

# **WEST BEND WATER AND SEWER UTILITIES**

Enterprise Funds of the  
City of West Bend, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

# WEST BEND WATER AND SEWER UTILITIES

Enterprise Funds of the City of West Bend, Wisconsin

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As of and for the Years Ended December 31, 2019 and 2018

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**WEST BEND WATER AND SEWER UTILITIES**  
Enterprise Funds of the City of West Bend, Wisconsin

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
West Bend Water and Sewer Utilities  
West Bend, Wisconsin

We have audited the accompanying financial statements of West Bend Water and Sewer Utilities, enterprise funds of the City of West Bend, Wisconsin, as of and for the years ended December 31, 2019 and 2018, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the West Bend Water and Sewer Utilities' 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 West Bend Water and Sewer Utilities' 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 financial position of West Bend Water and Sewer Utilities as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the West Bend Water and Sewer Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of West Bend, Wisconsin, as of December 31, 2019 and 2018 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
June 26, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
WATER UTILITY**

# WEST BEND WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

The management of the West Bend Water Utility offers all persons interested in the financial position of the utility an objective, easy to read overview and analysis of the utility's financial performance during the years ending December 31, 2019 and 2018. You are encouraged to read this narrative in conjunction with the utility's financial statements.

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### **FINANCIAL HIGHLIGHTS**

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- > The water utility's total assets decreased \$652,000 or 1.9% from the prior year. Capital assets increased \$202,000 due to current year main, service lines, and hydrants additions, offset by annual depreciation and plant retirements. There was also an \$818,000 decrease in current and other assets a decrease in investments for debt service and other postemployment benefits and decreased cash flows from operating activities. In 2018, the water utility's total assets increased \$739,000 or 2.2% from the prior year. Capital assets decreased \$209,000 due to current year main, service lines, and hydrants additions, offset by annual depreciation and plant retirements. There was also a \$948,000 increase in current and other assets due to cash received in a 2018 bond issuance and increased cash flows from operating activities.
  - > The water utility's operating revenues, generated mostly by user fees, decreased \$37,000 or 0.8%. In 2018, operating revenues decreased \$17,500 or 0.4%.
  - > Operating expenses decreased \$145,000 in 2019 primarily due to a decrease in costs associated with the Well 5 Rehabilitation project. In 2018, operating expenses increased \$228,000 primarily due to Well 5 Rehabilitation project during the year.
- 

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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The water utility is a self-supporting entity and a separate enterprise fund of the City of West Bend. The utility provides water service to the City of West Bend and a small portion of the Town of Barton residents adjacent to the corporate boundaries of the City of West Bend.

The water utility is managed by the City of West Bend Board of Public Works in the capacity of a Water and Sewerage Commission and operates under the rules and regulations of the Public Service Commission of Wisconsin. The accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Public Service Commission of Wisconsin, and in accordance with the Governmental Accounting Standards Board.

This annual report consists of two parts: Management's Discussion and Analysis, and the basic financial statements as well as the independent auditor's report.

An analysis of the utility's financial position begins with a review of the Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the utility's net position and changes therein. The utility's net position – 'the difference between assets plus deferred outflows and liabilities plus deferred inflows' – is key to measuring the financial health of the utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

See accompanying independent auditors' report.

## WEST BEND WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

### UTILITY FINANCIAL ANALYSIS

The Statement of Net Position includes all of the utility's assets, deferred outflows, liabilities and deferred inflows and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.

A summary of the utility's Statement of Net Position is presented below in Table 1.

**Table 1**  
**Condensed Statement of Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	Dollar Change 2019-2018
Current and other assets	\$ 6,487,293	\$ 7,341,279	\$ 6,393,331	\$ (853,986)
Capital assets	<u>27,225,211</u>	<u>27,022,995</u>	<u>27,232,138</u>	<u>202,216</u>
Total Assets	<u>33,712,504</u>	<u>34,364,274</u>	<u>33,625,469</u>	<u>(651,770)</u>
Deferred outflows of resources	1,350,873	410,096	469,061	940,777
Long-term debt outstanding	3,883,606	4,150,412	4,256,731	(266,806)
Other liabilities	<u>1,876,322</u>	<u>1,878,600</u>	<u>1,438,387</u>	<u>(2,278)</u>
Total Liabilities	<u>5,759,928</u>	<u>6,029,012</u>	<u>5,695,118</u>	<u>(269,084)</u>
Deferred inflows of resources	418,344	343,625	184,198	74,719
Investment in capital assets	23,341,605	23,231,461	23,327,518	110,144
Restricted	-	694,107	447,963	(694,107)
Unrestricted	<u>5,543,500</u>	<u>4,476,165</u>	<u>4,439,733</u>	<u>1,067,335</u>
Total Net Position	<u>\$ 28,885,105</u>	<u>\$ 28,401,733</u>	<u>\$ 28,215,214</u>	<u>\$ 483,372</u>

As can be seen from the table above, the utility's net position increased \$483,000 or 1.7%. The utility's net position increased \$187,000 in 2018, an increase of 0.7%.

See accompanying independent auditors' report.



## WEST BEND WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

### UTILITY FINANCIAL ANALYSIS (cont.)

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used for any deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction – Bond issue monies used only for the restricted construction projects.

Restricted net position also includes the net pension asset, or the utility's proportionate share of WRS' net pension asset. See Note 9 for more information on the utility's employee retirement system.

The Statement of Revenues, Expenses, and Changes in Net Position provides an indication of the utility's financial health.

**Table 2**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Position**

	2019	2018	2017	Dollar Change 2019-2018
Operating revenues	\$ 4,823,275	\$ 4,860,605	\$ 4,878,067	\$ (37,330)
Nonoperating revenues	133,657	87,931	34,598	45,726
Total Revenues	<u>4,956,932</u>	<u>4,948,536</u>	<u>4,912,665</u>	<u>8,396</u>
Depreciation expense	990,523	973,038	1,023,943	17,485
Other operating expenses	2,734,578	2,879,846	2,600,919	(145,268)
Nonoperating expenses	110,900	110,992	117,392	(92)
Total Expenses	<u>3,836,001</u>	<u>3,963,876</u>	<u>3,742,254</u>	<u>(127,875)</u>
Income Before Capital				
Contributions and Transfers	1,120,931	984,660	1,170,411	136,271
Capital contributions	-	-	197,642	-
Transfers – Tax equivalent	(641,090)	(641,108)	(636,810)	18
Transfers	3,531	14,373	(170,536)	(10,842)
Changes in Net Position	483,372	357,925	560,707	125,447
Beginning Net Position	<u>28,401,733</u>	<u>28,215,214</u>	<u>27,654,507</u>	<u>186,519</u>
Cumulative effect of change in accounting principle	-	(171,406)	-	171,406
Total Net Position - Ending	<u>\$ 28,885,105</u>	<u>\$ 28,401,733</u>	<u>\$ 28,215,214</u>	<u>\$ 483,372</u>

See accompanying independent auditors' report.

