

City of Two Rivers, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2020



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City of Two Rivers, Wisconsin

DECEMBER 31, 2020

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Independent auditors' report

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, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules relating to pensions and other postemployment benefits as listed in the table of contents 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021, 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
August 12, 2021



**TWO
RIVERS**
WISCONSIN

City of Two Rivers

Wisconsin, USA

www.two-rivers.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Two Rivers (the City), Wisconsin, we offer readers of the City of Two Rivers' financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2020. Please consider 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 \$48,331,539. This is an increase of \$1,317,822 compared to year-end 2019.

At the end of 2020, the unassigned fund balance for the General Fund was a deficit of \$185,844, an improvement of \$724,817 from 2019.

The assets and deferred outflows of resources of the governmental activities of the City of Two Rivers exceeds its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,036,264 (*total net position*).

The Proprietary Funds improved their net position in 2020 by \$1,414,013. The Water Utility highlighted those funds with an increase of \$591,870.

In January 2020, the City eliminated its Wisconsin Retirement System Unfunded Pension Liability. The final \$1.58 million dollar payment was refinanced over 10 years and will result in significant interest savings.

Nine funds of the City experienced cash deficits at year-end, an improvement from 11 funds as of December 31, 2019 and 16 funds as of December 31, 2018. For these funds to remain solvent, the City has temporarily advanced cash to these funds. These funds owe the General Fund a total of \$1,917,574, 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:

--\$2,782,914 at the end of 2019
--\$3,528,152 at the end of 2018
--\$2,876,491 at the end of 2017
--\$4,548,549 at the end of 2016

Funds owed the General Fund by these other funds as of December 31, 2020 include:

--\$147,508 owed by two of the City's 10 active Tax Incremental Districts (TIDs #10 and #12), where monies were advanced by the General Fund in past years to finance project costs. This interfund payable decreased by \$223,705, from \$383,883 at 2019 year-end. Eight of the 10 City TID's are generating revenues sufficient to repay their debt obligations, including these interfund payables. Two TIDs (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 TIDs.

--\$948,537 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% water rate increase. Another large rate increase of 27% was approved by the Public Service Commission in August 2010 and took effect September 1, 2010. A Simplified Rate Cases (SRC) increased rates 3.2% on August 15, 2012, 3% on November 1, 2013, and 3% on 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. During 2020, we experienced a \$964,876 positive change in cash. While we can't guarantee that level of improvement, we are confident that we will see improvement again in 2021.

--\$129,851 owed by the Electric Utility was caused in part by a significant delay in the implementation of a PSC rate increase which was implemented on May 1, 2020.

We also began a succession plan that temporarily increased personnel costs during 2019 and 2020, as we planned for the retirement of the Electric Utility Director at the end of 2020.

We anticipate the retirement, and the implementation of the new rate structure will return the cash position to a normal operating level in 2021.

--\$42,047 owed by the Landfill Fund will be resolved in the next year or two with an increase in our Environmental Fee, a Utility charge that funds the garbage collection, recycling program, a tree planting program, and the maintenance of the City's former landfill site. Increased costs and mandated projects over the last five years has depleted the fund. While still in a deficit, this fund improved by \$43,854, from \$85,902 in 2020.

--\$60,128 short-term amounts owed by two Recreation Funds, for monies advanced by the City in 2018 and 2019 for the various projects. These funds improved from a deficit of \$79,142 as of year-end 2020. City staff is in ongoing discussions to address these advances.

Total general obligation debt for the City of Two Rivers increased \$1,774,121 in the current fiscal year. Significant refinancing of debt was done in 2020 in addition to normal Capital Improvement borrowing to take advantage of favorable interest rates. The City maintains an aggressive repayment schedule on its General Obligation debt with 92.7% of the GO debt repaid within 10 years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City of Two Rivers. This annual financial report consists of three components: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements. It also contains required supplementary information and other supplementary information.

Government-wide Statements

The *government-wide financial statements* that provide information about the overall financial status of the City of Two Rivers in a manner like those used by private-sector companies.

The *statement of net position* includes all the City of Two Rivers' assets, liabilities, deferred inflows/outflows of resources of resources, with the difference reported as net position. Over time, the increases or decreases in net position serve as an indicator of improving or deteriorating financial position.

All the current year's revenues and expenses are accounted for in the *statement of activities* regardless of the timing of related cash flows. This statement presents information showing how the City's new position changed during the most recent fiscal year.

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 and recreation, 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 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. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes and are used to ensure and demonstrate compliance with finance-related legal requirements.

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, also referred to as enterprise funds. These include all the above-referenced utility funds listed in *business-type activities*. 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 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.

Notes to the financial statements

The financial statements also include additional information that is essential to a full understanding of the information in the financial statements.

Required Supplemental Information

The *required supplementary information* further explains and supports the information in the financial statements related to other post-employment benefit plan and the net pension liability (asset) of the Wisconsin Retirement System of the City.

Other Supplemental Information

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental and proprietary funds. The non-major funds are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

Statement of Net Position

The City's combined Net Position total \$48,331,539, an increase of 2.8% from last year. Governmental Activities account for about 39.4% of the Net Position, Business-Type Activities for 60.6%.

Table A-1						
City Two Rivers Net Position						
	Governmental Activities		Business –type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$19,657,565	\$17,085,594	\$4,825,855	\$2,484,662	\$24,483,420	\$19,570,256
Capital assets, less depreciation	\$30,033,742	\$30,181,679	\$44,768,607	\$44,023,122	\$74,802,349	\$74,204,801
Total Assets	\$49,691,307	\$47,267,273	\$49,594,462	\$46,507,784	\$99,285,769	\$93,775,057
Deferred outflows	\$5,890,445	\$6,095,724	\$1,208,861	\$1,335,155	\$7,099,306	\$7,430,879
Long-term debt outstanding	\$23,016,300	\$23,722,824	\$19,223,752	\$18,050,958	\$42,240,052	\$41,773,782
Other Liabilities	\$1,454,165	\$1,325,790	\$1,013,812	\$1,200,680	\$2,467,977	\$2,526,470
Total Liabilities	\$24,470,465	\$25,048,614	\$20,237,564	\$19,251,638	\$44,708,029	\$44,300,252
Deferred Inflows	\$12,075,023	\$9,181,928	\$1,270,484	\$710,039	\$13,345,507	\$9,891,967
Net Position						
Net Investment in Capital Assets	\$17,767,485	\$18,051,013	\$28,301,266	\$29,293,862	\$46,068,751	\$47,344,875
Restricted	\$9,670,092	\$6,512,016	\$1,907,590	\$1,590,746	\$11,577,682	\$8,102,762
Unrestricted	-\$8,401,313	-\$5,430,574	-\$913,581	-\$3,003,346	-\$9,314,894	-\$8,433,920
Total Net Position	\$19,036,264	\$19,132,455	\$29,295,275	\$27,881,262	\$48,331,539	\$47,013,717

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 we have seen major shifts from Unrestricted to Restricted Net Position in recent years, the Total Net Position on these financial statements reflect 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%
2019	19,132,455	27,881,265	47,013,720	+ 2.4%
2020	19,036,264	29,295,275	48,331,539	+ 2.7%

The City's Net Position for 2018 was greatly impacted on these statements by the cumulative effect of the change in accounting principle, due to the implementation of GASB Statement No. 75 related to other postemployment benefits.

In the past, the City's General Fund has contributed capital to the City's business activities. 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.

Table A-2

City of Two Rivers Statement of Activities

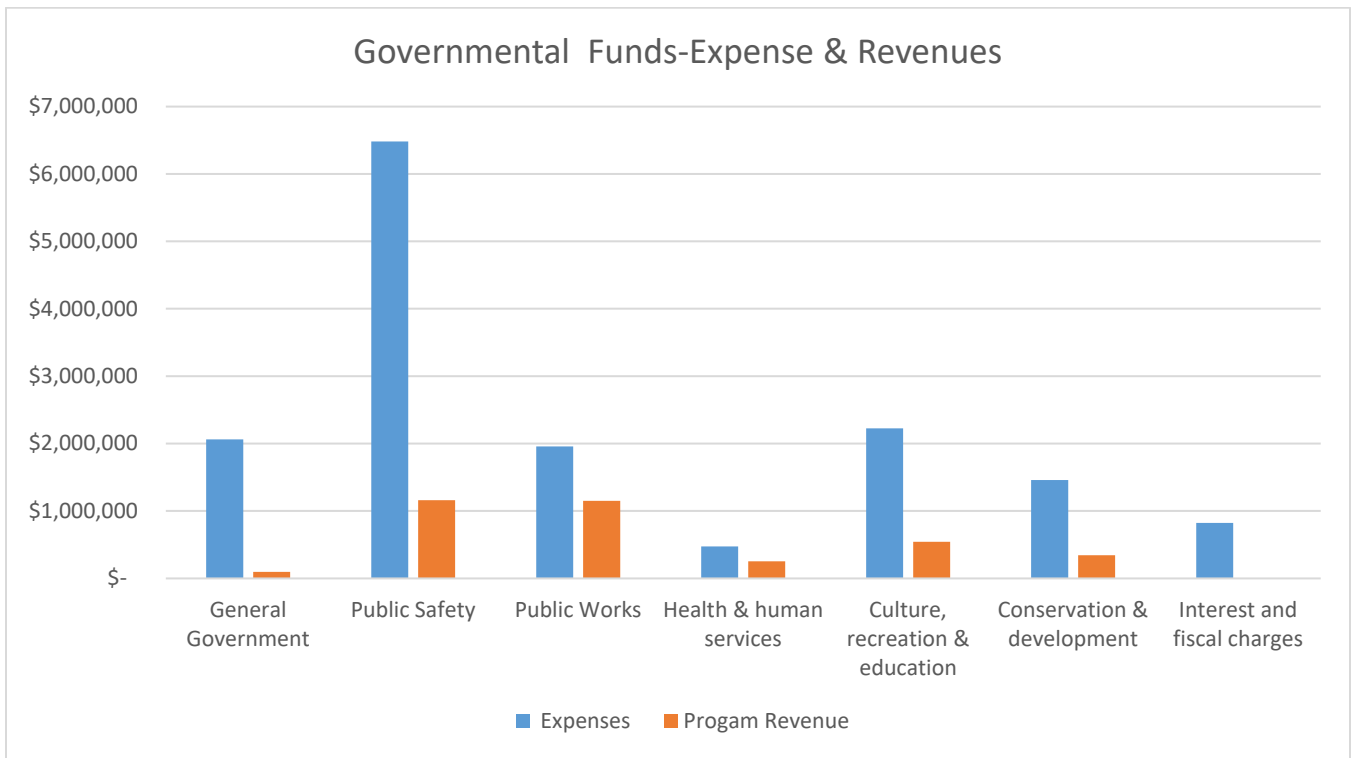
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Revenues					
Program Revenues						
Charges for Services	\$ 2,110,177	\$ 1,905,345	\$ 15,824,320	\$ 15,291,973	\$ 17,934,497	\$ 17,197,318
Operating Grant and Contributions	1,199,705	1,033,989	816,268	81,489	2,015,973	1,115,478
Capital Grants and Contributions	233,690	232,746	112,508	676,032	346,198	908,778
General Revenues						
Property Taxes	5,634,629	5,675,717			5,634,629	5,675,717
Other Taxes	145,348	132,343			145,348	132,343
Grants and Contributions not restricted to specific programs	4,250,485	4,007,023			4,250,485	4,007,023
Other	836,559	744,204	30,674	88,795	867,233	832,999
Total Revenues	\$ 14,410,593	\$ 13,731,367	\$ 16,783,770	\$ 16,138,289	\$ 31,194,363	\$ 29,869,656
Expenditures						
General Government	\$ 2,060,812	\$ 1,728,284			\$ 2,060,812	\$ 1,728,284
Public Safety	6,482,861	6,366,202			6,482,861	6,366,202
Public Works	1,956,051	2,294,779			1,956,051	2,294,779
Health & human services	474,027	629,368			474,027	629,368
Culture, recreation & education	2,226,192	2,742,540			2,226,192	2,742,540
Conservation & development	1,458,167	1,135,699			1,458,167	1,135,699
Interest and fiscal charges	822,378	637,197			822,378	637,197
Electric Utility			8,195,150	8,283,771	8,195,150	8,283,771
Water Utility			2,226,601	2,320,729	2,226,601	2,320,729
Sewer Utility			2,692,215	2,114,165	2,692,215	2,114,165
Telecommunications Utility			10,128	16,496	10,128	16,496
Solid Waste Utility			815,340	736,372	815,340	736,372
Stormwater Utility			456,619	249,803	456,619	249,803
Total Expenditures	\$ 15,480,488	\$ 15,534,069	\$ 14,396,053	\$ 13,721,336	\$ 29,876,541	\$ 29,255,405
Transfers	\$ 973,704	\$ 684,786	\$ (973,704)	\$ (684,786)	\$ -	\$ -
Change in Net Position	\$ (96,191)	\$ (1,117,916)	\$ 1,414,013	\$ 1,732,167	\$ 1,317,822	\$ 614,251
Net Position, Jan 1 as originally presented	\$ 19,132,455	\$ 20,250,371	\$ 27,881,262	\$ 25,644,460	\$ 47,013,717	\$ 45,894,831
Prior period adjustment/change in accounting principle	\$ -	\$ -	\$ -	\$ 504,635	\$ -	\$ 504,635
Net Position, Jan 1 as adjusted	\$ 19,132,455	\$ 20,250,371	\$ 27,881,262	\$ 26,149,095	\$ 47,013,717	\$ 46,399,466
Net position, December 31	\$ 19,036,264	\$ 19,132,455	\$ 29,295,275	\$ 27,881,262	\$ 48,331,539	\$ 47,013,717

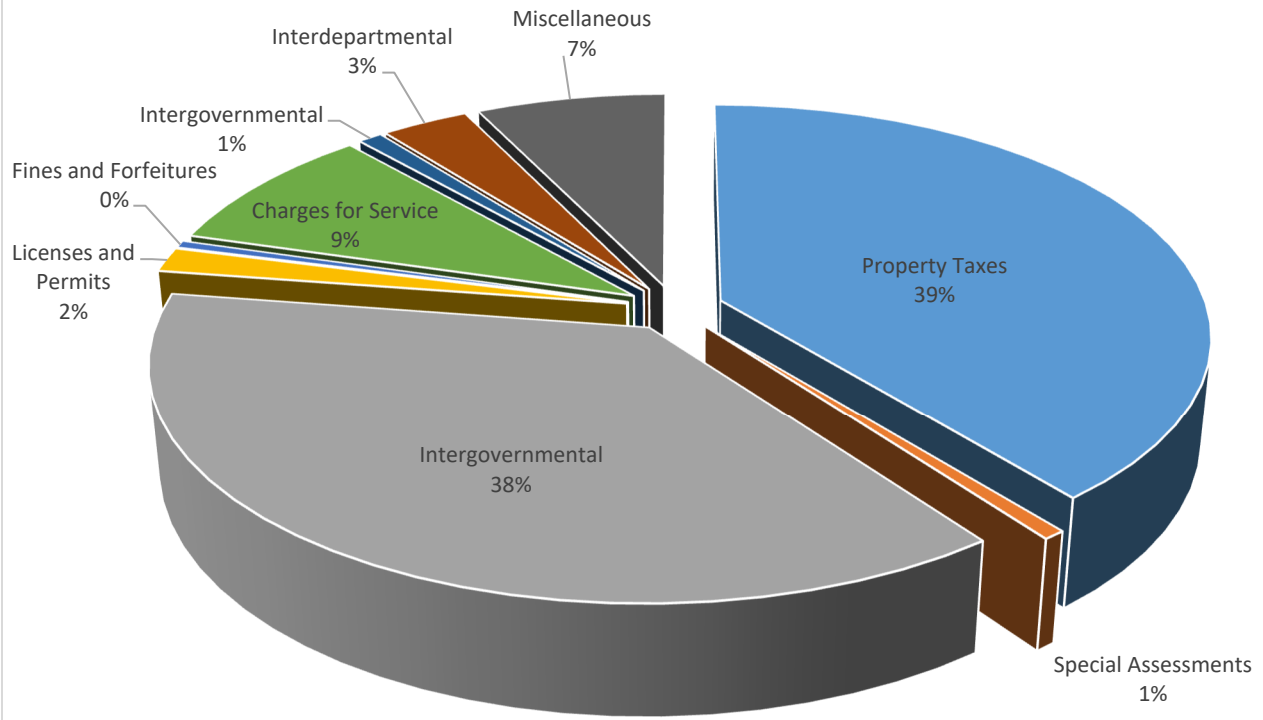
Governmental Activities

Property taxes decreased .72% from 2019 to 2020 and have averaged an increase of .58% per year since 2016. City administration remains focused on keeping property taxes at a manageable level, working within the regulations of the State of Wisconsin Expenditure Restraint Program and Levy Limit Increase Program.

