

City of Two Rivers, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019

City of Two Rivers, Wisconsin

DECEMBER 31, 2019

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Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Two Rivers, Wisconsin (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, 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.

EMPHASIS OF MATTER

As described in Note 1.B., during 2019, the City adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the city established a custodial fund for taxes and special charges collected for other governments. In prior years, these amounts were reported in the general fund. In addition the City also presents custodial funds for the Smongeski Health and Crime Prevention funds, which prior to the implementation of Statement No. 84, were presented as agency funds. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 4.F., the City recorded a prior period adjustment to increase accounts receivable and net position by \$504,635 in the enterprise fund financial statements and business-type activities.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 12 and the schedules relating to pensions and other postemployment benefits on pages 69 through 71 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 December 9, 2020, 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
December 9, 2020

City of Two Rivers, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Two Rivers, Wisconsin, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended December 31, 2019. Please read this Discussion and Analysis in conjunction with the City's financial statements following this section.

FINANCIAL HIGHLIGHTS

The City has combined Net Position of Governmental Activities and Business-type Activities that total \$47,013,717. This is an increase of \$1,118,886 compared to year-end 2018. Activities and resultant events that had major impacts on the City's 2019 financials were:

Eleven funds of the City experienced cash deficits at year-end, an improvement from sixteen funds with deficit cash balance 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 \$2,782,914, 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:

--\$3,528,152 at the end of 2018
--\$2,876,491 at the end of 2017
--\$4,548,549 at the end of 2016
--\$3,302,532 at the end of 2015
--\$2,809,554 at the end of 2014
--\$2,827,785 at the end of 2013
--\$2,421,393 at the end of 2012
--\$2,877,221 at the end of 2011

Funds owed the General Fund by these other funds as of December 31, 2019 include:

--**\$383,883 owed by three of the City's ten active Tax Incremental Districts** (TIDs #4, #6, and #10), where monies were advanced by the General Fund in past years to finance project costs. This interfund payable decreased by \$59,959, from \$443,842 at 2018 year-end.

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

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

--**\$1,913,813 owed by the Water Utility**, due to advances for distribution system capital improvements (paid from cash, instead of borrowing) in past years, debt service on a \$4.2 million filtration plant project completed in 2003, and lower than projected revenues in recent years.

The City has reduced staffing at this utility in recent years, to keep operating costs in check. In April 2008, the City implemented a 24.6 percent water rate increase. Another large rate increase of 27 percent was approved by the Public Service Commission in August 2010 and took effect September 1, 2010. A Simplified Rate 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 2019, we experienced a \$186,000 positive change in cash and we're confident that trend will continue through 2020.

--**\$89,990 owed by the Electric Utility** was caused in part by a significant delay in the implementation of a PSC rate increase which as of the end of 2019 had not been implemented.

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.

--**\$151,563 owed by the Sewer Utility** is an improvement of \$340,801 from the end of 2018. The Utility is wrapping up a renovation project to our Wastewater Treatment Facility that began in 2018, financed with a \$5.38 million loan with the State of Wisconsin Clean Fund. The borrowing contains a \$700,000 principal forgiveness component.

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

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

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

--**\$15,248 related to our Bike Trail Construction**. The City continues to focus on construction of its bike and pedestrian trail system. This deficit should be resolved in 2020.

--**\$85,902 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.

--**\$79,142 short term amounts owed by two Recreation Funds**, for monies advanced by the City in 2018 & 2019 for the various projects. City Staff will address these advances during 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of the following parts:

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

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

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position

The City's combined Net Position total \$47,013,717, an increase of 2.4% from last year. Governmental Activities account for about 40.7 percent of the Net Position, Business-Type Activities for 59.3 percent.

	Governmental Activities		Business -type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$17,085,594	\$25,074,052	\$2,484,662	\$1,981,634	\$19,570,256	\$27,055,686
Capital assets, less depreciation	\$30,181,679	\$30,780,646	\$44,023,122	\$39,507,874	\$74,204,801	\$70,288,520
Total Assets	\$47,267,273	\$55,854,698	\$46,507,784	\$41,489,508	\$93,775,057	\$97,344,206
Deferred outflows	\$6,095,724	\$3,519,249	\$1,335,155	\$763,612	\$7,430,879	\$4,282,861
Long-term debt outstanding	\$23,722,824	\$20,813,889	\$18,050,958	\$14,616,477	\$41,773,782	\$35,430,366
Other Liabilities	\$1,325,790	\$8,936,713	\$1,200,680	\$1,239,959	\$2,526,470	\$10,176,672
Total Liabilities	\$25,048,614	\$29,750,602	\$19,251,638	\$15,856,436	\$44,300,252	\$45,607,038
Deferred Inflows	\$9,181,928	\$9,372,974	\$710,039	\$752,224	\$9,891,967	\$10,125,198
Net Position						
Net Investment in Capital Assets	\$18,051,013	\$17,792,171	\$29,293,862	\$27,381,932	\$47,344,875	\$45,174,103
Restricted	\$6,512,016	\$8,429,221	\$1,590,746	\$1,864,816	\$8,102,762	\$10,294,037
Unrestricted	-\$5,430,574	-\$5,971,021	-\$3,003,346	-\$3,097,653	-\$8,433,920	-\$9,068,674
Total Net Position	\$19,132,455	\$20,250,371	\$27,881,262	\$26,149,095	\$47,013,717	\$46,399,466

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

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

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. This change in principle, shown on the Statement of Activities on page 15 & 16 of the financial statements show the net effect to be a reduction of \$2,954,201 on the Governmental Activities and \$1,407,485 on the Business-type Activities.

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

Table A-2

**City of Two Rivers Statement of Activities
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 1,905,345	\$ 2,219,070	\$ 15,291,973	\$ 15,152,374	\$ 17,197,318	\$ 17,371,444
Operating Grant and Contributions	\$ 1,033,989	\$ 1,017,513	\$ 81,489	\$ 81,526	\$ 1,115,478	\$ 1,099,039
Capital Grants and Contributions	\$ 232,746	\$ 736,144	\$ 676,032	\$ 1,435,474	\$ 908,778	\$ 2,171,618
General Revenues						
Property Taxes	\$ 5,675,717	\$ 5,646,284			\$ 5,675,717	\$ 5,646,284
Other Taxes	\$ 132,343	\$ 116,213			\$ 132,343	\$ 116,213
Grants and Contributions not restricted to specific programs	\$ 4,007,023	\$ 3,979,559			\$ 4,007,023	\$ 3,979,559
Other	\$ 744,204	\$ 538,585	\$ 88,795	\$ 21,126	\$ 832,999	\$ 559,711
Total Revenues	\$ 13,731,367	\$ 14,253,368	\$ 16,138,289	\$ 16,690,500	\$ 29,869,656	\$ 30,943,868
Expenditures						
General Government	\$ 1,728,284	\$ 2,250,566			\$ 1,728,284	\$ 2,250,566
Public Safety	\$ 6,366,202	\$ 5,644,757			\$ 6,366,202	\$ 5,644,757
Public Works	\$ 2,294,779	\$ 2,978,557			\$ 2,294,779	\$ 2,978,557
Health & human services	\$ 629,368	\$ 1,007,032			\$ 629,368	\$ 1,007,032
Culture, recreation & education	\$ 2,742,540	\$ 2,115,147			\$ 2,742,540	\$ 2,115,147
Conservation & development	\$ 1,135,699	\$ 396,795			\$ 1,135,699	\$ 396,795
Interest and fiscal charges	\$ 637,197	\$ 562,757			\$ 637,197	\$ 562,757
Electric Utility			\$ 8,283,771	\$ 8,372,061	\$ 8,283,771	\$ 8,372,061
Water Utility			\$ 2,320,729	\$ 2,271,201	\$ 2,320,729	\$ 2,271,201
Sewer Utility			\$ 2,114,165	\$ 2,092,701	\$ 2,114,165	\$ 2,092,701
Telecommunications Utility			\$ 16,496	\$ 28,161	\$ 16,496	\$ 28,161
Solid Waste Utility			\$ 736,372	\$ 774,910	\$ 736,372	\$ 774,910
Stormwater Utility			\$ 249,803	\$ 256,356	\$ 249,803	\$ 256,356
Total Expenditures	\$ 15,534,069	\$ 14,955,611	\$ 13,721,336	\$ 13,795,390	\$ 29,255,405	\$ 28,751,001
Transfers	\$ 684,786	\$ (1,718,259)	\$ (684,786)	\$ 1,718,259	\$ -	\$ -
Change in Net Position	\$ (1,117,916)	\$ (2,420,502)	\$ 1,732,167	\$ 4,613,369	\$ 614,251	\$ 2,192,867
Net Position, Jan 1 as originally presented	\$ 20,250,371	\$ 25,625,074	\$ 25,644,460	\$ 22,438,576	\$ 45,894,831	\$ 48,063,650
Prior period adjustment/change in accounting principle	\$ -	\$ (2,954,201)	\$ 504,635	\$ (1,407,485)	\$ 504,635	\$ (4,361,686)
Net Position, Jan 1 as adjusted	\$ 20,250,371	\$ 22,670,873	\$ 26,149,095	\$ 21,031,091	\$ 46,399,466	\$ 43,701,964
Net position, December 31	\$ 19,132,455	\$ 20,250,371	\$ 27,881,262	\$ 25,644,460	\$ 47,013,717	\$ 45,894,831

Governmental Activities

Property taxes increased .79% from 2018 to 2019 and have averaged an increase of .94% 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 \$1.12 million driven by depreciation of assets, issuance of long-term debt, and the recording of actuarial transactions related to pension and postemployment benefits. The average change to the net position of Governmental Activities over the last four years has been +\$411,453.

Business-type Activities

Operating Revenue for the City’s business-type activities totaled \$15,276,088, up slightly from 2018, with user fees accounting for 97.4% of all operating revenues. Business-type operating expenses totaled \$13,226,522, down 1.5% from 2018. The electric utility is the largest business type fund, accounting for 62.3% of all business-type operating expense activity. The water and sewer utilities operating expenses were \$2.1 million and \$1.9 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 2019	Total 2018
Charges for services	\$8,332,739	\$2,803,735	\$2,680,251	\$0	\$406,714	\$656,992	\$14,880,431	\$14,762,403
Other	\$94,931	\$30,320	\$34,562	\$0	\$235,844	\$0	\$395,657	\$374,086
Total Operating Revenues	\$8,427,670	\$2,834,055	\$2,714,813	\$0	\$642,558	\$656,992	\$15,276,088	\$15,136,489
Operating Expenses								
Operating and maintenance	\$7,736,060	\$1,581,424	\$1,441,222	\$353	\$735,776	\$143,147	\$11,637,982	\$11,809,661
Depreciation	\$428,183	\$493,116	\$415,142	\$16,143	\$0	\$79,970	\$1,432,554	\$1,464,140
Taxes	\$79,356	\$42,608	\$34,022	\$0	\$0	\$0	\$155,986	\$155,139
Total Operating Expenses	\$8,243,599	\$2,117,148	\$1,890,386	\$16,496	\$735,776	\$223,117	\$13,226,522	\$13,428,940
Operating Income (Loss)	\$184,071	\$716,907	\$824,427	(\$16,496)	(\$93,218)	\$433,875	\$2,049,566	\$1,707,549
Nonoperating Revenues (Expense)								
Grants – State of WI	\$0	\$0	\$0	\$0	\$81,489	\$0	\$81,489	\$81,526
Interest Expense	(\$22,849)	(\$208,357)	(\$227,499)	\$0	(\$596)	(\$26,686)	(\$485,987)	(\$383,968)
Other	\$40,205	\$9,144	\$28,519	\$15,885	\$0	\$2,100	\$95,853	\$54,529
Total Nonoperating Revenues (Expenses)	\$17,356	(\$199,213)	(\$198,980)	\$15,885	\$80,893	(\$24,586)	(\$308,645)	(\$247,913)
Net Income (Loss)	\$201,427	\$517,694	\$625,447	(\$611)	(\$12,325)	\$409,289	\$1,740,921	\$1,459,636
Customer Contributions	\$47,281	\$0	\$392,654	\$0	\$ -	\$ 236,097	\$676,032	\$3,659,883
Net Transfers In (Out)	(\$301,609)	(\$106,356)	(\$275,741)	\$0	(\$1,080)	\$0	(\$684,786)	(\$506,150)
Change in Net Position	(\$52,901)	\$411,338	\$742,360	(\$611)	(\$13,405)	\$645,386	\$1,732,167	\$4,613,369
Net Position – Jan. 1, as originally reported	\$8,000,504	\$5,573,584	\$7,767,141	\$87,748	\$155,415	\$4,060,068	\$25,644,460	\$22,438,576
Prior Period Adjustment	\$268,765	\$104,510	\$94,568	\$0	\$12,941	\$23,851	\$504,635	(\$1,407,485)
Net Position – Jan. 1, as restated	\$8,269,269	\$5,678,094	\$7,861,709	\$87,748	\$168,356	\$4,083,919	\$26,149,095	\$21,031,091
Net Position – Dec. 31	\$8,216,368	\$6,089,432	\$8,604,069	\$87,137	\$154,951	\$4,729,305	\$27,881,262	\$25,644,460

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%

The most recent **Electric Utility** rate increase, averaging 2.33 percent, took effect January 1, 2015. Other recent rate increases were 1.4 percent in January 2011, 1.8 percent in September 2006 and 2 percent in January 2005. We are currently beginning the process to file for another rate increase, mostly likely to be effective in the first quarter of 2020.