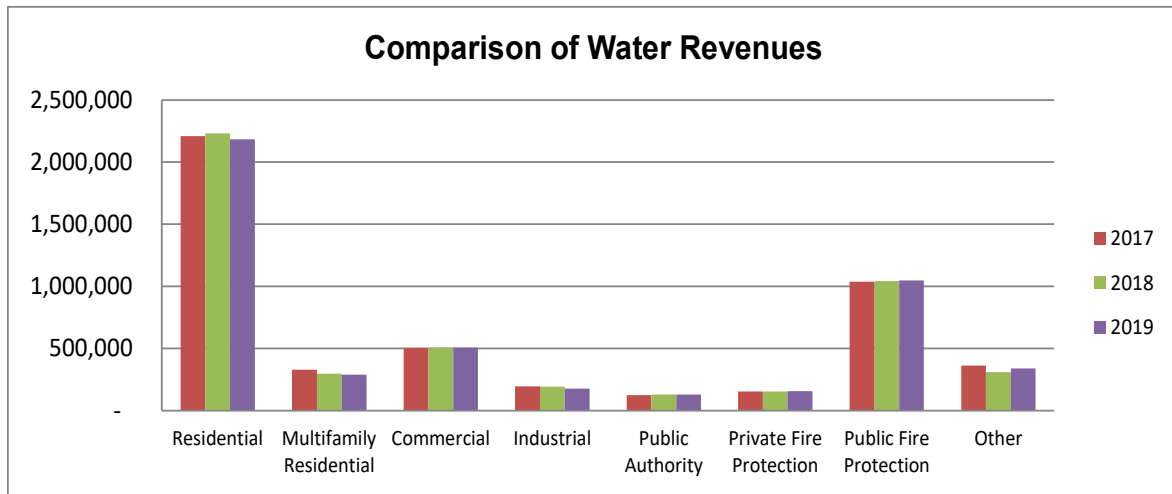
# WEST BEND WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

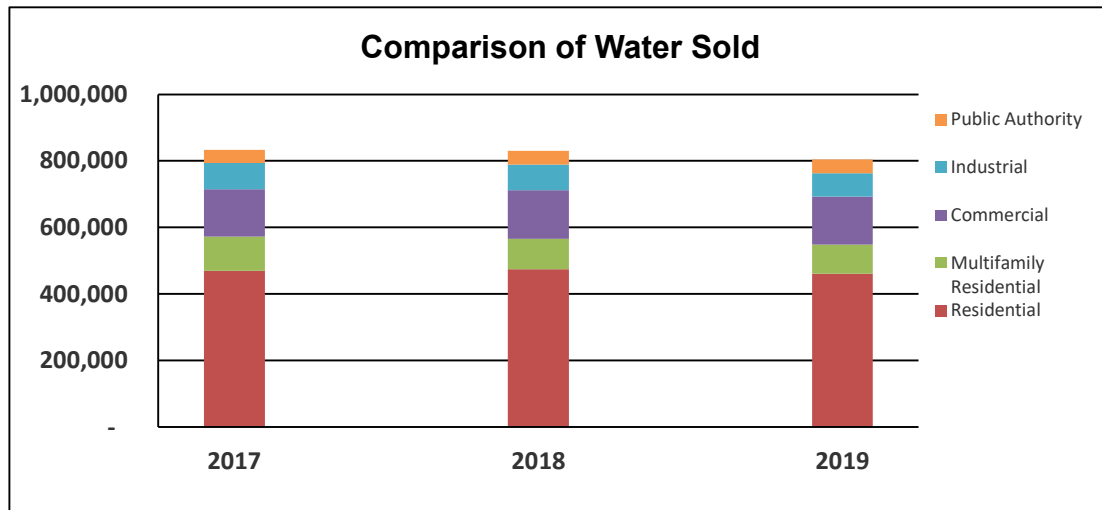
## UTILITY FINANCIAL ANALYSIS (cont.)

As illustrated on the graph below, operating revenues decreased \$37,500 or 0.8%. In 2018, operating revenues decreased \$17,500 or 0.4%.

### West Bend Water and Sewer Utilities



The last rate increase took place on April 1, 2011 when the water utility implemented a 9% rate increase. Water usage has remained relatively steady over the past several years as the number of customers grows but water conservation efforts continue.



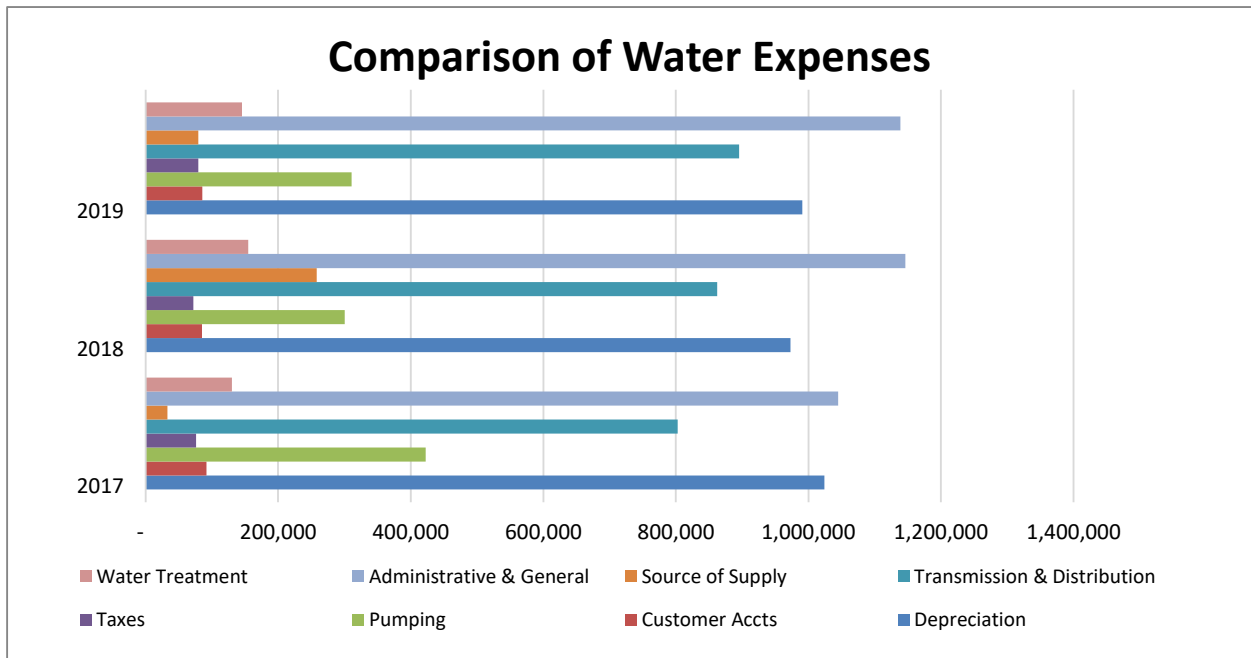
See accompanying independent auditors' report.