The net position of Governmental Activities decreased by \$96,191 driven by depreciation of assets, issuance of long-term debt, and the recording of actuarial transactions of pension and postemployment benefits. The average change to the net position of Governmental Activities over the last five years has been +\$121,789.



Revenues by Source - Governmental Funds



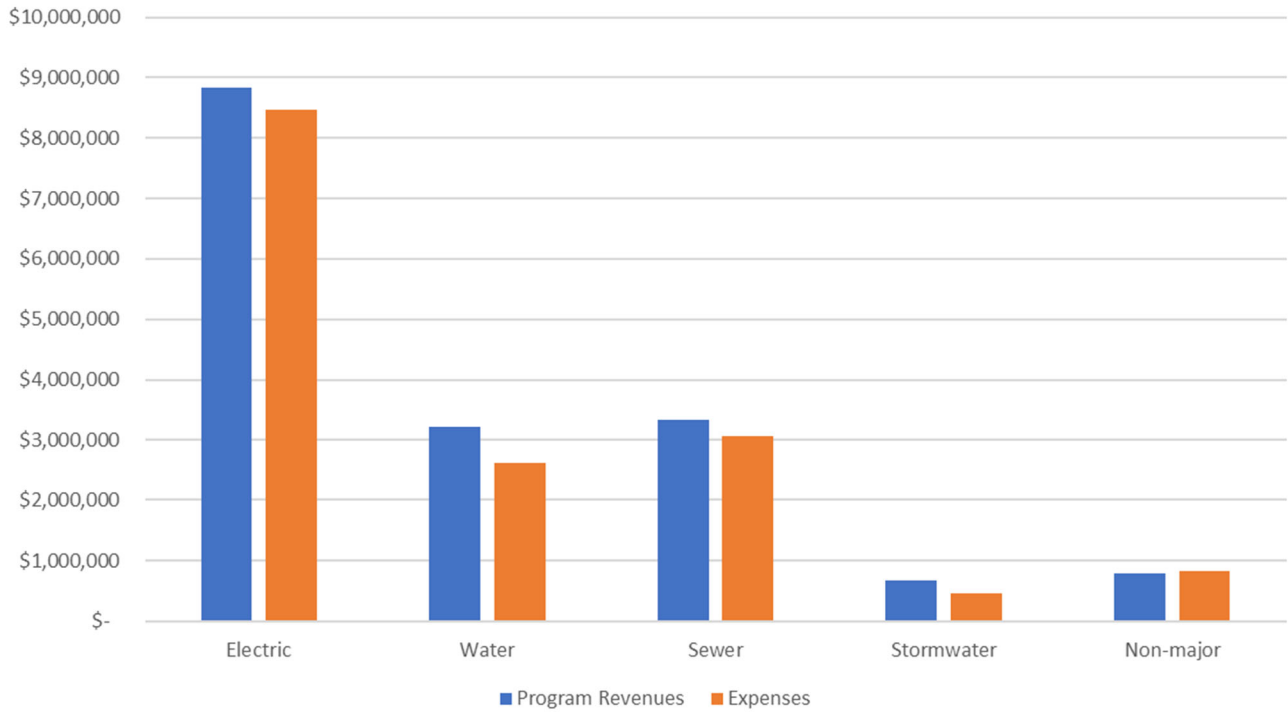
Business-type Activities

Operating Revenue for the City's business-type activities totaled \$15,808,435, up 3.49% from 2019, with user fees accounting for 97.5% of all operating revenues. Business-type operating expenses totaled \$13,460,574, up 1.8% from 2019. The electric utility is the largest business type fund, accounting for 60.6% of all business-type operating expense activity. The water and sewer utilities operating expenses were \$2.1 million and \$2.0 million, respectively.

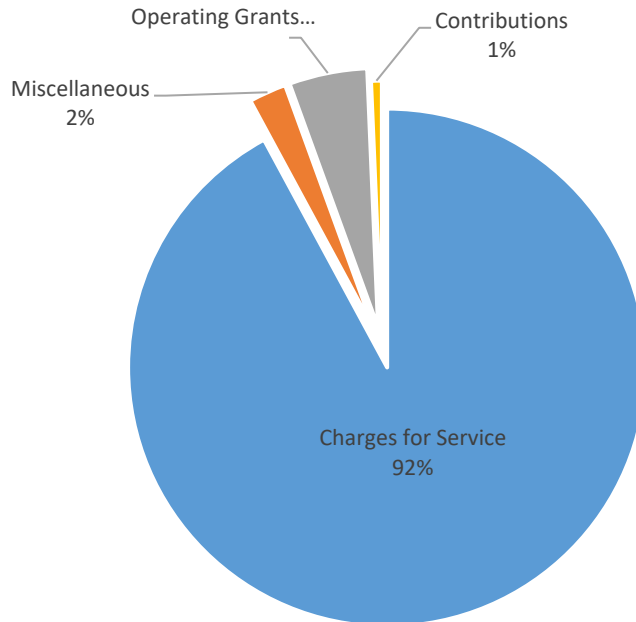
Table A-3
Change in Business Type Activity Net Position

Operating Revenues	Electric Utility	Water Utility	Sewer Utility	Telecom Utility	Solid Waste	Stormwater Utility	Total 2020	Total 2019
Charges for services	\$ 8,723,294	\$ 2,827,355	\$ 2,745,320	\$ -	\$ 462,920	\$ 657,941	\$ 15,416,830	\$ 14,880,431
Other	96,077	23,858	36,088	15,885	235,582	-	407,490	395,657
Total Operating Revenues	8,819,371	2,851,213	2,781,408	15,885	698,502	657,941	15,824,320	15,276,088
Operating Expenses								
Operating and maintenance	7,636,103	1,518,238	1,782,983	5,119	814,845	303,858	12,061,146	11,637,982
Depreciation	437,214	510,585	642,818	5,009	-	96,869	1,692,495	1,432,554
Taxes	82,306	42,329	33,504	-	-	-	158,139	155,986
Total Operating Expenses	8,155,623	2,071,152	2,459,305	10,128	814,845	400,727	13,911,780	13,226,522
Operating Income (Loss)	663,748	780,061	322,103	5,757	(116,343)	257,214	1,912,540	2,049,566
Nonoperating Revenues (Expense)								
Grants	-	216,006	518,842	-	81,420	-	816,268	81,489
Interest Expense	(18,626)	(161,817)	(237,871)	-	(495)	(55,892)	(474,701)	(485,987)
Other	(15,403)	7,388	23,224	-	-	5,893	21,102	95,853
Total Nonoperating Revenues (Expenses)	(34,029)	61,577	304,195	-	80,925	(49,999)	362,669	(308,645)
Net Income (Loss)	629,719	841,638	626,298	5,757	(35,418)	207,215	2,275,209	1,740,921
Customer Contributions								
Customer Contributions	14,566	92,594	5,178	-	-	170	112,508	676,032
Net Transfers In (Out)	(279,695)	(342,362)	(350,567)	-	(1,080)	-	(973,704)	(684,786)
Change in Net Position	364,590	591,870	280,909	5,757	(36,498)	207,385	1,414,013	1,732,167
Net Position - Jan 1	8,216,368	6,089,432	8,604,069	87,137	154,951	4,729,305	27,881,262	26,149,095
Net Position – Dec. 31	\$ 8,580,958	\$ 6,681,302	\$ 8,884,978	\$ 92,894	\$ 118,453	\$ 4,936,690	\$ 29,295,275	\$ 27,881,262

Business-Type Activity-Revenue and Expenses



Revenues by Source - Business Type Activities



Historically, the Business-type Activities are 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.

Year	Total Operating Expenses	Change %
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%
2019	13,226,522	-1.51%
2020	13,911,780	+5.2%

The most recent **Electric Utility** rate increase took effect May 1, 2020. Operating Expenses were down \$87,976 from 2019, due to finalizing a succession plan for the retiring Utility Director. Staff was temporarily increased during 2019 to allow for an internal promotion to the Director to ensure a smooth transition. The Electric Utility increased its Net Position \$364,590 in 2020.

In the **Water Utility**, our current rates became effective on September 1, 2018. This increased rates an average of 14%. This utility has continued to work at trimming operating expenses to reduce its cash deficit. In 2020, revenues were up .8% and operating expenses were down 2.2%. The Utility continues to invest in plant efficiencies, cost savings procedures and the elimination of lead services. The Water Utility increased its Net Position \$591,870 in 2020.

The **Sewer Utility** most recently raised rates effective January 1, 2020. The increase was needed to invest in plant improvements, system infrastructure, and overall financial health of the Utility. The Wastewater facility has gone through extensive remodeling and upgrading over the last five years to improve efficiency and ensure its ability to comply with environmental restriction in the future. While the cash position of this utility has improved, staff continues to analyze revenues and expenses to solidify its financial position. The Sewer Utility increased its Net Position \$280,909 in 2020.

In the last part of 2014, the City created a **Stormwater Utility**. This user fee has raised 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. In 2020, the Utility issue \$1.07 million of Revenue Debt for Stormwater Pond, Storm Sewer, and Erosion Control projects. The Stormwater Utility increased its Net Position \$207,385 in 2020.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed 2020, its governmental funds reported a combined fund balance of \$6,322,303, the highest since 2011. The City is making every attempt not to draw on its fund balance and is continuing to concentrate on rebuilding the General Fund Balance. This continues to be a major challenge, as General Fund revenues from both property taxes and intergovernmental sources have been restricted, frozen or reduced. The City has seen significant improvement in the Unassigned category over the last two years due to the reduction of cash deficit in other funds, most significantly in the Water Utility. The chart below shows a history of the Fund Balance for Governmental Funds:

Summary of Fund Balance for Governmental Funds

Year	Fund Balance	Nonspendable	Restricted	Committed	Unassigned
2011	\$ 7,102,083	\$ 3,208,736	\$ 5,502,734	\$ 424,424	\$ (2,033,811)
2012	6,221,759	2,938,240	4,410,213	368,072	(1,494,766)
2013	5,786,344	3,005,684	3,472,718	1,335,350	(2,027,408)
2014	5,910,200	2,682,999	3,020,131	1,289,687	(1,082,617)
2015	4,488,158	2,893,674	2,576,394	620,359	(1,602,269)
2016	4,855,232	3,173,913	2,856,578	923,268	(2,098,527)
2017	5,759,328	3,215,134	2,996,793	1,145,941	(1,598,540)
2018	4,663,934	4,116,560	3,089,522	707,006	(3,249,154)
2019	5,942,069	3,004,735	3,955,820	760,663	(1,779,149)
2020	6,322,303	2,466,515	3,963,047	702,364	(809,623)

GENERAL FUND BUDGETARY HIGHLIGHTS

All budgets are adopted at the department level of expenditures. In 2020, General Fund revenues fell short of the budgeted amount by \$194,191 (2% of budget) per both summarized and detailed budget schedules in the statements. Total expenditures were \$346,661 under budget (3.41% of budget), resulting in a \$152,470 operating surplus and year-end Fund Balance in the General Fund of \$2,280,671.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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 an estimated useful life more than one year.

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,224,477	\$ 36,944	\$ 1,261,421
Construction in Progress	-	2,700,358	2,700,358
Buildings	15,117,628	8,425,275	23,542,903
Improvements	3,895,773	42,556,770	46,452,543
Equipment	11,103,461	18,928,252	30,031,713
Infrastructure	36,675,538	-	36,675,538
Total Capital Assets	\$ 68,016,877	\$ 72,647,599	\$ 140,664,476
Less: Accumulated Depreciation	(37,983,135)	(27,878,992)	(65,862,127)
Less: Related long-term debt outstanding	(12,266,257)	(16,467,341)	(28,733,598)
Total Invested in Capital Assets	\$ 17,767,485	\$ 28,301,266	\$ 46,068,751

A comparison to this information in the 2015 financial statement shows the reinvestment in the community that the City is making. Total Capital Assets has increased \$26,444,352 in that period (average of \$5.29 million per year). At the same time, the related outstanding debt has increased \$3,437,924 (average of \$687,585 per year).

Long-term Debt

At year-end, the City had \$19,274,411 in outstanding general obligation (G.O.) debt that is subject to statutory debt limitations. That amount of debt is equivalent to 70.65% of the statutory debt limit (5% of equalized valuation, or \$27,281,670 as of December 31, 2020). This level of G.O. debt exceeds the City's long-term policy of staying at or below 60% 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. The philosophy of current City leadership is that the need for on-going infrastructure improvements has outweighed the need to stay within that 60 percent guideline.

During this period, we have also seen significant decreases in Equalized Values caused mostly by economic conditions in the entire nation (see Equalized Value History in the *Economic Development & Community Notes* section on the following page). The City's long-term debt plans anticipate getting total G.O. debt back below 60% of the statutory limit, within the next five years. The City's legal margin for new G.O. debt as of December 31, 2020 is \$8,007,259, compared to December 31, 2019 of \$8,754,552.

Outstanding revenue bonds to be repaid from the Water Utility totaled \$3,189,943 at the end of 2020, associated 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%) and various infrastructure projects.

Outstanding revenue bonds to be repaid from the Sewer Utility totaled \$9,452,403 at the end of 2020. 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%), a major renovation of the wastewater treatment plant started in 2018 (funded through a 20-year Clean Water Fund borrowing at 1.87%), and Phase Two of the major renovation started in 2019 (funded through a 20-year Clean Water Fund borrowing at 1.65%). The Sewer Utility also took out a small loan to eliminate their share of the Wisconsin Retirement Unfunded Pension Liability.

Outstanding state trust fund loans to be repaid from the Electric Utility totaled \$327,321 at the end of 2020. The first \$85,454 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 \$241,867 is a debt issue to cover the Electric Utility's portion of the Wisconsin Retirement Unfunded Pension Liability.

In 2020, the Stormwater issued \$1,073,000 in state trust fund revenue debt. This is 15-year debt at 4.5% to be used for Stormwater infrastructure and shoreline erosion protection. The first principal payment on this loan will be made in 2021.

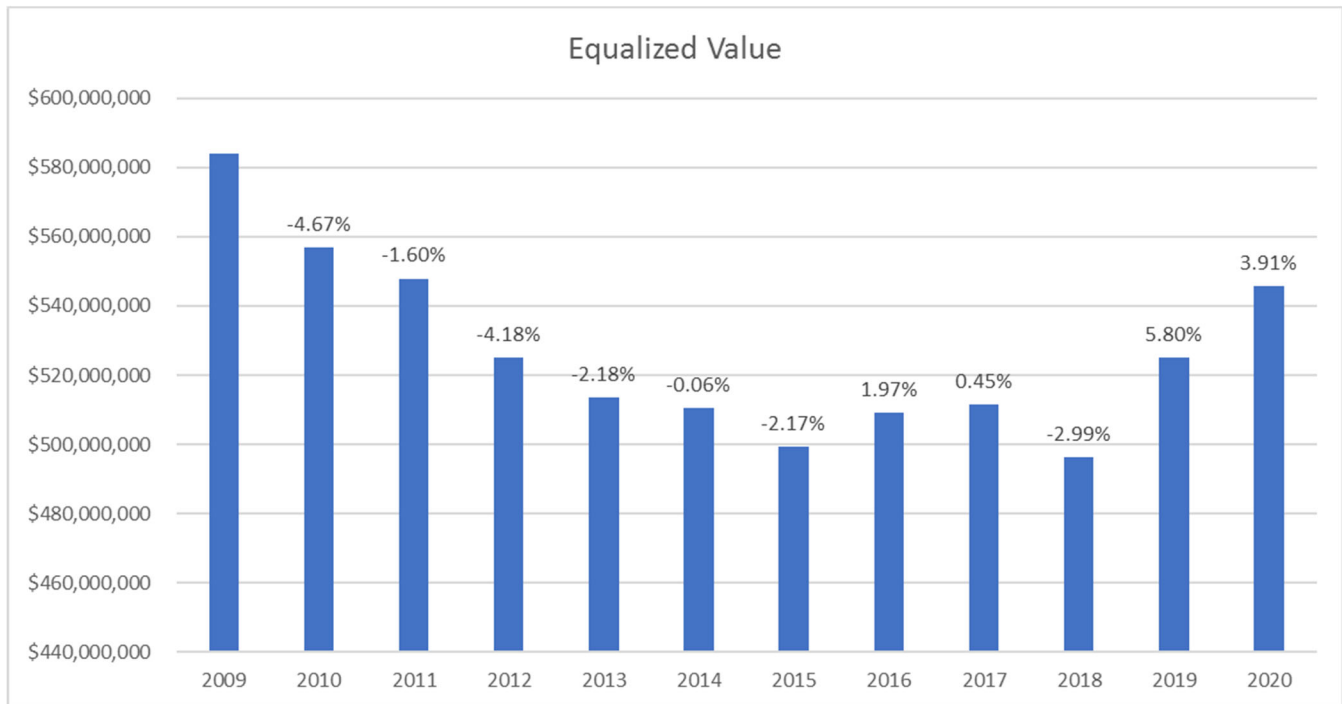
The Solid Waste Utility took out a small loan to eliminate their share of the Wisconsin Retirement Unfunded Pension Liability. The principal balance on this loan as of the end of 2020 is \$12,574.