In the **Water Utility**, our current rates became effective on September 1, 2018. This increased rates an average of 14%. Previously, a water rate adjustment averaging 27 percent took effect September 1, 2010. This followed closely on the heels of a 24.6 percent increase that took effect in April 2008. The City also implemented Simplified Rate Cases of 3.2 percent effective

August 15, 2012, 3.0 percent effective November 1, 2013, and 3.0 percent effective January 1, 2015. This utility has continued to work at trimming operating expenses to reduce its cash deficit, but operating expenses for items such as chemicals and electricity have continued to grow, while revenues from industrial and commercial customers have declined. The Utility continues to invest in plant efficiencies and cost savings procedures.

The **Sewer Utility** rate increases has increased rates seven times in the last ten years to invest in plant improvements, system infrastructure, and overall financial health of the Utility, Most recently, a rate increase went into effect on November 1,2018 which raised the typical residential user's bill 3.5%. While the cash position of this utility has improved, staff continues to analyze revenues and expenses to solidify its financial position. Another increase is planned for the first quarter of 2020, raising the typical residential user's bill 3.89%.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed 2019, its governmental funds reported a combined fund balance of \$5,942,069. This compares with \$4,663,934 at the end of 2018, \$5,759,328 at the end of 2017, \$4,855,232 at the end of 2016, \$4,488,158 at the end of 2015, \$5,910,200 at the end of 2014, \$5,786,344 at the end of 2013, \$6,221,759 at the end of 2012, and \$7,102,083 at the end of 2011.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

All budgets are adopted at the department level of expenditures. In 2018, General Fund revenues fell short of the budgeted amount by \$79,600 (.8% of budget) per both summarized and detailed budget schedules in the statements. Total expenditures were \$102,931 over budget (1.0% of budget), resulting in a \$234,945 operating deficit and year-end Fund Balance in the General Fund of \$2,088,101.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Government Activities Net Capital Assets

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

Capital Assets as of December 31, 2019 are as follows:

Table A-4			
City of Two Rivers Capital Assets			
(Net of Depreciation and Related Debt)			
	Governmental Activities	Business Type Activities	Total
Land	\$ 1,226,802	\$ 38,227	\$ 1,265,029
Construction in Progress	\$ -	\$ 8,896,274	\$ 8,896,274
Buildings	\$ 15,117,628	\$ 6,487,298	\$ 21,604,926
Improvements	\$ 3,774,460	\$ 39,405,728	\$ 43,180,188
Equipment	\$ 10,126,470	\$ 16,574,554	\$ 26,701,024
Infrastructure	\$ 36,456,246	\$ -	\$ 36,456,246
Total Capital Assets	\$ 66,701,606	\$ 71,402,081	\$ 138,103,687
Less: Accumulated Depreciation	\$ (36,519,927)	\$ (27,378,959)	\$ (63,898,886)
Less: Related long-term debt outstanding	\$ (12,130,666)	\$ (14,729,260)	\$ (26,859,926)
Total Invested in Capital Assets	\$ 18,051,013	\$ 29,293,862	\$ 47,344,875

Capital Assets as of December 31, 2018 are as follows:

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

Long-term Debt

At year-end, the City had \$17,500,288 in outstanding general obligation (G.O.) debt that is subject to statutory debt limitations. That amount of debt is equivalent to 66.66 percent of the statutory debt limit (5 percent of equalized valuation, or \$26,254,840 as of December 31, 2019). This level of G.O. debt exceeds the City's long-term policy of staying at or below 60 percent of the statutory limit; this came about as the result of issuing debt for water and sewer projects in 2011 as G.O. debt, rather than revenue debt, due to the weak financial condition of the water and sewer utilities. Also, the City had need to replace a lift span bridge which the City was able to secure a large amount of Federal and State funding; however, the City share of the project was over \$3 million. This amount is included in our G.O. debt.

During this period, we have also seen significant decreases in Equalized Values caused mostly by economic conditions in the entire nation. The City's long-term debt plans anticipate getting total G.O. debt back below 60 percent of the statutory limit, within the next five years. The City's legal margin for new G.O. debt as of December 31, 2019 is \$8,754,552, compared to December 31, 2018 of \$7,906,081.

Outstanding revenue bonds to be repaid from the Water Utility totaled \$3,471,127 at the end of 2019, 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 percent) and various infrastructure projects.

Outstanding revenue bonds to be repaid from the Sewer Utility totaled \$8,846,135 at the end of 2019. Most of this debt is associated with a \$6.2 million upgrade of the wastewater treatment plant, completed in 2009 (funded through a 20-year Clean Water Fund borrowing, at 2.39 percent); that borrowing had at balance of \$3,005,97 at year-end. The Utility started a major renovation of the wastewater treatment plant in 2018, securing 20-year financing @ 1.87% through the State of Wisconsin Clean Water Fund Program. As of 12/31/19 we have drawn \$3,944,191 of the maximum loan amount of \$4,677,695.

Outstanding state trust fund loans to be repaid from the Electric Utility totaled \$439,288 at the end of 2019. The first \$168,002 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 \$271,286 is a debt issue to cover the Electric Utility's portion of the Wisconsin Retirement Unfunded Pension Liability. The Solid Waste Utility and Sewer Utility also took out small loans to eliminate their share of the Wisconsin Retirement Unfunded Pension Liability.

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

ECONOMIC DEVELOPMENT & COMMUNITY NOTES

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

The City's Equalized Value for 2019 is the highest it has been since 2011, when were still feeling the impact of a recession. Equalized value increased an average of three percent annually from 2005 to 2009. The recession of 2008 had an adverse impact on the local tax base, reflective of the declines experienced in other areas of the state and nation. Total Equalized Value, dating back to its high point in 2009, is as follows:

<u>Year</u>	<u>Equalized Value</u>	<u>Change %</u>
2009	\$584,076,300	-----
2010	\$556,805,900	-4.67%
2011	\$547,897,000	-1.60%
2012	\$524,968,600	-4.18%
2013	\$513,529,800	-2.18%
2014	\$510,431,200	-0.06%
2015	\$499,375,900	-2.17%
2016	\$509,197,200	+1.97%
2017	\$511,532,900	+0.45%
2018	\$496,244,600	-2.99%
2019	\$525,096,800	+5.80%

The City's development efforts in recent years have addressed both new, greenfield development, and the redevelopment of existing sites in the community. Its nine active tax incremental financing (TIF) districts are performing well, with \$29 million in new tax base created. The total equalized value of the ten TIF districts is \$35.5 million. Four of the TIF districts have assisted with redevelopment of formerly tax-exempt properties, which now have valuations totaling nearly \$15.6 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 37.5 percent of its General Fund Revenue Budget. This major revenue source has seen no growth in recent years. Aggressive cost-cutting strategies have helped hold down growth in operating budgets and the City's tax rate; 28 full-time positions have been eliminated from a workforce of 140 over the past fifteen years, largely through attrition. The City's 2019 General Fund budget is \$800,119 more than the 2000 General Fund Budget, resulting in an 8.38% increase over 19 years, or .44% annually. This reflects the aggressive cost containment that has been occurring over the last 19 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 88.1 percent of G.O. debt principal due in ten years or less. Re-investment in city facilities and infrastructure is viewed as essential for the long-term economic health of the City, and significant Federal and State funds (notably for street and bridge projects) have been leveraged by the City to aid such re-investment. A debt policy was adopted in 2007, which formalized the City's longstanding practice of maintaining general obligation debt levels at or below 60 percent of statutory limits. While we are over that self-imposed debt policy, the projects have addressed some infrastructure that will have lives well past the related debt issue maturities. We are also confident the equalized value component (discussed earlier in this section) of the calculation will return to previous levels.

In 2015, the City began addressing the outstanding **Wisconsin Retirement System Unfunded Pension Liability**, which had grown to a debt of \$4.19 million, by making a \$1.12 million payment. Additional payments were made annually from 2016-2018, totaling nearly \$1.4 million. The liability stands at \$1.58 million as of 12/31/19. The City has arranged other financing for payment of the remaining balance in January 2020, which will create savings in interest payments and savings in required contributions to the Wisconsin Retirement System. While the liability is being refinanced, the debt was 7.2% interest. With the new debt there will be a significant interest savings and has a more aggressive repayment schedule of 10 years (last payment will be made in 2030).

Economic Development Activity and Investments in City Infrastructure and Quality of Life Facilities in 2019

Cobblestone Hotel Development broke ground for a \$6.3 million, 55-room hotel in July 2019. The site redevelops blighted and formerly City-owned properties, one block off the main downtown thoroughfare and overlooking our harbor where the "two rivers" meet flow out to Lake Michigan. Construction continues and opening is planned for July 2020. The City created TID #12 to assist in financing the project.

Riverside Foods, a wholly owned subsidiary of Lakeside Foods, recently broke ground for an \$8 million expansion project for their Two Rivers facility. The project, aided by a grant from City TID #8, will add 30 jobs to their Two Rivers workforce that now is around 100 employees. Completion is anticipated by December 31,2020.

Ironwood Plastics, a subsidiary of CTB, Inc. and a Berkshire Hathaway Company, is positioned to close on the purchase of a City-owned parcel located between two of the company's manufacturing facilities. This will allow for future company expansion.

Woodland Dunes Nature Center & Preserve recently began 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 workshops.

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 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 began in 2017 and was completed in 2018. The project extended street and utility infrastructure to serve another 19 single family home sites.

Negotiations are on-going for the City purchase of vacant property owned by **Fisher Scientific**. The former industrial site is located on the East Twin River in close proximity to downtown. The City has a plan for green space development close to the river and private redevelopment in the other areas. The City's plan is to close on that purchase by mid-2020.

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 75% completed, included re-lamping on Washington Street, Two Rivers' main downtown artery.

Washington Highlands Senior Apartments finished construction of a new 8-unit, market rate senior apartment building in 2018. The \$1.2 million investment added to the value of this financially health redevelopment TID, consisting of residential condos and apartments on the former Two Rivers High School site. Plans for 2020 include the construction of 3 2-unit condominiums.

Wayside on Memorial Drive. In 2016, the City initiated negotiations with the WI Department of Transportation and Manitowoc County for the transfer of a 5-acre facility, on the shores of Lake Michigan, to City ownership. Those negotiation continued throughout 2017-2019. It is anticipated that ownership will officially transfer in 2020. 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, is \$1.6 million. We anticipate that this site will also be home to a privately funded monument, placed in tribute to all first responders from Manitowoc County.

Van Der Brohe Arboretum recently purchased a former 65-acre golf course and has announced long term plans to develop the property into 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.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,876,060	\$ -	\$ 5,876,060
Receivables			
Taxes	3,930,396	127,913	4,058,309
Accounts	245,568	2,009,054	2,254,622
Special assessments	494,337	501,857	996,194
Loans	3,629,337	-	3,629,337
Other	-	50,872	50,872
Internal balances	2,393,521	(2,393,521)	-
Due from other governments	-	141,235	141,235
Inventories and prepaid items	516,375	456,506	972,881
Restricted assets			
Cash and investments	-	1,590,746	1,590,746
Capital assets, nondepreciable	1,226,802	8,934,501	10,161,303
Capital assets, depreciable, net	28,954,877	35,088,621	64,043,498
Total assets	47,267,273	46,507,784	93,775,057
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	5,647,834	1,256,910	6,904,744
Other postemployment related amounts	447,890	78,245	526,135
Total deferred outflows of resources	6,095,724	1,335,155	7,430,879
LIABILITIES			
Accounts payable	271,319	936,169	1,207,488
Accrued and other current liabilities	532,506	91,134	623,640
Due to other governments	20,960	-	20,960
Accrued interest payable	307,214	90,879	398,093
Special deposits	27,120	82,498	109,618
Unearned revenues	166,671	-	166,671
Long-term obligations			
Due within one year	1,955,348	1,408,689	3,364,037
Net pension liability	1,582,278	-	1,582,278
Other postemployment benefits	425,000	20,000	445,000
Due in more than one year	13,288,219	14,703,135	27,991,354
Net pension liability	2,080,867	471,646	2,552,513
Other postemployment benefits	4,391,112	1,447,488	5,838,600
Total liabilities	25,048,614	19,251,638	44,300,252
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	6,068,841	-	6,068,841
Pension related amounts	2,887,559	654,489	3,542,048
Other postemployment related amounts	225,528	55,550	281,078
Total deferred inflows of resources	9,181,928	710,039	9,891,967
NET POSITION			
Net investment in capital assets	18,051,013	29,293,862	47,344,875
Restricted	6,512,016	1,590,746	8,102,762
Unrestricted	(5,430,574)	(3,003,346)	(8,433,920)
Total net position	\$ 19,132,455	\$ 27,881,262	\$ 47,013,717

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,728,284	\$ 72,368	\$ 1,390	\$ -
Public safety	6,366,202	1,063,990	93,945	14,209
Public works	2,294,779	312,270	643,984	217,549
Health and human services	629,368	252,455	50,449	-
Culture and recreation	2,742,540	171,286	234,221	988
Conservation and development	1,135,699	32,976	10,000	-
Interest and fiscal charges	637,197	-	-	-
Total governmental activities	<u>15,534,069</u>	<u>1,905,345</u>	<u>1,033,989</u>	<u>232,746</u>
BUSINESS-TYPE ACTIVITIES				
Electric utility	8,283,771	8,427,670	-	47,281
Water utility	2,320,729	2,834,055	-	-
Sewer utility	2,114,165	2,714,813	-	392,654
Telecommunications utility	16,496	15,885	-	-
Solid waste	736,372	642,558	81,489	-
Stormwater utility	249,803	656,992	-	236,097
Total business-type activities	<u>13,721,336</u>	<u>15,291,973</u>	<u>81,489</u>	<u>676,032</u>
Total	<u>\$ 29,255,405</u>	<u>\$ 17,197,318</u>	<u>\$ 1,115,478</u>	<u>\$ 908,778</u>