# WEST BEND WATER UTILITY

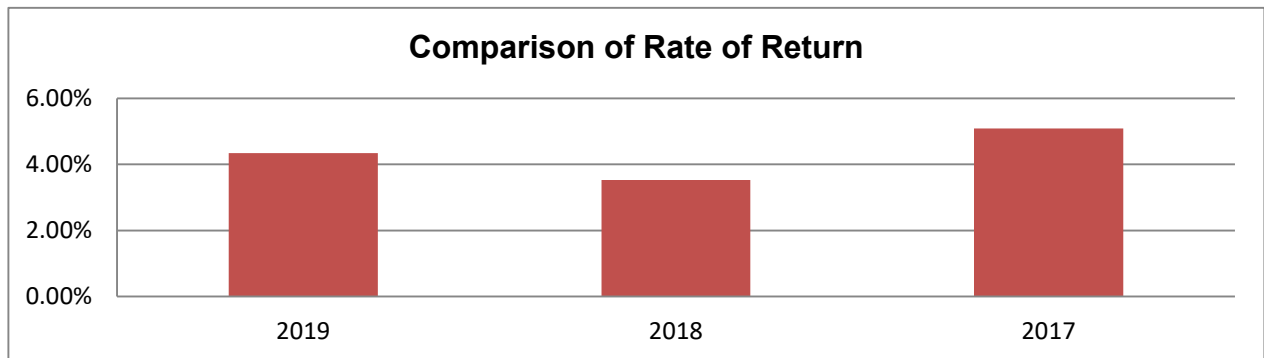
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

Operating expenses decreased \$145,000 in 2019 primarily due to a decrease in costs associated with the Well 5 Rehabilitation project. In 2018, operating expenses increased \$228,000 primarily due to Well 5 Rehabilitation project during the year.



In 2019, the actual rate of return was 4.34% compared to 3.53% in 2018. The increased rate in 2019 is due to decreased operating expenses from the prior year.



See accompanying independent auditors' report.

## WEST BEND WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

### UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**Table 3**  
**Condensed Statements of Cash Flows**

	2019	2018	2017	Dollar Change 2019-2018
Cash Flows From:				
Operating activities	\$ 1,709,475	\$ 2,084,725	\$ 2,515,253	\$ (375,250)
Noncapital financing activities	(637,330)	(622,384)	(831,687)	(14,946)
Capital and related financing activities	(1,599,457)	(617,086)	(929,334)	(982,371)
Investing activities	110,624	66,670	27,018	43,954
Net Change in Cash and Cash Equivalents	(416,688)	911,925	781,250	(1,328,613)
Cash and Cash Equivalents – Beginning of Year	5,477,820	3,653,757	2,872,507	1,824,063
Cash and Cash Equivalents – End of Year	5,061,132	4,565,682	3,653,757	495,450
Long-term Investments	-	912,138	900,383	(912,138)
Total Cash and Investments	\$ 5,061,132	\$ 5,477,820	\$ 4,554,140	\$ (416,688)

As noted above, cash flows from operating activities decreased in 2019 due to routine maintenance labor costs increasing for transmission and distribution and higher health insurance claims. Cash outflows from capital and related financing activities increase due to debt issuance occurring during 2019 offset by the refunding of prior debt.

See accompanying independent auditors' report.

## WEST BEND WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

### UTILITY FINANCIAL ANALYSIS (cont.)

The following summarizes the changes in capital assets.

**Table 4**  
**Capital Assets**

	2019	2018	2017	Dollar Change 2019-2018
Capital Assets				
Source of supply	\$ 937,752	\$ 935,886	\$ 935,886	\$ 1,866
Pumping	3,284,709	3,278,387	3,272,193	6,322
Water treatment	1,750,728	1,693,528	1,693,528	57,200
Transmission and distribution	34,887,908	34,014,387	33,517,957	873,521
General	4,348,707	4,316,327	4,148,430	32,380
Total Capital Assets	45,209,804	44,238,515	43,567,994	971,289
Less: Accumulated depreciation	(18,128,435)	(17,253,477)	(16,358,000)	(874,958)
Construction in progress	143,842	37,957	22,144	105,885
Net Capital Assets	<u>\$ 27,225,211</u>	<u>\$ 27,022,995</u>	<u>\$ 27,232,138</u>	<u>\$ 202,216</u>

During 2019 and 2018, the utility's net capital assets increased \$200,000 and decreased \$200,000, respectively due to routine additions to plant and annual depreciation expense. The 2019 and 2018 capital assets increased by \$971,000 and \$671,000, respectively. Both increases were primarily due to additions related to service lines and street projects.

Please refer to the notes to the financial statements for further detail of the utility's capital assets.

### LONG-TERM DEBT

As of December 31, 2019, the utility has total general obligation (G.O.) debt of \$3,770,000, an increase of \$760,000 from 2018 due to the issuance of the 2019A G.O. bonds, partially offset by annual debt service payments. Total general obligation debt was \$3,010,000 and \$2,805,000 as of December 31, 2018 and 2017, respectively. The outstanding general obligation bonds were issued for various infrastructure projects, mostly related to the water distribution system. As of December 31, 2019, the utility had outstanding revenue bonds of \$0 due to the issuance of the 2019A G.O. bonds that refunded the 2008 and 2009 revenue bonds. Total outstanding revenue bonds were \$1,095,000 and \$1,410,000 as of December 31, 2018 and 2017, respectively. Tables of separate revenue bond and general obligation debt issues are included in the notes to the financial statements.

See accompanying independent auditors' report.

# WEST BEND WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

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### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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The City of West Bend is located 35 miles North of Milwaukee. The City of West Bend has successful business parks and commercial areas as well as steady residential growth, which provides the balance needed to maintain our identity as a regional source of shopping and quality living.