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, makes it attractive for residential and small business development.

The City's Equalized Value for 2020 is the highest it has been since 2011, when we were feeling the impact of a recession. Equalized value had increased an average of 3% 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:



The City's development efforts in recent years have addressed both new, greenfield development, and the redevelopment of existing sites in the community. Its 10 active tax incremental financing (TIF) districts are performing well, with \$27.9 million in new tax base created. The total equalized value of the 10 TIF districts is \$32.3 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 37.0% 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 15 years, largely through attrition. The City's 2020 General Fund budget is \$1,034,068 more than the 2000 General Fund Budget, resulting in an 10.83% increase over 20 years, or .54% annually. This reflects the aggressive cost containment that has been occurring over the last 20 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 92.7% of G.O. debt principal due in 10 years or less. Reinvestment 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 reinvestment. A debt policy was adopted in 2007, which formalized the City's longstanding practice of maintaining general obligation debt levels at or below 60% of statutory limits. While the City is 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 actuarially computed **WRS Unfunded Pension Liability** by making a \$1.12 million payment. Additional payments were made in 2016 through 2019. The liability stood at approximately \$1.6 million as of December 31, 2019. In January 2020, the City secured long-term financing to eliminate the WRS Unfunded Pension Liability through the State Trust Fund Loan, dated January 8, 2020, which is being refunded by the Bonds. This will create savings in interest payments and savings in required contributions to the WRS. For more information, see Note 3.E. in “Appendix A: Basic Financial Statements and Related Notes for the year ended December 31, 2020.”

Economic Development Activity and Investments in City Infrastructure and Quality of Life Facilities in 2020

Cobblestone Hotel Development broke ground for a \$6.3 million, 55-room hotel in July 2019. The site redevelops blighted properties and some former City-owned properties, one block off the main downtown thoroughfare and overlooking our harbor where the “two rivers” meet and flow out to Lake Michigan. Construction was completed and the hotel opened in August 2020.

Riverside Foods, a wholly owned subsidiary of Lakeside Foods, broke ground in 2020 for an \$8 million expansion project for their Two Rivers facility. The project, aided by a grant from the City TID #8, will add 30 jobs to their Two Rivers workforce that now is around 100 employees. The expansion is now complete.

Sale of undeveloped Industrial Property. The City is in final negotiations with a local company for the sale of 25 acres of City-owned, undeveloped Industrial Park land for \$200,000.

A 9,000 square foot **Dollar General**, store was constructed at 3100 Mishicot Road. The store is a new commercial establishment completed in 2019. The store provides a shopping venue at the long-vacant former Hansen Florist property.

Tantrum Audio renovated its location at 2400 Memorial Drive. This business updated and rehabilitated the structure to provide retail opportunities for remote car starters, enhanced audio and other upgrades and services for vehicles.

Ironwood Plastics, a subsidiary of CTB, Inc and a Berkshire Hathaway Company, purchased a City-owned parcel located between two of the company’s manufacturing facilities in May 2020. This will allow for future company expansion.

Woodland Dunes Nature Center & Preserve recently completed construction on a 5,000 square foot expansion to its Nature Center. The \$2.2 million project, funded through a capital campaign, will accommodate larger groups for school visits, classes, and workshop.

Paragon, a long vacant industrial parcel, is now owned by the City as a result of a foreclosure and subsequent sheriff sale. The City is now actively marketing and negotiating for redevelopment opportunities. The parcel is within the boundaries of TID #10.

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 of the project began in 2017 and has extended street and utility infrastructure to serve another 19 single family home sites. Five parcels were sold in the Phase 2 area in 2020 and two houses are currently under construction. Marketing of the subdivision continues.

Located 10 miles north of the city limits, **Next Era Energy’s Point Beach Nuclear Power Plant** is a major factor in the local economy. The plant’s two reactors are currently licensed to operate through 2030 and 2033. A \$500 million upgrade project was completed in 2011, resulting in a 17% increase in the plant’s power output. The project also enhanced the long-term viability of the facility, which has a permanent workforce of 700 people and provides employment for many contractors. Next Era Energy in December 2020 announced its intent to pursue re-licensing of the reactors, each for an additional 20 years of operation.

One large solar energy project was completed in 2020 in an area adjacent to the Point Beach Nuclear Plant and a second is under construction. The 150 megawatt Two Creeks Solar project is a joint project of Wisconsin Public Service Corporation and Madison Gas and Electric, who invested an estimated \$195 million in the project, which began producing energy in November 2020. The 100-megawatt Point Beach Solar project is currently under construction by Next Era Energy to provide energy per a long-term purchase power contract with WPPI Energy, wholesale electricity provider to Two Rivers and 50 other municipal utilities.

Negotiations are ongoing for the City purchase of vacant property owned by **Fisher Scientific**. The property is located along the East Twin River in close proximity to downtown. The City has plan for green space development close to the river and private redevelopment in the other areas.

LED Street Light Conversion project. The City's Electric Utility continues with a program to replace its existing 1,100 streetlights with energy-saving LED lights. This program, now over 90% completed, included re-lamping on Washington Street, Two Rivers' main downtown artery.

Washington Highlands Senior Apartments. Construction of a new, eight-unit, market rate senior apartment building was completed in 2018. This \$1.2 million investment added to the valuation of this financially healthy redevelopment TID, consisting of residential condos and apartments on the former Two Rivers High School site. Construction of 2 2-unit condos is currently underway, with a third unit planned for 2021. The developer already owns land in the area for potential further expansion.

Wayside on Memorial Drive. In 2020, the City finalized the transfer of a five-acre facility on the shores of Lake Michigan from the Wisconsin Department of Transportation. The City has assumed the responsibility of upkeep and maintenance on the facilities and the grounds, including the investment already made in tree plantings. 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, was \$1.6 million.

Van Der Brohe Arboretum purchased a former 65-acre golf course in 2020 and has announced long-term plans to develop the property into an ecological center focused on providing an environment for the cultivation and display of a variety of tree types and plant species, as well as walking trails and art displays. Plans include the construction of a visitor's center and an outdoor event venue.

Ongoing 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."

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organization, and local communities. Specific to the City, COVID-19 may impact parts of it 2021 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated at this time.

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:

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City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 7,152,052	\$ 1,544,433	\$ 8,696,485
Receivables			
Taxes	3,385,260	146,605	3,531,865
Accounts	199,252	2,535,675	2,734,927
Special assessments	468,846	180,817	649,663
Loans	3,841,908	-	3,841,908
Other	-	85,143	85,143
Internal balances	2,121,516	(2,121,516)	-
Due from other governments	-	121,659	121,659
Prepaid items	548,941	425,449	974,390
Restricted assets			
Cash and investments	-	1,498,015	1,498,015
Net pension asset	1,939,790	409,575	2,349,365
Capital assets, nondepreciable	1,224,477	2,737,302	3,961,779
Capital assets, depreciable, net	28,809,265	42,031,305	70,840,570
Total assets	49,691,307	49,594,462	99,285,769
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	4,554,120	938,826	5,492,946
Other postemployment related amounts	1,336,325	270,035	1,606,360
Total deferred outflows of resources	5,890,445	1,208,861	7,099,306
LIABILITIES			
Accounts payable	273,297	748,148	1,021,445
Accrued and other current liabilities	633,268	32,688	665,956
Due to other governments	27,361	-	27,361
Accrued interest payable	360,657	140,877	501,534
Special deposits	21,308	92,099	113,407
Unearned revenues	138,274	-	138,274
Long-term obligations			
Due within one year			
Other	2,083,338	1,768,529	3,851,867
Other postemployment benefits	322,645	73,000	395,645
Due in more than one year			
Other	14,588,191	16,218,717	30,806,908
Other postemployment benefits	6,022,126	1,163,506	7,185,632
Total liabilities	24,470,465	20,237,564	44,708,029
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	6,041,713	-	6,041,713
Pension related amounts	5,823,422	1,229,580	7,053,002
Other postemployment related amounts	209,888	40,904	250,792
Total deferred inflows of resources	12,075,023	1,270,484	13,345,507
NET POSITION			
Net investment in capital assets	17,767,485	28,301,266	46,068,751
Restricted			
Housing and business loans	4,271,538	-	4,271,538
Library operations and donations	383,049	-	383,049
WDF Administrative	200	-	200
EMS act 102 grant	5,445	-	5,445
Affordable housing	91,830	-	91,830
Medical/Hospital equipment	21,143	-	21,143
Tax incremental districts	1,398,692	-	1,398,692
Debt service	-	374,724	374,724
Capital assets	1,558,405	1,123,291	2,681,696
Pension asset	1,939,790	409,575	2,349,365
Unrestricted	(8,401,313)	(913,581)	(9,314,894)
Total net position	\$ 19,036,264	\$ 29,295,275	\$ 48,331,539

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,060,812	\$ 58,885	\$ 36,581	\$ -
Public safety	6,482,861	1,009,125	93,557	56,811
Public works	1,956,051	383,704	653,573	113,488
Health and human services	474,027	203,594	49,457	-
Culture and recreation	2,226,192	112,797	365,535	63,391
Conservation and development	1,458,167	342,072	1,002	-
Interest and fiscal charges	822,378	-	-	-
Total governmental activities	15,480,488	2,110,177	1,199,705	233,690
BUSINESS-TYPE ACTIVITIES				
Electric utility	8,195,150	8,819,371	-	14,566
Water utility	2,226,601	2,851,213	216,006	92,594
Sewer utility	2,692,215	2,781,408	518,842	5,178
Telecommunications utility	10,128	15,885	-	-
Solid waste	815,340	698,502	81,420	-
Stormwater utility	456,619	657,941	-	170
Total business-type activities	14,396,053	15,824,320	816,268	112,508
Total	\$ 29,876,541	\$ 17,934,497	\$ 2,015,973	\$ 346,198

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

 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	Total
\$ (1,965,346)	\$ -	\$ (1,965,346)
(5,323,368)	-	(5,323,368)
(805,286)	-	(805,286)
(220,976)	-	(220,976)
(1,684,469)	-	(1,684,469)
(1,115,093)	-	(1,115,093)
(822,378)	-	(822,378)
(11,936,916)	-	(11,936,916)
-	638,787	638,787
-	933,212	933,212
-	613,213	613,213
-	5,757	5,757
-	(35,418)	(35,418)
-	201,492	201,492
-	2,357,043	2,357,043
(11,936,916)	2,357,043	(9,579,873)
5,634,629	-	5,634,629
145,348	-	145,348
4,250,485	3,892	4,254,377
174,873	4,835	179,708
380,164	21,947	402,111
281,522	-	281,522
973,704	(973,704)	-
11,840,725	(943,030)	10,897,695
(96,191)	1,414,013	1,317,822
19,132,455	27,881,262	47,013,717
\$ 19,036,264	\$ 29,295,275	\$ 48,331,539

City of Two Rivers, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 1,561,900	\$ 1,098,037	\$ 26,962	\$ 4,441,410	\$ 7,128,309
Receivables					
Taxes	1,318,395	1,281,887	-	740,504	3,340,786
Delinquent taxes	44,474	-	-	-	44,474
Accounts	129,853	-	-	69,399	199,252
Special assessments	468,846	-	-	-	468,846
Loans	-	-	2,535,391	1,306,517	3,841,908
Due from other funds	1,917,574	-	-	858,814	2,776,388
Prepaid items	548,941	-	-	-	548,941
Total assets	\$ 5,989,983	\$ 2,379,924	\$ 2,562,353	\$ 7,416,644	\$ 18,348,904
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 156,083	\$ -	\$ 21,330	\$ 95,884	\$ 273,297
Accrued and other current liabilities	624,725	-	-	8,543	633,268
Due to other funds	-	-	-	654,872	654,872
Due to other governments	27,361	-	-	-	27,361
Special deposits	16,241	-	-	5,067	21,308
Unearned revenues	74,500	-	-	63,774	138,274
Total liabilities	898,910	-	21,330	828,140	1,748,380
Deferred inflows of resources					
Property taxes levied for subsequent year	2,415,802	2,305,271	-	1,320,640	6,041,713
Loans receivable	-	-	2,535,391	1,306,517	3,841,908
Special assessments	394,600	-	-	-	394,600
Total deferred inflows of resources	2,810,402	2,305,271	2,535,391	2,627,157	10,278,221
Fund balances					
Nonspendable	2,466,515	-	-	-	2,466,515
Restricted	-	74,653	5,632	3,882,762	3,963,047
Committed	-	-	-	702,364	702,364
Unassigned	(185,844)	-	-	(623,779)	(809,623)
Total fund balances	2,280,671	74,653	5,632	3,961,347	6,322,303
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,989,983	\$ 2,379,924	\$ 2,562,353	\$ 7,416,644	\$ 18,348,904

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

City of Two Rivers, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 6,322,303
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.	30,033,742
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	4,236,508
Net position of the internal service fund is reported in the statement of net position as governmental activities	23,743
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	4,554,120
Deferred inflows related to pensions	(5,823,422)
Deferred outflows related to other postemployment benefits	1,336,325
Deferred inflows related to other postemployment benefits	(209,888)
Long-term assets are not considered available, therefore, are not reported in the funds.	
Net pension asset	1,939,790
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(15,843,956)
Premium on debt	(610,687)
Capital leases	(22,035)
Compensated absences	(194,851)
Other postemployment benefit	(6,344,771)
Accrued interest on long-term obligations	(360,657)
Net position of governmental activities as reported on the statement of net position (see page 18)	<u>\$ 19,036,264</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 BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 2,219,546	\$ 2,305,271	\$ -	\$ 1,274,146	\$ 5,798,963
Special assessments	59,383	-	-	36,665	96,048
Intergovernmental	4,849,829	-	-	710,003	5,559,832
Licenses and permits	248,342	-	-	-	248,342
Fines and forfeits	73,499	-	-	-	73,499
Public charges for services	1,209,073	-	-	112,942	1,322,015
Intergovernmental charges for services	137,349	-	-	-	137,349
Interdepartmental charges for services	495,477	-	-	-	495,477
Miscellaneous	198,823	8,686	34,781	833,132	1,075,422
Total revenues	9,491,321	2,313,957	34,781	2,966,888	14,806,947
EXPENDITURES					
Current					
General government	1,260,297	1,582,279	-	194,097	3,036,673
Public safety	5,664,992	-	-	52,260	5,717,252
Public works	1,571,139	-	-	151,832	1,722,971
Health and human services	339,101	-	-	141,882	480,983
Culture and recreation	996,850	-	-	1,018,743	2,015,593
Conservation and development	-	-	34,871	1,734,555	1,769,426
Capital outlay	-	-	-	1,185,468	1,185,468
Debt service					
Principal	-	1,811,854	-	12,908	1,824,762
Interest and fiscal charges	-	791,520	-	5,483	797,003
Total expenditures	9,832,379	4,185,653	34,871	4,497,228	18,550,131
Excess of revenues under expenditures	(341,058)	(1,871,696)	(90)	(1,530,340)	(3,743,184)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	7,530,000	-	2,255,000	9,785,000
Premium on debt issued	-	313,636	-	-	313,636
Payment to current bondholder	-	(2,001,585)	-	-	(2,001,585)
Payment to current noteholder	-	(4,869,189)	-	-	(4,869,189)
Proceeds from sale of capital assets	90,469	-	-	191,053	281,522
Transfers in	937,693	592,157	-	571,499	2,101,349
Transfers out	(494,534)	(41,811)	-	(950,970)	(1,487,315)
Total other financing sources	533,628	1,523,208	-	2,066,582	4,123,418
Net change in fund balances	192,570	(348,488)	(90)	536,242	380,234
Fund balances - January 1	2,088,101	423,141	5,722	3,425,105	5,942,069
Fund balances - December 31	\$ 2,280,671	\$ 74,653	\$ 5,632	\$ 3,961,347	\$ 6,322,303