General revenues

Taxes

Property taxes

Other taxes

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Prior period adjustment

Net position - January 1, as adjusted

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
\$ (1,654,526)	\$ -	\$ (1,654,526)
(5,194,058)	-	(5,194,058)
(1,120,976)	-	(1,120,976)
(326,464)	-	(326,464)
(2,336,045)	-	(2,336,045)
(1,092,723)	-	(1,092,723)
(637,197)	-	(637,197)
<u>(12,361,989)</u>	<u>-</u>	<u>(12,361,989)</u>
-	191,180	191,180
-	513,326	513,326
-	993,302	993,302
-	(611)	(611)
-	(12,325)	(12,325)
-	643,286	643,286
<u>-</u>	<u>2,328,158</u>	<u>2,328,158</u>
<u>(12,361,989)</u>	<u>2,328,158</u>	<u>(10,033,831)</u>
5,675,717	-	5,675,717
132,343	-	132,343
4,007,023	-	4,007,023
245,746	2,443	248,189
360,427	86,352	446,779
138,031	-	138,031
684,786	(684,786)	-
<u>11,244,073</u>	<u>(595,991)</u>	<u>10,648,082</u>
<u>(1,117,916)</u>	<u>1,732,167</u>	<u>614,251</u>
20,250,371	25,644,460	45,894,831
<u>-</u>	<u>504,635</u>	<u>504,635</u>
<u>20,250,371</u>	<u>26,149,095</u>	<u>46,399,466</u>
<u>\$ 19,132,455</u>	<u>\$ 27,881,262</u>	<u>\$ 47,013,717</u>

City of Two Rivers, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 269,487	\$ 1,252,952	\$ 33,949	\$ 4,319,613	\$ 5,876,001
Receivables					
Taxes	1,497,012	1,475,460	-	907,639	3,880,111
Delinquent taxes	50,285	-	-	-	50,285
Accounts	175,598	-	-	69,970	245,568
Special assessments	494,337	-	-	-	494,337
Loans	-	-	2,555,283	1,074,054	3,629,337
Due from other funds	2,617,361	-	-	558,563	3,175,924
Inventories and prepaid items	510,402	-	-	5,973	516,375
Total assets	\$ 5,614,482	\$ 2,728,412	\$ 2,589,232	\$ 6,935,812	\$ 17,867,938
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 122,234	\$ -	\$ 28,227	\$ 118,483	\$ 268,944
Accrued and other current liabilities	504,249	-	-	28,257	532,506
Due to other funds	-	-	-	782,403	782,403
Due to other governments	20,960	-	-	-	20,960
Special deposits	22,067	-	-	5,053	27,120
Unearned revenues	74,500	-	-	92,171	166,671
Total liabilities	744,010	-	28,227	1,026,367	1,798,604
Deferred inflows of resources					
Property taxes levied for subsequent year	2,353,284	2,305,271	-	1,410,286	6,068,841
Loans receivable	-	-	2,555,283	1,074,054	3,629,337
Special assessments	429,087	-	-	-	429,087
Total deferred inflows of resources	2,782,371	2,305,271	2,555,283	2,484,340	10,127,265
Fund balances					
Nonspendable	2,998,762	-	-	5,973	3,004,735
Restricted	-	423,141	5,722	3,526,957	3,955,820
Committed	-	-	-	760,663	760,663
Unassigned	(910,661)	-	-	(868,488)	(1,779,149)
Total fund balances	2,088,101	423,141	5,722	3,425,105	5,942,069
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,614,482	\$ 2,728,412	\$ 2,589,232	\$ 6,935,812	\$ 17,867,938

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, 2019

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 5,942,069
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.	30,181,679
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	4,058,424
Net position of the internal service fund is reported in the statement of net position as governmental activities	(2,316)
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	5,647,834
Deferred inflows related to pensions	(2,887,559)
Deferred outflows related to other postemployment benefits	447,890
Deferred inflows related to other postemployment benefits	(225,528)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(14,726,579)
Premium on debt	(325,120)
Capital leases	(49,948)
Compensated absences	(141,920)
Net pension liability	(2,080,867)
Other postemployment benefit	(4,816,112)
Unfunded pension liability	(1,582,278)
Accrued interest on long-term obligations	(307,214)
Net position of governmental activities as reported on the statement of net position (see page 13)	<u>\$ 19,132,455</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, 2019

	General	Debt Service	Housing Revolving Loans	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 2,108,254	\$ 2,445,283	\$ -	\$ 1,263,806	\$ 5,817,343
Special assessments	117,137	-	-	37,232	154,369
Intergovernmental	4,695,821	-	-	263,928	4,959,749
Licenses and permits	284,752	-	-	-	284,752
Fines and forfeits	67,954	-	-	-	67,954
Public charges for services	1,313,295	-	-	193,516	1,506,811
Intergovernmental charges for services	133,718	-	-	-	133,718
Interdepartmental charges for services	448,586	-	-	-	448,586
Miscellaneous	229,059	20,753	43,138	762,004	1,054,954
Total revenues	9,398,576	2,466,036	43,138	2,520,486	14,428,236
EXPENDITURES					
Current					
General government	1,193,426	-	-	-	1,193,426
Public safety	5,689,173	-	-	42,663	5,731,836
Public works	1,695,969	-	-	231,499	1,927,468
Health and human services	372,548	-	-	266,669	639,217
Culture and recreation	1,111,621	-	-	1,035,063	2,146,684
Conservation and development	41,236	-	113,397	1,090,576	1,245,209
Capital outlay	-	-	-	1,123,798	1,123,798
Debt service					
Principal	-	5,373,409	-	12,908	5,386,317
Interest and fiscal charges	-	610,452	-	72,685	683,137
Total expenditures	10,103,973	5,983,861	113,397	3,875,861	20,077,092
Excess of revenues under expenditures	(705,397)	(3,517,825)	(70,259)	(1,355,375)	(5,648,856)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	3,710,000	-	2,535,000	6,245,000
Premium on debt issued	-	278,260	-	58,711	336,971
Proceeds from sale of capital assets	10,425	-	-	2,911	13,336
Transfers in	846,369	426,398	-	702,911	1,975,678
Transfers out	(386,342)	(22,647)	-	(1,235,005)	(1,643,994)
Total other financing sources	470,452	4,392,011	-	2,064,528	6,926,991
Net change in fund balances	(234,945)	874,186	(70,259)	709,153	1,278,135
Fund balances - January 1	2,323,046	(451,045)	75,981	2,715,952	4,663,934
Fund balances - December 31	\$ 2,088,101	\$ 423,141	\$ 5,722	\$ 3,425,105	\$ 5,942,069

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, 2019

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ 1,278,135

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	1,036,072
Depreciation expense reported in the statement of activities	(1,438,509)
Net book value of disposals	(196,530)

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.

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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	(6,245,000)
Premium on debt issued	(336,971)
Principal repaid	5,359,172
Capital leases paid	27,145

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	33,489
Amortization of premiums, discounts and loss on advance refunding	11,851
Unfunded pension liability	158,870
Compensated absences	(29,704)
Net pension liability (asset)	(3,764,174)
Deferred outflows of resources related to pensions	2,559,557
Deferred inflows of resources related to pensions	440,639
Other postemployment benefits	226,569
Deferred outflows of resources related to other postemployment benefits	16,918
Deferred inflows of resources related to other postemployment benefits	(220,962)

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.

(35,402)

Change in net position of governmental activities as reported in the statement of activities (see pages 14 - 15)

\$ (1,117,916)

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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,098,020	\$ 2,098,020	\$ 2,108,254	\$ 10,234
Special assessments	107,000	107,000	117,137	10,137
Intergovernmental	4,698,356	4,698,356	4,695,821	(2,535)
Licenses and permits	277,500	277,500	284,752	7,252
Fines and forfeits	92,400	92,400	67,954	(24,446)
Public charges for services	1,386,200	1,386,200	1,313,295	(72,905)
Intergovernmental charges for services	136,000	136,000	133,718	(2,282)
Interdepartmental charges for services	496,700	496,700	448,586	(48,114)
Miscellaneous	186,000	186,000	229,059	43,059
Total revenues	9,478,176	9,478,176	9,398,576	(79,600)
EXPENDITURES				
Current				
General government	1,241,138	1,241,138	1,193,426	47,712
Public safety	5,560,226	5,560,226	5,689,173	(128,947)
Public works	1,611,539	1,611,539	1,695,969	(84,430)
Health and human services	385,522	385,522	372,548	12,974
Culture and recreation	1,150,394	1,150,394	1,111,621	38,773
Conservation and development	52,223	52,223	41,236	10,987
Total expenditures	10,001,042	10,001,042	10,103,973	(102,931)
Excess of revenues under expenditures	(522,866)	(522,866)	(705,397)	(182,531)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	50,000	50,000	10,425	(39,575)
Transfers in	847,000	847,000	846,369	(631)
Transfers out	(343,240)	(343,240)	(386,342)	(43,102)
Total other financing sources (uses)	553,760	553,760	470,452	(83,308)
Net change in fund balance	30,894	30,894	(234,945)	(265,839)
Fund balance - January 1	2,323,046	2,323,046	2,323,046	-
Fund balance - December 31	<u>\$ 2,353,940</u>	<u>\$ 2,353,940</u>	<u>\$ 2,088,101</u>	<u>\$ (265,839)</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, 2019**

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 103,000	\$ 103,000	\$ 43,138	\$ (59,862)
EXPENDITURES				
Current				
Conservation and development	172,500	172,500	113,397	59,103
Net change in fund balance	(69,500)	(69,500)	(70,259)	(759)
Fund balance - January 1	75,981	75,981	75,981	-
Fund balance - December 31	<u>\$ 6,481</u>	<u>\$ 6,481</u>	<u>\$ 5,722</u>	<u>\$ (759)</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, 2019

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
ASSETS			
Current assets			
Cash and investments	\$ -	\$ -	\$ -
Receivables			
Taxes and special charges	-	28,347	79,030
Customer accounts	1,177,241	378,433	372,201
Special assessments	-	117,196	262,471
Other	1,406	-	-
Due from other funds	-	-	-
Due from other governments	-	-	141,235
Inventories and prepaid items	319,211	137,295	-
Total current assets	1,497,858	661,271	854,937
Noncurrent assets			
Restricted assets			
Cash and investments	-	342,115	1,227,490
Capital assets			
Nondepreciable	58,251	613,499	7,202,058
Depreciable, net	8,521,303	12,388,094	10,104,244
Total capital assets	8,579,554	13,001,593	17,306,302
Total assets	10,077,412	14,004,979	19,388,729
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	591,186	346,712	285,098
Other postemployment related amounts	52,226	21,736	3,906
Total deferred outflows of resources	643,412	368,448	289,004

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
\$ -	\$ -	\$ -	\$ 59
17,584	2,952	127,913	-
81,179	-	2,009,054	-
122,190	-	501,857	-
-	49,466	50,872	-
270,649	202,125	472,774	-
-	-	141,235	-
-	-	456,506	-
<u>491,602</u>	<u>254,543</u>	<u>3,760,211</u>	<u>59</u>
<u>21,141</u>	<u>-</u>	<u>1,590,746</u>	<u>-</u>
1,060,693	-	8,934,501	-
<u>4,043,005</u>	<u>31,975</u>	<u>35,088,621</u>	<u>-</u>
<u>5,103,698</u>	<u>31,975</u>	<u>44,023,122</u>	<u>-</u>
<u>5,616,441</u>	<u>286,518</u>	<u>49,374,079</u>	<u>59</u>
-	33,914	1,256,910	-
-	377	78,245	-
<u>-</u>	<u>34,291</u>	<u>1,335,155</u>	<u>-</u>

City of Two Rivers, Wisconsin

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2019

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
LIABILITIES			
Current liabilities			
Accounts payable	\$ 504,193	\$ 36,274	\$ 307,619
Accrued and other current liabilities	37,701	26,680	24,125
Due to other funds	94,325	2,620,407	151,563
Accrued interest payable	17,216	25,617	43,200
Special deposits	81,998	500	-
Current portion of long-term debt	-	109,796	59,961
Current portion of capital lease	-	-	64,749
Current portion of other postemployment benefits	9,565	6,087	4,348
Payable from restricted assets			
Current portion of long-term debt	111,967	371,596	617,778
Total current liabilities	856,965	3,196,957	1,273,343
Long-term obligations, less current portion			
General obligation debt	-	1,141,969	650,000
Revenue bonds	327,321	3,099,531	8,228,358
Debt premium	-	58,902	45,887
Capital lease payable	-	-	285,251
Compensated absences	71,538	25,611	4,193
Net pension liability	222,199	130,626	106,224
Other postemployment benefits	691,685	433,981	319,608
Total long-term liabilities	1,312,743	4,890,620	9,639,521
Total liabilities	2,169,708	8,087,577	10,912,864
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	308,339	181,266	147,403
Other postemployment related amounts	26,409	15,152	13,397
Total deferred inflows of resources	334,748	196,418	160,800
NET POSITION			
Net investment in capital assets	8,140,266	8,549,764	8,324,279
Restricted	-	342,115	1,227,490
Unrestricted	76,102	(2,802,447)	(947,700)
Total net position	\$ 8,216,368	\$ 6,089,432	\$ 8,604,069