The Water Utility has maintained and continued project planning as well as financial planning to keep pace with the City's growth. Capital additions such as new water mains, upgrading of existing well control systems and implementation of security needs along with the planned construction of two new wells in the next two years are examples of our continued efforts to maintain and improve our system reliability. Infrastructure in new subdivisions is contributed by developers. We review our rate structure on an annual basis.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the Utilities. As of the date above, the City's evaluation of the effects of these events is ongoing; however, we anticipate this situation could impact demand for utility services, investment valuations and decreased investment income, and a decline in revenues such as penalties.

The extent of the impact of COVID-19 on the Utilities' operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

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### **CONTACTING UTILITY FINANCIAL MANAGEMENT**

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This financial report is designed to provide our customers with a general overview of the utility's finances. If you have questions about this report, or need additional information, contact the Utility Superintendent, West Bend Water Utility, 251 Municipal Drive, West Bend, Wisconsin, 53095.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
SEWER UTILITY**

# WEST BEND SEWER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

The management of the West Bend Sewer Utility offers all persons interested in the financial position of the utility an objective, easy to read overview and analysis of the utility's financial performance during the years ending December 31, 2019 and 2018. You are encouraged to read this narrative in conjunction with the utility's financial statements.

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### FINANCIAL HIGHLIGHTS

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- > The sewer utility's total assets decreased \$162,000 in 2019 due to an increase in cash and capital assets offset by an increase in accumulated depreciation and a decrease in the other postemployment benefit investment. Total assets increased \$400,000 in 2018 due to an increase in capital assets and investments offset by decreased capital asset depreciation.
- > The sewer utility's operating revenues, generated mostly by user fees, decreased by \$70,000 or 1.9%. The 2019 decrease is due to a slight decrease in consumption of 3.3%. In 2018, operating revenues, generated mostly by user fees, increased by \$14,000 or .3%. The 2018 slight increase is due to an increase in micro turbine uptime over prior year.
- > The sewer utility's 2019 operating expenses were \$485,000 or 13.4% higher than in 2018. The increase is due mainly to an increase in costs related to flooding and leaks repairs. In 2018, operating expenses were \$106,000 or 2.9% lower than in 2017. The decrease is due mainly to less maintenance on sewer lines over the prior year as two projects were completed.

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### OVERVIEW OF THE FINANCIAL STATEMENTS

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The sewer utility is a self-supporting entity and a separate enterprise fund of the City of West Bend. The utility provides sewer service to the City of West Bend, Wallace Lake, Silver Lake, and outside waste haulers.

The sewer utility is managed by the City of West Bend Board of Public Works and operates under the rules and regulations established by the City Council. The accounting records are maintained in accordance with the Governmental Accounting Standards Board.

This annual report consists of two parts: Management's Discussion and Analysis, and the basic financial statements as well as the independent auditor's report.

An analysis of the utility's financial position begins with a review of the Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the utility's net position and changes therein. The utility's net position – 'the difference between assets plus deferred outflows and liabilities plus deferred inflows' – is key to measuring the financial health of the utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.



## WEST BEND SEWER UTILITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

#### UTILITY FINANCIAL ANALYSIS

The Statement of Net Position includes all of the utility's assets, deferred outflows, and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.

A summary of the utility's Statement of Net Position is presented below in Table 1.

**Table 1**  
**Condensed Statement of Net Position**

	2019	2018	2017	Dollar Change 2019-2018
Operating revenues	\$ 4,823,275	\$ 4,860,605	\$ 4,878,067	\$ (37,330)
Nonoperating revenues	133,657	87,931	34,598	45,726
<b>Total Revenues</b>	<b>4,956,932</b>	<b>4,948,536</b>	<b>4,912,665</b>	<b>8,396</b>
Depreciation expense	990,523	973,038	1,023,943	17,485
Other operating expenses	2,734,578	2,879,846	2,600,919	(145,268)
Nonoperating expenses	110,900	110,992	117,392	(92)
<b>Total Expenses</b>	<b>3,836,001</b>	<b>3,963,876</b>	<b>3,742,254</b>	<b>(127,875)</b>
Income Before Capital Contributions and Transfers	1,120,931	984,660	1,170,411	136,271
Capital contributions	-	-	197,642	-
Transfers – Tax equivalent	(641,090)	(641,108)	(636,810)	18
Transfers	3,531	14,373	(170,536)	(10,842)
<b>Changes in Net Position</b>	<b>483,372</b>	<b>357,925</b>	<b>560,707</b>	<b>125,447</b>
<b>Beginning Net Position</b>	<b>28,401,733</b>	<b>28,215,214</b>	<b>27,654,507</b>	<b>186,519</b>
Cumulative effect of change in accounting principle	-	(171,406)	-	171,406
<b>Total Net Position - Ending</b>	<b>\$ 28,885,105</b>	<b>\$ 28,401,733</b>	<b>\$ 28,215,214</b>	<b>\$ 483,372</b>

As can be seen from the table above, the utility's net position decreased \$162,000 in 2019, a decrease of 0.4% versus an increase of 0.8% and 1.7% in 2018 and 2017 respectively.

The restricted portion of net assets includes an account that is limited by the Wisconsin Department of Natural Resources (DNR).

Replacement – Used to accumulate funds for replacement of certain mechanical equipment due to the receipt of state and federal funds.

Restricted net position also includes the net pension asset, or the utility's proportionate share of WRS' net pension asset. See Note 9 for more information on the utility's employee retirement system.

See accompanying independent auditors' report.

## WEST BEND SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

### UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Revenues, Expenses, and Changes in Net Position provides an indication of the utility's financial health.

**Table 2**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Position**

	2019	2018	2017	Dollar Change 2019-2018
Operating revenues	\$ 3,583,596	\$ 3,653,453	\$ 3,639,894	\$ (69,857)
Nonoperating revenues	344,494	256,424	123,734	88,070
Total Revenues	3,928,090	3,909,877	3,763,628	18,213
Depreciation expense	1,294,284	1,271,533	1,261,888	22,751
Other operating expenses	2,805,585	2,343,006	2,458,626	462,579
Nonoperating expenses	6,444	8,276	9,406	(1,832)
Total Expenses	4,106,313	3,622,815	3,729,920	483,498
Income Before Capital Contributions and Transfers	(178,223)	287,062	33,708	(465,285)
Capital contributions	-	-	545,823	-
Transfers	16,059	89,963	100,023	(73,904)
Changes in Net Position	(162,164)	377,025	679,554	(539,189)
Beginning Net Position	41,304,817	40,970,344	40,290,790	334,473
Cumulative effect of change in accounting principle	-	(42,552)	-	42,552
Total Net Position - Ending	\$ 41,142,653	\$ 41,304,817	\$ 40,970,344	\$ (162,164)

Sewer utility transfers in were \$16,059 in 2019. 2018 transfers in were \$89,963. Both years transfers were reimbursements from TIF District No. 11 that were previously written off.

