local Government Investment Pool	2,606,574	-	-	-	2,606,574
<b>Totals</b>	<b>\$ 2,999,258</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,999,258</b>

### 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. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Mutual funds	\$ 392,684	\$ 392,684	\$ -	\$ -	\$ -
Wisconsin Local Government Investment Pool	2,606,574	2,606,574	-	-	-
<b>Totals</b>	<b>\$ 2,999,258</b>	<b>\$ 2,999,258</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$2,606,574 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### B. RESTRICTED ASSETS

Restricted assets on December 31, 2018 totaled \$1,485,696 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise Fund		
Water utility	\$ 288,163	Debt reserve fund
Sewer utility	1,102,150	Replacement of certain equipment of the sewer utility in accordance with Wisconsin Department of Natural Resources requirements.
Sewer utility	74,242	Debt reserve fund
Stormwater utility	<u>21,141</u>	Stormwater pond maintenance
Total	<u>\$ 1,485,696</u>	

### C. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers*	Ending Balance
Governmental activities:					
Capital assets, nondepreciable:					
Land	\$ 1,313,582	\$ -	\$ 465	\$ -	\$ 1,313,117
Capital assets, depreciable:					
Buildings	15,081,392	-	-	-	15,081,392
Improvements other than buildings	3,037,590	740,250	3,380	-	3,774,460
Machinery and equipment	9,308,768	769,153	321,781	-	9,756,140
Infrastructure	39,865,626	332,391	26,740	(4,106,094)	36,065,183
Subtotals	<u>67,293,376</u>	<u>1,841,794</u>	<u>351,901</u>	<u>(4,106,094)</u>	<u>64,677,175</u>
Less accumulated depreciation	<u>34,903,173</u>	<u>1,428,416</u>	<u>199,724</u>	<u>(922,219)</u>	<u>35,209,646</u>
Total capital assets, depreciable, net	<u>32,390,203</u>	<u>413,378</u>	<u>152,177</u>	<u>(3,183,875)</u>	<u>29,467,529</u>
Governmental activities capital assets, net	<u>\$33,703,785</u>	<u>\$ 413,378</u>	<u>\$ 152,642</u>	<u>\$(3,183,875)</u>	30,780,646
Less: Capital related debt					<u>12,988,475</u>
Net investment in capital assets					<u>\$17,792,171</u>

During the year, the City transferred capital assets, accumulated depreciation, and related long-term debt from governmental activities to the Stormwater Utility enterprise fund.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

	Beginning Balance	Increases	Decreases	Transfers*	Ending Balance
Business-type activities:					
Capital assets, nondepreciable:					
Land	\$ 38,227	\$ -	\$ -	\$ -	\$ 38,227
Construction in progress	2,540,266	7,565,707	2,151,755	-	7,954,218
Total capital assets, nondepreciable	<u>2,578,493</u>	<u>7,565,707</u>	<u>2,151,755</u>	<u>-</u>	<u>7,992,445</u>
Capital assets, depreciable:					
Buildings	6,512,298	-	25,000	-	6,487,298
Improvements other than buildings	30,653,900	1,252,274	418,197	4,106,094	35,594,071
Machinery and equipment	16,321,902	375,651	292,744	-	16,404,809
Subtotals	<u>53,488,100</u>	<u>1,627,925</u>	<u>735,941</u>	<u>4,106,094</u>	<u>58,486,178</u>
Less accumulated depreciation:	<u>25,137,862</u>	<u>1,596,425</u>	<u>685,757</u>	<u>922,219</u>	<u>26,970,749</u>
Total capital assets, depreciable, net	<u>28,350,238</u>	<u>31,500</u>	<u>50,184</u>	<u>3,183,875</u>	<u>31,515,429</u>
Business-type activities capital assets, net	<u>\$ 30,928,731</u>	<u>\$ 7,597,207</u>	<u>\$ 2,201,939</u>	<u>\$ 3,183,875</u>	39,507,874
Less: Capital related debt					<u>12,630,577</u>
Net investment in capital assets					<u>\$ 26,877,297</u>

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

Governmental activities	
General government	\$ 102,701
Public safety	226,176
Public works	789,710
Culture and recreation	309,829
Total depreciation expense - governmental activities	<u>\$ 1,428,416</u>
Business-type activities	
Electric utility	\$ 417,842
Water utility	473,837
Sewer utility	471,499
Telecommunication utility	72,902
Stormwater utility	28,060
Total depreciation expense	<u>1,464,140</u>
Depreciation charged to operating accounts	<u>132,285</u>
Total increase in accumulated depreciation - business-type activities	<u>\$ 1,596,425</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2018 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental funds		
General	\$ 4,013,031	\$ 3,905,493
Debt service	2,445,283	500,000
Nonmajor governmental funds		
Library	606,870	-
Business improvement district	37,232	-
Community tourism fund	-	254
Rogers street park	-	63,774
Urban forestry	-	1,810
Senior Center	-	22,896
Police equipment	-	71,268
TIF District No. 3	10,868	-
TIF District No. 4	45,057	108,681
TIF District No. 5	80,092	-
TIF District No. 6	16,947	248,441
TIF District No. 7	448,663	-
TIF District No. 8	211,336	-
TIF District No. 9	243,379	-
TIF District No. 10	54,661	172,966
TIF District No. 11	6,922	431
TIF District No. 12	-	5,340
Industrial park development	-	108,396
City landfill	-	13,716
High School Bike Trail	-	15,784
Harbor master plan	-	141,871
Subtotal - nonmajor governmental funds	<u>1,762,027</u>	<u>975,628</u>
Proprietary funds		
Water Utility	13,251	2,818,957
Sewer Utility	8,767	582,364
Stormwater Utility	573,176	35,449
Nonmajor proprietary fund		
Solid Waste	<u>2,356</u>	<u>-</u>
Totals	<u>\$ 8,817,891</u>	<u>\$ 8,817,891</u>

The outstanding balances between funds result mainly from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Interfund transfers for the year ended December 31, 2018 were as follows:

Fund	Transfer In	Transfer Out
Governmental funds		
General	\$ 850,850	\$ 373,279
Debt service	401,849	250,000
Nonmajor governmental funds		
Library	60,677	1,080
Library gift	-	60,677
Community tourism	23,936	55,503
Business improvement district	6,000	-
Urban forestry	15,500	-
Sandy Bay Highlands	-	22,315
Harbor Seawall	5,764	
Harbor Master Plan	-	350,508
Harbor Dredging	-	5,255
High School Bike Trail	350,000	-
Management information	18,000	-
TIF District No. 8	-	369,165
TIF District No. 10	-	23,343
Industrial park development	-	59,341
Subtotal - nonmajor governmental funds	479,877	947,187
Proprietary funds		
Electric Utility	-	308,524
Water Utility	-	139,395
Sewer Utility	-	307,150
Stormwater Utility	250,000	-
Nonmajor proprietary fund		
Solid Waste	-	1,080
Internal service fund - health insurance	344,039	-
Government-wide	-	-
	\$ 2,326,615	\$ 2,326,615

Transfers are used to: (a) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (b) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (c) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.



# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2018:

	Beginning Balance	Transfer	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>						
General obligation debt						
Bonds	\$ 959,467	\$ (959,467)	\$ -	\$ -	\$ -	\$ -
Notes	14,039,175	-	2,716,500	2,914,924	13,840,751	2,101,891
Total general obligation debt	14,998,642	(959,467)	2,716,500	2,914,924	13,840,751	2,101,891
Capital leases	488,143	-	-	411,050	77,093	27,145
Compensated absences	-	-	112,216	-	112,216	12,000
Governmental activities Long-term obligations	<u>\$ 15,486,785</u>	<u>\$ (959,467)</u>	<u>\$ 2,828,716</u>	<u>\$ 3,325,974</u>	<u>\$ 14,030,060</u>	<u>\$ 2,141,036</u>
<b>Business-type activities:</b>						
General obligation debt						
Bonds	\$ 2,161,828	\$ 959,467	\$ -	\$ 200,102	\$ 2,921,193	\$ 202,698
Notes	162,819	-	-	18,614	144,205	18,990
Total general obligation debt	2,324,647	959,467	-	218,716	3,065,398	221,688
Revenue bonds	7,708,189	-	3,021,107	813,595	9,915,701	960,273
Capital leases	78,719	-	-	62,757	15,962	15,962
Compensated absences	81,168	-	7,678	-	88,846	8,800
Business-type activities Long-term obligations	<u>\$ 10,192,723</u>	<u>\$ 959,467</u>	<u>\$ 3,028,785</u>	<u>\$ 1,095,068</u>	<u>\$ 13,085,907</u>	<u>\$ 1,206,723</u>

Total interest paid during the year on long-term debt totaled \$749,719.

### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
General obligation bond	4/1/10	2030	3.5 - 4.5%	\$ 2,425,000	\$ 1,795,000
General obligation note	4/1/10	2020	3.5 - 4%	530,000	120,000
General obligation note	4/11/12	2022	2 - 3%	1,530,000	900,000
General obligation note	4/11/13	2023	2.75%	1,162,358	615,273
General obligation bond	11/13/13	2029	3.15%	487,054	334,917
General obligation bond	11/13/13	2029	3.15%	824,459	557,528
WPPI energy note	2013	2023	0%	129,080	56,795
WPPI energy note	2013	2023	0%	14,076	6,100
WPPI energy note	2013	2023	0%	46,827	23,413
General obligation note	4/7/15	2030	3.75%	1,120,000	929,368
General obligation note	5/1/15	2034	3.75%	2,890,666	2,571,836
General obligation note	5/10/16	2026	3%	1,420,000	1,163,302
General obligation note	5/16/16	2019	2.50%	765,000	300,000
General obligation note	5/16/16	2025	3%	367,000	294,313
General obligation note	5/16/16	2024	3%	1,941,374	1,481,327
General obligation note	8/1/16	2026	0%	30,350	23,269
General obligation bond	12/31/16	2029	2.67%	361,269	233,748
General obligation note	3/1/17	2026	3.50%	1,772,340	1,603,460
General obligation note	3/1/17	2026	3.50%	1,300,000	1,180,000
General obligation note	4/6/18	2028	3.75%	1,000,000	1,000,000
General obligation note	4/24/18	2020	3.50%	675,000	675,000
General obligation note	5/14/18	2028	3.75%	520,750	520,750
General obligation note	6/5/18	2028	3.75%	520,750	520,750
Total outstanding general obligation debt					<u>\$16,906,149</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual principal and interest maturities of the outstanding general obligation debt of \$16,906,149 on December 31, 2018 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,101,891	\$ 452,823	\$ 221,688	\$ 108,816	\$ 2,323,579	\$ 561,639
2020	1,842,774	399,119	234,741	101,209	2,077,515	500,328
2021	1,496,326	338,037	242,905	92,903	1,739,231	430,940
2022	1,550,287	289,403	251,157	84,307	1,801,444	373,710
2023	1,352,882	242,565	258,569	75,411	1,611,451	317,976
2024-2028	4,142,697	635,274	1,372,883	230,859	5,515,580	866,133
2029-2033	1,138,206	161,196	483,455	18,346	1,621,661	179,542
2034	215,688	8,088	-	-	215,688	8,088
	<u>\$ 13,840,751</u>	<u>\$ 2,526,505</u>	<u>\$ 3,065,398</u>	<u>\$ 711,851</u>	<u>\$ 16,906,149</u>	<u>\$ 3,238,356</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

### Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2018 was \$7,906,081 as follows:

Equalized valuation of the City	\$ 496,244,600
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	24,812,230
Net outstanding general obligation debt applicable to debt limitation	16,906,149
Legal margin for new debt	<u>\$ 7,906,081</u>

### Current Refunding

During 2018, the City currently refunded a general obligation bond issue from 2011. The City issued \$1,291,000 of general obligation notes to call the refunded debt. This current refunding was undertaken to obtain more favorable interest rates and reduce total debt service interest payments over the next 2 years by \$15,431.

### Revenue Bonds

Revenue bonds outstanding on December 31, 2018 totaled \$9,915,701 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
Sewer utility	3/21/02	2019	2.995%	\$ 396,211	\$ 26,845
Sewer utility	3/21/02	2020	2.995%	384,908	49,601
Water utility	2004	2023	2.37%	4,056,159	1,312,526
Sewer utility	2008	2027	2.39%	6,297,058	3,342,762
Water utility	6/25/14	2034	1.93%	400,432	332,074
Sewer utility	2014	2034	2.63%	698,698	591,767
Water utility	5/13/15	2034	1.93%	301,465	250,839
Water utility	6/28/17	2037	1.87%	392,681	724,412
Electric utility	3/20/17	2021	3.50%	325,000	247,775
Electric, sewer, and solid waste utilities	3/20/17	2027	4.00%	400,000	366,485
Water utility	6/13/18	2038	1.87%	658,760	658,760
Sewer utility	2/28/18	2037	1.76%	582,266	582,266
Sewer utility	10/24/18	2038	1.87%	1,429,589	1,429,589
Total outstanding revenue bonds					<u>\$ 9,915,701</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual principal and interest maturities of the outstanding revenue bonds of \$9,915,701 on December 31, 2018 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 960,273	\$ 212,959	\$ 1,173,232
2020	956,364	191,416	1,147,780
2021	954,073	167,929	1,122,002
2022	889,037	144,243	1,033,280
2023	909,950	123,065	1,033,015
2024-2028	2,939,825	371,339	3,311,164
2029-2033	1,309,506	160,209	1,469,715
2034-2038	996,673	40,845	1,037,518
	<u>\$ 9,915,701</u>	<u>\$ 1,412,005</u>	<u>\$ 11,327,706</u>

### Utility Revenues Pledged

The City has pledged future electric, water and sewer, and solid waste customer revenues, net of specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utilities. The bonds are payable solely from customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$11,327,706. Principal and interest paid for the current year and total customer net revenues were \$1,004,338 and \$2,663,742, respectively.

### Capital Lease

The City is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at December 31, 2018:

Year Ending	Amount Due
2019	\$ 45,311
2020	29,349
2021	17,322
2022	5,510
Subtotal	<u>97,492</u>
Less: Amount representing interest	4,437
Present value of future minimum lease payments	<u>\$ 93,055</u>

### Unfunded Pension Liability

The City's unfunded pension liability of \$1,741,148 on December 31, 2018 is an actuarially computed liability by the Wisconsin Retirement System (WRS) resulting from increases in employee pension benefits that exceeded actual prior years' contributions by the City to the WRS. The liability was originally calculated by the WRS as of January 1, 1990. Since that time, the City has been making additional monthly payments to the WRS in order to amortize the liability over a 40 year period. In addition, the City is charged 7.2% interest per year on the unpaid balance. As a result, the outstanding balance of the liability may increase annually if payments made by the City to the WRS are less than the interest charged. Additional information on the WRS is provided in Note 3.F.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### F. PENSION PLAN

#### 1. Plan Description

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 2. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

### 3. Contributions

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

During the year ending December 31, 2018, the WRS recognized \$751,207 in contributions from the City.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

At December 31, 2018, the City reported an asset of \$2,062,427 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.06946263%, which was an increase of 0.00209409% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$894,314.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,620,365	\$ 1,225,720
Net differences between projected and actual earnings on pension plan investments	-	2,834,614
Changes in assumptions	407,495	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,295	17,452
Employer contributions subsequent to the measurement date	751,207	-
Total	<u>\$ 3,786,362</u>	<u>\$ 4,077,786</u>