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
\$ 58,578	\$ 29,505	\$ 936,169	\$ 2,375
919	1,709	91,134	-
-	-	2,866,295	-
4,327	519	90,879	-
-	-	82,498	-
71,313	-	241,070	-
-	-	64,749	-
-	-	20,000	-
-	1,529	1,102,870	-
<u>135,137</u>	<u>33,262</u>	<u>5,495,664</u>	<u>2,375</u>
751,999	-	2,543,968	-
-	12,575	11,667,785	-
-	-	104,789	-
-	-	285,251	-
-	-	101,342	-
-	12,597	471,646	-
-	2,214	1,447,488	-
<u>751,999</u>	<u>27,386</u>	<u>16,622,269</u>	<u>-</u>
<u>887,136</u>	<u>60,648</u>	<u>22,117,933</u>	<u>2,375</u>
-	17,481	654,489	-
-	592	55,550	-
-	18,073	710,039	-
4,247,578	31,975	29,293,862	-
21,141	-	1,590,746	-
460,586	210,113	(3,003,346)	(2,316)
<u>\$ 4,729,305</u>	<u>\$ 242,088</u>	<u>\$ 27,881,262</u>	<u>\$ (2,316)</u>

City of Two Rivers, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
OPERATING REVENUES			
Charges for services	\$ 8,332,739	\$ 2,803,735	\$ 2,680,251
Other	94,931	30,320	34,562
Total operating revenues	8,427,670	2,834,055	2,714,813
OPERATING EXPENSES			
Operation and maintenance	7,736,060	1,581,424	1,441,222
Depreciation	428,183	493,116	415,142
Taxes	79,356	42,608	34,022
Total operating expenses	8,243,599	2,117,148	1,890,386
Operating income (loss)	184,071	716,907	824,427
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	-	343
Nonoperating grants	-	-	-
Interest and fiscal charges	(22,849)	(208,357)	(227,499)
Amortization of debt discount/premium	-	4,776	3,720
Other nonoperating revenues (expenses)	40,205	4,368	24,456
Total nonoperating revenues (expenses)	17,356	(199,213)	(198,980)
Income (loss) before contributions and transfers	201,427	517,694	625,447
Capital contributions	47,281	-	392,654
Transfers in	-	42,132	22,315
Transfers out	(301,609)	(148,488)	(298,056)
Change in net position	(52,901)	411,338	742,360
Net position - January 1, as originally reported	8,000,504	5,573,584	7,767,141
Prior period adjustment	268,765	104,510	94,568
Net position - January 1, as adjusted	8,269,269	5,678,094	7,861,709
Net position - December 31	\$ 8,216,368	\$ 6,089,432	\$ 8,604,069

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
\$ 656,992	\$ 406,714	\$ 14,880,431	\$ 288,049
-	235,844	395,657	(3,505)
656,992	642,558	15,276,088	284,544
143,147	736,129	11,637,982	673,048
79,970	16,143	1,432,554	-
-	-	155,986	-
223,117	752,272	13,226,522	673,048
433,875	(109,714)	2,049,566	(388,504)
2,100	-	2,443	-
-	81,489	81,489	-
(26,686)	(596)	(485,987)	-
-	-	8,496	-
-	15,885	84,914	-
(24,586)	96,778	(308,645)	-
409,289	(12,936)	1,740,921	(388,504)
236,097	-	676,032	-
-	-	64,447	353,102
-	(1,080)	(749,233)	-
645,386	(14,016)	1,732,167	(35,402)
4,060,068	243,163	25,644,460	33,086
23,851	12,941	504,635	-
4,083,919	256,104	26,149,095	33,086
\$ 4,729,305	\$ 242,088	\$ 27,881,262	\$ (2,316)

City of Two Rivers, Wisconsin

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Electric Utility	Water Utility
E		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 8,450,308	\$ 2,834,172
Cash received from other departments	-	-
Cash paid for employee wages and benefits	(875,784)	(652,949)
Cash paid to suppliers	(6,721,196)	(934,612)
Net cash provided (used) by operating activities	<u>853,328</u>	<u>1,246,611</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Special assessments	-	(62,101)
Nonoperating grants	-	-
Due to/from other funds	-	(198,550)
Transfer in (out)	(207,284)	(106,356)
Net cash provided (used) by noncapital financing activities	<u>(207,284)</u>	<u>(367,007)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(506,042)	(737,027)
Cost of removal of capital assets	(146,635)	-
Capital contributions	47,281	-
Sale of capital assets	10,532	1,632
Long-term debt issued	-	1,438,922
Premium on long-term debt	-	70,046
Principal paid on long-term debt	(108,088)	(1,388,961)
Interest paid on long-term debt	(25,456)	(210,264)
Net cash used by capital and related financing activities	<u>(728,408)</u>	<u>(825,652)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	-
Change in cash and cash equivalents	(82,364)	53,952
Cash and cash equivalents - January 1	<u>82,364</u>	<u>288,163</u>
Cash and cash equivalents - December 31	<u>\$ -</u>	<u>\$ 342,115</u>

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

Sewer Utility	Stormwater Utility	Nonmajor Funds	Total	Governmental Activities - Internal Service Fund Health Insurance
\$ 2,686,356	\$ 641,846	\$ 660,973	\$ 15,273,655	\$ -
-	-	-	-	284,544
(463,898)	(16,842)	(88,192)	(2,097,665)	-
(969,802)	(69,314)	(645,471)	(9,340,395)	(671,551)
<u>1,252,656</u>	<u>555,690</u>	<u>(72,690)</u>	<u>3,835,595</u>	<u>(387,007)</u>
4,865	(20,323)	-	(77,559)	-
-	-	81,489	81,489	-
(430,801)	263,902	(202,125)	(567,574)	-
(275,741)	-	(1,080)	(590,461)	353,102
<u>(701,677)</u>	<u>243,579</u>	<u>(121,716)</u>	<u>(1,154,105)</u>	<u>353,102</u>
(3,551,520)	(941,283)	-	(5,735,872)	-
-	-	-	(146,635)	-
392,654	236,097	-	676,032	-
140,000	-	-	152,164	-
4,047,831	-	-	5,486,753	-
54,568	-	-	124,614	-
(1,371,795)	(69,134)	(1,472)	(2,939,450)	-
(211,962)	(27,049)	(622)	(475,353)	-
<u>(500,224)</u>	<u>(801,369)</u>	<u>(2,094)</u>	<u>(2,857,747)</u>	<u>-</u>
343	2,100	-	2,443	-
51,098	-	(196,500)	(173,814)	(33,905)
<u>1,176,392</u>	<u>21,141</u>	<u>196,500</u>	<u>1,764,560</u>	<u>33,964</u>
<u>\$ 1,227,490</u>	<u>\$ 21,141</u>	<u>\$ -</u>	<u>\$ 1,590,746</u>	<u>\$ 59</u>

City of Two Rivers, Wisconsin

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		
	Electric Utility	Water Utility	Sewer Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 184,071	\$ 716,907	\$ 824,427
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	428,183	493,116	415,142
Depreciation charged to operating accounts	83,719	48,822	-
Other	40,205	4,368	24,456
Change in liability (asset) and deferred outflows and inflows of resources			
Net pension asset	179,028	106,764	83,128
Deferred outflows - pension related	(262,512)	(150,707)	(130,417)
Net pension liability	222,199	130,626	106,224
Deferred inflows - pension related	(45,632)	(29,825)	(16,956)
Other postemployment benefits			
Deferred outflows - OPEB related	(19,640)	3,096	2,435
OPEB liability	(24,105)	(14,863)	(13,634)
Deferred inflows - OPEB related	25,242	14,503	12,756
Change in operating assets and liabilities			
Accounts receivables	34,745	(4,651)	(74,805)
Due from other governments	-	-	21,892
Inventories and prepaid items	35,565	(649)	-
Accounts payable	(24,507)	(72,745)	(2,603)
Accrued and other current liabilities	(4,012)	480	1,970
Special deposits	(12,107)	400	-
Compensated absences	12,886	969	(1,359)
Net cash provided (used) by operating activities	<u>\$ 853,328</u>	<u>\$ 1,246,611</u>	<u>\$ 1,252,656</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	\$ -	\$ -	\$ -
Cash and cash equivalents in restricted assets	-	342,115	1,227,490
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ 342,115</u>	<u>\$ 1,227,490</u>
Noncash capital and related financing activities			
Assets acquired via lease agreement	\$ -	\$ -	\$ 350,000

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
\$ 433,875	\$ (109,714)	\$ 2,049,566	\$ (388,504)
79,970	16,143	1,432,554	-
-	-	132,541	-
-	15,885	84,914	-
-	10,200	379,120	-
-	(15,189)	(558,825)	-
-	12,597	471,646	-
-	(2,686)	(95,099)	-
-	1,391	(12,718)	-
-	(10,480)	(63,082)	-
-	413	52,914	-
(15,146)	2,530	(57,327)	-
-	-	21,892	-
-	-	34,916	-
56,258	6,977	(36,620)	1,497
733	(757)	(1,586)	-
-	-	(11,707)	-
-	-	12,496	-
<u>\$ 555,690</u>	<u>\$ (72,690)</u>	<u>\$ 3,835,595</u>	<u>\$ (387,007)</u>
\$ -	\$ -	\$ -	\$ 59
<u>21,141</u>	<u>-</u>	<u>1,590,746</u>	<u>-</u>
<u>\$ 21,141</u>	<u>\$ -</u>	<u>\$ 1,590,746</u>	<u>\$ 59</u>
\$ -	\$ -	\$ 350,000	\$ -

City of Two Rivers, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2019

	Custodial Funds			Total
	Property Tax Collection	Smongeski Health	Crime Prevention	
ASSETS				
Cash and investments	\$ 2,787,159	\$ 160,554	\$ 691	\$ 2,948,404
LIABILITIES				
Accounts payable	-	100	-	100
Due to other governments	2,787,159	-	-	2,787,159
TOTAL LIABILITIES	2,787,159	100	-	2,787,259
NET POSITION				
Restricted	\$ -	\$ 160,454	\$ 691	\$ 161,145

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, 2019

	Custodial Funds			Total
	Property Tax Collection	Smongeski Health	Crime Prevention	
ADDITIONS				
Interest on investments	\$ -	\$ 3,107	\$ 1,362	\$ 4,469
Taxes and special charges collected	4,589,122	-	-	4,589,122
Total additions	4,589,122	3,107	1,362	4,593,591
DEDUCTIONS				
Payments to others	4,589,122	-	671	4,589,793
Benefits	-	201	-	201
Total additions	4,589,122	201	671	4,589,994
Change in net position	-	2,906	691	3,597
Net position - January 1	-	157,548	-	157,548
Net position - December 31	<u>\$ -</u>	<u>\$ 160,454</u>	<u>\$ 691</u>	<u>\$ 161,145</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, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City is a municipal corporation governed by an elected nine member council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

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, 2019

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.

Tax Collection

The tax collection custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in an agency fund in prior years. Due to implementation of GASB 84, *Fiduciary Activities*, the presentation and reporting has been adjusted to meet the requirements of the new standard and are presented in a custodial fund.

Smongeski Health

This is a custodial fund that is used to account for resources held for assisting low income individuals in paying for the cost of eyeglasses.

Crime Prevention

This is a custodial fund that is used to account for resources held for others which have been dedicated to 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, 2019

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, 2019

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. **Inventories**

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

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

8. **Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are 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, 2019

9. Capital Assets

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

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

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

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

10. Compensated Absences

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

11. Deferred Outflows/Inflows of Resources

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

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

12. Long-term Obligations

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

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

13. Pensions

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

14. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

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

Single-employer Defined Postemployment Benefit Plan

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

15. Fund Equity

Governmental Fund Financial Statements

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

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

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 as follows:

Funds	Excess Expenditures
General Fund	
General government	
Legal	\$ 5,318
Uncollectible taxes and refunds	381
Public safety	
Police department	56,789
Ambulance	129,309
Public works	
Public works shop	79,639
Highway administration	16,347
Bridge repairs and maintenance	5,464
Snow and ice removal	19,594
Work done for others	101,487
Health and human services	
Cemetery	145
Culture and recreation	
Parks	16,692
Debt service fund	
Debt service	
Principal	2,723,680
Interest and fiscal charges	154,129

C. DEFICIT FUND EQUITY

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

Funds	Deficit Fund Balance
Special events donations	\$ 14,504
Urban forestry	261
Senior center	95,960
Sandy bay highlands	1,092
Rogers street park	63,774
Police equipment	104,990
TIF district no. 4	65,680
TIF district no. 6	238,521
TIF district no. 10	145,127
Industrial park development	4,443
City landfill	89,974
High school bike trail	38,189

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, 2019

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 2019 and 2020 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 2019 budget was 0.92%. The actual limit for the City for the 2020 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 \$10,415,210 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$ 6,404
Deposits with financial institutions	5,535,212
Investments	
Wisconsin local government investment pool	4,489,829
Mutual funds	383,765
	<u>\$ 10,415,210</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 5,876,060
Restricted cash and investments	1,590,746
Fiduciary fund statement of net position	
Custodial funds	2,948,404
	<u>\$ 10,415,210</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Mutual funds	\$ -	\$ 383,765	\$ -

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, 2019, \$4,297,028 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, 2019

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	\$ 383,765	\$ -	\$ -	\$ -	\$ 383,765
Wisconsin Local Government Investment Pool	4,489,829	-	-	-	4,489,829
Totals	\$ 4,873,594	\$ -	\$ -	\$ -	\$ 4,873,594

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	\$ 383,765	\$ 383,765	\$ -	\$ -	\$ -
Wisconsin Local Government Investment Pool	4,489,829	4,489,829	-	-	-
Totals	\$ 4,873,594	\$ 4,873,594	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$4,489,829 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, 2019, 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, 2019