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, 2020

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	\$ 380,234
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 expenditures in governmental fund statements	1,508,330
Depreciation expense reported in the statement of activities	(1,504,890)
Net book value of disposals	(151,377)
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.	
	178,084
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	(9,785,000)
Premium on debt issued	(313,636)
Principal repaid	8,667,623
Capital leases paid	27,913
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	(53,443)
Amortization of premiums, discounts and loss on advance refunding	28,069
Payment of unfunded pension liability	1,582,278
Compensated absences	(52,931)
Net pension liability (asset)	4,020,657
Deferred outflows of resources related to pensions	(1,093,714)
Deferred inflows of resources related to pensions	(2,935,863)
Other postemployment benefits	(1,528,659)
Deferred outflows of resources related to other postemployment benefits	888,435
Deferred inflows of resources related to other postemployment benefits	15,640
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.	
	<u>26,059</u>
Change in net position of governmental activities as reported in the statement of activities (see pages 19 - 20)	<u>\$ (96,191)</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 - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,222,720	\$ 2,222,720	\$ 2,219,546	\$ (3,174)
Special assessments	109,000	109,000	59,383	(49,617)
Intergovernmental	4,717,382	4,717,382	4,849,829	132,447
Licenses and permits	279,300	279,300	248,342	(30,958)
Fines and forfeits	91,900	91,900	73,499	(18,401)
Public charges for services	1,396,500	1,396,500	1,209,073	(187,427)
Intergovernmental charges for services	138,000	138,000	137,349	(651)
Interdepartmental charges for services	521,710	521,710	495,477	(26,233)
Miscellaneous	209,000	209,000	198,823	(10,177)
Total revenues	9,685,512	9,685,512	9,491,321	(194,191)
EXPENDITURES				
Current				
General government	1,261,102	1,583,311	1,260,297	323,014
Public safety	5,728,405	5,641,096	5,664,992	(23,896)
Public works	1,651,784	1,569,784	1,571,139	(1,355)
Health and human services	369,542	328,443	339,101	(10,658)
Culture and recreation	1,183,207	1,056,406	996,850	59,556
Total expenditures	10,194,040	10,179,040	9,832,379	346,661
Excess of revenues under expenditures	(508,528)	(493,528)	(341,058)	152,470
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	60,000	60,000	90,469	30,469
Transfers in	832,720	832,720	937,693	104,973
Transfers out	(383,240)	(398,240)	(494,534)	(96,294)
Total other financing sources (uses)	509,480	494,480	533,628	39,148
Net change in fund balance	952	952	192,570	191,618
Fund balance - January 1	2,088,101	2,088,101	2,088,101	-
Fund balance - December 31	<u>\$ 2,089,053</u>	<u>\$ 2,089,053</u>	<u>\$ 2,280,671</u>	<u>\$ 191,618</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, 2020**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 62,000	\$ 62,000	\$ 34,781	\$ (27,219)
EXPENDITURES				
Current				
Conservation and development	9,000	9,000	34,871	(25,871)
Net change in fund balance	53,000	53,000	(90)	(53,090)
Fund balance - January 1	5,722	5,722	5,722	-
Fund balance - December 31	<u>\$ 58,722</u>	<u>\$ 58,722</u>	<u>\$ 5,632</u>	<u>\$ (53,090)</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, 2020

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current assets			
Cash and investments	\$ -	\$ -	\$ 372,731
Receivables			
Taxes and special charges	-	40,662	81,557
Customer accounts	1,477,967	487,253	477,997
Special assessments	-	33,172	44,444
Other	4,649	-	-
Due from other funds	-	-	-
Due from other governments	-	-	121,659
Prepaid items	294,821	130,628	-
Total current assets	1,777,437	691,715	1,098,388
Restricted assets			
Cash and investments	-	300,482	1,176,392
Other assets			
Net pension asset	194,424	110,304	93,942
Capital assets			
Nondepreciable	23,983	46,194	1,980,354
Depreciable, net	8,431,830	12,912,505	15,937,389
Total capital assets	8,455,813	12,958,699	17,917,743
Total assets	10,427,674	14,061,200	20,286,465
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	446,431	251,631	213,820
Other postemployment related amounts	129,802	70,199	58,775
Total deferred outflows of resources	576,233	321,830	272,595

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

Stormwater Utility	Nonmajor Funds	Total	Governmental Activities - Internal Service Fund Health Insurance
\$ 1,018,956	\$ 152,746	\$ 1,544,433	\$ 23,743
22,699	1,687	146,605	-
92,458	-	2,535,675	-
103,201	-	180,817	-
-	80,494	85,143	-
132,542	-	132,542	-
-	-	121,659	-
-	-	425,449	-
<u>1,369,856</u>	<u>234,927</u>	<u>5,172,323</u>	<u>23,743</u>
<u>21,141</u>	<u>-</u>	<u>1,498,015</u>	<u>-</u>
<u>-</u>	<u>10,905</u>	<u>409,575</u>	<u>-</u>
686,771	-	2,737,302	-
<u>4,722,615</u>	<u>26,966</u>	<u>42,031,305</u>	<u>-</u>
<u>5,409,386</u>	<u>26,966</u>	<u>44,768,607</u>	<u>-</u>
<u>6,800,383</u>	<u>272,798</u>	<u>51,848,520</u>	<u>23,743</u>
-	26,944	938,826	-
<u>-</u>	<u>11,259</u>	<u>270,035</u>	<u>-</u>
<u>-</u>	<u>38,203</u>	<u>1,208,861</u>	<u>-</u>

City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2020

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
LIABILITIES			
Current liabilities			
Accounts payable	\$ 559,030	\$ 40,934	\$ 144,706
Accrued and other current liabilities	16,108	8,600	7,512
Due to other funds	138,975	2,115,083	-
Accrued interest payable	13,729	36,683	54,634
Special deposits	91,399	700	-
Current portion of long-term debt	-	189,537	192,962
Current portion of capital lease	-	-	67,274
Current portion of other postemployment benefits	36,617	19,803	16,580
Payable from restricted assets			
Current portion of long-term debt	116,079	383,845	683,841
Total current liabilities	971,937	2,795,185	1,167,509
Long-term obligations, less current portion			
General obligation debt	-	1,375,287	931,999
Revenue bonds	211,242	2,806,098	8,768,562
Debt premium	-	52,534	40,926
Capital lease payable	-	-	217,977
Compensated absences	78,676	29,205	3,629
Other postemployment benefits	557,755	301,643	252,555
Total long-term liabilities	847,673	4,564,767	10,215,648
Total liabilities	1,819,610	7,359,952	11,383,157
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	583,677	331,143	282,022
Other postemployment related amounts	19,662	10,633	8,903
Total deferred inflows of resources	603,339	341,776	290,925
NET POSITION			
Net investment in capital assets	8,128,492	8,451,880	8,088,400
Restricted			
Capital assets	-	-	1,102,150
Debt service	-	300,482	74,242
Pension asset	194,424	110,304	93,942
Unrestricted	258,042	(2,181,364)	(473,756)
Total net position	\$ 8,580,958	\$ 6,681,302	\$ 8,884,978

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

Stormwater Utility	Nonmajor Funds	Total	Governmental Activities - Internal Service Fund Health Insurance
\$ 3,311	\$ 167	\$ 748,148	\$ -
-	468	32,688	-
-	-	2,254,058	-
35,383	448	140,877	-
-	-	92,099	-
73,562	-	456,061	-
-	-	67,274	-
-	-	73,000	-
<u>59,837</u>	<u>1,592</u>	<u>1,245,194</u>	<u>-</u>
<u>172,093</u>	<u>2,675</u>	<u>5,109,399</u>	<u>-</u>
678,437	-	2,985,723	-
1,013,163	10,982	12,810,047	-
-	-	93,460	-
-	-	217,977	-
-	-	111,510	-
<u>-</u>	<u>51,553</u>	<u>1,163,506</u>	<u>-</u>
<u>1,691,600</u>	<u>62,535</u>	<u>17,382,223</u>	<u>-</u>
<u>1,863,693</u>	<u>65,210</u>	<u>22,491,622</u>	<u>-</u>
-	32,738	1,229,580	-
<u>-</u>	<u>1,706</u>	<u>40,904</u>	<u>-</u>
<u>-</u>	<u>34,444</u>	<u>1,270,484</u>	<u>-</u>
3,605,528	26,966	28,301,266	-
21,141	-	1,123,291	-
-	-	374,724	-
-	10,905	409,575	-
<u>1,310,021</u>	<u>173,476</u>	<u>(913,581)</u>	<u>23,743</u>
<u>\$ 4,936,690</u>	<u>\$ 211,347</u>	<u>\$ 29,295,275</u>	<u>\$ 23,743</u>

City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
OPERATING REVENUES			
Charges for services	\$ 8,723,294	\$ 2,827,355	\$ 2,745,320
Other	96,077	23,858	36,088
Total operating revenues	<u>8,819,371</u>	<u>2,851,213</u>	<u>2,781,408</u>
OPERATING EXPENSES			
Operation and maintenance	7,636,103	1,518,238	1,782,983
Depreciation	437,214	510,585	642,818
Taxes	82,306	42,329	33,504
Total operating expenses	<u>8,155,623</u>	<u>2,071,152</u>	<u>2,459,305</u>
Operating income (loss)	<u>663,748</u>	<u>780,061</u>	<u>322,103</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	-	21
Nonoperating grants	-	216,006	518,842
Interest and fiscal charges	(18,626)	(161,817)	(237,871)
Amortization of debt discount/premium	-	6,368	4,961
Other nonoperating revenues (expenses)	(15,403)	1,020	18,242
Total nonoperating revenues (expenses)	<u>(34,029)</u>	<u>61,577</u>	<u>304,195</u>
Income (loss) before contributions and transfers	629,719	841,638	626,298
Capital contributions	14,566	92,594	5,178
Transfers in	-	53,435	26,500
Transfers out	(279,695)	(395,797)	(377,067)
Change in net position	364,590	591,870	280,909
Net position - January 1	<u>8,216,368</u>	<u>6,089,432</u>	<u>8,604,069</u>
Net position - December 31	<u>\$ 8,580,958</u>	<u>\$ 6,681,302</u>	<u>\$ 8,884,978</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
\$ 657,941	\$ 462,920	\$ 15,416,830	\$ 262,091
-	251,467	407,490	31,644
<u>657,941</u>	<u>714,387</u>	<u>15,824,320</u>	<u>293,735</u>
303,858	819,964	12,061,146	627,346
96,869	5,009	1,692,495	-
-	-	158,139	-
<u>400,727</u>	<u>824,973</u>	<u>13,911,780</u>	<u>627,346</u>
<u>257,214</u>	<u>(110,586)</u>	<u>1,912,540</u>	<u>(333,611)</u>
4,814	-	4,835	-
-	81,420	816,268	-
(55,892)	(495)	(474,701)	-
-	-	11,329	-
<u>1,079</u>	<u>-</u>	<u>4,938</u>	<u>-</u>
<u>(49,999)</u>	<u>80,925</u>	<u>362,669</u>	<u>-</u>
207,215	(29,661)	2,275,209	(333,611)
170	-	112,508	-
-	-	79,935	359,670
-	(1,080)	(1,053,639)	-
<u>207,385</u>	<u>(30,741)</u>	<u>1,414,013</u>	<u>26,059</u>
<u>4,729,305</u>	<u>242,088</u>	<u>27,881,262</u>	<u>(2,316)</u>
<u>\$ 4,936,690</u>	<u>\$ 211,347</u>	<u>\$ 29,295,275</u>	<u>\$ 23,743</u>

City of Two Rivers, Wisconsin

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 8,524,803	\$ 2,731,298	\$ 2,710,903
Cash received from other departments	-	-	-
Cash paid for employee wages and benefits	(964,911)	(665,908)	(1,218,264)
Cash paid to suppliers	(6,808,937)	(1,035,745)	(886,766)
Net cash provided (used) by operating activities	750,955	1,029,645	605,873
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Special assessments	-	84,024	218,027
Nonoperating grants	-	216,006	518,842
Due to/from other funds	-	(505,324)	(151,563)
Transfer in (out)	(235,045)	(342,362)	(350,567)
Net cash provided (used) by noncapital financing activities	(235,045)	(547,656)	234,739
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(321,480)	(483,331)	(1,214,501)
Cost of removal of capital assets	(108,447)	(21,344)	(39,758)
Capital contributions	14,566	92,594	5,178
Sale of capital assets	33,531	7,335	-
Long-term debt issued	-	597,124	1,694,046
Principal paid on long-term debt	(111,967)	(565,249)	(737,529)
Interest paid on long-term debt	(22,113)	(150,751)	(226,436)
Net cash provided (used) by capital and related financing activities	(515,910)	(523,622)	(519,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	-	21
Change in cash and cash equivalents	-	(41,633)	321,633
Cash and cash equivalents - January 1	-	342,115	1,227,490
Cash and cash equivalents - December 31	\$ -	\$ 300,482	\$ 1,549,123

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

Stormwater Utility	Nonmajor Funds	Total	Governmental Activities - Internal Service Fund Health Insurance
\$ 642,626	\$ 684,624	\$ 15,294,254	\$ -
-	-	-	293,735
(17,480)	(78,828)	(2,945,391)	-
<u>(342,564)</u>	<u>(733,419)</u>	<u>(9,807,431)</u>	<u>(629,721)</u>
282,582	(127,623)	2,541,432	(335,986)
18,989	-	321,040	-
-	81,420	816,268	-
138,107	202,125	(316,655)	-
-	(1,080)	(929,054)	359,670
<u>157,096</u>	<u>282,465</u>	<u>(108,401)</u>	<u>359,670</u>
(402,557)	-	(2,421,869)	-
-	-	(169,549)	-
170	-	112,508	-
-	-	40,866	-
1,073,000	-	3,364,170	-
(71,313)	(1,530)	(1,487,588)	-
<u>(24,836)</u>	<u>(566)</u>	<u>(424,702)</u>	<u>-</u>
574,464	(2,096)	(986,164)	-
4,814	-	4,835	-
1,018,956	152,746	1,451,702	23,684
21,141	-	1,590,746	59
<u>\$ 1,040,097</u>	<u>\$ 152,746</u>	<u>\$ 3,042,448</u>	<u>\$ 23,743</u>

City of Two Rivers, Wisconsin

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 663,748	\$ 780,061	\$ 322,103
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	437,214	510,585	642,818
Depreciation charged to operating accounts	82,923	29,649	-
Other	(15,403)	1,020	18,242
Change in liability (asset) and deferred outflows and inflows of resources			
Net pension asset	(194,424)	(110,304)	(93,942)
Deferred outflows - pension related	144,755	95,081	71,278
Net pension liability	(222,199)	(130,626)	(106,224)
Deferred inflows - pension related	275,338	149,877	134,619
Other postemployment benefits			
Deferred outflows - OPEB related	(77,576)	(48,463)	(54,869)
OPEB liability	(106,878)	(118,622)	(54,821)
Deferred inflows - OPEB related	(6,747)	(4,519)	(4,494)
Change in operating assets and liabilities			
Accounts receivables	(303,969)	(121,135)	(108,323)
Due from other governments	-	-	19,576
Prepaid items	24,390	6,667	-
Accounts payable	54,837	4,660	(162,913)
Accrued and other current liabilities	(21,593)	(18,080)	(16,613)
Special deposits	9,401	200	-
Compensated absences	7,138	3,594	(564)
Net cash provided (used) by operating activities	<u>\$ 750,955</u>	<u>\$ 1,029,645</u>	<u>\$ 605,873</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	\$ -	\$ -	\$ 372,731
Cash and cash equivalents in restricted assets	-	300,482	1,176,392
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ 300,482</u>	<u>\$ 1,549,123</u>