\$751,207 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2019	\$ 222,835
2020	(21,657)
2021	(711,681)
2022	(537,061)
2023	4,933
Total	<u>\$ (1,042,631)</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 5. Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
<b>Core Fund Asset Class</b>			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
<b>Variable Fund Asset Class</b>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

**Single Discount Rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City'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 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 5,336,205	\$ (2,062,427)	\$ (7,685,617)

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

### 6. Payables to the Pension Plan

At December 31, 2018, the City reported a payable of \$140,235 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

### G. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.



# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$4,361,686 as follows:

Single-employer defined OPEB Plan		
OPEB liability balance previously reported	\$ 1,707,191	
Actuarially determined balance	6,096,663	
Change in other postemployment liability		\$ (4,389,472)
Deferred outflows of resources		
Employer contributions subsequent to the measurement date		421,890
Change in single-employer defined OPEB plan liability		(3,967,582)
Local Retiree Life Insurance Fund (LRLIF)		
OPEB liability balance previously reported	\$ -	
Actuarially determined balance	394,104	
Change in other postemployment liability		(394,104)
Total cumulative effect of change in accounting principle		\$ (4,361,686)

The City reports OPEB related balances at December 31, 2018 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ (511,131)	\$ 71,207	\$ (7,202)
Single-employer defined OPEB plan	(6,062,120)	425,292	-
Total OPEB liability	\$ (6,573,251)	\$ 496,499	\$ (7,202)

### 1. Single-employer Defined Postemployment Benefit Plan

#### **Plan Description**

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the City. Eligible retired employees have access to group medical coverage through the City's group plan. Depending on employee classification and years of service, the City pays up to a maximum of 85% of the premium, not to exceed Medicare age eligibility. There are no plan assets that have been accumulated in a trust. There are no separate plan financial statements issued.

#### **Benefits Provided**

The City provides health care for retired employees through the City's group plans.

#### **Employees Covered by Benefit Terms**

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Active employees	111
	<u>136</u>

#### **Contributions**

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. City paid healthcare benefits are paid until the retiree or surviving spouse becomes eligible for Medicare.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### **Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation date of December 31, 2017.

**Actuarial Assumptions.** The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Investment rate of return:	3.50%
Healthcare cost trend rates:	7.50% for 2017 decreasing to an ultimate rate of 5.0%, and level thereafter

Mortality rates are the same as those used in the Wisconsin 2012 Mortality table.

The actuarial assumptions used in the December 31, 2017 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

The current yield for 20 year tax-exempt Municipal bond rate as of the measurement date was used for all years of benefit payments.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

### **Changes in the Total OPEB Liability**

	Increase (Decrease)
	Total OPEB Liability
Balance at December 31, 2016	\$ 6,096,663
Changes for the year:	
Service cost	178,228
Interest	209,119
Benefit payments	(421,890)
Net changes	(34,543)
Balance at December 31, 2017	\$ 6,062,120

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Total OPEB liability	\$ 6,470,459	\$ 6,062,120	\$ 5,679,282

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB liability	\$ 5,574,648	\$ 6,062,120	\$ 6,615,410

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2018, the City recognized OPEB expense of \$387,347. At December 31, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
City contributions subsequent to the measurement date	\$ 425,292

The \$425,292 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

***Payable to the OPEB Plan***

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

## 2. Local Retiree Life Insurance Fund

***Plan Description***

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

***OPEB Plan Fiduciary Net Position***

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

***Benefits Provided***

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

***Contributions***

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

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

Contribution rates as of December 31, 2018 are:

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

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

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

During the reporting period, the LRLIF recognized \$3,226 in contributions from the employer.

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

At December 31, 2018, the City reported a liability of \$511,131 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.16989100%, which was an increase of .007566% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$56,525.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,202
Net differences between projected and actual earnings on OPEB plan investments	5,886	-
Changes in assumptions	49,391	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,930	-
<b>Total</b>	<b>\$ 71,207</b>	<b>\$ 7,202</b>

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

Year Ended December 31,	Expense
2019	\$ 10,371
2020	10,371
2021	10,371
2022	10,373
2023	8,900
Thereafter	13,619
<b>Total</b>	<b>\$ 64,005</b>

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

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

**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.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
City's proportionate share of the net OPEB liability (asset)	\$ 722,422	\$ 511,131	\$ 348,987

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

***Payable to the OPEB Plan***

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### H. FUND EQUITY

#### Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2018, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepays and inventories	\$ 534,357
Deficit cash advances	3,576,230
Total General Fund Nonspendable Fund Balance	<u>4,110,587</u>
Special Revenue Funds	
Nonspendable	
Prepays and inventories	<u>5,973</u>
Total nonspendable fund balance	<u>\$ 4,116,560</u>

#### Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2018, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Housing revolving loans	\$ 75,981
Business and industrial revolving loans	1,502,943
Library	8,037
Library gift fund	340,912
WDF administrative	20
EMS Act 102 grant	4,275
Capital Projects Funds	
Restricted for	
TIF District No. 3	19,044
TIF District No. 5	43,024
TIF District No. 7	712,548
TIF District No. 8	294,681
TIF District No. 9	82,240
TIF District No. 11	<u>5,817</u>
Total restricted fund balance	<u>\$ 3,089,522</u>

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2018, governmental fund balance was committed as follows:

#### Special Revenue Funds

Committed for	
Special events donations	\$ 5,426
Business improvement district	3,660
Docks and harbors	6,542
Tree planting	15,510

#### Capital Projects Funds

Committed for	
Street construction	71,873
Bridge construction	27,303
Park and cemetery construction	108,301
Fire equipment	44,674
Public works equipment	19,922
City Hall equipment	11,261
Management information	19,723
High school bike trail	372,811

Total committed fund balance	<u>\$ 707,006</u>
------------------------------	-------------------

### Net Position

The City reports restricted net position at December 31, 2018 as follows:

#### Governmental activities

Restricted for	
Housing and business loans	\$ 5,235,316
Library operation and donations	348,949
Urban forestry	20
EMS Act 102 grant	4,275
Tax incremental districts	1,157,354
Pension assets	1,683,307
Total governmental activities restricted net position	<u>8,429,221</u>

#### Business-type activities

Restricted for	
Debt service	362,405
Plant replacement	1,123,291
Pension assets	379,120
Total business-type activities restricted net position	<u>1,864,816</u>

Total restricted net position	<u>\$ 10,294,037</u>
-------------------------------	----------------------



# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### **NOTE 4: OTHER INFORMATION**

#### **A. WPPI ENERGY CONTRACT (WPPI)**

The City of Two Rivers electric utility purchases its electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The City of Two Rivers is one of 51 members of WPPI located throughout the States of Wisconsin, Michigan and Iowa. On December 31, 1989, each of WPPI's original members, including the City of Two Rivers, commenced purchasing electric service from WPPI under a Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract has been amended to extend the term of the contract through 2037. A subsequent amendment has extended the contract through 2055.

Under the Long-term Contract, the City of Two Rivers and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality.

The City of Two Rivers has agreed to charge rates to the retail rate payers of its electric system sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the City of Two Rivers electric system payable from any operating and maintenance fund established by the City of Two Rivers electric utility.

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial thirty-five year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

The electric operation purchases power through WPPI Energy, for distribution to its customers. Total purchases under this arrangement amounted to approximately \$6.31 million in 2018.