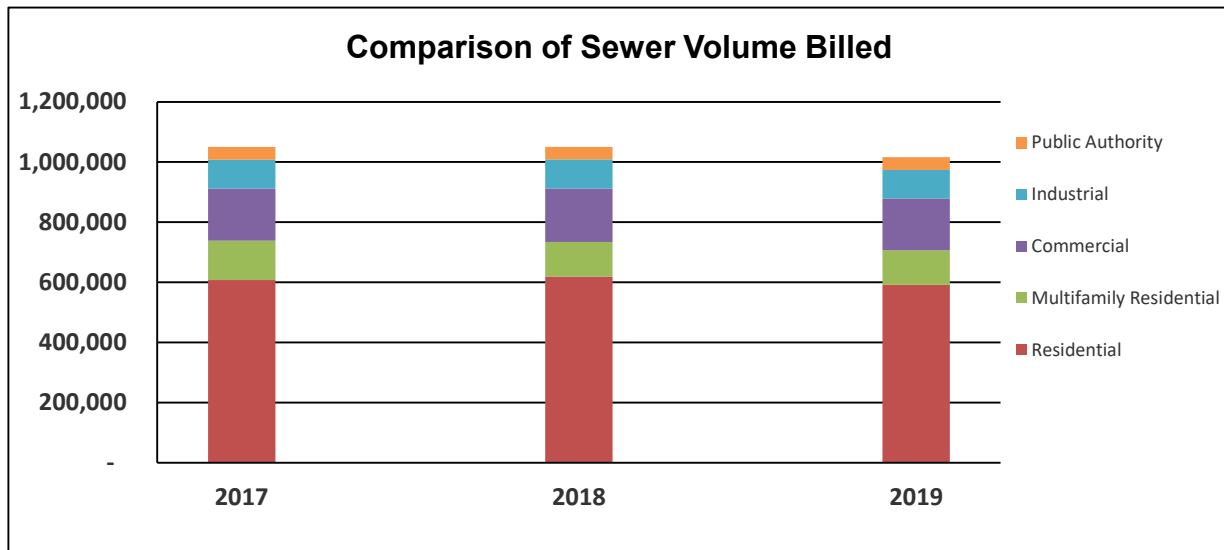
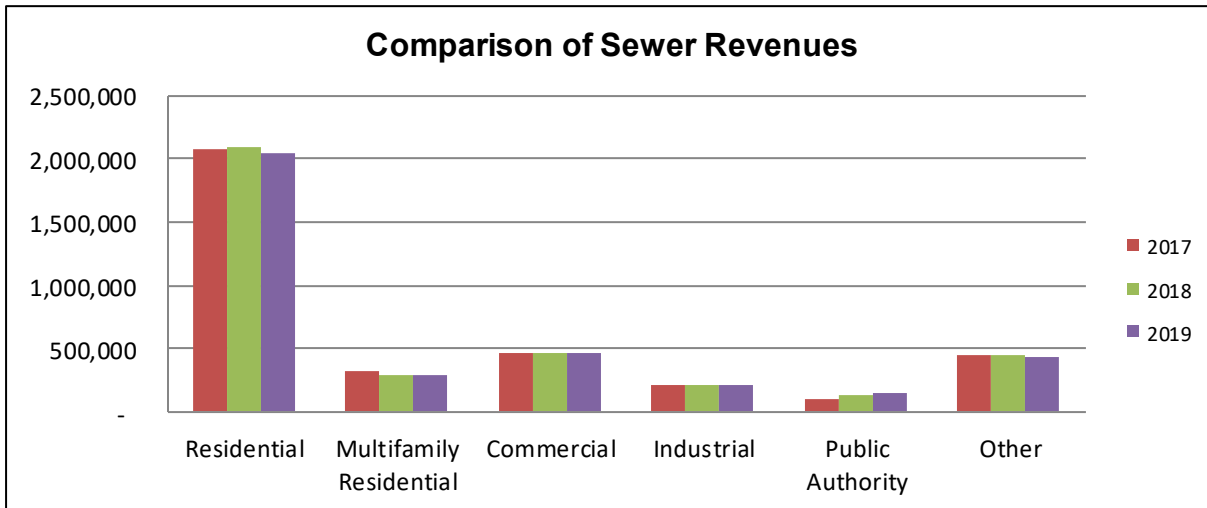
See accompanying independent auditors' report.

# WEST BEND SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

The sewer utility's operating revenues, generated mostly by user fees, decreased by \$70,000 or 1.9%. The 2019 decrease is due to a slight decrease in consumption of 3.3%. In 2018, operating revenues, generated mostly by user fees, increased by \$14,000 or 0.3%. The 2018 slight increase is due to an increase in micro turbine uptime over prior year. In 2017, operating revenues, generated mostly by user fees, increased by \$118,000 or 3.1%. The 2017 decrease is due to a decrease in volume billed to industrial and residential customers. The sewer utility last increased rates on December 1, 2006.