B. RESTRICTED ASSETS

Restricted assets on December 31, 2019 totaled \$1,590,746 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise Fund		
Water utility	\$ 342,115	Debt reserve fund
Sewer utility	1,153,248	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>\$ 1,590,746</u>	

C. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 1,313,117	\$ -	\$ 86,315	\$ 1,226,802
Capital assets, depreciable:				
Buildings	15,081,392	36,236	-	15,117,628
Improvements other than buildings	3,774,460	-	-	3,774,460
Machinery and equipment	9,756,140	608,773	238,443	10,126,470
Infrastructure	36,065,183	391,063	-	36,456,246
Subtotals	<u>64,677,175</u>	<u>1,036,072</u>	<u>238,443</u>	<u>65,474,804</u>
Less accumulated depreciation	<u>35,209,646</u>	<u>1,438,509</u>	<u>128,228</u>	<u>36,519,927</u>
Total capital assets, depreciable, net	<u>29,467,529</u>	<u>(402,437)</u>	<u>110,215</u>	<u>28,954,877</u>
Governmental activities capital assets, net	<u>\$ 30,780,646</u>	<u>\$ (402,437)</u>	<u>\$ 196,530</u>	30,181,679
Less: Capital related debt				<u>12,130,666</u>
Net investment in capital assets				<u>\$ 18,051,013</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 38,227	\$ -	\$ -	\$ 38,227
Construction in progress	7,954,218	7,050,120	6,108,064	8,896,274
Total capital assets, nondepreciable	<u>7,992,445</u>	<u>7,050,120</u>	<u>6,108,064</u>	<u>8,934,501</u>
Capital assets, depreciable:				
Buildings	6,487,298	-	-	6,487,298
Improvements other than buildings	35,594,071	4,518,839	707,182	39,405,728
Machinery and equipment	16,404,809	628,722	458,977	16,574,554
Subtotals	<u>58,486,178</u>	<u>5,147,561</u>	<u>1,166,159</u>	<u>62,467,580</u>
Less accumulated depreciation:	<u>26,970,749</u>	<u>1,565,095</u>	<u>1,156,885</u>	<u>27,378,959</u>
Total capital assets, depreciable, net	<u>31,515,429</u>	<u>3,582,466</u>	<u>9,274</u>	<u>35,088,621</u>
Business-type activities capital assets, net	<u>\$ 39,507,874</u>	<u>\$ 10,632,586</u>	<u>\$ 6,117,338</u>	44,023,122
Less: Capital related debt				<u>14,729,260</u>
Net investment in capital assets				<u>\$ 29,293,862</u>

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

Governmental activities	
General government	\$ 107,746
Public safety	243,743
Public works	744,718
Culture and recreation	342,302
Total depreciation expense - governmental activities	<u>\$ 1,438,509</u>
Business-type activities	
Electric utility	\$ 428,183
Water utility	493,116
Sewer utility	415,142
Telecommunication utility	79,970
Stormwater utility	16,143
Total depreciation expense	<u>1,432,554</u>
Depreciation charged to operating accounts	132,541
Total increase in accumulated depreciation - business-type activities	<u>\$ 1,565,095</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental funds		
General	\$ 2,617,361	\$ -
Nonmajor governmental funds		
Special Events Donations	-	14,504
Senior Center	-	64,638
Sandy Bay Highlands	-	1,092
Rogers Street Park	-	63,774
Police equipment	-	134,353
TIF District No. 4	-	49,232
TIF District No. 6	-	227,639
TIF District No. 7	558,563	-
TIF District No. 10	-	126,021
City landfill	-	85,902
High School Bike Trail	-	15,248
Subtotal - nonmajor governmental funds	<u>558,563</u>	<u>782,403</u>
Proprietary funds		
Water Utility	-	2,620,407
Sewer Utility	-	151,563
Stormwater Utility	270,649	-
Electric	-	94,325
Telecommunication Utility	55,162	-
Solid Waste	146,963	-
Subtotal - Proprietary funds	<u>472,774</u>	<u>2,866,295</u>
Totals	<u>\$ 3,648,698</u>	<u>\$ 3,648,698</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, 2019

Interfund transfers for the year ended December 31, 2019 were as follows:

Fund	Transfer In	Transfer Out
Governmental funds		
General	\$ 846,369	\$ 386,342
Debt service	426,398	22,647
Nonmajor governmental funds		
Affordable Housing	80,092	-
Urban Forestry	19,500	-
Library	8,499	1,080
Library gift	-	8,499
Community tourism	23,745	55,061
Business improvement district	6,000	-
Business and Industrial Revolving Loans	-	174,428
Development	59,500	-
Harbor Master Plan	350,000	-
High School Bike Trail	-	350,000
Management information	18,000	-
Police Equipment	22,647	-
TIF District No. 5	-	80,092
TIF District No. 7	-	64,447
TIF District No. 8	-	403,055
TIF District No. 10	-	23,343
Industrial park development	114,928	75,000
Subtotal - nonmajor governmental funds	<u>702,911</u>	<u>1,235,005</u>
Proprietary funds		
Electric Utility	-	301,609
Water Utility	42,132	148,488
Sewer Utility	22,315	298,056
Nonmajor proprietary fund		
Solid Waste	-	1,080
Internal service fund - health insurance	353,102	-
	<u>\$ 2,393,227</u>	<u>\$ 2,393,227</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, 2019

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ -	\$ 3,210,000	\$ -	\$ 3,210,000	\$ 160,000
Notes	1,020,000	1,785,000	275,000	2,530,000	280,000
Direct borrowings	12,820,751	1,250,000	5,084,172	8,986,579	1,445,366
Total general obligation debt	13,840,751	6,245,000	5,359,172	14,726,579	1,885,366
Debt premium	-	336,971	11,851	325,120	28,069
Capital leases	77,093	-	27,145	49,948	27,913
Compensated absences	112,216	29,704	-	141,920	14,000
Governmental activities Long-term obligations	<u>\$ 14,030,060</u>	<u>\$ 6,611,675</u>	<u>\$ 5,398,168</u>	<u>\$ 15,243,567</u>	<u>\$ 1,955,348</u>
Business-type activities:					
General obligation debt					
Bonds	\$ 1,795,000	\$ 1,610,000	\$ 1,795,000	\$ 1,610,000	\$ 120,000
Direct borrowings	1,270,398	-	106,689	1,163,709	109,741
Total general obligation debt	3,065,398	1,610,000	1,901,689	2,773,709	229,741
Revenue bonds	9,915,701	3,876,753	1,021,799	12,770,655	1,102,870
Debt premium	-	124,614	8,496	116,118	11,329
Capital leases	15,962	350,000	15,962	350,000	64,749
Compensated absences	88,846	12,496	-	101,342	-
Business-type activities Long-term obligations	<u>\$ 13,085,907</u>	<u>\$ 5,973,863</u>	<u>\$ 2,947,946</u>	<u>\$ 16,111,824</u>	<u>\$ 1,408,689</u>

Total interest paid during the year on long-term debt totaled \$875,171.

State Trust Fund Loan

The City's outstanding notes from direct borrowings related to the governmental activities of \$8,922,458 and business type activities of \$101,792 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 \$1,038,495 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 \$87,543 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, 2019

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
Bonds					
General obligation bond	7/8/19	2030	3-4%	\$ 1,610,000	\$ 1,610,000
General obligation bond	8/30/19	2034	3-4%	3,210,000	3,210,000
Notes					
General obligation note	4/1/10	2020	4%	530,000	60,000
General obligation note	4/11/12	2022	3%	1,530,000	685,000
General obligation note	7/8/19	2029	3-4%	1,785,000	1,785,000
Direct placement					
State trust fund bond	4/11/13	2023	2.75%	1,162,358	498,795
WPPI energy note	2013	2023	0%	129,080	43,887
WPPI energy note	2013	2023	0%	14,076	4,692
WPPI energy note	2013	2023	0%	46,827	18,730
Safe drinking water bond	11/13/13	2029	3.15%	487,054	308,973
Safe drinking water bond	11/13/13	2029	3.15%	824,459	514,339
State trust fund bond	4/7/15	2030	3.75%	1,120,000	866,609
State trust fund bond	5/10/16	2026	3%	1,420,000	1,032,466
State trust fund bond	5/16/16	2025	3%	367,000	256,188
State trust fund bond	5/16/16	2024	3%	1,941,374	1,239,158
WPPI energy note	8/1/16	2026	0%	30,350	20,234
Safe drinking water bond	12/31/16	2029	2.67%	361,269	215,183
State trust fund bond	3/1/17	2026	3.50%	1,772,340	1,426,287
State trust fund bond	3/1/17	2026	3.50%	1,300,000	1,055,000
State trust fund bond	4/6/18	2028	3.75%	1,000,000	913,727
State trust fund bond	4/24/18	2020	3.50%	675,000	340,000
State trust fund bond	6/5/18	2028	3.75%	520,750	146,020
State trust fund bond	7/23/19	2029	3.75%	500,000	500,000
State trust fund bond	7/23/19	2039	4.00%	750,000	750,000
Total outstanding general obligation debt					\$17,500,288

Annual principal and interest maturities of the outstanding general obligation debt of \$17,500,288 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 440,000	\$ 221,032	\$ 1,445,366	\$ 289,692	\$ 1,885,366	\$ 510,724
2021	575,000	180,225	1,136,952	258,542	1,711,952	438,767
2022	585,000	162,825	1,195,434	221,734	1,780,434	384,559
2023	405,000	145,950	1,187,318	182,878	1,592,318	328,828
2024	435,000	129,150	987,211	144,592	1,422,211	273,742
2025-2029	2,145,000	369,000	2,435,215	319,375	4,580,215	688,375
2030-2034	1,155,000	76,425	314,083	87,975	1,469,083	164,400
2035-2039	-	-	285,000	34,825	285,000	34,825
	<u>\$ 5,740,000</u>	<u>\$ 1,284,607</u>	<u>\$ 8,986,579</u>	<u>\$ 1,539,613</u>	<u>\$ 14,726,579</u>	<u>\$ 2,824,220</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Year Ended December 31,	Business-type Activities					
	Bonds and Notes		Direct Placement		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 120,000	\$ 65,637	\$ 109,741	\$ 27,897	\$ 229,741	\$ 93,534
2021	125,000	61,447	112,904	25,206	237,904	86,653
2022	130,000	56,443	116,157	22,440	246,157	78,883
2023	135,000	50,599	118,569	19,587	253,569	70,186
2024	140,000	44,542	116,868	16,648	256,868	61,190
2025-2029	785,000	154,109	589,470	37,244	1,374,470	191,353
2030-2034	175,000	3,500	-	-	175,000	3,500
	<u>\$ 1,610,000</u>	<u>\$ 436,277</u>	<u>\$ 1,163,709</u>	<u>\$ 149,022</u>	<u>\$ 2,773,709</u>	<u>\$ 585,299</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, 2019 was \$8,754,552 as follows:

Equalized valuation of the City	\$ 525,096,800
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>26,254,840</u>
Net outstanding general obligation debt applicable to debt limitation	<u>17,500,288</u>
Legal margin for new debt	<u>\$ 8,754,552</u>

Current Refunding

During 2019, the City currently refunded a general obligation bond issue from 2010. The City issued \$1,610,000 of general obligation bonds to call the refunded debt. This current refunding was undertaken to obtain more favorable interest rates and reduce the total debt service interest payments over the next 10 years by \$172,009.

Revenue Bonds

Revenue bonds outstanding on December 31, 2019 totaled \$12,770,655 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
Sewer utility	9/27/00	2020	2.995%	\$ 384,908	\$ 25,166
Water utility	4/14/04	2023	2.37%	4,242,499	1,062,147
Sewer utility	3/26/08	2027	2.39%	6,297,058	3,005,497
Water utility	6/25/14	2034	1.93%	400,432	314,154
Sewer utility	12/23/14	2034	2.63%	698,698	561,530
Water utility	11/12/14	2034	1.93%	301,465	237,303
Water utility	6/28/17	2037	1.87%	805,787	754,917
Electric utility	3/20/17	2021	3.50%	325,000	168,002
Electric, sewer, and solid waste utilities	3/20/17	2027	4.00%	400,000	331,851
Water utility	6/13/18	2038	1.87%	709,297	681,832
Sewer utility	2/28/18	2037	1.76%	794,500	763,079
Sewer utility	10/24/18	2038	1.87%	4,059,972	3,944,191
Water utility	6/26/19	2039	1.98%	420,774	420,774
Sewer utility	11/27/19	2039	1.65%	500,202	500,212
Total outstanding revenue bonds					<u>\$ 12,770,655</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Annual principal and interest maturities of the outstanding revenue bonds of \$12,770,655 on December 31, 2019 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 1,102,870	\$ 259,398	\$ 1,362,268
2021	1,125,961	234,074	1,360,035
2022	1,064,095	207,186	1,271,281
2023	1,088,239	182,746	1,270,985
2024	831,511	161,021	992,532
2025 - 2029	3,501,058	538,785	4,039,843
2030 - 2034	2,386,845	270,982	2,657,827
2035 - 2039	1,670,076	62,277	1,732,353
	<u>\$ 12,770,655</u>	<u>\$ 1,916,469</u>	<u>\$ 14,687,124</u>

Utility Revenues Pledged

The City has pledged future electric, water and sewer, and solid waste customer revenues, net of specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utilities. The bonds are payable solely from customer net revenues and are payable through 2039. The total principal and interest remaining to be paid on the bonds is \$14,687,124. Principal and interest paid for the current year and total customer net revenues were \$1,262,511 and \$2,954,868, respectively.