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

<u>Stormwater Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund Health Insurance</u>
\$ 257,214	\$ (110,586)	\$ 1,912,540	\$ (333,611)
96,869	5,009	1,692,495	-
-	-	112,572	-
1,079	-	4,938	-
-	(10,905)	(409,575)	-
-	6,970	318,084	-
-	(12,597)	(471,646)	-
-	15,257	575,091	-
-	(10,882)	(191,790)	-
-	49,339	(230,982)	-
-	1,114	(14,646)	-
(16,394)	(29,763)	(579,584)	-
-	-	19,576	-
-	-	31,057	-
(55,267)	(29,338)	(188,021)	(2,375)
(919)	(1,241)	(58,446)	-
-	-	9,601	-
-	-	10,168	-
<u>\$ 282,582</u>	<u>\$ (127,623)</u>	<u>\$ 2,541,432</u>	<u>\$ (335,986)</u>
\$ 1,018,956	\$ 152,746	\$ 1,544,433	\$ 23,743
21,141	-	1,498,015	-
<u>\$ 1,040,097</u>	<u>\$ 152,746</u>	<u>\$ 3,042,448</u>	<u>\$ 23,743</u>

City of Two Rivers, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2020

	Custodial Funds
ASSETS	
Cash and investments	\$ 3,446,532
Receivables	
Taxes	<u>4,114,125</u>
Total assets	<u>7,560,657</u>
LIABILITIES	
Due to other governments	<u>3,284,476</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent year	<u>4,114,125</u>
NET POSITION	
Restricted	<u>\$ 162,056</u>

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

City of Two Rivers, Wisconsin

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

	Custodial Funds
ADDITIONS	
Interest on investments	\$ 1,849
Taxes and special charges collected	<u>5,682,209</u>
Total additions	<u>5,684,058</u>
DEDUCTIONS	
Payments to others	<u>5,683,147</u>
Change in net position	911
Net position - January 1	<u>161,145</u>
Net position - December 31	<u><u>\$ 162,056</u></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, 2020

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 (U. S. 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 U.S. 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.

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, 2020

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.

The City also reports the following fiduciary funds:

Custodial Funds

The City accounts for assets held for individuals or other government agencies in custodial funds.

Property Tax Collection

The tax collection custodial fund accounts for property taxes and specials collected on behalf of other governments.

Smongeski Health

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

Crime Prevention

The fund is used to account for resources held for others which have been dedicated to crime prevention.

TRIAD Committee

The fund is used to account for resources held for others which have been dedicated to policing initiatives between seniors, law enforcement, and service providers of the community to increase safety through education and crime prevention.

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.

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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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.

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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 2019 tax roll are recognized as revenue in 2020).

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.

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. **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 expensed in the periods benefitted.

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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	-

9. 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.

10. Deferred Outflows/Inflows of Resources

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

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

11. Long-term Obligations

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

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

12. Pensions

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

13. 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.

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.

14. Fund Equity

Governmental Fund Financial Statements

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

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as 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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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.

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, 2020.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020 as follows:

Funds	Excess Expenditures
General Fund	
General government	
Council	\$ 2,571
Judicial	8,244
Clerk	19,328
Elections	6,324
City manager	7,183
City Hall	5,556
Accounting	5,289
Public safety	
Police department	12,324
Fire department	31,521
Public works	
Public works shop	22,345
Highway administration	16,220
Street and highway maintenance	5,101
Work done for others	29,832
Health and human services	
Cemetery	17,182
Culture and recreation	
Parks	19,573
Recreation fields	8,389
Housing and Revolving Loans	
Conservation and development	25,871
Debt service fund	
Debt service	
Interest and fiscal charges	279,802

C. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2020:

Funds	Deficit Fund Balance
Special events donations	\$ 8,216
Senior center	53,720
Park and cemetery construction	31,166
Police equipment	88,468
TIF district no. 4	19,254
TIF district no. 6	208,434
TIF district no. 10	118,107
TIF district no. 12	54,299
City landfill	42,115

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 2020 and 2021 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 2020 budget was 0.92%. The actual limit for the City for the 2021 budget was 0.84%. 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 \$13,641,032 on December 31, 2020 as summarized below:

Petty cash and cash on hand	\$	339
Deposits with financial institutions		6,643,998
Investments		
Wisconsin local government investment pool		6,621,525
Mutual funds		375,170
		<u>\$ 13,641,032</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position		
Cash and investments	\$	8,696,485
Restricted cash and investments		1,498,015
Fiduciary fund statement of net position		
Custodial funds		3,446,532
		<u>\$ 13,641,032</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Mutual funds	\$ -	\$ 375,170	\$ -

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, 2020, \$5,280,856 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, 2020

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	\$ 375,170	\$ -	\$ -	\$ -	\$ 375,170
Wisconsin Local Government Investment Pool	6,621,525	-	-	-	6,621,525
Totals	\$ 6,996,695	\$ -	\$ -	\$ -	\$ 6,996,695

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	\$ 375,170	\$ 375,170	\$ -	\$ -	\$ -
Wisconsin Local Government Investment Pool	6,621,525	6,621,525	-	-	-
Totals	\$ 6,996,695	\$ 6,996,695	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$6,621,525 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, 2020, 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, 2020

B. RESTRICTED ASSETS

Restricted assets on December 31, 2020 totaled \$1,498,015 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise Fund		
Water utility	\$ 300,482	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>\$ 1,498,015</u>	

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 1,226,802	\$ -	\$ 2,325	\$ 1,224,477
Capital assets, depreciable:				
Buildings	15,117,628	-	-	15,117,628
Improvements other than buildings	3,774,460	121,313	-	3,895,773
Machinery and equipment	10,126,470	1,167,725	190,734	11,103,461
Infrastructure	<u>36,456,246</u>	<u>219,292</u>	-	<u>36,675,538</u>
Subtotals	65,474,804	1,508,330	190,734	66,792,400
Less accumulated depreciation	<u>36,519,927</u>	<u>1,504,890</u>	<u>41,682</u>	<u>37,983,135</u>
Total capital assets, depreciable, net	<u>28,954,877</u>	<u>3,440</u>	<u>149,052</u>	<u>28,809,265</u>
Governmental activities capital assets, net	<u>\$ 30,181,679</u>	<u>\$ 3,440</u>	<u>\$ 151,377</u>	30,033,742
Less: Capital related debt				13,213,975
Less: Deferred charge on refunding				610,687
Add: Unspent debt proceeds				<u>1,558,405</u>
Net investment in capital assets				<u>\$ 17,767,485</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 38,227	\$ -	\$ 1,283	\$ 36,944
Construction in progress	8,896,274	3,148,997	9,344,913	2,700,358
Total capital assets, nondepreciable	<u>8,934,501</u>	<u>3,148,997</u>	<u>9,346,196</u>	<u>2,737,302</u>
Capital assets, depreciable:				
Buildings	6,487,298	1,937,977	-	8,425,275
Improvements other than buildings	39,405,728	3,925,781	774,739	42,556,770
Machinery and equipment	16,574,554	2,754,027	400,329	18,928,252
Subtotals	<u>62,467,580</u>	<u>8,617,785</u>	<u>1,175,068</u>	<u>69,910,297</u>
Less accumulated depreciation:	<u>27,378,959</u>	<u>1,806,961</u>	<u>1,306,928</u>	<u>27,878,992</u>
Total capital assets, depreciable, net	<u>35,088,621</u>	<u>6,810,824</u>	<u>(131,860)</u>	<u>42,031,305</u>
Business-type activities capital assets, net	<u>\$ 44,023,122</u>	<u>\$ 9,959,821</u>	<u>\$ 9,214,336</u>	44,768,607
Less: Capital related debt and related net deferrals				<u>16,467,341</u>
Net investment in capital assets				<u>\$ 28,301,266</u>

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

Governmental activities	
General government	\$ 109,761
Public safety	271,223
Public works	772,113
Culture and recreation	351,793
Total depreciation expense - governmental activities	<u>\$ 1,504,890</u>
Business-type activities	
Electric utility	\$ 437,214
Water utility	510,585
Sewer utility	642,818
Telecommunication utility	96,869
Stormwater utility	5,009
Total depreciation expense	<u>1,692,495</u>
Depreciation charged to operating accounts	<u>114,466</u>
Total increase in accumulated depreciation - business-type activities	<u>\$ 1,806,961</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Long term cash advances to finance operating deficits		
Governmental funds		
General	\$ 1,917,574	\$ -
Nonmajor governmental funds		
Special Events Donations	-	8,216
Senior Center	-	51,912
Park and Cemetery Construction	-	31,166
Police equipment	-	132,542
TIF District No. 4	-	7,854
TIF District No. 6	-	210,000
TIF District No. 7	858,814	-
TIF District No. 10	-	116,836
TIF District No. 12	-	54,299
City landfill	-	42,047
Subtotal - nonmajor governmental funds	<u>858,814</u>	<u>654,872</u>
Proprietary funds		
Water Utility	-	2,115,083
Stormwater Utility	132,542	-
Electric	-	138,975
Subtotal - Proprietary funds	<u>132,542</u>	<u>2,254,058</u>
Totals	<u><u>\$ 2,908,930</u></u>	<u><u>\$ 2,908,930</u></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, 2020

Interfund transfers for the year ended December 31, 2020 were as follows:

Fund	Transfer In	Transfer Out
Governmental funds		
General	\$ 937,693	\$ 494,534
Debt Service	592,157	41,811
Nonmajor governmental funds		
Library	-	1,080
Library Gift	-	179,503
Community Tourism	42,797	78,592
Business Improvement District	6,000	-
Urban Forestry	19,500	6,650
Tree Planting	-	1,553
Business and Industrial Revolving Loans	79,851	75,000
Affordable Housing	12,792	-
Sandy Bay Highlands	-	126,284
Community Development	140,000	-
Street Construction	-	16,268
Park and Cemetery Construction	24,471	-
Rogers Street Park	6,774	-
Management Information	18,000	-
Police Equipment	41,811	-
TIF District No. 3	-	45,266
TIF District No. 7	-	79,936
TIF District No. 8	-	95,953
TIF District No. 10	-	150,488
TIF District No. 12	-	19,397
Industrial Park Development	-	75,000
Library Building and Grounds	179,503	-
Subtotal - nonmajor governmental funds	<u>571,499</u>	<u>950,970</u>
Proprietary funds		
Electric Utility	-	279,695
Water Utility	53,435	395,797
Sewer Utility	26,500	377,067
Nonmajor proprietary fund		
Solid Waste	-	1,080
Internal Service Fund - Health Insurance	359,670	-
	<u>\$ 2,540,954</u>	<u>\$ 2,540,954</u>

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, 2020

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 3,210,000	\$ 1,745,000	\$ 160,000	\$ 4,795,000	\$ 325,000
Notes	2,530,000	6,040,000	280,000	8,290,000	1,335,000
Direct borrowings	8,986,579	2,000,000	8,227,623	2,758,956	329,588
Total general obligation debt	14,726,579	9,785,000	8,667,623	15,843,956	1,989,588
Debt premium	325,120	313,636	28,069	610,687	77,075
Capital leases	49,948	-	27,913	22,035	16,675
Compensated absences	141,920	52,931	-	194,851	-
Governmental activities Long-term obligations	<u>\$ 15,243,567</u>	<u>\$ 10,151,567</u>	<u>\$ 8,723,605</u>	<u>\$ 16,671,529</u>	<u>\$ 2,083,338</u>
Business-type activities:					
General obligation debt					
Bonds	\$ 1,610,000	\$ 340,000	\$ 120,000	\$ 1,830,000	\$ 155,000
Notes	-	85,000	-	85,000	10,000
Direct borrowings	1,163,711	550,000	198,256	1,515,455	279,732
Total general obligation debt	2,773,711	975,000	318,256	3,430,455	444,732
Revenue bonds	12,770,655	2,389,170	1,104,584	14,055,241	1,245,194
Debt premium	116,118	-	11,329	104,789	11,329
Capital leases	350,000	-	64,749	285,251	67,274
Compensated absences	101,342	10,168	-	111,510	-
Business-type activities Long-term obligations	<u>\$ 16,111,826</u>	<u>\$ 3,374,338</u>	<u>\$ 1,498,918</u>	<u>\$ 17,987,246</u>	<u>\$ 1,768,529</u>

Total interest paid during the year on long-term debt totaled \$927,790.

State Trust Fund Loan

The City's outstanding notes from direct borrowings related to the governmental activities of \$2,710,778 and business type activities of \$550,000 are subject to a statutory provision that in an event of late or non-payment, a one percent per month penalty will be charged and the payment will be collected through a reduction in payments from the State of Wisconsin.

Clean Water Fund Loan Programs

The City's outstanding notes from direct borrowings related to business type activities of \$948,122 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the City or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to see specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

WPPI Loan

The City's outstanding notes from direct borrowings related to the business type activities of \$65,511 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Bonds					
General obligation bond	7/8/19	2030	3-4%	\$ 1,610,000	\$ 1,490,000
General obligation bond	8/30/19	2034	3-4%	3,210,000	3,050,000
General obligation bond	4/20/20	2030	2.55%	2,085,000	2,085,000
Notes					
General obligation note	4/11/12	2022	3%	1,530,000	465,000
General obligation note	7/8/19	2029	3-4%	1,785,000	1,785,000
General obligation note	4/20/20	2030	3%	6,125,000	6,125,000
Direct placement					
State trust fund bond	4/11/13	2023	2.75%	1,162,358	379,152
WPPI energy note	2013	2023	0%	129,080	30,979
WPPI energy note	2013	2023	0%	14,076	3,284
WPPI energy note	2013	2023	0%	46,827	14,048
Safe drinking water bond	11/13/13	2029	3.15%	487,054	282,210
Safe drinking water bond	11/13/13	2029	3.15%	824,459	469,788
State trust fund bond	5/16/16	2024	3%	1,941,374	329,610
WPPI energy note	8/1/16	2026	0%	30,350	17,200
Safe drinking water bond	12/31/16	2029	2.67%	361,269	196,124
State trust fund bond	7/23/19	2029	3.75%	500,000	452,016
State trust fund bond	7/23/19	2039	4.00%	750,000	750,000
State trust fund bond	3/26/20	2040	3.50%	250,000	250,000
State trust fund bond	3/26/20	2023	2.50%	550,000	550,000
State trust fund bond	4/16/20	2030	3.00%	550,000	550,000
Total outstanding general obligation debt					<u>\$ 19,274,411</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$19,274,411 on December 31, 2020 are detailed below:

Year Ended December 31,	Governmental Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,660,000	\$ 466,557	\$ 329,588	\$ 85,996	\$ 1,989,588	\$ 552,553
2022	1,635,000	338,803	349,835	83,037	1,984,835	421,840
2023	1,525,000	291,063	357,170	72,805	1,882,170	363,868
2024	1,520,000	242,763	198,991	62,235	1,718,991	304,998
2025	1,435,000	195,453	146,830	55,526	1,581,830	250,979
2026-2030	4,505,000	416,469	766,124	196,264	5,271,124	612,733
2031-2035	805,000	49,575	301,451	96,609	1,106,451	146,184
2036-2040	-	-	308,967	31,912	308,967	31,912
	<u>\$ 13,085,000</u>	<u>\$ 2,000,683</u>	<u>\$ 2,758,956</u>	<u>\$ 684,384</u>	<u>\$ 15,843,956</u>	<u>\$ 2,685,067</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Year Ended December 31,	Business-type Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 165,000	\$ 75,126	\$ 279,732	\$ 33,739	\$ 444,732	\$ 108,865
2022	180,000	65,368	284,525	29,432	464,525	94,800
2023	185,000	58,357	291,076	22,440	476,076	80,797
2024	190,000	51,105	101,918	15,258	291,918	66,363
2025	200,000	43,557	105,029	12,672	305,029	56,229
2026-2030	995,000	97,489	453,175	23,158	1,448,175	120,647
	<u>\$ 1,915,000</u>	<u>\$ 391,002</u>	<u>\$ 1,515,455</u>	<u>\$ 136,699</u>	<u>\$ 3,430,455</u>	<u>\$ 527,701</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, 2020 was \$8,007,259 as follows:

Equalized valuation of the City	\$ 545,633,400
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	27,281,670
Net outstanding general obligation debt applicable to debt limitation	<u>19,274,411</u>
Legal margin for new debt	<u>\$ 8,007,259</u>

Current Refunding

During 2020, the City currently refunded various state trust fund loans ranging from 2015 to 2020. The City issued \$5,445,000 of general obligation notes and \$2,085,000 general obligation bonds to call the refunded debt. The current refundings were undertaken to obtain more favorable interest rates and reduce the total debt service interest payments. The general obligation notes result in a savings over the next 8 years of \$171,010. The economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) is \$165,437. The general obligation bonds result in a savings over the next 10 years by \$32,884. The economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) is \$32,800.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Revenue Bonds

Revenue bonds outstanding on December 31, 2020 totaled \$14,055,241 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Water utility	4/14/04	2023	2.37%	\$ 4,242,499	\$ 805,847
Sewer utility	3/26/08	2027	2.39%	6,297,058	2,660,160
Water utility	6/25/14	2034	1.93%	400,432	295,889
Sewer utility	12/23/14	2034	2.63%	698,698	530,499
Water utility	11/12/14	2034	1.93%	301,465	223,506
Water utility	6/28/17	2037	1.87%	805,787	719,253
Electric utility	3/20/17	2021	3.50%	325,000	85,454
Electric, sewer, and solid waste utilities	3/20/17	2027	4.00%	400,000	295,862
Water utility	6/13/18	2038	1.87%	709,297	660,104
Sewer utility	2/28/18	2037	1.76%	794,500	726,678
Sewer utility	10/24/18	2038	1.87%	4,059,972	3,782,801
Water utility	6/26/19	2039	1.98%	504,014	485,344
Sewer utility	11/27/19	2039	1.65%	1,710,844	1,710,844
Stormwater utility	4/16/20	2035	4.50%	\$ 1,073,000	<u>1,073,000</u>
Total outstanding revenue bonds					<u>\$ 14,055,241</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$14,055,241 on December 31, 2020 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 1,245,194	\$ 294,528	\$ 1,539,722
2022	1,178,022	273,053	1,451,075
2023	1,205,586	245,197	1,450,783
2024	952,292	220,042	1,172,334
2025	974,729	197,374	1,172,103
2026 - 2030	3,793,066	685,306	4,478,372
2031 - 2035	3,142,012	327,127	3,469,139
2036 - 2039	1,564,340	45,660	1,610,000
	<u>\$ 14,055,241</u>	<u>\$ 2,288,287</u>	<u>\$ 16,343,528</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 2039. Net customer revenues, 2020 principal and interest paid, and outstanding debt service of revenue bonds are as follows:

	Electric Utility	Water Utility	Sewer Utility	Stormwater Utility	Solid Waste Utility
Net Customer Revenues					
Charges for services	\$ 8,723,294	\$ 2,827,355	\$ 2,745,320	\$ 657,941	\$ 462,920
Other income	96,077	23,858	36,088	-	235,582
Total Operating Revenues	<u>8,819,371</u>	<u>2,851,213</u>	<u>2,781,408</u>	<u>657,941</u>	<u>698,502</u>
Less: Operating expenses ⁽¹⁾	7,718,409	1,560,567	1,365,281	303,858	814,845
Net customer revenues	<u>\$ 1,100,962</u>	<u>\$ 1,290,646</u>	<u>\$ 1,416,127</u>	<u>\$ 354,083</u>	<u>\$ (116,343)</u>

⁽¹⁾ Excludes depreciation expense

Debt Service					
Principal	\$ 111,967	\$ 373,308	\$ 617,779	\$ -	\$ 1,530
Interest	15,571	66,508	176,815	-	503
Total Debt Service	<u>\$ 127,538</u>	<u>\$ 439,816</u>	<u>\$ 794,594</u>	<u>\$ -</u>	<u>\$ 2,033</u>
Remaining principal and interest	<u>\$ 360,868</u>	<u>\$ 3,626,379</u>	<u>\$ 10,855,230</u>	<u>\$ 1,486,889</u>	<u>\$ 14,162</u>

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 cost of the capital assets under the capital leases are \$118,989 for governmental activities and \$350,000 for business-type. 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, 2020:

Year Ending	Amount Due	
	Governmental	Business-type
2021	\$ 17,322	\$ 78,399
2022	5,510	78,399
2023	-	78,399
2024	-	78,399
Subtotal	<u>22,832</u>	<u>313,596</u>
Less: Amount representing interest	797	28,345
Present value of future minimum lease payments	<u>\$ 22,035</u>	<u>\$ 285,251</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 WRS Financial Report, which can be found at <http://etf.wi.gov/publications/about-etf/reports-and-studies/financial-reports-and-statements>.

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 and 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, 2020

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
2011	(1.2)	11
2012	(7)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	(3.6)	17
2019	0.0	(10)

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, 2020, the WRS recognized \$849,147 in contributions from the City.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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

At December 31, 2020, the City reported an asset of \$2,349,365 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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, 2019, the City's proportion was 0.07286082%, which was an increase of 0.00111439% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized pension expense of \$878,792.

At December 31, 2020, 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	\$ 4,459,631	\$ 2,231,747
Net differences between projected and actual earnings on pension plan investments	-	4,802,938
Changes in assumptions	183,077	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,091	18,317
Employer contributions subsequent to the measurement date	849,147	-
Total	<u>\$ 5,492,946</u>	<u>\$ 7,053,002</u>

\$849,147 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability (asset) in the year ended December 31, 2021. 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
2021	\$ (718,322)
2022	(535,280)
2023	79,621
2024	(1,235,222)
Total	<u>\$ (2,409,203)</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

5. Actuarial Assumptions

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

Measurement date of net pension liability (asset):	December 31, 2018
Actuarial valuation date:	December 31, 2019
Actuarial cost method:	Entry Age Normal
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 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 %
<u>Core Fund Asset Class</u>			
Global Equities	49%	8.1%	5.1%
Fixed Income	24.5%	4.9%	2.1%
Inflation Sensitive Assets	15.5%	4.0%	1.2%
Real Estate	9%	6.3%	3.5%
Private Equity/Debt	8%	10.6%	7.6%
Multi-asset	4%	6.9%	4.0%
Cash	-10%	0.9%	N/A
Total Core Fund	100%	7.5%	4.6%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.5%	4.6%
International Equities	30%	8.2%	5.3%
Total Variable Fund	100%	7.8%	4.9%

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, 2020

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing the index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

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 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
City's proportionate share of the net pension liability (asset)	\$ 6,050,035	\$ (2,349,365)	\$ (8,628,883)

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, 2020, the City reported a payable of \$184,665 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2020.

G. OTHER POSTEMPLOYMENT BENEFITS

The City reports OPEB related balances at December 31, 2020 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ (735,893)	\$ 304,198	\$ (116,560)
Single-employer defined OPEB plan	(6,845,384)	1,302,162	(134,232)
Total OPEB liability	<u>\$ (7,581,277)</u>	<u>\$ 1,606,360</u>	<u>\$ (250,792)</u>

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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Benefits Provided

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

Employees Covered by Benefit Terms

At December 31, 2020 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Active employees	104
	<u>127</u>

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation date of December 31, 2019.

Actuarial Assumptions. The total OPEB liability in the December 31, 2019 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:	2.75%
Healthcare cost trend rates:	6.50% for 2019 decreasing to an ultimate rate of 5.0%, and level thereafter

Mortality rates are the same as those used in the Wisconsin 2018 Mortality table.

The actuarial assumptions used in the December 31, 2019 valuation were based on the "Wisconsin Retirement System 2015 - 2017 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 2.75%. 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, 2018	\$ 5,834,983
Changes for the year:	
Service cost	169,825
Interest	227,897
Difference between expected and actual experience	832,095
Changes of assumptions	225,508
Benefit payments	(444,924)
Net changes	<u>1,010,401</u>
Balance at December 31, 2019	<u>\$ 6,845,384</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease to Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase to Discount Rate 3.75%
Total OPEB liability	\$ 7,312,964	\$ 6,845,384	\$ 6,406,589

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 (5.5% decreasing to 4.0%) or 1-percentage-point higher (7.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Total OPEB liability	\$ 6,308,914	\$ 6,845,384	\$ 7,448,733

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$521,962. At December 31, 2020, 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	\$ 713,224	\$ -
Changes in assumptions	193,293	134,232
City contributions subsequent to the measurement date	395,645	-
Total	<u>\$ 1,302,162</u>	<u>\$ 134,232</u>

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

Year Ended December 31,	Expense
2021	\$ 124,240
2022	124,240
2023	124,240
2024	124,240
2025	124,238
Thereafter	151,087
Total	<u>\$ 772,285</u>

Payable to the OPEB Plan

At December 31, 2020, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2020.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

Benefits Provided

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

Contributions

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

Employers are required to pay the following contributions based on member 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, 2020 are:

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The members contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance Member Contribution Rates For the Year Ended December 31, 2019	
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 \$3,124 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, 2020, the City reported a liability of \$735,893 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. 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, 2019, the City's proportion was 0.17281800%, which was an increase of .00104200% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized OPEB expense of \$81,454.

At December 31, 2020, 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	\$ -	\$ 32,966
Net differences between projected and actual earnings on OPEB plan investments	13,881	-
Changes in assumptions	271,474	80,943
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,843	2,651
Total	<u>\$ 304,198</u>	<u>\$ 116,560</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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
2021	\$ 32,839
2022	32,839
2023	31,342
2024	29,801
2025	24,004
Thereafter	36,813
Total	<u>\$ 187,638</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2019 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, 2019
Measurement date of net OPEB liability:	December 31, 2019
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	2.74%
Long-term expected rate of return:	4.25%
Discount rate:	2.87%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

The long-term expected rate of return decrease slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. 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.

Single discount rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Sensitivity of the City's proportionate share of net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 2.87%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate 2.87%	1% Increase to Discount Rate (3.87%)
City's proportionate share of the net OPEB liability	\$ 1,016,145	\$ 735,893	\$ 522,676

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, 2020, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2020.

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, 2020, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepaid items	\$ 548,941
Long term receivables	<u>1,917,574</u>
Total Nonspendable Fund Balance	<u><u>\$ 2,466,515</u></u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020, restricted fund balance was as follows:

Special Revenue Funds

Restricted for

Housing revolving loans	\$ 5,632
Business and industrial revolving loans	423,998
Library	15,590
Library gift fund	367,459
WDF administrative	200
EMS Act 102 grant	5,445
Affordable housing	91,830
Medical/hospital equipment	21,143

Capital Projects Funds

Restricted for

Street construction	199,805
Bridge construction	8,725
Public Works equipment	268,422
TIF District No. 7	891,951
TIF District No. 8	147,236
TIF District No. 9	120,416
TIF District No. 11	5,595
TIF District No. 13	233,494
High school bike trail	2,093
Harbor master plan	1,079,360

Debt Service Fund

Restricted for debt service	<u>74,653</u>
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Total restricted fund balance	<u>\$ 3,963,047</u>
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City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2020, governmental fund balance was committed as follows:

Special Revenue Funds

Committed for

Community tourism	\$	4,524
Business improvement district		5,625
Docks and harbors		17,234
Urban forestry		5,182
Tree planting		30,868
Community development		11,387

Capital Projects Funds

Committed for

Street construction		22,730
Bridge construction		1,122
Fire equipment		22,305
Public works equipment		83,869
City Hall equipment		24,357
Management information		16,150
Industrial park development		2,948
High school bike trail		22,903
Harbor master plan		418,766
Library building and grounds		12,394

Total committed fund balance	\$	<u>702,364</u>
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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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

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 \$6.2 million in 2020.

B. TAX INCREMENTAL FINANCING DISTRICTS

The City has established separate capital projects funds for Tax Incremental District (TID) Nos. 3 through 13. 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.

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	1/31/2020
TID No. 4	5/26/2021
TID No. 6	7/17/2027
TID No. 7	8/20/2028
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
TID No. 13	2/3/2041

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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

For the year ended December 31, 2020, the City abated property taxes totaling \$242,762 under this program, including the following amounts:

- A property tax abatement of \$222,762 to a developer within District No. 9.
- A property tax abatement of \$20,000 to a developer 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 EVENTS

During 2021, the City issued the following long-term debt obligations:

- On June 7, 2021 the City issued general obligation promissory notes in the amount of \$1,915,000 to be used for various equipment and capital improvement projects.
- On June 7, 2021 the City issued general obligation refunding bonds in the amount of \$775,000 to refinance a 2019 State Trust Fund Loan in order to reduce interest expense.

F. RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organization, and local communities. Specific to the City, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of August 12, 2021.

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%
12/31/18	0.07174643%	2,552,513	8,182,118	31.20%	96.45%
12/31/19	0.07286082%	(2,349,365)	8,387,804	28.01%	102.96%

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	-	8,182,118	9.18%
12/31/19	761,553	761,553	-	8,387,804	9.08%
12/31/20	849,147	849,147	-	8,720,641	9.74%

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**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.16989100%	\$ 511,131	\$ 7,920,634	6.45%	44.81%
12/31/18	0.17386000%	448,617	8,182,118	5.48%	48.69%
12/31/19	0.17281800%	735,893	8,168,000	9.01%	37.58%

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

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
12/31/18	\$ 3,349	\$ 3,349	-	\$ 8,182,118	0.04%
12/31/19	3,440	3,440	-	8,168,000	0.04%
12/31/20	3,124	3,124	-	8,720,641	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 *

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 169,825	\$ 178,228	\$ 178,228
Interest	227,897	207,851	209,119
Changes of benefit terms	-	-	-
Differences between expected and actual experience	832,095	-	-
Changes of assumptions	225,508	(187,924)	-
Benefit payments	(444,924)	(425,292)	(421,890)
Net change in total OPEB liability	1,010,401	(227,137)	(34,543)
Total OPEB liability - beginning	5,834,983	6,062,120	6,096,663
Total OPEB liability - ending	<u>\$ 6,845,384</u>	<u>\$ 5,834,983</u>	<u>\$ 6,062,120</u>
Covered-employee payroll	\$ 7,319,913	\$ 6,875,838	\$ 6,875,838
City's total OPEB liability as a percentage of covered-employee payroll	93.52%	84.86%	88.17%

* The amounts presented for each fiscal year were determined as of the prior 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, 2020

A. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

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 for any participating employer in LRLIF. Actuarial assumptions were based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015 - 2017 and the discount rate was updated to reflect the municipal bond rate at the completion of the actuarial valuation.

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. No significant change in assumptions were noted from the prior year.

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.