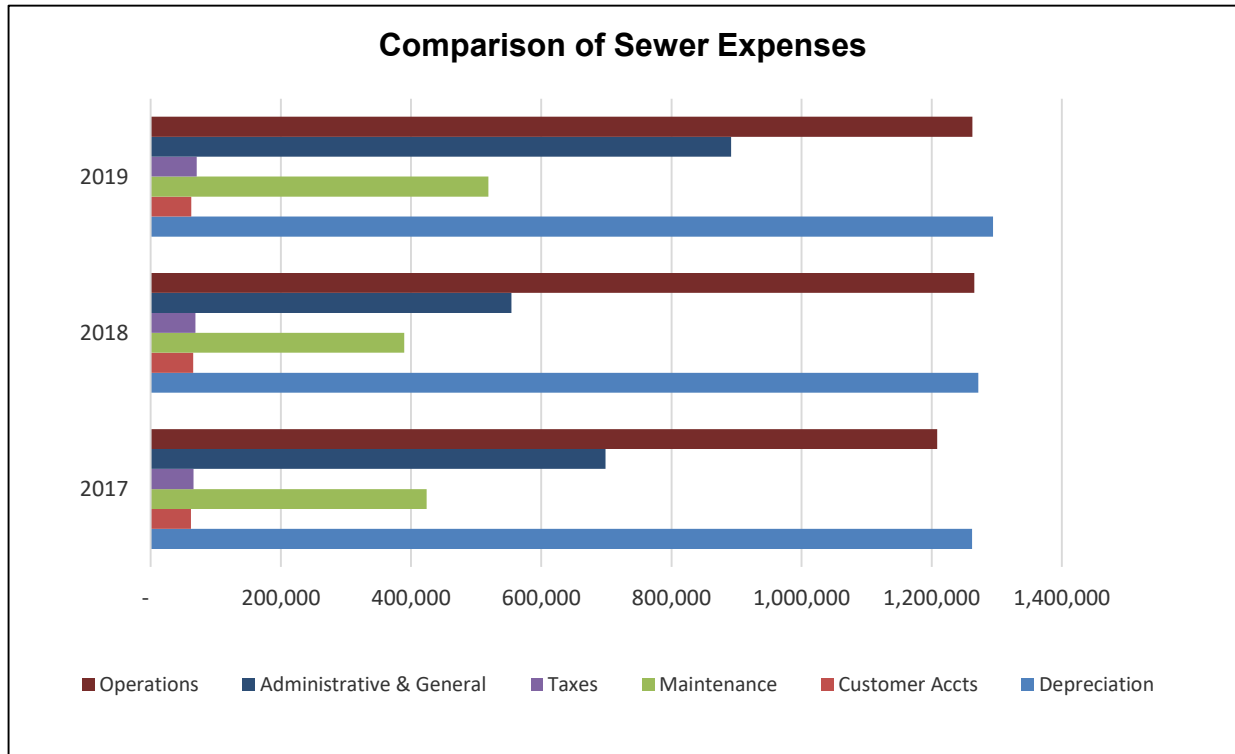
See accompanying independent auditors' report.

# WEST BEND SEWER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2019 and 2018

## UTILITY FINANCIAL ANALYSIS (cont.)

The sewer utility's 2019 operating expenses were \$485,000 or 13.4% higher than in 2018. The increase is due mainly to an increase in costs related to flooding and leaks repairs. In 2018, operating expenses were \$106,000 or 2.9% higher than in 2017. The decrease is due to less maintenance projects required in 2018 than in 2017.



See accompanying independent auditors' report.

## WEST BEND SEWER UTILITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

#### UTILITY FINANCIAL ANALYSIS (cont.)

The Statement of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**Table 3**  
**Condensed Statements of Cash Flows**

	2019	2018	2017	Dollar Change 2019-2018
Cash Flows From:				
Operating activities	\$ 334,560	\$ 1,277,240	\$ 1,276,755	\$ (942,680)
Noncapital financing activities	118,683	209,839	(1,027,358)	(91,156)
Capital and related financing activities	(743,855)	(578,553)	(330,147)	(165,302)
Investing activities	(519,788)	1,108,709	70,152	(1,628,497)
Net Change in Cash and Cash Equivalents	(810,400)	2,017,235	(10,598)	(2,827,635)
Cash and Cash Equivalents – Beginning of Year	9,696,924	7,679,689	7,690,287	2,017,235
Cash and Cash Equivalents – End of Year	8,886,524	9,696,924	7,679,689	(810,400)
Long-term Investments	2,261,338	1,443,811	2,334,324	817,527
Total Cash and Investments	\$ 11,147,862	\$ 11,140,735	\$ 10,014,013	\$ 7,127

*The following summarizes the changes in capital assets.*

**Table 4**  
**Capital Assets**

	2019	2018	2017	Dollar Change 2019-2018
Capital Assets				
Collection System	\$ 23,918,753	\$ 23,579,981	\$ 23,398,146	\$ 338,772
Collection system equipment	388,144	360,624	360,624	27,520
Treatment and disposal	26,817,970	26,669,655	26,430,036	148,315
General	878,235	724,774	723,802	153,461
Total Capital Assets	52,003,102	51,335,034	50,912,608	668,068
Less: Accumulated depreciation	(28,744,492)	(27,598,459)	(26,459,186)	(1,146,033)
Construction in progress	351,418	188,985	93,531	162,433
Net Capital Assets	\$ 23,610,028	\$ 23,925,560	\$ 24,546,953	\$ (315,532)

See accompanying independent auditors' report.

# WEST BEND SEWER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2019 and 2018

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### UTILITY FINANCIAL ANALYSIS (cont.)

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During 2019, capital assets increased by \$668,000 due to increased investment in the collecting system and treatment and disposal from street projects as well as clarifier projects. During 2018, capital assets increased by \$423,000 due to increased investment in the collecting system and treatment and disposal from street projects.

Please refer to the notes to the financial statements for further detail of the utility's capital assets.

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### LONG-TERM DEBT

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As of December 31, 2019, the utility has total general obligation debt of \$262,140. The \$60,000 decrease from the prior year is due to the annual debt service payment. There was no new issuances of debt in 2019. As of December 31, 2018, the utility has total general obligation debt of \$322,140. The \$60,000 decrease from the prior year is due to the annual debt service payment. There was no new issuances of debt in 2018.

A table of separate debt issues is included in the notes to the financial statements.

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### CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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The City of West Bend is located 35 miles North of Milwaukee. The City of West Bend has successful business parks and commercial areas as well as steady residential growth, which provide the balance needed to maintain our identity as a regional source of shopping and quality living.

The Sewer Utility has maintained and continued project planning as well as financial planning to keep pace with the City's growth. Infrastructure in new subdivisions is contributed by developers. We review our rate structure on a bi-annual basis.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the Utilities. As of the date above, the City's evaluation of the effects of these events is ongoing; however, we anticipate this situation could impact demand for utility services, investment valuations and decreased investment income, and a decline in revenues such as penalties.

The extent of the impact of COVID-19 on the Utilities' operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

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### CONTACTING UTILITY FINANCIAL MANAGEMENT

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This financial report is designed to provide our customers with a general overview of the utility's finances. If you have questions about this report, or need additional information, contact the Utility Director, West Bend Water Utility, 251 Municipal Drive, West Bend, Wisconsin, 53095.

See accompanying independent auditors' report.