Capital Lease

The City is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The cost of the capital assets under the capital leases total \$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, 2019:

Year Ending	Amount Due	
	Governmental	Business-type
2020	\$ 29,349	\$ 78,399
2021	17,322	78,399
2022	5,510	78,399
2023	-	78,399
2024	-	78,399
Subtotal	52,181	391,995
Less: Amount representing interest	2,233	41,995
Present value of future minimum lease payments	<u>\$ 49,948</u>	<u>\$ 350,000</u>

Unfunded Pension Liability

The City's unfunded pension liability of \$1,582,278 on December 31, 2019 is an actuarially computed liability by the Wisconsin Retirement System (WRS) resulting from increases in employee pension benefits that exceeded actual prior years' contributions by the City to the WRS. The liability was originally calculated by the WRS as of January 1, 1990. Since that time, the City has been making additional monthly payments to the WRS in order to amortize the liability over a 40 year period. In addition, the City is charged 7.2% interest per year on the unpaid balance. As shown in the subsequent event Note 4.E., the City issued debt in 2020 to refinance the liability. Additional information on the WRS is provided in Note 3.F.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

F. PENSION PLAN

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
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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
2009	(2.1)	(42)
2010	(1.3)	22
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

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, 2019, the WRS recognized \$761,553 in contributions from the City.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

At December 31, 2019, the City reported a liability of \$2,552,513 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.07174643%, which was an increase of 0.00228380% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$1,719,374.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,988,020	\$ 3,514,105
Net differences between projected and actual earnings on pension plan investments	3,722,880	-
Changes in assumptions	430,259	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,032	27,943
Employer contributions subsequent to the measurement date	761,553	-
Total	<u>\$ 6,904,744</u>	<u>\$ 3,542,048</u>

\$761,553 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 in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2020	\$939,606
2021	231,815
2022	412,096
2023	1,017,626
Total	<u>\$ 2,601,143</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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:

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

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

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

	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%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9%	6.5%	3.9%
Private Equity/Debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.6%	5.0%
International Equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

Single Discount Rate. A single discount rate of 7.0% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.0% for the 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 3.71%. 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. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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)	\$ 10,143,954	\$ 2,552,513	\$ (3,092,312)

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>.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

6. Payables to the Pension Plan

At December 31, 2019, the City reported a payable of \$141,144 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

G. OTHER POSTEMPLOYMENT BENEFITS

The City reports OPEB related balances at December 31, 2019 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ (448,617)	\$ 81,211	\$ (120,000)
Single-employer defined OPEB plan	(5,834,983)	444,924	(161,078)
Total OPEB liability	<u>\$ (6,283,600)</u>	<u>\$ 526,135</u>	<u>\$ (281,078)</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.

Benefits Provided

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

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

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

Contributions

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

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation date of December 31, 2017.

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

Inflation:	2.50%
Investment rate of return:	4.00%
Healthcare cost trend rates:	7.50% for 2017 decreasing to an ultimate rate of 5.0%, and level thereafter

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

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

Discount Rate. The discount rate used to measure the total OPEB liability was 4.00%. 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, 2017	\$ 6,062,120
Changes for the year:	
Service cost	178,228
Interest	207,851
Changes of assumptions	(187,924)
Benefit payments	(425,292)
Net changes	(227,137)
Balance at December 31, 2018	\$ 5,834,983

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 (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	1% Decrease to Discount Rate (3.0%)	Current Discount Rate (4.0%)	1% Increase to Discount Rate (5.0%)
Total OPEB liability	\$ 6,216,575	\$ 5,834,983	\$ 5,476,459

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

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB liability	\$ 5,334,047	\$ 5,834,983	\$ 6,403,368

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$359,233. At December 31, 2019, 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
Changes in assumptions	\$ -	\$ 161,078
City contributions subsequent to the measurement date	444,924	-
Total	\$ 444,924	\$ 161,078

The \$444,924 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

Payable to the OPEB Plan

At December 31, 2019, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

2. Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Contribution rates as of December 31, 2019 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2018	
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 \$3,349 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, 2019, the City reported a liability of \$448,617 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the City's proportion was 0.17386000%, which was an increase of .003969% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized OPEB expense of \$48,520.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

At December 31, 2019, 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	\$ -	\$ 22,758
Net differences between projected and actual earnings on OPEB plan investments	10,721	-
Changes in assumptions	47,695	97,242
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,795	-
Total	<u>\$ 81,211</u>	<u>\$ 120,000</u>

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
2020	\$ (4,877)
2021	(4,877)
2022	(4,877)
2023	(6,382)
2024	(7,933)
Thereafter	(9,843)
Total	<u>\$ (38,789)</u>

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

Actuarial valuation date:	January 1, 2018
Measurement date of net OPEB liability:	December 31, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Mun	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

Single discount rate. A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

Sensitivity of the City's proportionate share of 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 4.22%, 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 (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
City's proportionate share of the net OPEB liability	\$ 638,188	\$ 448,617	\$ 302,407

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Payable to the OPEB Plan

At December 31, 2019, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

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, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Prepays and inventories	\$ 510,402
Deficit cash advances	2,488,360
Total General Fund Nonspendable Fund Balance	<u>2,998,762</u>
Special Revenue Funds	
Nonspendable	
Prepays and inventories	<u>5,973</u>
Total nonspendable fund balance	<u>\$ 3,004,735</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2019, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Housing revolving loans	\$ 5,722
Business and industrial revolving loans	883,404
Library	7,800
Library gift fund	383,092
WDF administrative	200
EMS Act 102 grant	8,118
Affordable Housing	80,092
Medical/Hospital Equipment	10,998
Capital Projects Funds	
Restricted for	
TIF District No. 3	35,234
TIF District No. 7	816,369
TIF District No. 8	65,722
TIF District No. 9	102,309
TIF District No. 11	5,744
TIF District No. 12	477,875
Harbor Master Plan	<u>650,000</u>
Debt Service Fund	
Restricted for debt service	<u>423,141</u>
Total restricted fund balance	<u>\$ 3,955,820</u>

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2019, governmental fund balance was committed as follows:

Special Revenue Funds

Committed for

Community tourism	\$ 2,173
Business improvement district	6,196
Docks and harbors	10,075
Tree planting	10,934
Community development	14,751

Capital Projects Funds

Committed for

Street construction	245,453
Bridge construction	10,174
Park and cemetery construction	21,281
Fire equipment	20,734
Public works equipment	38,227
City Hall equipment	43,143
Harbor Master Plan	331,856
Management information	5,666

Total committed fund balance	<u>\$ 760,663</u>
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Net Position

The City reports restricted net position at December 31, 2019 as follows:

Governmental activities

Restricted for

Housing and business loans	\$ 4,518,463
Library operation and donations	390,892
Urban forestry	200
EMS Act 102 grant	8,118
Affordable Housing	80,092
Medical/Hospital Equipment	10,998
Tax incremental districts	1,503,253
Total governmental activities restricted net position	<u>6,512,016</u>

Business-type activities

Restricted for

Debt service	416,357
Plant replacement	1,174,389
Total business-type activities restricted net position	<u>1,590,746</u>

Total restricted net position	<u>\$ 8,102,762</u>
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City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4: OTHER INFORMATION

A. WPPI ENERGY CONTRACT (WPPI)

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

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

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

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

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

The electric operation purchases power through WPPI Energy, for distribution to its customers. Total purchases under this arrangement amounted to approximately \$6.1 million in 2019.

B. TAX INCREMENTAL FINANCING DISTRICTS

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

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

C. TAX ABATEMENTS

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

For the year ended December 31, 2019, the City abated property taxes totaling \$247,996 under this program, including the following amounts:

- A property tax abatement of \$227,996 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.

City of Two Rivers, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

E. SUBSEQUENT EVENTS

During 2020, the City issued the following long-term debt obligations:

- On January 8, 2020 the City issued a state trust fund loan in the amount of \$1,200,000 to refinance a portion of the Wisconsin Retirement System liability. This loan was subsequently refinanced with the April 20, 2020 issuance of General Obligation refunding bonds noted below.
- On March 26, 2020 the City issued state trust fund loans in the amount of \$800,000 for the purpose of funding water and sewer lateral projects in addition to funding a developer agreement.
- On April 16, 2020 the City issued revenue obligation state trust fund loans in the amount of \$1,073,000 for the purpose of financing utility replacements, extensions, shoreline repair, and protection projects.
- On April 16, 2020 the City issued state trust fund loans in the amount of \$550,000 for the purpose of financing a property purchase for redevelopment.
- On April 20, 2020 the City issued general obligation promissory notes in the amount of \$6,125,000 to be used for capital improvements.
- On April 20, 2020 the City issued general obligation refunding bonds in the amount of \$2,085,000 to refinance the Wisconsin Retirement System liability as well as various equipment and capital improvement projects to reduce interest expense.

On January 17, 2020 the City paid off the unfunded pension liability of \$1,582,278.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations including, but not limited to, costs for emergency preparedness, shortages of personnel and potential delays in revenue collections. 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 these events occurred subsequent to year-end and are still developing.

F. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment that resulted in an increase in accounts receivable and net position in both the enterprise and business-type activities in the amount of \$504,635. The increase was due to adjustments to record accounts receivable for services provided but not billed as of year-end.

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%

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	-	8,387,805	9.08%

See notes to required supplementary information

City of Two Rivers, Wisconsin

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

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

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 3,349	\$ 3,349	-	\$ 8,182,118	0.04%
12/31/19	3,440	3,440	-	8,387,805	0.04%

See notes to required supplementary information

City of Two Rivers, Wisconsin

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

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

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

See notes to required supplementary information.

City of Two Rivers, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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 or assumptions for any participating employer in LRLIF.

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

B. WISCONSIN RETIREMENT SYSTEM

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

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

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Taxes				
General property	\$ 2,083,000	\$ 2,083,000	\$ 2,083,000	\$ -
Payments in lieu of taxes	20	20	20	-
Other taxes	-	-	15,951	15,951
Interest and taxes	15,000	15,000	9,283	(5,717)
Total taxes	2,098,020	2,098,020	2,108,254	10,234
Special assessments				
Street paving and construction	100,000	100,000	108,647	8,647
Other special assessments	7,000	7,000	8,490	1,490
Total special assessments	107,000	107,000	117,137	10,137
Intergovernmental				
State shared taxes	3,793,812	3,793,812	3,786,657	(7,155)
Exempt computer aid	13,500	13,500	13,998	498
Fire insurance tax	24,000	24,000	23,575	(425)
Shared election aid	-	-	390	390
Law enforcement training	12,000	12,000	9,018	(2,982)
Expenditure restraint	186,676	186,676	186,676	-
Other public safety	20,000	20,000	27,352	7,352
Municipal services payment	4,170	4,170	4,171	1
Local highway aid	554,638	554,638	554,384	(254)
Connecting streets	89,560	89,560	89,600	40
Total intergovernmental	4,698,356	4,698,356	4,695,821	(2,535)
Licenses and permits				
Licenses				
Liquor and malt beverage	16,000	16,000	14,505	(1,495)
Bar operators	6,200	6,200	6,028	(172)
Cigarette	800	800	800	-
Dog	3,500	3,500	8,046	4,546
Business and occupational	2,000	2,000	1,985	(15)
Bicycle	-	-	275	275
Permits				
Building	70,000	70,000	57,214	(12,786)
Electrical	18,000	18,000	16,360	(1,640)
plumbing	18,000	18,000	36,765	18,765
Sign	2,000	2,000	2,110	110
Conditional use	3,500	3,500	2,100	(1,400)
Other permits	7,500	7,500	5,166	(2,334)
Cable franchise fees	130,000	130,000	133,398	3,398
Total licenses and permits	277,500	277,500	284,752	7,252
Fines and forfeits				
Court penalties and costs	73,500	73,500	51,421	(22,079)
Animal control	500	500	200	(300)
Parking fines	18,400	18,400	16,333	(2,067)
Total fines and forfeits	92,400	92,400	67,954	(24,446)

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
Public charges for services				
Publication	-	-	15	15
Community center	33,000	33,000	30,845	(2,155)
Senior center	52,000	52,000	50,651	(1,349)
General government	22,000	22,000	24,380	2,380
Public works	180,000	180,000	222,603	42,603
Cemetery plots and burials	100,000	100,000	80,030	(19,970)
Law enforcement	3,000	3,000	2,682	(318)
Ambulance	870,000	870,000	759,121	(110,879)
Recreation	85,000	85,000	65,578	(19,422)
Fire department	41,200	41,200	77,390	36,190
Total public charges for services	<u>1,386,200</u>	<u>1,386,200</u>	<u>1,313,295</u>	<u>(72,905)</u>
Intergovernmental charges for services				
Police liaison	135,000	135,000	133,400	(1,600)
Shared fire expense	1,000	1,000	318	(682)
Total intergovernmental charges for services	<u>136,000</u>	<u>136,000</u>	<u>133,718</u>	<u>(2,282)</u>
Interdepartmental charges for services				
Public works	475,000	475,000	424,301	(50,699)
Recreation	1,700	1,700	1,710	10
Economic development	20,000	20,000	22,575	2,575
Total interdepartmental charges for services	<u>496,700</u>	<u>496,700</u>	<u>448,586</u>	<u>(48,114)</u>
Miscellaneous				
Interest on investments	25,000	25,000	25,062	62
Interest on advances	54,500	54,500	74,624	20,124
Interest on special assessments	5,000	5,000	20,090	15,090
Rental income	60,000	60,000	64,343	4,343
Donations	-	-	3	3
Refunds for prior years	36,500	36,500	36,743	243
Insurance recovery	-	-	5,413	5,413
Other	5,000	5,000	2,781	(2,219)
Total miscellaneous	<u>186,000</u>	<u>186,000</u>	<u>229,059</u>	<u>43,059</u>
Total revenues	<u>\$ 9,478,176</u>	<u>\$ 9,478,176</u>	<u>\$ 9,398,576</u>	<u>\$ (79,600)</u>