#### **B. TAX INCREMENTAL FINANCING DISTRICTS**

The City has established separate capital projects funds for Tax Incremental District (TID) Nos. 3 through 12. The TIDs were created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TID's were created, the property tax base within each TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(1), the Statutes allow up to five years from the date of termination for a tax incremental district to incur project costs eligible for financing from tax increments.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

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

	Termination Year
TID No. 3	5/18/2019
TID No. 4	5/26/2021
TID No. 5	8/30/2022
TID No. 6	7/17/2027
TID No. 7	8/30/2028
TID No. 8	8/5/2029
TID No. 9	7/28/2026
TID No. 10	8/25/2041
TID No. 11	9/6/2043
TID No. 12	9/4/2045

### C. TAX ABATEMENTS

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

For the year ended December 31, 2018, the City abated property taxes totaling \$255,516 under this program, including the following amounts:

- A property tax abatement of \$20,000 to a developer for a residential apartment housing project within District No. 4.
- A property tax abatement of \$221,516 to a developer for commercial development within District No. 9.
- A property tax abatement of \$14,000 to a developer for a commercial development within District No. 10.

### D. CONTINGENCIES

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

### E. SUBSEQUENT EVENT

During 2019, the City issued the following long-term debt obligations:

- On July 8, 2019 the City issued general obligation refunding bonds in the amount of \$1,610,000 to refinance water and sewer utility debt in order to reduce interest expense.
- On July 8, 2019 the City issued general obligation promissory notes in the amount of \$1,785,000 to be used for capital improvements.
- On July 23, 2019 the City issued state trust fund loans in the amount of \$1,250,000 for the purpose of funding a developer agreement and also to refinance a portion of the Wisconsin Retirement System liability.
- On July 1, 2019 the City Council authorized the issuance of general obligation refunding bonds not to exceed \$3,405,000. The sale has not yet occurred but is expected to be completed on August 30, 2019.

# City of Two Rivers, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

---

### **F. UPCOMING ACCOUNTING PRONOUNCEMENTS**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2018. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

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

## REQUIRED SUPPLEMENTARY INFORMATION

---

# City of Two Rivers, Wisconsin

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

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.06625508%	\$ (1,627,406)	\$ 7,273,639	22.37%	102.74%
12/31/15	0.06634313%	1,078,063	7,423,143	14.52%	98.20%
12/31/16	0.06736854%	555,278	7,680,109	7.23%	99.12%
12/31/17	0.06946263%	(2,062,427)	7,920,634	26.04%	102.93%

## SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 638,770	\$ 638,770	\$ -	\$ 7,423,143	8.61%
12/31/16	661,683	661,683	-	7,680,109	8.62%
12/31/17	734,795	734,795	-	7,920,634	9.28%
12/31/18	751,207	751,207	-	8,178,637	9.18%

See notes to required supplementary information

# City of Two Rivers, Wisconsin

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

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.16989100%	\$ 511,131	\$ 7,144,403	7.15%	44.81%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 3,226	\$ 3,226	-	\$ 8,178,637	0.04%

See notes to required supplementary information

# City of Two Rivers, Wisconsin

## SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS \*

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 178,228
Interest	209,119
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(421,890)</u>
Net change in total OPEB liability	<u>(34,543)</u>
Total OPEB liability - beginning	<u>6,096,663</u>
Total OPEB liability - ending	<u>\$ 6,062,120</u>
Covered-employee payroll	\$ 6,875,838
City's total OPEB liability as a percentage of covered-employee payroll	88.17%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

*See notes to required supplementary information.*

# City of Two Rivers, Wisconsin

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

---

### **A. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 1, 2018. The City maintains the following two OPEB plans:

#### **Single-employer Defined Postemployment Benefit Plan**

Demographic assumptions have been updated based upon the most recent WRS experience study. No assets have been accumulated in an irrevocable trust, so the Plan's discount rate applied to all periods is based on a 20-year, tax-exempt general obligation municipal bond index.

#### **Local Retiree Life Insurance Fund (LRLIF)**

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

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

### **B. WISCONSIN RETIREMENT SYSTEM**

There were no changes of benefits terms for any participating employers in the WRS.

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



## SUPPLEMENTARY INFORMATION

---

# City of Two Rivers, Wisconsin

GENERAL FUND  
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>Taxes</b>					
General property	\$ 2,077,302	\$ 2,077,302	\$ 2,077,303	\$ 1	\$ 2,032,303
Payments in lieu of taxes	20	20	20	-	19
Interest and taxes	15,000	15,000	9,880	(5,120)	10,838
Total taxes	<u>2,092,322</u>	<u>2,092,322</u>	<u>2,087,203</u>	<u>(5,119)</u>	<u>2,043,160</u>
<b>Special assessments</b>					
Street paving and construction	100,000	100,000	107,839	7,839	68,899
Other special assessments	7,000	7,000	5,032	(1,968)	5,511
Total special assessments	<u>107,000</u>	<u>107,000</u>	<u>112,871</u>	<u>5,871</u>	<u>74,410</u>
<b>Intergovernmental</b>					
State shared taxes	3,770,196	3,770,196	3,761,863	(8,333)	3,763,989
Exempt computer aid	13,500	13,500	13,667	167	13,469
Fire insurance tax	24,000	24,000	23,090	(910)	24,319
Law enforcement training	16,000	16,000	16,383	383	13,382
Expenditure restraint	188,511	188,511	188,512	1	196,420
Other public safety	20,000	20,000	27,585	7,585	25,868
Municipal services payment	4,150	4,150	4,083	(67)	4,401
Local highway aid	582,558	582,558	582,095	(463)	586,397
Connecting streets	89,661	89,661	89,661	-	89,171
Total intergovernmental	<u>4,708,576</u>	<u>4,708,576</u>	<u>4,706,939</u>	<u>(1,637)</u>	<u>4,717,416</u>
<b>Licenses and permits</b>					
<b>Licenses</b>					
Liquor and malt beverage	16,000	16,000	14,729	(1,271)	15,464
Bar operators	6,200	6,200	6,090	(110)	6,028
Cigarette	1,000	1,000	800	(200)	900
Dog	3,500	3,500	7,746	4,246	6,544
Business and occupational	2,000	2,000	1,715	(285)	1,500
<b>Permits</b>					
Building	75,000	75,000	62,684	(12,316)	64,907
Electrical	14,000	14,000	18,645	4,645	14,370
plumbing	11,000	11,000	19,590	8,590	15,570
Sign	2,500	2,500	2,240	(260)	2,180
Conditional use	3,500	3,500	2,450	(1,050)	4,550
Other permits	7,500	7,500	10,011	2,511	14,207
Cable franchise fees	130,000	130,000	131,358	1,358	131,051
Total licenses and permits	<u>272,200</u>	<u>272,200</u>	<u>278,058</u>	<u>5,858</u>	<u>277,271</u>
<b>Fines and forfeits</b>					
Court penalties and costs	71,500	71,500	64,845	(6,655)	55,397
Animal control	500	500	-	(500)	-
Parking fines	19,400	19,400	13,314	(6,086)	17,124
Total fines and forfeits	<u>91,400</u>	<u>91,400</u>	<u>78,159</u>	<u>(13,241)</u>	<u>72,521</u>

# City of Two Rivers, Wisconsin

GENERAL FUND  
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
Public charges for services					
Community center	30,000	30,000	30,453	453	28,835
Senior center	52,000	52,000	57,062	5,062	53,623
General government	20,000	20,000	23,935	3,935	22,415
Public works	160,000	160,000	234,025	74,025	260,270
Cemetery plots and burials	100,000	100,000	95,555	(4,445)	92,670
Law enforcement	3,000	3,000	2,524	(476)	3,191
Ambulance	705,000	705,000	752,227	47,227	664,058
Recreation	80,000	80,000	81,509	1,509	75,643
Fire department	21,500	21,500	57,295	35,795	18,532
Total public charges for services	<u>1,171,500</u>	<u>1,171,500</u>	<u>1,334,585</u>	<u>163,085</u>	<u>1,219,237</u>
Intergovernmental charges for services					
Police liaison	132,000	132,000	132,500	500	134,350
Shared fire expense	1,300	1,300	465	(835)	2,150
Total intergovernmental charges for services	<u>133,300</u>	<u>133,300</u>	<u>132,965</u>	<u>(335)</u>	<u>136,500</u>
Interdepartmental charges for services					
Public works	415,000	415,000	457,163	42,163	451,289
Recreation	1,700	1,700	1,710	10	1,710
Economic development	16,000	16,000	27,670	11,670	13,338
Total interdepartmental charges for services	<u>432,700</u>	<u>432,700</u>	<u>486,543</u>	<u>53,843</u>	<u>466,337</u>
Miscellaneous					
Interest on investments	18,500	18,500	18,284	(216)	18,206
Interest on advances	55,000	55,000	81,657	26,657	66,003
Interest on special assessments	4,000	4,000	5,252	1,252	4,391
Rental income	60,000	60,000	56,394	(3,606)	59,383
Refunds for prior years	34,100	34,100	27,832	(6,268)	39,311
Other	5,000	5,000	4,709	(291)	3,767
Total miscellaneous	<u>176,600</u>	<u>176,600</u>	<u>194,128</u>	<u>17,528</u>	<u>191,061</u>
Total revenues	<u>\$ 9,185,598</u>	<u>\$ 9,185,598</u>	<u>\$ 9,411,451</u>	<u>\$ 225,853</u>	<u>\$ 9,197,913</u>