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Taxes				
General property	\$ 2,198,500	\$ 2,198,500	\$ 2,198,499	\$ (1)
Payments in lieu of taxes	20	20	17	(3)
Other taxes	14,200	14,200	2,044	(12,156)
Interest and taxes	10,000	10,000	18,986	8,986
Total taxes	2,222,720	2,222,720	2,219,546	(3,174)
Special assessments				
Street paving and construction	100,000	100,000	52,788	(47,212)
Other special assessments	9,000	9,000	6,595	(2,405)
Total special assessments	109,000	109,000	59,383	(49,617)
Intergovernmental				
State shared taxes	3,787,458	3,787,458	3,783,221	(4,237)
Exempt computer aid	15,023	15,023	15,023	-
Fire insurance tax	24,000	24,000	23,985	(15)
Law enforcement training	12,000	12,000	14,267	2,267
Expenditure restraint	194,416	194,416	194,416	-
Other public safety	26,000	26,000	25,089	(911)
Municipal services payment	4,150	4,150	3,462	(688)
Other state aid	-	-	136,793	136,793
Local highway aid	564,960	564,960	564,196	(764)
Connecting streets	89,375	89,375	89,377	2
Total intergovernmental	4,717,382	4,717,382	4,849,829	132,447
Licenses and permits				
Licenses				
Liquor and malt beverage	16,000	16,000	6,705	(9,295)
Bar operators	6,000	6,000	5,878	(122)
Cigarette	800	800	900	100
Dog	8,000	8,000	6,863	(1,137)
Business and occupational	2,000	2,000	740	(1,260)
Bicycle	300	300	600	300
Permits				
Building	70,000	70,000	54,107	(15,893)
Electrical	13,000	13,000	14,605	1,605
plumbing	20,000	20,000	12,255	(7,745)
Sign	2,200	2,200	1,710	(490)
Conditional use	2,000	2,000	4,200	2,200
Other permits	5,000	5,000	5,378	378
Cable franchise fees	134,000	134,000	134,401	401
Total licenses and permits	279,300	279,300	248,342	(30,958)
Fines and forfeits				
Court penalties and costs	73,500	73,500	58,524	(14,976)
Animal control	-	-	800	800
Parking fines	18,400	18,400	14,175	(4,225)
Total fines and forfeits	91,900	91,900	73,499	(18,401)

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Public charges for services				
Community center	33,000	33,000	19,368	(13,632)
Senior center	52,000	52,000	32,639	(19,361)
General government	24,000	24,000	23,024	(976)
Public works	200,000	200,000	220,678	20,678
Cemetery plots and burials	100,000	100,000	110,375	10,375
Law enforcement	3,000	3,000	2,224	(776)
Ambulance	815,000	815,000	697,073	(117,927)
Recreation	85,000	85,000	40,721	(44,279)
Fire department	84,500	84,500	62,971	(21,529)
Total public charges for services	<u>1,396,500</u>	<u>1,396,500</u>	<u>1,209,073</u>	<u>(187,427)</u>
Intergovernmental charges for services				
Police liaison	137,000	137,000	137,114	114
Shared fire expense	1,000	1,000	235	(765)
Total intergovernmental charges for services	<u>138,000</u>	<u>138,000</u>	<u>137,349</u>	<u>(651)</u>
Interdepartmental charges for services				
Public works	500,000	500,000	462,281	(37,719)
Recreation	1,710	1,710	31,000	29,290
Economic development	20,000	20,000	2,196	(17,804)
Total interdepartmental charges for services	<u>521,710</u>	<u>521,710</u>	<u>495,477</u>	<u>(26,233)</u>
Miscellaneous				
Interest on investments	30,000	30,000	19,440	(10,560)
Interest on advances	67,500	67,500	42,025	(25,475)
Interest on special assessments	5,000	5,000	34,419	29,419
Rental income	65,000	65,000	61,143	(3,857)
Refunds for prior years	36,500	36,500	29,120	(7,380)
Insurance recovery	-	-	5,186	5,186
Other	5,000	5,000	7,490	2,490
Total miscellaneous	<u>209,000</u>	<u>209,000</u>	<u>198,823</u>	<u>(10,177)</u>
Total revenues	<u>\$ 9,685,512</u>	<u>\$ 9,685,512</u>	<u>\$ 9,491,321</u>	<u>\$ (194,191)</u>

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
General government				
Council	\$ 15,942	\$ 15,942	\$ 18,513	\$ (2,571)
Judicial	71,842	59,151	67,395	(8,244)
Clerk	83,201	83,201	102,529	(19,328)
Assessor	110,805	103,055	102,332	723
Elections	26,350	26,350	32,674	(6,324)
City manager	166,282	166,282	173,465	(7,183)
City Hall	91,275	81,273	86,829	(5,556)
Information systems	102,852	102,178	101,815	363
Other general government	19,150	15,450	7,584	7,866
Insurance and bonds	343,315	340,315	315,722	24,593
Legal	54,210	54,210	53,095	1,115
Accounting	165,878	157,162	162,451	(5,289)
Uncollectible taxes and refunds	10,000	10,000	8,393	1,607
Contingency	-	368,742	27,500	341,242
Total general government	<u>1,261,102</u>	<u>1,583,311</u>	<u>1,260,297</u>	<u>323,014</u>
Public safety				
Police and fire commission	5,000	5,000	1,050	3,950
Police department	3,080,645	3,023,336	3,035,660	(12,324)
Fire department	1,992,185	1,973,985	2,005,506	(31,521)
Ambulance	519,020	507,220	497,657	9,563
Inspection	131,555	131,555	125,119	6,436
Total public safety	<u>5,728,405</u>	<u>5,641,096</u>	<u>5,664,992</u>	<u>(23,896)</u>
Public works				
Public works shop	650,554	617,012	639,357	(22,345)
Highway administration	190,313	184,789	201,009	(16,220)
Bridge repairs and maintenance	44,496	43,996	37,123	6,873
Street and highway maintenance	248,618	238,656	243,757	(5,101)
Snow and ice removal	208,995	186,823	126,409	60,414
Traffic control	64,014	55,714	50,981	4,733
Transit	110,000	108,000	107,877	123
Work done for others	134,794	134,794	164,626	(29,832)
Total public works	<u>1,651,784</u>	<u>1,569,784</u>	<u>1,571,139</u>	<u>(1,355)</u>
Health and human services				
Cemetery	173,813	139,714	156,896	(17,182)
Senior center	<u>195,729</u>	<u>188,729</u>	<u>182,205</u>	<u>6,524</u>
Total health and human services	<u>369,542</u>	<u>328,443</u>	<u>339,101</u>	<u>(10,658)</u>
Culture and recreation				
Community center	416,757	396,818	359,833	36,985
Parks	307,927	267,835	287,408	(19,573)
Recreation	298,832	245,832	205,416	40,416
Special events	39,544	38,274	28,157	10,117
Recreation fields	120,147	107,647	116,036	(8,389)
Total culture and recreation	<u>1,183,207</u>	<u>1,056,406</u>	<u>996,850</u>	<u>59,556</u>
Total expenditures	<u>\$ 10,194,040</u>	<u>\$ 10,179,040</u>	<u>\$ 9,832,379</u>	<u>\$ 346,661</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, 2020

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,305,271	\$ 2,305,271	\$ 2,305,271	\$ -
Miscellaneous	20,000	20,000	8,686	(11,314)
Total revenues	<u>2,325,271</u>	<u>2,325,271</u>	<u>2,313,957</u>	<u>(11,314)</u>
EXPENDITURES				
Current				
General government	1,600,000	1,600,000	1,582,279	17,721
Debt service				
Principal	1,952,247	1,952,247	1,811,854	140,393
Interest and fiscal charges	511,718	511,718	791,520	(279,802)
Total expenditures	<u>4,063,965</u>	<u>4,063,965</u>	<u>4,185,653</u>	<u>(121,688)</u>
Excess of revenues under expenditures	<u>(1,738,694)</u>	<u>(1,738,694)</u>	<u>(1,871,696)</u>	<u>(133,002)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,200,000	1,200,000	7,530,000	6,330,000
Premium on debt issued	-	-	313,636	313,636
Payment to current bondholder	-	-	(2,001,585)	(2,001,585)
Payment to current noteholder	-	-	(4,869,189)	(4,869,189)
Transfers in	138,694	138,694	592,157	453,463
Transfers out	-	-	(41,811)	(41,811)
Total other financing sources (uses)	<u>1,338,694</u>	<u>1,338,694</u>	<u>1,523,208</u>	<u>184,514</u>
Net change in fund balance	(400,000)	(400,000)	(348,488)	51,512
Fund balance - January 1	<u>423,141</u>	<u>423,141</u>	<u>423,141</u>	<u>-</u>
Fund balance - December 31	<u>\$ 23,141</u>	<u>\$ 23,141</u>	<u>\$ 74,653</u>	<u>\$ 51,512</u>

City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue					Business Improvement District
	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative	
ASSETS						
Cash and investments	\$ 316,977	\$ 367,459	\$ 4,961	\$ -	\$ 200	\$ 10,913
Receivables						
Taxes and special charges	337,537	-	-	-	-	27,498
Accounts	-	-	-	-	-	5,625
Loans	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 654,514	\$ 367,459	\$ 4,961	\$ -	\$ 200	\$ 44,036
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 25,463	\$ -	\$ 437	\$ -	\$ -	\$ -
Accrued and other current liabilities	6,454	-	-	-	-	-
Due to other funds	-	-	-	8,216	-	-
Special deposits	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Total liabilities	31,917	-	437	8,216	-	-
Deferred inflows of resources						
Property taxes levied for subsequent year	607,007	-	-	-	-	38,411
Loans receivable	-	-	-	-	-	-
Total deferred inflows of resources	607,007	-	-	-	-	38,411
Fund balances						
Restricted	15,590	367,459	-	-	200	-
Committed	-	-	4,524	-	-	5,625
Unassigned	-	-	-	(8,216)	-	-
Total fund balances	15,590	367,459	4,524	(8,216)	200	5,625
Total liabilities, deferred inflows of resources, and fund balances	\$ 654,514	\$ 367,459	\$ 4,961	\$ -	\$ 200	\$ 44,036

Special Revenue									
Docks and Harbors	Urban Forestry	Senior Center	Tree Planting	EMS Act 102 Grant	Business and Industrial Revolving Loans	Sandy Bay Highlands	Affordable Housing	Medical/Hospital Equipment	Community Development
\$ 18,014	\$ 5,232	\$ -	\$ 30,868	\$ 5,445	\$ 436,405	\$ -	\$ 91,830	\$ 21,143	\$ 13,099
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,302,392	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ 18,014</u>	<u>\$ 5,232</u>	<u>\$ -</u>	<u>\$ 30,868</u>	<u>\$ 5,445</u>	<u>\$ 1,738,797</u>	<u>\$ -</u>	<u>\$ 91,830</u>	<u>\$ 21,143</u>	<u>\$ 13,099</u>
\$ 780	\$ -	\$ 647	\$ -	\$ -	\$ 12,407	\$ -	\$ -	\$ -	\$ 247
-	50	574	-	-	-	-	-	-	1,465
-	-	51,912	-	-	-	-	-	-	-
-	-	587	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>780</u>	<u>50</u>	<u>53,720</u>	<u>-</u>	<u>-</u>	<u>12,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,712</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,302,392	-	-	-	-
-	-	-	-	-	1,302,392	-	-	-	-
-	-	-	-	5,445	423,998	-	91,830	21,143	-
17,234	5,182	-	30,868	-	-	-	-	-	11,387
-	-	(53,720)	-	-	-	-	-	-	-
<u>17,234</u>	<u>5,182</u>	<u>(53,720)</u>	<u>30,868</u>	<u>5,445</u>	<u>423,998</u>	<u>-</u>	<u>91,830</u>	<u>21,143</u>	<u>11,387</u>
<u>\$ 18,014</u>	<u>\$ 5,232</u>	<u>\$ -</u>	<u>\$ 30,868</u>	<u>\$ 5,445</u>	<u>\$ 1,738,797</u>	<u>\$ -</u>	<u>\$ 91,830</u>	<u>\$ 21,143</u>	<u>\$ 13,099</u>

City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	Capital Projects				
	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
ASSETS					
Cash and investments	\$ 222,535	\$ 9,847	\$ -	\$ 22,305	\$ 399,786
Receivables					
Taxes and special charges	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 222,535	\$ 9,847	\$ -	\$ 22,305	\$ 399,786
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 47,495
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	31,166	-	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	-	-	31,166	-	47,495
Deferred inflows of resources					
Property taxes levied for subsequent year	-	-	-	-	-
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Restricted	199,805	8,725	-	-	268,422
Committed	22,730	1,122	-	22,305	83,869
Unassigned	-	-	(31,166)	-	-
Total fund balances	222,535	9,847	(31,166)	22,305	352,291
Total liabilities, deferred inflows of resources, and fund balances	\$ 222,535	\$ 9,847	\$ -	\$ 22,305	\$ 399,786

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
\$ -	\$ 24,357	\$ 16,150	\$ 44,074	\$ 4,000	\$ 8,738	\$ -	\$ 11,751
-	-	-	-	-	25,225	-	12,758
63,774	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 63,774</u>	<u>\$ 24,357</u>	<u>\$ 16,150</u>	<u>\$ 44,074</u>	<u>\$ 4,000</u>	<u>\$ 33,963</u>	<u>\$ -</u>	<u>\$ 24,509</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	132,542	-	7,854	-	210,000
-	-	-	-	-	-	-	-
63,774	-	-	-	-	-	-	-
<u>63,774</u>	<u>-</u>	<u>-</u>	<u>132,542</u>	<u>4,000</u>	<u>7,854</u>	<u>-</u>	<u>210,000</u>
-	-	-	-	-	45,363	-	22,943
-	-	-	-	-	-	-	-
-	-	-	-	-	45,363	-	22,943
-	-	-	-	-	-	-	-
-	24,357	16,150	-	-	-	-	-
-	-	-	(88,468)	-	(19,254)	-	(208,434)
-	24,357	16,150	(88,468)	-	(19,254)	-	(208,434)
<u>\$ 63,774</u>	<u>\$ 24,357</u>	<u>\$ 16,150</u>	<u>\$ 44,074</u>	<u>\$ 4,000</u>	<u>\$ 33,963</u>	<u>\$ -</u>	<u>\$ 24,509</u>

City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2020

	Capital Projects				
	TIF District No. 7	TIF District No. 8	TIF District No. 9	TIF District No. 10	TIF District No. 11
ASSETS					
Cash and investments	\$ 101,598	\$ 230,010	\$ 224,674	\$ -	\$ 18,261
Receivables					
Taxes and special charges	85,754	103,682	130,592	1,592	15,866
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	858,814	-	-	-	-
Total assets	\$ 1,046,166	\$ 333,692	\$ 355,266	\$ 1,592	\$ 34,127
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	116,836	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	-	-	-	116,836	-
Deferred inflows of resources					
Property taxes levied for subsequent year	154,215	186,456	234,850	2,863	28,532
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	154,215	186,456	234,850	2,863	28,532
Fund balances					
Restricted	891,951	147,236	120,416	-	5,595
Committed	-	-	-	-	-
Unassigned	-	-	-	(118,107)	-
Total fund balances	891,951	147,236	120,416	(118,107)	5,595
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,046,166	\$ 333,692	\$ 355,266	\$ 1,592	\$ 34,127

Capital Projects

TIF District No. 12	TIF District No. 13	Industrial Park Development	City Landfill	High School Bike Trail	Harbor Master Plan	Library Building and Grounds	Total
\$ -	\$ 233,494	\$ 7,428	\$ -	\$ 29,336	\$ 1,498,126	\$ 12,394	\$ 4,441,410
-	-	-	-	-	-	-	740,504
-	-	-	-	-	-	-	69,399
-	-	4,125	-	-	-	-	1,306,517
-	-	-	-	-	-	-	858,814
<u>\$ -</u>	<u>\$ 233,494</u>	<u>\$ 11,553</u>	<u>\$ -</u>	<u>\$ 29,336</u>	<u>\$ 1,498,126</u>	<u>\$ 12,394</u>	<u>\$ 7,416,644</u>
\$ -	\$ -	\$ -	\$ 68	\$ 4,340	\$ -	\$ -	\$ 95,884
-	-	-	-	-	-	-	8,543
54,299	-	-	42,047	-	-	-	654,872
-	-	4,480	-	-	-	-	5,067
-	-	-	-	-	-	-	63,774
<u>54,299</u>	<u>-</u>	<u>4,480</u>	<u>42,115</u>	<u>4,340</u>	<u>-</u>	<u>-</u>	<u>828,140</u>
-	-	-	-	-	-	-	1,320,640
-	-	4,125	-	-	-	-	1,306,517
-	-	4,125	-	-	-	-	2,627,157
-	233,494	-	-	2,093	1,079,360	-	3,882,762
-	-	2,948	-	22,903	418,766	12,394	702,364
(54,299)	-	-	(42,115)	-	-	-	(623,779)
<u>(54,299)</u>	<u>233,494</u>	<u>2,948</u>	<u>(42,115)</u>	<u>24,996</u>	<u>1,498,126</u>	<u>12,394</u>	<u>3,961,347</u>
<u>\$ -</u>	<u>\$ 233,494</u>	<u>\$ 11,553</u>	<u>\$ -</u>	<u>\$ 29,336</u>	<u>\$ 1,498,126</u>	<u>\$ 12,394</u>	<u>\$ 7,416,644</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, 2020