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
General government				
Council	\$ 15,939	\$ 15,939	\$ 13,957	\$ 1,982
Judicial	70,513	70,513	66,334	4,179
Clerk	91,701	91,701	90,981	720
Assessor	108,881	108,881	100,169	8,712
Elections	10,700	10,700	6,763	3,937
City manager	156,654	156,654	156,295	359
City Hall	107,408	107,408	103,969	3,439
Information systems	96,846	96,846	94,967	1,879
Other general government	22,150	22,150	9,022	13,128
Insurance and bonds	336,290	336,290	323,898	12,392
Legal	52,060	52,060	57,378	(5,318)
Accounting	161,996	161,996	159,312	2,684
Uncollectible taxes and refunds	10,000	10,000	10,381	(381)
Total general government	<u>1,241,138</u>	<u>1,241,138</u>	<u>1,193,426</u>	<u>47,712</u>
Public safety				
Police and fire commission	5,500	5,500	4,613	887
Police department	2,976,842	2,976,842	3,033,631	(56,789)
Fire department	2,007,873	2,007,873	1,953,446	54,427
Ambulance	437,026	437,026	566,335	(129,309)
Inspection	132,985	132,985	131,148	1,837
Total public safety	<u>5,560,226</u>	<u>5,560,226</u>	<u>5,689,173</u>	<u>(128,947)</u>
Public works				
Public works shop	576,194	576,194	655,833	(79,639)
Highway administration	184,584	184,584	200,931	(16,347)
Bridge repairs and maintenance	30,437	30,437	35,901	(5,464)
Street and highway maintenance	386,813	386,813	256,425	130,388
Snow and ice removal	233,446	233,446	253,040	(19,594)
Traffic control	63,903	63,903	56,326	7,577
Transit	106,000	106,000	105,864	136
Work done for others	30,162	30,162	131,649	(101,487)
Total public works	<u>1,611,539</u>	<u>1,611,539</u>	<u>1,695,969</u>	<u>(84,430)</u>
Health and human services				
Cemetery	186,805	186,805	186,950	(145)
Senior center	198,717	198,717	185,598	13,119
Total health and human services	<u>385,522</u>	<u>385,522</u>	<u>372,548</u>	<u>12,974</u>

City of Two Rivers, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Community center	386,429	386,429	386,408	21
Parks	299,876	299,876	316,568	(16,692)
Recreation	296,853	296,853	251,062	45,791
Special events	40,519	40,519	37,661	2,858
Recreation fields	126,717	126,717	119,922	6,795
Total culture and recreation	<u>1,150,394</u>	<u>1,150,394</u>	<u>1,111,621</u>	<u>38,773</u>
Conservation and development				
Economic development	40,483	40,483	37,305	3,178
Planning and zoning	11,740	11,740	3,931	7,809
Total conservation and development	<u>52,223</u>	<u>52,223</u>	<u>41,236</u>	<u>10,987</u>
Total expenditures	<u>\$ 10,001,042</u>	<u>\$ 10,001,042</u>	<u>\$ 10,103,973</u>	<u>\$ (102,931)</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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,445,283	\$ 2,445,283	\$ 2,445,283	\$ -
Miscellaneous	20,000	20,000	20,753	753
Total revenues	<u>2,465,283</u>	<u>2,465,283</u>	<u>2,466,036</u>	<u>753</u>
EXPENDITURES				
Current				
General government	785,629	785,629	-	785,629
Debt service				
Principal	2,649,729	2,649,729	5,373,409	(2,723,680)
Interest and fiscal charges	456,323	456,323	610,452	(154,129)
Total expenditures	<u>3,891,681</u>	<u>3,891,681</u>	<u>5,983,861</u>	<u>(2,092,180)</u>
Excess of revenues under expenditures	<u>(1,426,398)</u>	<u>(1,426,398)</u>	<u>(3,517,825)</u>	<u>(2,091,427)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,000,000	1,000,000	3,710,000	2,710,000
Premium on debt issued	-	-	278,260	278,260
Transfers in	426,398	426,398	426,398	-
Transfers out	-	-	(22,647)	(22,647)
Total other financing sources	<u>1,426,398</u>	<u>1,426,398</u>	<u>4,392,011</u>	<u>2,965,613</u>
Net change in fund balance	-	-	874,186	874,186
Fund balance - January 1	<u>(451,045)</u>	<u>(451,045)</u>	<u>(451,045)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (451,045)</u>	<u>\$ (451,045)</u>	<u>\$ 423,141</u>	<u>\$ 874,186</u>

City of Two Rivers, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue					Business Improvement District
	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative	
ASSETS						
Cash and investments	\$ 257,013	\$ 383,675	\$ 5,490	\$ -	\$ 200	\$ 8,193
Receivables						
Taxes and special charges	396,188	-	-	-	-	28,472
Accounts	-	-	-	-	-	6,196
Loans	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
Total assets	\$ 653,201	\$ 383,675	\$ 5,490	\$ -	\$ 200	\$ 42,861
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,655	\$ 583	\$ 3,317	\$ -	\$ -	\$ -
Accrued and other current liabilities	20,720	-	-	-	-	-
Due to other funds	-	-	-	14,504	-	-
Special deposits	19	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Total liabilities	26,394	583	3,317	14,504	-	-
Deferred inflows of resources						
Property taxes levied for subsequent year	619,007	-	-	-	-	36,665
Loans receivable	-	-	-	-	-	-
Total deferred inflows of resources	619,007	-	-	-	-	36,665
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	7,800	383,092	-	-	200	-
Committed	-	-	2,173	-	-	6,196
Unassigned	-	-	-	(14,504)	-	-
Total fund balances	7,800	383,092	2,173	(14,504)	200	6,196
Total liabilities, deferred inflows of resources, and fund balances	\$ 653,201	\$ 383,675	\$ 5,490	\$ -	\$ 200	\$ 42,861

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
\$ 10,075	\$ 78	\$ -	\$ 10,934	\$ 8,118	\$ 936,996	\$ -	\$ 80,092	\$ 10,998	\$ 19,910
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,069,929	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	5,973	-	-	-	-	-	-	-
<u>\$ 10,075</u>	<u>\$ 78</u>	<u>\$ 5,973</u>	<u>\$ 10,934</u>	<u>\$ 8,118</u>	<u>\$ 2,006,925</u>	<u>\$ -</u>	<u>\$ 80,092</u>	<u>\$ 10,998</u>	<u>\$ 19,910</u>
\$ -	\$ -	\$ 5,805	\$ -	\$ -	\$ 53,592	\$ -	\$ -	\$ -	\$ 500
-	339	2,539	-	-	-	-	-	-	4,659
-	-	64,638	-	-	-	1,092	-	-	-
-	-	554	-	-	-	-	-	-	-
-	-	28,397	-	-	-	-	-	-	-
-	339	101,933	-	-	53,592	1,092	-	-	5,159
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,069,929	-	-	-	-
-	-	-	-	-	1,069,929	-	-	-	-
-	-	5,973	-	-	-	-	-	-	-
-	-	-	-	8,118	883,404	-	80,092	10,998	-
10,075	-	-	10,934	-	-	-	-	-	14,751
-	(261)	(101,933)	-	-	-	(1,092)	-	-	-
<u>10,075</u>	<u>(261)</u>	<u>(95,960)</u>	<u>10,934</u>	<u>8,118</u>	<u>883,404</u>	<u>(1,092)</u>	<u>80,092</u>	<u>10,998</u>	<u>14,751</u>
<u>\$ 10,075</u>	<u>\$ 78</u>	<u>\$ 5,973</u>	<u>\$ 10,934</u>	<u>\$ 8,118</u>	<u>\$ 2,006,925</u>	<u>\$ -</u>	<u>\$ 80,092</u>	<u>\$ 10,998</u>	<u>\$ 19,910</u>

City of Two Rivers, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Capital Projects				
	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
ASSETS					
Cash and investments	\$ 250,823	\$ 10,174	\$ 36,806	\$ 21,857	\$ 38,227
Receivables					
Taxes and special charges	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Total assets	\$ 250,823	\$ 10,174	\$ 36,806	\$ 21,857	\$ 38,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,370	\$ -	\$ 15,525	\$ 1,123	\$ -
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	5,370	-	15,525	1,123	-
Deferred inflows of resources					
Property taxes levied for subsequent year	-	-	-	-	-
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	245,453	10,174	21,281	20,734	38,227
Unassigned	-	-	-	-	-
Total fund balances	245,453	10,174	21,281	20,734	38,227
Total liabilities, deferred inflows of resources, and fund balances	\$ 250,823	\$ 10,174	\$ 36,806	\$ 21,857	\$ 38,227

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
\$ -	\$ 43,143	\$ 5,666	\$ 29,363	\$ 39,839	\$ -	\$ -	\$ -
-	-	-	-	8,187	29,244	-	19,350
63,774	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 63,774</u>	<u>\$ 43,143</u>	<u>\$ 5,666</u>	<u>\$ 29,363</u>	<u>\$ 48,026</u>	<u>\$ 29,244</u>	<u>\$ -</u>	<u>\$ 19,350</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
63,774	-	-	134,353	-	49,232	-	227,639
-	-	-	-	-	-	-	-
63,774	-	-	-	-	-	-	-
<u>127,548</u>	<u>-</u>	<u>-</u>	<u>134,353</u>	<u>-</u>	<u>49,232</u>	<u>-</u>	<u>227,639</u>
-	-	-	-	12,792	45,692	-	30,232
-	-	-	-	-	-	-	-
-	-	-	-	12,792	45,692	-	30,232
-	-	-	-	-	-	-	-
-	-	-	-	35,234	-	-	-
-	43,143	5,666	-	-	-	-	-
<u>(63,774)</u>	<u>-</u>	<u>-</u>	<u>(104,990)</u>	<u>-</u>	<u>(65,680)</u>	<u>-</u>	<u>(238,521)</u>
<u>(63,774)</u>	<u>43,143</u>	<u>5,666</u>	<u>(104,990)</u>	<u>35,234</u>	<u>(65,680)</u>	<u>-</u>	<u>(238,521)</u>
<u>\$ 63,774</u>	<u>\$ 43,143</u>	<u>\$ 5,666</u>	<u>\$ 29,363</u>	<u>\$ 48,026</u>	<u>\$ 29,244</u>	<u>\$ -</u>	<u>\$ 19,350</u>

City of Two Rivers, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2019

	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	\$ 314,650	\$ 132,838	\$ 187,742	\$ -	\$ 16,945
Receivables					
Taxes and special charges	101,071	119,336	151,905	33,971	19,915
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	558,563	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Total assets	\$ 974,284	\$ 252,174	\$ 339,647	\$ 33,971	\$ 36,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other current liabilities	-	-	-	-	-
Due to other funds	-	-	-	126,021	-
Special deposits	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	-	-	-	126,021	-
Deferred inflows of resources					
Property taxes levied for subsequent year	157,915	186,452	237,338	53,077	31,116
Loans receivable	-	-	-	-	-
Total deferred inflows of resources	157,915	186,452	237,338	53,077	31,116
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	816,369	65,722	102,309	-	5,744
Committed	-	-	-	-	-
Unassigned	-	-	-	(145,127)	-
Total fund balances	816,369	65,722	102,309	(145,127)	5,744
Total liabilities, deferred inflows of resources, and fund balances	\$ 974,284	\$ 252,174	\$ 339,647	\$ 33,971	\$ 36,860

Capital Projects

TIF District No. 12	Industrial Park Development	City Landfill	High School Bike Trail	Harbor Master Plan	Total
\$ 477,875	\$ 37	\$ -	\$ -	\$ 981,856	\$ 4,319,613
-	-	-	-	-	907,639
-	-	-	-	-	69,970
-	4,125	-	-	-	1,074,054
-	-	-	-	-	558,563
-	-	-	-	-	5,973
<u>\$ 477,875</u>	<u>\$ 4,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 981,856</u>	<u>\$ 6,935,812</u>
\$ -	\$ -	\$ 4,072	\$ 22,941	\$ -	\$ 118,483
-	-	-	-	-	28,257
-	-	85,902	15,248	-	782,403
-	4,480	-	-	-	5,053
-	-	-	-	-	92,171
-	4,480	89,974	38,189	-	1,026,367
-	-	-	-	-	1,410,286
-	4,125	-	-	-	1,074,054
-	4,125	-	-	-	2,484,340
-	-	-	-	-	5,973
477,875	-	-	-	650,000	3,526,957
-	-	-	-	331,856	760,663
-	(4,443)	(89,974)	(38,189)	-	(868,488)
<u>477,875</u>	<u>(4,443)</u>	<u>(89,974)</u>	<u>(38,189)</u>	<u>981,856</u>	<u>3,425,105</u>
<u>\$ 477,875</u>	<u>\$ 4,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 981,856</u>	<u>\$ 6,935,812</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, 2019

	Special Revenue				
	Library	Library Gift	Community Tourism	Special Events Donations	WDF Administrative
REVENUES					
Taxes	\$ 606,870	\$ -	\$ 116,372	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	163,092	-	-	-	180
Public charges for services	15,774	-	10	-	-
Miscellaneous	32,213	72,090	-	18,790	-
Total revenues	817,949	72,090	116,382	18,790	180
EXPENDITURES					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	815,608	21,411	-	38,720	-
Conservation and development	-	-	82,639	-	-
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	828,516	21,411	82,639	38,720	-
Excess of revenues over (under) expenditures	(10,567)	50,679	33,743	(19,930)	180
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Proceeds from sale of capital assets	2,911	-	-	-	-
Transfers in	8,499	-	23,745	-	-
Transfers out	(1,080)	(8,499)	(55,061)	-	-
Total other financing sources (uses)	10,330	(8,499)	(31,316)	-	-
Net change in fund balances	(237)	42,180	2,427	(19,930)	180
Fund balances - January 1	8,037	340,912	(254)	5,426	20
Fund balances - December 31	\$ 7,800	\$ 383,092	\$ 2,173	\$ (14,504)	\$ 200