# City of Two Rivers, Wisconsin

GENERAL FUND  
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>General government</b>					
Council	\$ 15,939	\$ 15,939	\$ 16,190	\$ (251)	\$ 16,890
Judicial	54,877	54,877	64,310	(9,433)	55,729
Clerk	80,767	80,767	90,905	(10,138)	79,788
Assessor	108,481	108,481	98,673	9,808	97,914
Elections	24,100	24,100	22,901	1,199	9,301
City manager	150,115	150,115	173,020	(22,905)	153,557
City Hall	117,254	117,254	105,021	12,233	114,762
Information systems	95,546	95,546	93,730	1,816	91,403
Other general government	24,150	24,150	14,710	9,440	18,876
Insurance and bonds	335,790	335,790	211,291	124,499	329,123
Legal	51,660	51,660	47,917	3,743	49,513
Accounting	164,376	164,376	155,944	8,432	148,762
Uncollectible taxes and refunds	13,000	13,000	9,652	3,348	6,616
Contingency	785	785	3,922	(3,137)	-
<b>Total general government</b>	<b>1,236,840</b>	<b>1,236,840</b>	<b>1,108,186</b>	<b>128,654</b>	<b>1,172,234</b>
<b>Public safety</b>					
Police and fire commission	5,500	5,500	6,421	(921)	6,181
Police department	2,891,728	2,891,728	3,018,302	(126,574)	2,869,942
Fire department	1,926,443	1,926,443	1,920,093	6,350	1,882,239
Ambulance	423,887	423,887	525,038	(101,151)	553,109
Inspection	122,185	122,185	132,753	(10,568)	125,715
<b>Total public safety</b>	<b>5,369,743</b>	<b>5,369,743</b>	<b>5,602,607</b>	<b>(232,864)</b>	<b>5,437,186</b>
<b>Public works</b>					
Public works shop	549,474	549,474	687,596	(138,122)	591,517
Highway administration	181,505	181,505	197,690	(16,185)	182,614
Bridge repairs ad maintenance	32,133	32,133	35,588	(3,455)	28,611
Street and highway maintenance	399,789	399,789	278,126	121,663	298,686
Storm sewers	-	-	-	-	53
Snow and ice removal	232,991	232,991	176,800	56,191	197,694
Traffic control	48,904	48,904	79,456	(30,552)	52,997
Transit	100,000	100,000	99,055	945	99,055
Work done for others	29,126	29,126	123,061	(93,935)	189,058
<b>Total public works</b>	<b>1,573,922</b>	<b>1,573,922</b>	<b>1,677,372</b>	<b>(103,450)</b>	<b>1,640,285</b>
<b>Health and human services</b>					
Cemetery	183,544	183,544	180,949	2,595	172,007
Senior center	205,389	205,389	193,227	12,162	186,280
<b>Total health and human services</b>	<b>388,933</b>	<b>388,933</b>	<b>374,176</b>	<b>14,757</b>	<b>358,287</b>

# City of Two Rivers, Wisconsin

GENERAL FUND  
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

---

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
Culture and recreation					
Community center	384,747	384,747	406,218	(21,471)	369,377
Parks	285,645	285,645	284,225	1,420	297,513
Recreation	297,213	297,213	262,620	34,593	248,056
Special events	40,756	40,756	42,245	(1,489)	41,707
Recreation fields	130,434	130,434	133,901	(3,467)	114,027
Total culture and recreation	<u>1,138,795</u>	<u>1,138,795</u>	<u>1,129,209</u>	<u>9,586</u>	<u>1,070,680</u>
Conservation and development					
Economic development	24,385	24,385	25,561	(1,176)	33,099
Planning and zoning	6,740	6,740	4,238	2,502	4,031
Total conservation and development	<u>31,125</u>	<u>31,125</u>	<u>29,799</u>	<u>1,326</u>	<u>37,130</u>
Total expenditures	<u>\$ 9,739,358</u>	<u>\$ 9,739,358</u>	<u>\$ 9,921,349</u>	<u>\$ (181,991)</u>	<u>\$ 9,715,802</u>

# City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 2,445,283	\$ 2,445,283	\$ 2,445,283	\$ -	\$ 2,445,283
Miscellaneous	10,000	10,000	26,367	16,367	19,344
<b>Total revenues</b>	<b>2,455,283</b>	<b>2,455,283</b>	<b>2,471,650</b>	<b>16,367</b>	<b>2,464,627</b>
<b>EXPENDITURES</b>					
Current					
General government	617,692	617,692	635,000	(17,308)	363,000
Debt service					
Principal	2,644,816	2,644,816	2,022,066	622,750	2,030,795
Interest and fiscal charges	460,624	460,624	453,787	6,837	457,739
<b>Total expenditures</b>	<b>3,723,132</b>	<b>3,723,132</b>	<b>3,110,853</b>	<b>612,279</b>	<b>2,851,534</b>
Excess of revenues under expenditures	(1,267,849)	(1,267,849)	(639,203)	628,646	(386,907)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	866,000	866,000	1,291,000	425,000	1,300,000
Payment to current noteholder	-	-	(1,291,000)	(1,291,000)	(1,300,000)
Transfers in	401,849	401,849	401,849	-	388,125
Transfers out	-	-	(250,000)	(250,000)	-
<b>Total other financing sources</b>	<b>1,267,849</b>	<b>1,267,849</b>	<b>151,849</b>	<b>(1,116,000)</b>	<b>388,125</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(487,354)</b>	<b>(487,354)</b>	<b>1,218</b>
<b>Fund balance - January 1</b>	<b>36,309</b>	<b>36,309</b>	<b>36,309</b>	<b>-</b>	<b>35,091</b>
<b>Fund balance - December 31</b>	<b>\$ 36,309</b>	<b>\$ 36,309</b>	<b>\$ (451,045)</b>	<b>\$ (487,354)</b>	<b>\$ 36,309</b>

# City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative
<b>ASSETS</b>					
Cash and investments	\$ 29,673	\$ 340,912	\$ -	\$ 5,426	\$ 20
Receivables					
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	606,870	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
<b>Total assets</b>	<b>\$ 636,543</b>	<b>\$ 340,912</b>	<b>\$ -</b>	<b>\$ 5,426</b>	<b>\$ 20</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,580	\$ -	\$ -	\$ -	\$ -
Accrued and other current liabilities	19,927	-	-	-	-
Due to other funds	-	-	254	-	-
Due to other governments	33	-	-	-	-
Special deposits	96	-	-	-	-
Unearned revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>21,636</b>	<b>-</b>	<b>254</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Property taxes levied for subsequent year	606,870	-	-	-	-
Loans receivable	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>606,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	8,037	340,912	-	-	20
Committed	-	-	-	5,426	-
Unassigned	-	-	(254)	-	-
<b>Total fund balances</b>	<b>8,037</b>	<b>340,912</b>	<b>(254)</b>	<b>5,426</b>	<b>20</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 636,543</b>	<b>\$ 340,912</b>	<b>\$ -</b>	<b>\$ 5,426</b>	<b>\$ 20</b>