	Special Revenue					Business Improvement District
	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative	
REVENUES						
Taxes	\$ 619,007	\$ -	\$ 143,287	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	36,665
Intergovernmental	179,542	75,000	-	-	-	-
Public charges for services	4,489	-	5,920	-	-	-
Miscellaneous	44,313	92,130	2,000	30,798	-	-
Total revenues	847,351	167,130	151,207	30,798	-	36,665
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	826,126	3,260	-	24,510	-	-
Conservation and development	-	-	113,061	-	-	43,236
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-
Debt service						
Principal	12,908	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	839,034	3,260	113,061	24,510	-	43,236
Excess of revenues over (under) expenditures	8,317	163,870	38,146	6,288	-	(6,571)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	-	-	-
Proceeds from sale of capital assets	553	-	-	-	-	-
Transfers in	-	-	42,797	-	-	6,000
Transfers out	(1,080)	(179,503)	(78,592)	-	-	-
Total other financing sources (uses)	(527)	(179,503)	(35,795)	-	-	6,000
Net change in fund balances	7,790	(15,633)	2,351	6,288	-	(571)
Fund balances - January 1	7,800	383,092	2,173	(14,504)	200	6,196
Fund balances - December 31	\$ 15,590	\$ 367,459	\$ 4,524	\$ (8,216)	\$ 200	\$ 5,625

Special Revenue									
Docks and Harbors	Urban Forestry	Senior Center	Tree Planting	EMS Act 102 Grant	Business and Industrial Revolving Loans	Sandy Bay Highlands	Affordable Housing	Medical/Hospital Equipment	Community Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	9,012	43,459	1,002	-	22,149	-	-	-	-
10,094	-	92,439	-	-	-	-	-	-	-
-	-	55,163	20,749	-	77,443	-	-	10,809	-
10,094	9,012	191,061	21,751	-	99,592	-	-	10,809	-
-	-	-	-	-	-	-	-	-	-
2,935	-	-	-	2,673	-	-	-	664	-
-	-	141,882	-	-	-	-	-	-	-
-	-	6,939	-	-	-	-	-	-	-
-	16,419	-	264	-	563,849	2,458	1,054	-	143,364
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,935	16,419	148,821	264	2,673	563,849	2,458	1,054	664	143,364
7,159	(7,407)	42,240	21,487	(2,673)	(464,257)	(2,458)	(1,054)	10,145	(143,364)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	129,834	-	-	-
-	19,500	-	-	-	79,851	-	12,792	-	140,000
-	(6,650)	-	(1,553)	-	(75,000)	(126,284)	-	-	-
-	12,850	-	(1,553)	-	4,851	3,550	12,792	-	140,000
7,159	5,443	42,240	19,934	(2,673)	(459,406)	1,092	11,738	10,145	(3,364)
10,075	(261)	(95,960)	10,934	8,118	883,404	(1,092)	80,092	10,998	14,751
\$ 17,234	\$ 5,182	\$ (53,720)	\$ 30,868	\$ 5,445	\$ 423,998	\$ -	\$ 91,830	\$ 21,143	\$ 11,387

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Capital Projects				
	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	14,980	-	-
Public charges for services	-	-	-	-	-
Miscellaneous	-	-	1,365	19,407	45,642
Total revenues	-	-	16,345	19,407	45,642
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	16,766	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	1	-	-
Conservation and development	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	87,570	-
Public works	381,650	327	-	-	172,078
Culture and recreation	-	-	320,262	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	381,650	327	320,263	104,336	172,078
Excess of revenues over (under) expenditures	(381,650)	(327)	(303,918)	(84,929)	(126,436)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	375,000	-	227,000	86,500	440,500
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	24,471	-	-
Transfers out	(16,268)	-	-	-	-
Total other financing sources (uses)	358,732	-	251,471	86,500	440,500
Net change in fund balances	(22,918)	(327)	(52,447)	1,571	314,064
Fund balances - January 1	245,453	10,174	21,281	20,734	38,227
Fund balances - December 31	<u>\$ 222,535</u>	<u>\$ 9,847</u>	<u>\$ (31,166)</u>	<u>\$ 22,305</u>	<u>\$ 352,291</u>

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
\$ -	\$ -	\$ -	\$ -	\$ 12,792	\$ 45,692	\$ -	\$ 30,232
-	-	-	-	-	-	-	-
-	26,404	41,121	18,771	6,386	1,444	-	5
-	-	-	-	-	-	-	-
-	9,593	-	46,584	-	-	-	-
-	35,997	41,121	65,355	19,178	47,136	-	30,237
-	-	-	-	-	-	-	-
-	-	-	32,157	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	9,146	149	-	150
-	54,783	48,637	-	-	-	-	-
-	-	-	103,153	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	561	-	-
-	54,783	48,637	135,310	9,146	710	-	150
-	(18,786)	(7,516)	(69,955)	10,032	46,426	-	30,087
-	-	-	41,000	-	-	-	-
57,000	-	-	3,666	-	-	-	-
6,774	-	18,000	41,811	-	-	-	-
-	-	-	-	(45,266)	-	-	-
63,774	-	18,000	86,477	(45,266)	-	-	-
63,774	(18,786)	10,484	16,522	(35,234)	46,426	-	30,087
(63,774)	43,143	5,666	(104,990)	35,234	(65,680)	-	(238,521)
\$ -	\$ 24,357	\$ 16,150	\$ (88,468)	\$ -	\$ (19,254)	\$ -	\$ (208,434)

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Capital Projects				
	TIF District No. 7	TIF District No. 8	TIF District No. 9	TIF District No. 10	TIF District No. 11
REVENUES					
Taxes	\$ 157,915	\$ 186,452	\$ 14,576	\$ 33,077	\$ 31,116
Special assessments	-	-	-	-	-
Intergovernmental	822	-	3,681	100	16,125
Public charges for services	-	-	-	-	-
Miscellaneous	5,870	-	-	27,500	-
Total revenues	164,607	186,452	18,257	60,677	47,241
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	149	972	150	4,755	47,390
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	8,940	8,013	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	3,414	-
Total expenditures	9,089	8,985	150	8,169	47,390
Excess of revenues over (under) expenditures	155,518	177,467	18,107	52,508	(149)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	125,000	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(79,936)	(95,953)	-	(150,488)	-
Total other financing sources (uses)	(79,936)	(95,953)	-	(25,488)	-
Net change in fund balances	75,582	81,514	18,107	27,020	(149)
Fund balances - January 1	816,369	65,722	102,309	(145,127)	5,744
Fund balances - December 31	\$ 891,951	\$ 147,236	\$ 120,416	\$ (118,107)	\$ 5,595

Capital Projects							
TIF District No. 12	TIF District No. 13	Industrial Park Development	City Landfill	High School Bike Trail	Harbor Master Plan	Library Building and Grounds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,274,146
-	-	-	-	-	-	-	36,665
250,000	-	-	-	-	-	-	710,003
-	-	-	-	-	-	-	112,942
-	-	92,660	163,026	61,092	-	26,988	833,132
250,000	-	92,660	163,026	61,092	-	26,988	2,966,888
-	-	-	-	-	-	194,097	194,097
-	-	-	-	-	-	-	52,260
-	-	-	115,167	-	33,730	-	151,832
-	-	-	-	-	-	-	141,882
-	-	-	-	157,907	-	-	1,018,743
761,269	16,506	10,214	-	-	-	-	1,734,555
-	-	-	-	-	-	-	103,420
-	-	-	-	-	-	-	190,723
-	-	-	-	-	-	-	554,055
-	-	-	-	-	-	-	320,262
-	-	55	-	-	-	-	17,008
-	-	-	-	-	-	-	12,908
1,508	-	-	-	-	-	-	5,483
762,777	16,506	10,269	115,167	157,907	33,730	194,097	4,497,228
(512,777)	(16,506)	82,391	47,859	(96,815)	(33,730)	(167,109)	(1,530,340)
-	250,000	-	-	160,000	550,000	-	2,255,000
-	-	-	-	-	-	-	191,053
-	-	-	-	-	-	179,503	571,499
(19,397)	-	(75,000)	-	-	-	-	(950,970)
(19,397)	250,000	(75,000)	-	160,000	550,000	179,503	2,066,582
(532,174)	233,494	7,391	47,859	63,185	516,270	12,394	536,242
477,875	-	(4,443)	(89,974)	(38,189)	981,856	-	3,425,105
\$ (54,299)	\$ 233,494	\$ 2,948	\$ (42,115)	\$ 24,996	\$ 1,498,126	\$ 12,394	\$ 3,961,347

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS DECEMBER 31, 2020

	Telecom- munication Utility	Solid Waste	Total
ASSETS			
Current assets			
Cash and investments	\$ 65,928	\$ 86,818	\$ 152,746
Receivables			
Taxes and special charges	-	1,687	1,687
Other	-	80,494	80,494
Total current assets	<u>65,928</u>	<u>168,999</u>	<u>234,927</u>
Other assets			
Net pension asset	-	10,905	10,905
Capital assets			
Depreciable, net	26,966	-	26,966
Total assets	<u>92,894</u>	<u>179,904</u>	<u>272,798</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	-	26,944	26,944
Other postemployment related amounts	-	11,259	11,259
Total deferred outflows of resources	<u>-</u>	<u>38,203</u>	<u>38,203</u>
LIABILITIES			
Current liabilities			
Accounts payable	-	167	167
Accrued and other current liabilities	-	468	468
Accrued interest payable	-	448	448
Payable from restricted assets			
Current portion of long-term debt	-	1,592	1,592
Total current liabilities	<u>-</u>	<u>2,675</u>	<u>2,675</u>
Long-term obligations, less current portion			
Revenue bonds	-	10,982	10,982
Other postemployment benefits	-	51,553	51,553
Total long-term liabilities	<u>-</u>	<u>62,535</u>	<u>62,535</u>
Total liabilities	<u>-</u>	<u>65,210</u>	<u>65,210</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	-	32,738	32,738
Other postemployment related amounts	-	1,706	1,706
Total deferred inflows of resources	<u>-</u>	<u>34,444</u>	<u>34,444</u>
NET POSITION			
Net investment in capital assets	26,966	-	26,966
Restricted for pension benefits	-	10,905	10,905
Unrestricted	65,928	107,548	173,476
Total net position	<u>\$ 92,894</u>	<u>\$ 118,453</u>	<u>\$ 211,347</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, 2020

	Telecom- munication Utility	Solid Waste	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 462,920	\$ 462,920
Other	15,885	235,582	251,467
Total operating revenues	<u>15,885</u>	<u>698,502</u>	<u>714,387</u>
OPERATING EXPENSES			
Operation and maintenance	5,119	814,845	819,964
Depreciation	5,009	-	5,009
Total operating expenses	<u>10,128</u>	<u>814,845</u>	<u>824,973</u>
Operating loss	<u>5,757</u>	<u>(116,343)</u>	<u>(110,586)</u>
NONOPERATING REVENUES (EXPENSES)			
Nonoperating grants	-	81,420	81,420
Interest and fiscal charges	-	(495)	(495)
Other nonoperating revenues	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>80,925</u>	<u>80,925</u>
Income (Loss) before transfers	5,757	(35,418)	(29,661)
Transfers out	<u>-</u>	<u>(1,080)</u>	<u>(1,080)</u>
Change in net position	5,757	(36,498)	(30,741)
Net position - January 1	<u>87,137</u>	<u>154,951</u>	<u>242,088</u>
Net position - December 31	<u>\$ 92,894</u>	<u>\$ 118,453</u>	<u>\$ 211,347</u>

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2020

	Telecom- munication Utility	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,885	\$ 668,739	\$ 684,624
Cash paid for employee wages and benefits	-	(78,828)	(78,828)
Cash paid to suppliers	(5,119)	(728,300)	(733,419)
Net cash used by operating activities	<u>10,766</u>	<u>(138,389)</u>	<u>(127,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating grants	-	81,420	81,420
Due to/from other funds	55,162	146,963	202,125
Transfer out	-	(1,080)	(1,080)
Net cash provided by noncapital financing activities	<u>55,162</u>	<u>227,303</u>	<u>282,465</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	-	(1,530)	(1,530)
Interest paid on long-term debt	-	(566)	(566)
Net cash used by capital and related financing activities	<u>-</u>	<u>(2,096)</u>	<u>(2,096)</u>
Change in cash and cash equivalents	65,928	86,818	152,746
Cash and cash equivalents - January 1	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents - December 31	<u>\$ 65,928</u>	<u>\$ 86,818</u>	<u>\$ 152,746</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating loss	\$ 5,757	\$ (116,343)	\$ (110,586)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	5,009	-	5,009
Change in asset, liability and deferred outflows and inflows of resources			
Net pension asset	-	(10,905)	(10,905)
Deferred outflows - pension related	-	6,970	6,970
Net pension liability	-	(12,597)	(12,597)
Deferred inflows - pension related	-	15,257	15,257
Other postemployment benefits			
Deferred outflows - OPEB related	-	(10,882)	(10,882)
OPEB liability	-	49,339	49,339
Deferred inflows - OPEB related	-	1,114	1,114
Change in operating assets and liabilities			
Accounts receivables	-	(29,763)	(29,763)
Accounts payable	-	(29,338)	(29,338)
Accrued and other current liabilities	-	(1,241)	(1,241)
Net cash used by operating activities	<u>\$ 10,766</u>	<u>\$ (138,389)</u>	<u>\$ (127,623)</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	<u>\$ 65,928</u>	<u>\$ 86,818</u>	<u>\$ 152,746</u>
Noncash capital and related financing activities			
None			

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2020

	Custodial Funds				Total
	Property Tax Collection	Smongeski Health	Crime Prevention	TRIAD Committee	
ASSETS					
Cash and investments	\$ 3,284,476	\$ 160,454	\$ 353	\$ 1,249	\$ 3,446,532
Receivables					
Taxes	4,114,125	-	-	-	4,114,125
TOTAL ASSETS	<u>7,398,601</u>	<u>160,454</u>	<u>353</u>	<u>1,249</u>	<u>7,560,657</u>
LIABILITIES					
Due to other governments	3,284,476	-	-	-	3,284,476
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	4,114,125	-	-	-	4,114,125
NET POSITION					
Restricted	<u>\$ -</u>	<u>\$ 160,454</u>	<u>\$ 353</u>	<u>\$ 1,249</u>	<u>\$ 162,056</u>

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

	Custodial Funds				Total
	Property Tax Collection	Smongeski Health	Crime Prevention	TRIAD Committee	
ADDITIONS					
Interest on investments	\$ -	\$ -	\$ -	\$ 1,849	\$ 1,849
Taxes and special charges collected	5,682,209	-	-	-	5,682,209
Total additions	5,682,209	-	-	1,849	5,684,058
DEDUCTIONS					
Payments to others	5,682,209	-	338	600	5,683,147
Change in net position	-	-	(338)	1,249	911
Net position - January 1	-	160,454	691	-	161,145
Net position - December 31	\$ -	\$ 160,454	\$ 353	\$ 1,249	\$ 162,056



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 12, 2021.

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) as a basis for designing 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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 financial statements. 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 RESPONSES TO FINDINGS

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

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
August 12, 2021

City of Two Rivers, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2020-001	<p>Preparation of Annual Financial Report Repeat of Finding 2019-001</p>
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
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.
Context	The City engages CliftonLarsonAllen, LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of the accounting principles generally accepted in the United States of America and knowledge of the City's activities and operations.
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.

City of Two Rivers, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2020-002	Adjustment to the City's Financial Records
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries to the City's financial statements.
Context:	While performing audit procedures, audit adjustments were identified.
Criteria:	Adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	City staff maintain financial records which accurately report revenues and expenditures throughout the year and have applied year-end procedures consistently with prior years; however, during the audit, additional adjustments related to accounts payable were identified.
Effect:	Year-end financial records prior to final preparation of the financial statements contained misstatements.
Recommendation:	We recommend the City continue to evaluate year-end closing procedures to ensure that all adjusting and closing entries are properly recorded.
Management Response:	The City followed year-end procedures consistent with those of prior years. The City will continue to evaluate year end closing procedures related to accounts payable and year end cut-off to ensure that all material transactions are recorded in the proper accounting period.

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, 2020.