## **WATER UTILITY**

## WEST BEND WATER UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 4,677,438	\$ 3,968,747
Interest receivable	13,945	3,613
Restricted Assets		
Redemption account	-	181,849
Customer accounts receivable	876,518	910,330
Other accounts receivable	805	1,676
Due from sewer utility	9,240	56,676
Materials and supplies	97,978	88,517
Prepayments	7,126	-
Current portion of advance	-	145,000
Total Current Assets	<u>5,683,050</u>	<u>5,356,408</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	-	358,878
Depreciation account	-	338,346
Net pension asset	-	187,352
Other Assets		
Depreciation account	383,694	-
OPEB investment	-	630,000
Property held for future use	163,124	163,124
Special assessments receivable	257,425	307,171
Capital Assets		
Plant in service	45,209,804	44,238,515
Accumulated depreciation	(18,128,435)	(17,253,477)
Construction work in progress	143,842	37,957
Total Noncurrent Assets	<u>28,029,454</u>	<u>29,007,866</u>
Total Assets	<u>33,712,504</u>	<u>34,364,274</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	669,567	362,936
Deferred outflows related to OPEB	<u>681,306</u>	<u>47,160</u>
Total Deferred Outflows of Resources	<u>1,350,873</u>	<u>410,096</u>



<b>LIABILITIES</b>		<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 168,374	\$ 323,343
Due to municipality		740,937	768,431
Accrued wages		150,718	131,924
Accrued interest		26,109	17,670
Other current liabilities		6,670	6,751
Current portion of general obligation debt		525,000	375,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		-	345,000
Accrued interest		-	13,440
Total Current Liabilities		<u>1,617,808</u>	<u>1,981,559</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		3,245,000	2,635,000
Revenue bonds		-	750,000
Unamortized debt premium		113,606	45,412
Accrued sick leave		132,665	127,200
Net OPEB liability		428,193	489,841
Net pension liability		<u>222,656</u>	-
Total Noncurrent Liabilities		<u>4,142,120</u>	<u>4,047,453</u>
Total Liabilities		<u>5,759,928</u>	<u>6,029,012</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		332,046	342,626
Deferred inflows related to OPEB		<u>86,298</u>	<u>999</u>
Total Deferred Inflows of Resources		<u>418,344</u>	<u>343,625</u>
<b>NET POSITION</b>			
Net investment in capital assets		23,341,605	23,231,461
Debt service		-	168,409
Equipment replacement		-	338,346
Pension		-	187,352
Unrestricted		<u>5,543,500</u>	<u>4,476,165</u>
<b>TOTAL NET POSITION</b>		<u>\$ 28,885,105</u>	<u>\$ 28,401,733</u>

See accompanying notes to the financial statements.

## WEST BEND WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Sales of water	\$ 4,484,914	\$ 4,550,450
Other	<u>338,361</u>	<u>310,155</u>
Total Operating Revenues	<u>4,823,275</u>	<u>4,860,605</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	2,734,578	2,879,846
Depreciation	<u>990,523</u>	<u>973,038</u>
Total Operating Expenses	<u>3,725,101</u>	<u>3,852,884</u>
<b>OPERATING INCOME</b>	<u>1,098,174</u>	<u>1,007,721</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	120,956	79,697
Miscellaneous revenues	12,701	8,234
Interest expense	(109,135)	(108,756)
Amortization of premium and issuance costs	<u>(1,765)</u>	<u>(2,236)</u>
Total Nonoperating Revenues (Expenses)	<u>22,757</u>	<u>(23,061)</u>
Income Before Transfers	1,120,931	984,660
<b>OPERATING TRANSFER IN TRANSFERS - TAX EQUIVALENT</b>	<u>3,531</u> <u>(641,090)</u>	<u>14,373</u> <u>(641,108)</u>
<b>CHANGE IN NET POSITION</b>	483,372	357,925
NET POSITION - Beginning of Year	<u>28,401,733</u>	<u>28,215,214</u>
Cumulative effect of a change in accounting principle	<u>-</u>	<u>(171,406)</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 28,885,105</u></u>	<u><u>\$ 28,401,733</u></u>

See accompanying notes to the financial statements.

# WEST BEND WATER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 5,066,633	\$ 4,931,937
Paid to suppliers for goods and services	(2,385,829)	(1,910,271)
Paid to employees for operating payroll	(971,329)	(936,941)
Net Cash Flows From Operating Activities	1,709,475	2,084,725
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	(640,861)	(636,757)
Transfers to other funds	3,531	14,373
Net Cash Flows From Noncapital Financing Activities	(637,330)	(622,384)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,411,219)	(589,181)
Special assessments received	49,469	56,458
Debt retired	(1,540,000)	(505,000)
Interest paid	(114,136)	(110,808)
Proceeds from debt issue	1,350,000	544,948
Debt issuance costs, net of premium received	66,429	(13,503)
Net Cash Flows From Capital and Related Financing Activities	(1,599,457)	(617,086)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments sold and matured	-	900,383
Investment income	110,624	78,425
Net Cash Flows From Investing Activities	110,624	978,808
<b>Net Change in Cash and Cash Equivalents</b>	(416,688)	1,824,063
CASH AND CASH EQUIVALENTS - Beginning of Year	5,477,820	3,653,757
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,061,132	\$ 5,477,820
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt paid by TIF districts	\$ 145,000	\$ 135,000
Interest expense paid by TIF districts	\$ 2,828	\$ 8,221

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLows FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 1,098,174	\$ 1,007,721
Nonoperating revenue (expense)	12,701	8,234
Noncash items in operating income		
Depreciation	990,523	973,038
Depreciation charged to clearing and other utilities	66,513	64,510
Changes in assets and liabilities		
Customer accounts receivable	33,812	(6,952)
Other accounts receivable	265	2,103
Materials and supplies	(9,461)	(2,645)
Prepayments	(7,126)	-
Due from sewer utility	47,436	(9,571)
Accounts payable	(3,002)	(23,753)
Due to municipality	(27,446)	55,794
Accrued sick leave	5,465	(1,510)
Other current liabilities	19,319	10,240
OPEB related deferrals and liabilities	(610,495)	(16,562)
Pension related deferrals and assets/liabilities	92,797	24,078
	<u>92,797</u>	<u>24,078</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,709,475</u>	<u>\$ 2,084,725</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 4,677,438	\$ 3,968,747
Redemption account	-	181,849
Reserve account	-	358,878
Depreciation account	383,694	338,346
OPEB Investment	-	630,000
	<u>-</u>	<u>630,000</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 5,061,132</u>	<u>\$ 5,477,820</u>

See accompanying notes to the financial statements.