Special Revenue							
Business Improvement District	Docks and Harbors	Urban Forestry	Senior Center	Tree Planting	EMS Act 102 Grant	Business and Industrial Revolving Loans	Sandy Bay Highlands
\$ -	\$ 6,542	\$ -	\$ -	\$ 15,564	\$ 4,275	\$ 1,502,943	\$ -
3,660	-	-	-	-	-	-	-
-	-	-	-	-	-	1,129,667	-
37,232	-	-	-	-	-	-	-
-	-	-	5,973	-	-	-	-
<u>\$ 40,892</u>	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ 5,973</u>	<u>\$ 15,564</u>	<u>\$ 4,275</u>	<u>\$ 2,632,610</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 2,072	\$ 54	\$ -	\$ -	\$ -
-	-	317	2,022	-	-	-	-
-	-	1,810	22,896	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,290	-	-	-	-
-	-	-	27,552	-	-	-	-
-	-	2,127	56,832	54	-	-	-
37,232	-	-	-	-	-	-	-
-	-	-	-	-	-	1,129,667	-
<u>37,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,129,667</u>	<u>-</u>
-	-	-	5,973	-	-	-	-
3,660	6,542	-	-	15,510	4,275	1,502,943	-
-	-	(2,127)	(56,832)	-	-	-	-
<u>3,660</u>	<u>6,542</u>	<u>(2,127)</u>	<u>(50,859)</u>	<u>15,510</u>	<u>4,275</u>	<u>1,502,943</u>	<u>-</u>
<u>\$ 40,892</u>	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ 5,973</u>	<u>\$ 15,564</u>	<u>\$ 4,275</u>	<u>\$ 2,632,610</u>	<u>\$ -</u>



# City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
<b>ASSETS</b>					
Cash and investments	\$ 73,553	\$ 27,303	\$ 110,301	\$ 44,902	\$ 19,922
Receivables					
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
<b>Total assets</b>	<b>\$ 73,553</b>	<b>\$ 27,303</b>	<b>\$ 110,301</b>	<b>\$ 44,902</b>	<b>\$ 19,922</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,680	\$ -	\$ 2,000	\$ 228	\$ -
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>1,680</b>	<b>-</b>	<b>2,000</b>	<b>228</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Property taxes levied for subsequent year	-	-	-	-	-
Loans receivable	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	71,873	27,303	108,301	44,674	19,922
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>71,873</b>	<b>27,303</b>	<b>108,301</b>	<b>44,674</b>	<b>19,922</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 73,553</b>	<b>\$ 27,303</b>	<b>\$ 110,301</b>	<b>\$ 44,902</b>	<b>\$ 19,922</b>

Capital Projects							
Rogers Street Park	City Hall Equipment	Management Information	Police Equipment	TIF District No. 3	TIF District No. 4	TIF District No. 5	TIF District No. 6
\$ -	\$ 11,261	\$ 19,723	\$ -	\$ 19,044	\$ -	\$ 43,024	\$ -
63,774	-	-	-	-	-	-	-
-	-	-	-	10,868	45,057	80,092	16,947
-	-	-	-	-	-	-	-
<u>\$ 63,774</u>	<u>\$ 11,261</u>	<u>\$ 19,723</u>	<u>\$ -</u>	<u>\$ 29,912</u>	<u>\$ 45,057</u>	<u>\$ 123,116</u>	<u>\$ 16,947</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
63,774	-	-	71,268	-	108,681	-	248,441
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
63,774	-	-	-	-	-	-	-
<u>127,548</u>	<u>-</u>	<u>-</u>	<u>71,268</u>	<u>-</u>	<u>108,681</u>	<u>-</u>	<u>248,441</u>
-	-	-	-	10,868	45,057	80,092	16,947
-	-	-	-	-	-	-	-
-	-	-	-	10,868	45,057	80,092	16,947
-	-	-	-	-	-	-	-
-	-	-	-	19,044	-	43,024	-
-	11,261	19,723	-	-	-	-	-
(63,774)	-	-	(71,268)	-	(108,681)	-	(248,441)
<u>(63,774)</u>	<u>11,261</u>	<u>19,723</u>	<u>(71,268)</u>	<u>19,044</u>	<u>(108,681)</u>	<u>43,024</u>	<u>(248,441)</u>
<u>\$ 63,774</u>	<u>\$ 11,261</u>	<u>\$ 19,723</u>	<u>\$ -</u>	<u>\$ 29,912</u>	<u>\$ 45,057</u>	<u>\$ 123,116</u>	<u>\$ 16,947</u>

# City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	TIF District No. 7	TIF District No. 8	TIF District No. 9	TIF District No. 10	TIF District No. 11
<b>ASSETS</b>					
Cash and investments	\$ 419,124	\$ 255,885	\$ 82,240	\$ -	\$ 6,248
Receivables					
Accounts	2,855	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	448,663	211,336	243,379	54,661	6,922
Inventories and prepaid items	-	-	-	-	-
<b>Total assets</b>	<b>\$ 870,642</b>	<b>\$ 467,221</b>	<b>\$ 325,619</b>	<b>\$ 54,661</b>	<b>\$ 13,170</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	172,966	431
Due to other governments	-	-	-	-	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,966</b>	<b>431</b>
<b>Deferred inflows of resources</b>					
Property taxes levied for subsequent year	158,094	172,540	243,379	54,661	6,922
Loans receivable	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>158,094</b>	<b>172,540</b>	<b>243,379</b>	<b>54,661</b>	<b>6,922</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	712,548	294,681	82,240	-	5,817
Committed	-	-	-	-	-
Unassigned	-	-	-	(172,966)	-
<b>Total fund balances</b>	<b>712,548</b>	<b>294,681</b>	<b>82,240</b>	<b>(172,966)</b>	<b>5,817</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 870,642</b>	<b>\$ 467,221</b>	<b>\$ 325,619</b>	<b>\$ 54,661</b>	<b>\$ 13,170</b>

Capital Projects							
TIF District No. 12	Industrial Park Development	City Landfill	Harbor Dredging	High School Bike Trail	Harbor Seawall	Harbor Master Plan	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,037,885
-	-	-	-	412,319	-	-	482,608
-	4,125	-	-	-	-	-	1,133,792
-	-	-	-	-	-	-	1,762,027
-	-	-	-	-	-	-	5,973
<u>\$ -</u>	<u>\$ 4,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,422,285</u>
\$ -	\$ 7,834	\$ 4,225	\$ -	\$ 23,724	\$ -	\$ 363	\$ 43,760
-	-	-	-	-	-	-	22,266
5,340	108,396	13,716	-	15,784	-	141,871	975,628
-	-	-	-	-	-	-	33
-	4,480	-	-	-	-	-	6,866
-	-	-	-	-	-	-	91,326
<u>5,340</u>	<u>120,710</u>	<u>17,941</u>	<u>-</u>	<u>39,508</u>	<u>-</u>	<u>142,234</u>	<u>1,139,879</u>
-	-	-	-	-	-	-	1,432,662
-	4,125	-	-	-	-	-	1,133,792
-	4,125	-	-	-	-	-	2,566,454
-	-	-	-	-	-	-	5,973
-	-	-	-	-	-	-	3,013,541
-	-	-	-	372,811	-	-	707,006
(5,340)	(120,710)	(17,941)	-	-	-	(142,234)	(1,010,568)
<u>(5,340)</u>	<u>(120,710)</u>	<u>(17,941)</u>	<u>-</u>	<u>372,811</u>	<u>-</u>	<u>(142,234)</u>	<u>2,715,952</u>
<u>\$ -</u>	<u>\$ 4,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,422,285</u>