Special Revenue										
Business Improvement District	Docks and Harbors	Urban Forestry	Senior Center	Tree Planting	EMS Act 102 Grant	Business and Industrial Revolving Loans	Sandy Bay Highlands	Affordable Housing	Medical/Hospital Equipment	Community Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37,232	-	-	-	-	-	-	-	-	-	-
-	-	-	48,764	10,000	5,833	-	-	-	-	-
-	5,511	-	172,221	-	-	-	-	-	-	-
-	-	-	2,877	5,978	-	99,665	-	-	11,501	-
37,232	5,511	-	223,862	15,978	5,833	99,665	-	-	11,501	-
-	-	-	-	-	1,990	-	-	-	503	-
-	1,978	-	-	-	-	-	-	-	-	-
-	-	-	266,669	-	-	-	-	-	-	-
-	-	-	2,294	-	-	-	-	-	-	-
40,696	-	17,634	-	20,554	-	544,776	1,092	-	-	44,749
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
40,696	1,978	17,634	268,963	20,554	1,990	544,776	1,092	-	503	44,749
(3,464)	3,533	(17,634)	(45,101)	(4,576)	3,843	(445,111)	(1,092)	-	10,998	(44,749)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
6,000	-	19,500	-	-	-	-	-	80,092	-	59,500
-	-	-	-	-	-	(174,428)	-	-	-	-
6,000	-	19,500	-	-	-	(174,428)	-	80,092	-	59,500
2,536	3,533	1,866	(45,101)	(4,576)	3,843	(619,539)	(1,092)	80,092	10,998	14,751
3,660	6,542	(2,127)	(50,859)	15,510	4,275	1,502,943	-	-	-	-
\$ 6,196	\$ 10,075	\$ (261)	\$ (95,960)	\$ 10,934	\$ 8,118	\$ 883,404	\$ (1,092)	\$ 80,092	\$ 10,998	\$ 14,751

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Capital Projects				
	Street Construction	Bridge Construction	Park and Cemetery Construction	Fire Equipment	Public Works Equipment
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	14,938	-	-	-	-
Public charges for services	-	-	-	-	-
Miscellaneous	-	-	1,869	20,598	24,506
Total revenues	14,938	-	1,869	20,598	24,506
EXPENDITURES					
Current					
Public safety	-	-	-	17,315	-
Public works	3,226	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	14,030	-	-
Conservation and development	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	264,223	-
Public works	284,132	17,129	-	-	86,201
Culture and recreation	-	-	219,859	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	14,670	-	4,769	7,795	2,631
Total expenditures	302,028	17,129	238,658	289,333	88,832
Excess of revenues over (under) expenditures	(287,090)	(17,129)	(236,789)	(268,735)	(64,326)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	446,000	-	145,000	237,000	80,000
Premium on debt issued	14,670	-	4,769	7,795	2,631
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	460,670	-	149,769	244,795	82,631
Net change in fund balances	173,580	(17,129)	(87,020)	(23,940)	18,305
Fund balances - January 1	71,873	27,303	108,301	44,674	19,922
Fund balances - December 31	\$ 245,453	\$ 10,174	\$ 21,281	\$ 20,734	\$ 38,227

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
\$ -	\$ -	\$ -	\$ -	\$ 10,868	\$ 45,057	\$ 80,092	\$ 16,947
-	-	-	-	-	-	-	-
-	-	600	5,000	5,473	1,027	1,424	70
-	-	-	-	-	-	-	-
-	1,000	1	9,563	-	-	-	-
-	1,000	601	14,563	16,341	46,084	81,516	17,017
-	-	-	22,855	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	151	152	44,448	150
-	7,118	32,658	-	-	-	-	-
-	-	-	185,077	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,250	-	4,506	-	2,931	-	6,947
-	8,368	32,658	212,438	151	3,083	44,448	7,097
-	(7,368)	(32,057)	(197,875)	16,190	43,001	37,068	9,920
-	38,000	-	137,000	-	-	-	-
-	1,250	-	4,506	-	-	-	-
-	-	-	-	-	-	-	-
-	-	18,000	22,647	-	-	-	-
-	-	-	-	-	-	(80,092)	-
-	39,250	18,000	164,153	-	-	(80,092)	-
-	31,882	(14,057)	(33,722)	16,190	43,001	(43,024)	9,920
(63,774)	11,261	19,723	(71,268)	19,044	(108,681)	43,024	(248,441)
\$ (63,774)	\$ 43,143	\$ 5,666	\$ (104,990)	\$ 35,234	\$ (65,680)	\$ -	\$ (238,521)

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Capital Projects			
	TIF District No. 7	TIF District No. 8	TIF District No. 9	TIF District No. 10
REVENUES				
Taxes	\$ 158,094	\$ 172,540	\$ 15,383	\$ 34,661
Special assessments	-	-	-	-
Intergovernmental	1,543	774	4,835	298
Public charges for services	-	-	-	-
Miscellaneous	8,782	1,164	-	27,500
Total revenues	168,419	174,478	20,218	62,459
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	151	382	149	7,181
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	4,096
Total expenditures	151	382	149	11,277
Excess of revenues over (under) expenditures	168,268	174,096	20,069	51,182
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(64,447)	(403,055)	-	(23,343)
Total other financing sources (uses)	(64,447)	(403,055)	-	(23,343)
Net change in fund balances	103,821	(228,959)	20,069	27,839
Fund balances - January 1	712,548	294,681	82,240	(172,966)
Fund balances - December 31	<u>\$ 816,369</u>	<u>\$ 65,722</u>	<u>\$ 102,309</u>	<u>\$ (145,127)</u>

Capital Projects						
TIF District No. 11	TIF District No. 12	Industrial Park Development	City Landfill	High School Bike Trail	Harbor Master Plan	Total
\$ 6,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,263,806
-	-	-	-	-	-	37,232
77	-	-	-	-	-	263,928
-	-	-	-	-	-	193,516
-	-	93,240	89,667	30,000	211,000	762,004
6,999	-	93,240	89,667	30,000	211,000	2,520,486
-	-	-	-	-	-	42,663
-	-	-	139,385	-	86,910	231,499
-	-	-	-	-	-	266,669
-	-	-	-	143,000	-	1,035,063
7,072	266,785	11,815	-	-	-	1,090,576
-	-	-	-	-	-	39,776
-	-	-	-	-	-	449,300
-	-	-	22,315	-	-	409,777
-	-	-	-	-	-	219,859
-	-	5,086	-	-	-	5,086
-	-	-	-	-	-	12,908
-	-	-	-	1,710	21,380	72,685
7,072	266,785	16,901	161,700	144,710	108,290	3,875,861
(73)	(266,785)	76,339	(72,033)	(114,710)	102,710	(1,355,375)
-	750,000	-	-	52,000	650,000	2,535,000
-	-	-	-	1,710	21,380	58,711
-	-	-	-	-	-	2,911
-	-	114,928	-	-	350,000	702,911
-	-	(75,000)	-	(350,000)	-	(1,235,005)
-	750,000	39,928	-	(296,290)	1,021,380	2,064,528
(73)	483,215	116,267	(72,033)	(411,000)	1,124,090	709,153
5,817	(5,340)	(120,710)	(17,941)	372,811	(142,234)	2,715,952
\$ 5,744	\$ 477,875	\$ (4,443)	\$ (89,974)	\$ (38,189)	\$ 981,856	\$ 3,425,105

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS DECEMBER 31, 2019

	Telecom- munication Utility	Solid Waste	Total
ASSETS			
Current assets			
Receivables			
Taxes and special charges	\$ -	\$ 2,952	\$ 2,952
Other	-	49,466	49,466
Due from other funds	55,162	146,963	202,125
Total current assets	55,162	199,381	254,543
Capital assets			
Depreciable, net			
	31,975	-	31,975
Total assets	87,137	199,381	286,518
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	-	33,914	33,914
Other postemployment related amounts	-	377	377
Total deferred outflows of resources	-	34,291	34,291
LIABILITIES			
Current liabilities			
Accounts payable	-	29,505	29,505
Accrued and other current liabilities	-	1,709	1,709
Accrued interest payable	-	519	519
Payable from restricted assets			
Current portion of long-term debt		1,529	1,529
Total current liabilities	-	33,262	33,262
Long-term obligations, less current portion			
Revenue bonds	-	12,575	12,575
Net pension liability	-	12,597	12,597
Other postemployment benefits	-	2,214	2,214
Total long-term liabilities	-	27,386	27,386
Total liabilities	-	60,648	60,648
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	-	17,481	17,481
Other postemployment related amounts	-	592	592
Total deferred inflows of resources	-	18,073	18,073
NET POSITION			
Net investment in capital assets	31,975	-	31,975
Unrestricted	55,162	154,951	210,113
Total net position	\$ 87,137	\$ 154,951	\$ 242,088

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Telecom- munication Utility	Solid Waste	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 406,714	\$ 406,714
Other	-	235,844	235,844
Total operating revenues	-	642,558	642,558
OPERATING EXPENSES			
Operation and maintenance	353	735,776	736,129
Depreciation	16,143	-	16,143
Total operating expenses	16,496	735,776	752,272
Operating loss	(16,496)	(93,218)	(109,714)
NONOPERATING REVENUES (EXPENSES)			
Nonoperating grants	-	81,489	81,489
Interest and fiscal charges	-	(596)	(596)
Other nonoperating revenues	15,885	-	15,885
Total nonoperating revenues (expenses)	15,885	80,893	96,778
Loss before transfers	(611)	(12,325)	(12,936)
Transfers out	-	(1,080)	(1,080)
Change in net position	(611)	(13,405)	(14,016)
Net position - January 1, as originally reported	87,748	155,415	243,163
Prior period adjustment	-	12,941	12,941
Net position - January 1, as adjusted	87,748	168,356	256,104
Net position - December 31	\$ 87,137	\$ 154,951	\$ 242,088

City of Two Rivers, Wisconsin

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Telecom- munication Utility	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,885	\$ 645,088	\$ 660,973
Cash paid for employee wages and benefits	(63)	(88,129)	(88,192)
Cash paid to suppliers	(290)	(645,181)	(645,471)
Net cash provided (used) by operating activities	<u>15,532</u>	<u>(88,222)</u>	<u>(72,690)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating grants	-	81,489	81,489
Due to/from other funds	(55,162)	(146,963)	(202,125)
Transfer out	-	(1,080)	(1,080)
Net cash used by noncapital financing activities	<u>(55,162)</u>	<u>(66,554)</u>	<u>(121,716)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	-	(1,472)	(1,472)
Interest paid on long-term debt	-	(622)	(622)
Net cash used by capital and related financing activities	<u>-</u>	<u>(2,094)</u>	<u>(2,094)</u>
Change in cash and cash equivalents	(39,630)	(156,870)	(196,500)
Cash and cash equivalents - January 1	<u>39,630</u>	<u>156,870</u>	<u>196,500</u>
Cash and cash equivalents - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating loss	\$ (16,496)	\$ (93,218)	\$ (109,714)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	16,143	-	16,143
Other	15,885	-	15,885
Change in asset, liability and deferred outflows and inflows of resources			
Net pension asset	-	10,200	10,200
Deferred outflows - pension related	-	(15,189)	(15,189)
Net pension liability	-	12,597	12,597
Deferred inflows - pension related	-	(2,686)	(2,686)
Other postemployment benefits			
Deferred outflows - OPEB related	-	1,391	1,391
OPEB liability	-	(10,480)	(10,480)
Deferred inflows - OPEB related	-	413	413
Change in operating assets and liabilities			
Accounts receivables	-	2,530	2,530
Accounts payable	-	6,977	6,977
Accrued and other current liabilities	-	(757)	(757)
Net cash provided (used) by operating activities	<u>\$ 15,532</u>	<u>\$ (88,222)</u>	<u>\$ (72,690)</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Noncash capital and related financing activities			
None			



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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-002 that we consider to be a material weakness and item 2019-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

CITY OF TWO RIVERS, WISCONSIN'S 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.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
December 9, 2020

City of Two Rivers, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2019-001	Preparation of Annual Financial Report Repeat of Finding 2018-001
Type of Condition:	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, 2019

FINDING NO.	CONTROL DEFICIENCIES
2019-002	Material Adjustment to the City's Financial Records
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed a material adjusting journal entry to the City's financial statements related to unbilled accounts receivable at year end.
Context:	While performing audit procedures, a material audit adjustment was identified.
Criteria:	Material 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, the year-end procedures did not include the recording of unbilled accounts receivable for services provided prior to year-end that had not yet been billed.
Effect:	Year-end financial records prior to final preparation of the financial statements contained a material misstatement.
Recommendation:	We recommend the City during year-end closing procedures include an evaluation of potential unbilled accounts receivable for services provided prior to year-end that had not yet been billed.
Management Response:	The City followed year-end procedures consistent with those of prior years, which did not include the recording of unbilled accounts receivable in prior year audited financial statements. Immediately upon discussion with the audit firm, the City completed an evaluation of the billing cycles and calculated the year-end adjustment for unbilled accounts receivable. The City will continue to complete the evaluation and record the adjustment as part of year-end closing procedures going forward.

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, 2019.