# City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative
<b>REVENUES</b>					
Taxes	\$ 594,971	\$ -	\$ 116,193	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	147,234	-	-	-	20
Public charges for services	16,289	-	-	-	-
Miscellaneous	28,983	13,152	-	22,591	-
<b>Total revenues</b>	<b>787,477</b>	<b>13,152</b>	<b>116,193</b>	<b>22,591</b>	<b>20</b>
<b>EXPENDITURES</b>					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	828,311	29,344	-	30,891	-
Conservation and development	-	-	86,002	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal	12,908	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>841,219</b>	<b>29,344</b>	<b>86,002</b>	<b>30,891</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(53,742)</b>	<b>(16,192)</b>	<b>30,191</b>	<b>(8,300)</b>	<b>20</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	-
Proceeds from sale of capital assets	2,144	-	-	-	-
Transfers in	60,677	-	23,936	-	-
Transfers out	(1,080)	(60,677)	(55,503)	-	-
<b>Total other financing sources (uses)</b>	<b>61,741</b>	<b>(60,677)</b>	<b>(31,567)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,999</b>	<b>(76,869)</b>	<b>(1,376)</b>	<b>(8,300)</b>	<b>20</b>
Fund balances - January 1	38	417,781	1,122	13,726	-
<b>Fund balances - December 31</b>	<b>\$ 8,037</b>	<b>\$ 340,912</b>	<b>\$ (254)</b>	<b>\$ 5,426</b>	<b>\$ 20</b>

Special Revenue							
Business Improvement District	Docks and Harbors	Urban Forestry	Senior Center	Tree Planting	EMS Act 102 Grant	Business and Industrial Revolving Loans	Sandy Bay Highlands
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37,100	-	-	-	-	-	-	-
-	-	-	52,156	-	5,418	-	-
-	5,243	-	292,663	-	-	-	-
-	-	-	5,181	5,977	-	319,148	-
<u>37,100</u>	<u>5,243</u>	<u>-</u>	<u>350,000</u>	<u>5,977</u>	<u>5,418</u>	<u>319,148</u>	<u>-</u>
-	-	-	-	-	11,914	-	-
-	4,370	-	-	-	-	-	-
-	-	-	365,688	-	-	-	-
-	-	-	5,714	-	-	-	-
44,270	-	22,155	-	9,150	-	38,580	6,085
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>44,270</u>	<u>4,370</u>	<u>22,155</u>	<u>371,402</u>	<u>9,150</u>	<u>11,914</u>	<u>38,580</u>	<u>6,085</u>
<u>(7,170)</u>	<u>873</u>	<u>(22,155)</u>	<u>(21,402)</u>	<u>(3,173)</u>	<u>(6,496)</u>	<u>280,568</u>	<u>(6,085)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	28,400
6,000	-	15,500	-	-	-	-	-
-	-	-	-	-	-	-	(22,315)
<u>6,000</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,085</u>
(1,170)	873	(6,655)	(21,402)	(3,173)	(6,496)	280,568	-
<u>4,830</u>	<u>5,669</u>	<u>4,528</u>	<u>(29,457)</u>	<u>18,683</u>	<u>10,771</u>	<u>1,222,375</u>	<u>-</u>
<u>\$ 3,660</u>	<u>\$ 6,542</u>	<u>\$ (2,127)</u>	<u>\$ (50,859)</u>	<u>\$ 15,510</u>	<u>\$ 4,275</u>	<u>\$ 1,502,943</u>	<u>\$ -</u>

# City of Two Rivers, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	72,000	-	-
Public charges for services	-	-	-	-	-
Miscellaneous	-	-	7,000	18,225	31,289
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>79,000</b>	<b>18,225</b>	<b>31,289</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Public safety	-	-	-	30,939	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	-	-	-	-
<b>Capital outlay</b>					
General government	-	-	-	-	-
Public safety	-	-	-	19,510	-
Public works	940,041	-	-	-	249,181
Culture and recreation	-	-	291,804	-	-
Conservation and development	-	-	-	-	-
<b>Debt service</b>					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>940,041</b>	<b>-</b>	<b>291,804</b>	<b>50,449</b>	<b>249,181</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(940,041)</b>	<b>-</b>	<b>(212,804)</b>	<b>(32,224)</b>	<b>(217,892)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	300,000	-	250,000	40,500	70,000
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>300,000</b>	<b>-</b>	<b>250,000</b>	<b>40,500</b>	<b>70,000</b>
<b>Net change in fund balances</b>	<b>(640,041)</b>	<b>-</b>	<b>37,196</b>	<b>8,276</b>	<b>(147,892)</b>
Fund balances - January 1	711,914	27,303	71,105	36,398	167,814
<b>Fund balances - December 31</b>	<b>\$ 71,873</b>	<b>\$ 27,303</b>	<b>\$ 108,301</b>	<b>\$ 44,674</b>	<b>\$ 19,922</b>

Capital Projects

Rogers Street Park	City Hall Equipment	Management Information	Police Equipment	TIF District No. 3	TIF District No. 4	TIF District No. 5	TIF District No. 6
\$ -	\$ -	\$ -	\$ -	\$ 13,022	\$ 32,854	\$ 81,988	\$ 13,343
-	-	-	-	-	-	-	-
-	1,827	-	-	5,282	780	1,001	5
-	-	-	-	-	-	-	-
-	-	-	6,923	-	-	-	-
-	1,827	-	6,923	18,304	33,634	82,989	13,348
-	-	-	8,493	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	150	151	149	150
-	42,902	10,039	-	-	-	-	-
-	-	-	70,179	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,008	1,329	7,236
-	42,902	10,039	78,672	150	4,160	1,478	7,386
-	(41,075)	(10,039)	(71,749)	18,154	29,474	81,511	5,962
-	15,000	-	-	-	-	-	-
-	-	-	2,293	-	-	-	-
-	-	18,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	15,000	18,000	2,293	-	-	-	-
-	(26,075)	7,961	(69,456)	18,154	29,474	81,511	5,962
(63,774)	37,336	11,762	(1,812)	890	(138,155)	(38,487)	(254,403)
<u>\$ (63,774)</u>	<u>\$ 11,261</u>	<u>\$ 19,723</u>	<u>\$ (71,268)</u>	<u>\$ 19,044</u>	<u>\$ (108,681)</u>	<u>\$ 43,024</u>	<u>\$ (248,441)</u>



# City of Two Rivers, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	TIF District No. 7	TIF District No. 8	TIF District No. 9	TIF District No. 10	TIF District No. 11
<b>REVENUES</b>					
Taxes	\$ 159,933	\$ 159,425	\$ 16,103	\$ 36,145	\$ 15,914
Special assessments	-	-	-	-	-
Intergovernmental	748	-	3,594	24	-
Public charges for services	-	-	-	-	-
Miscellaneous	12,198	2,305	-	11,983	-
Total revenues	<u>172,879</u>	<u>161,730</u>	<u>19,697</u>	<u>48,152</u>	<u>15,914</u>
<b>EXPENDITURES</b>					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	149	150	150	13,639	550
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	31,083	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	5,033	-
Total expenditures	<u>31,232</u>	<u>150</u>	<u>150</u>	<u>18,672</u>	<u>550</u>
Excess of revenues over (under) expenditures	<u>141,647</u>	<u>161,580</u>	<u>19,547</u>	<u>29,480</u>	<u>15,364</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(369,165)	-	(23,343)	-
Total other financing sources (uses)	<u>-</u>	<u>(369,165)</u>	<u>-</u>	<u>(23,343)</u>	<u>-</u>
Net change in fund balances	141,647	(207,585)	19,547	6,137	15,364
Fund balances - January 1	<u>570,901</u>	<u>502,266</u>	<u>62,693</u>	<u>(179,103)</u>	<u>(9,547)</u>
Fund balances - December 31	<u>\$ 712,548</u>	<u>\$ 294,681</u>	<u>\$ 82,240</u>	<u>\$ (172,966)</u>	<u>\$ 5,817</u>

Capital Projects							
TIF District No. 12	Industrial Park Development	City Landfill	Harbor Dredging	High School Bike Trail	Harbor Seawall	Harbor Master Plan	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,239,891
-	-	-	-	-	-	-	37,100
-	-	-	-	-	-	-	290,089
-	-	-	-	-	-	-	314,195
-	60,510	89,659	-	484,019	-	22,731	1,141,874
-	60,510	89,659	-	484,019	-	22,731	3,023,149
-	-	-	-	-	-	-	51,346
-	-	82,736	-	-	31	449,957	537,094
-	-	-	-	-	-	-	365,688
-	-	-	-	591,036	-	-	1,485,296
5,184	121,364	-	-	-	-	-	348,028
-	-	-	-	-	-	-	52,941
-	-	-	-	-	-	-	89,689
-	-	21,078	-	-	-	-	1,210,300
-	-	-	-	-	-	-	291,804
-	554	-	-	-	-	-	31,638
-	-	-	-	-	-	-	12,908
156	3,157	-	-	-	-	-	20,919
5,340	125,075	103,814	-	591,036	31	449,957	4,497,651
(5,340)	(64,565)	(14,155)	-	(107,017)	(31)	(427,226)	(1,474,502)
-	-	-	-	100,000	-	650,000	1,425,500
-	-	-	-	-	-	-	32,837
-	-	-	-	350,000	5,764	-	479,877
-	(59,341)	-	(5,255)	-	-	(350,508)	(947,187)
-	(59,341)	-	(5,255)	450,000	5,764	299,492	991,027
(5,340)	(123,906)	(14,155)	(5,255)	342,983	5,733	(127,734)	(483,475)
-	3,196	(3,786)	5,255	29,828	(5,733)	(14,500)	3,199,427
<u>\$ (5,340)</u>	<u>\$ (120,710)</u>	<u>\$ (17,941)</u>	<u>\$ -</u>	<u>\$ 372,811</u>	<u>\$ -</u>	<u>\$ (142,234)</u>	<u>\$ 2,715,952</u>

# City of Two Rivers, Wisconsin

## COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS DECEMBER 31, 2018

	Telecom- munication Utility	Solid Waste	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 39,630	\$ 156,870	\$ 196,500
Receivables			
Other	-	39,651	39,651
Due from other funds	-	2,356	2,356
Total current assets	<u>39,630</u>	<u>198,877</u>	<u>238,507</u>
Other assets			
Net pension asset	-	10,200	10,200
Capital assets			
Depreciable	<u>48,118</u>	<u>-</u>	<u>48,118</u>
Total assets	<u>87,748</u>	<u>209,077</u>	<u>296,825</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	-	18,725	18,725
Other postemployment related amounts	-	1,768	1,768
Total deferred outflows of resources	<u>-</u>	<u>20,493</u>	<u>20,493</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	22,528	22,528
Accrued and other current liabilities	-	2,466	2,466
Accrued interest payable	-	545	545
Payable from restricted assets			
Current portion of long-term debt	-	1,472	1,472
Total current liabilities	<u>-</u>	<u>27,011</u>	<u>27,011</u>
Long-term obligations, less current portion			
Revenue bonds	-	14,104	14,104
Other postemployment benefits	-	12,694	12,694
Total long-term liabilities	<u>-</u>	<u>26,798</u>	<u>26,798</u>
Total liabilities	<u>-</u>	<u>53,809</u>	<u>53,809</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	-	20,167	20,167
Other postemployment related amounts	-	179	179
Total deferred inflows of resources	<u>-</u>	<u>20,346</u>	<u>20,346</u>
<b>NET POSITION</b>			
Net investment in capital assets	48,118	-	48,118
Restricted	-	10,200	10,200
Unrestricted	<u>39,630</u>	<u>145,215</u>	<u>184,845</u>
Total net position	<u>\$ 87,748</u>	<u>\$ 155,415</u>	<u>\$ 243,163</u>

# City of Two Rivers, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Telecom- munication Utility	Solid Waste	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 381,930	\$ 381,930
Other	-	235,563	235,563
Total operating revenues	-	617,493	617,493
<b>OPERATING EXPENSES</b>			
Operation and maintenance	101	774,164	774,265
Depreciation	28,060	-	28,060
Total operating expenses	28,161	774,164	802,325
Operating loss	(28,161)	(156,671)	(184,832)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Nonoperating grants	-	81,526	81,526
Interest and fiscal charges	-	(746)	(746)
Other nonoperating revenues	15,885	-	15,885
Total nonoperating revenues (expenses)	15,885	80,780	96,665
Loss before transfers	(12,276)	(75,891)	(88,167)
Transfers out	-	(1,080)	(1,080)
Change in net position	(12,276)	(76,971)	(89,247)
Net position - January 1, as originally reported	100,024	242,174	342,198
Cumulative effect of change in accounting principle	-	(9,788)	(9,788)
Net position - January 1, as restated	100,024	232,386	332,410
Net position - December 31	<u>\$ 87,748</u>	<u>\$ 155,415</u>	<u>\$ 243,163</u>

# City of Two Rivers, Wisconsin

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Telecom- munication Utility	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 15,885	\$ 616,500	\$ 632,385
Cash paid for employee wages and benefits	(62)	(71,563)	(71,625)
Cash paid to suppliers	(39)	(675,848)	(675,887)
Net cash provided (used) by operating activities	<u>15,784</u>	<u>(130,911)</u>	<u>(115,127)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Nonoperating grants	-	81,526	81,526
Due to/from other funds	-	380	380
Transfer out	-	(1,080)	(1,080)
Net cash provided by noncapital financing activities	<u>-</u>	<u>80,826</u>	<u>80,826</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	-	(1,424)	(1,424)
Interest paid on long-term debt	-	(670)	(670)
Net cash used by capital and related financing activities	<u>-</u>	<u>(2,094)</u>	<u>(2,094)</u>
Change in cash and cash equivalents	15,784	(52,179)	(36,395)
Cash and cash equivalents - January 1	<u>23,846</u>	<u>209,049</u>	<u>232,895</u>
Cash and cash equivalents - December 31	<u>\$ 39,630</u>	<u>\$ 156,870</u>	<u>\$ 196,500</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (28,161)	\$ (156,671)	\$ (184,832)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	28,060	-	28,060
Other	15,885	-	15,885
Change in asset, liability and deferred outflows and inflows of resources			
Pension	-	1,741	1,741
Other postemployment benefits	-	1,317	1,317
Change in operating assets and liabilities			
Accounts receivables	-	(993)	(993)
Accounts payable	-	22,252	22,252
Accrued and other current liabilities	-	1,443	1,443
Net cash provided (used) by operating activities	<u>\$ 15,784</u>	<u>\$ (130,911)</u>	<u>\$ (115,127)</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	<u>\$ 39,630</u>	<u>\$ 156,870</u>	<u>\$ 196,500</u>
Noncash capital and related financing activities			
None			

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

---



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

To the City Manager and City Council  
City of Two Rivers, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Two Rivers, Wisconsin (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 11, 2019.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

### **COMPLIANCE AND OTHER MATTERS**

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

**CITY OF TWO RIVERS, WISCONSIN'S RESPONSE TO FINDING**

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

**PURPOSE OF THIS REPORT**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Sheboygan, Wisconsin  
September 11, 2019



# City of Two Rivers, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

---

### SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2018-001	<b>Preparation of Annual Financial Report</b> Repeat of Finding 2017-001
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Report Form C.
Criteria:	The preparation and review of the annual financial report and the Municipal Financial Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report and the Municipal Financial Report.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.

### SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2018.