## **SEWER UTILITY**

## WEST BEND SEWER UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2019 and 2018

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 5,169,987	\$ 4,505,178
Interest receivable	17,082	10,820
Customer accounts receivable	639,566	666,669
Other accounts receivable	266,595	68,397
Due from municipality	161,414	164,615
Prepayments	3,626	300
Current portion of advance to other funds	<u>95,000</u>	<u>95,000</u>
Total Current Assets	<u>6,353,270</u>	<u>5,510,979</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Replacement account	718,575	657,313
Net pension asset	-	122,876
Other Assets		
Designated project investments	5,259,300	5,498,244
OPEB investment	-	480,000
Preliminary survey and investigation	100,882	100,882
Special assessments receivable	694,733	778,410
Advances to other funds	5,022,715	5,125,338
Non-utility property	75,000	75,000
Capital Assets		
Plant in service	52,003,102	51,335,034
Accumulated depreciation	(28,744,492)	(27,598,459)
Construction work in progress	<u>351,418</u>	<u>188,985</u>
Total Noncurrent Assets	<u>35,481,233</u>	<u>36,763,623</u>
Total Assets	<u>41,834,503</u>	<u>42,274,602</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	436,380	233,090
Deferred outflows related to OPEB	<u>487,093</u>	<u>5,411</u>
Total Deferred Outflows of Resources	<u>923,473</u>	<u>238,501</u>

		<u>2019</u>	<u>2018</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 383,865	\$ 228,910
Due to municipality		375,892	182,132
Due to water utility		9,240	56,676
Accrued wages		94,538	75,541
Accrued interest		1,685	2,131
Other current liabilities		-	46
Current portion of general obligation debt		<u>55,000</u>	<u>60,000</u>
Total Current Liabilities		<u>920,220</u>	<u>605,436</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		207,141	262,140
Accrued sick leave		33,772	30,717
Net OPEB liability		69,069	78,230
Net pension liability		<u>154,150</u>	<u>-</u>
Total Noncurrent Liabilities		<u>464,132</u>	<u>371,087</u>
Total Liabilities		<u>1,384,352</u>	<u>976,523</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension		214,965	231,177
Deferred inflows related to OPEB		<u>16,006</u>	<u>586</u>
Total Deferred Inflows of Resources		<u>230,971</u>	<u>231,763</u>
<b>NET POSITION</b>			
Net investment in capital assets		23,347,887	23,603,420
Restricted for:			
Replacement funds		718,575	657,313
Pension		-	122,876
Unrestricted		<u>17,076,191</u>	<u>16,921,208</u>
<b>TOTAL NET POSITION</b>		<u>\$ 41,142,653</u>	<u>\$ 41,304,817</u>

See accompanying notes to the financial statements.

## WEST BEND SEWER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 3,428,222	\$ 3,505,736
Other	<u>155,374</u>	<u>147,717</u>
Total Operating Revenues	<u>3,583,596</u>	<u>3,653,453</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	2,805,585	2,343,006
Depreciation	<u>1,294,284</u>	<u>1,271,533</u>
Total Operating Expenses	<u>4,099,869</u>	<u>3,614,539</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(516,273)</u>	<u>38,914</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	343,245	255,296
Income from merchandising and jobbing	1,249	(295)
Miscellaneous revenues	-	1,128
Interest expense	<u>(6,444)</u>	<u>(7,981)</u>
Total Nonoperating Revenues (Expenses)	<u>338,050</u>	<u>248,148</u>
Income (Loss) Before Transfers	(178,223)	287,062
<b>TRANSFER IN (OUT)</b>	<u>16,059</u>	<u>89,963</u>
<b>CHANGE IN NET POSITION</b>	(162,164)	377,025
NET POSITION - Beginning of Year	<u>41,304,817</u>	<u>40,970,344</u>
Cumulative effect of a change in accounting principle	<u>-</u>	<u>(42,552)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 41,142,653</u>	<u>\$ 41,304,817</u>

See accompanying notes to the financial statements.



## WEST BEND SEWER UTILITY

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 3,430,671	\$ 3,652,617
Paid to suppliers for goods and services	(2,368,487)	(1,673,511)
Paid to employees for operating payroll	(727,624)	(701,866)
Net Cash Flows From Operating Activities	334,560	1,277,240
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	16,059	89,963
Repayment of advances to other funds	102,624	119,876
Net Cash Flows From Noncapital Financing Activities	118,683	209,839
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(801,587)	(652,868)
Special assessments received	85,378	142,717
Advances from other funds	39,244	-
Debt retired	(60,000)	(60,000)
Interest paid	(6,890)	(8,402)
Net Cash Flows From Capital and Related Financing Activities	(743,855)	(578,553)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(1,865,582)	(1,470,806)
Investments sold and matured	1,048,055	2,361,319
Investment income	297,739	218,196
Net Cash Flows From Investing Activities	(519,788)	1,108,709
<b>Net Change in Cash and Cash Equivalents</b>	(810,400)	2,017,235
CASH AND CASH EQUIVALENTS - Beginning of Year	9,696,924	7,679,689
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 8,886,524	\$ 9,696,924
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest accrued on advances to other funds	\$ 41,397	\$ 39,245

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (516,273)	\$ 38,914
Nonoperating revenue (expense)	1,249	(295)
Noncash items in operating income (loss)		
Depreciation	1,294,284	1,271,533
Changes in assets and liabilities		
Customer accounts receivable	27,103	(6,611)
Other accounts receivable	(198,198)	(8,778)
Due from other funds	1,501	14,262
Prepayments	(3,326)	-
Accounts payable	(22,211)	48,192
Due to other funds	146,324	626
Accrued sick leave	3,055	1,167
Other current liabilities	18,951	6,117
Pension related deferrals and liabilities	57,524	19,512
OPEB related deferrals and liabilities	<u>(475,423)</u>	<u>(107,399)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 334,560</u>	<u>\$ 1,277,240</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 5,169,987	\$ 4,505,178
Replacement account	718,575	657,313
Designated project investments	5,259,300	5,498,244
OPEB Investment	-	480,000
Total Cash and Investments	<u>11,147,862</u>	<u>11,140,735</u>
Less: Noncash equivalents	<u>(2,261,338)</u>	<u>(1,443,811)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 8,886,524</u>	<u>\$ 9,696,924</u>

See accompanying notes to the financial statements.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of West Bend Water and Sewer Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental 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 utilities are described below.

### ***REPORTING ENTITY***

The utilities are separate enterprise funds of the City of West Bend (municipality). The utilities are managed by the city council. The utilities provide water and sewer service to properties within the municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer utility operates under rules and rates established by the city council.

### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In March 2018, the GASB issued Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The utilities adopted this statement effective January 1, 2019.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION***

#### ***Deposits and Investments***

For purposes of the statement of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)*

#### *Deposits and Investments (cont.)*

Investment of the utilities' funds are restricted by state statutes. Investments are limited to:

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

The utilities have adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

#### *Receivables/Payables*

Transactions between the utilities and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utilities and other funds of the municipality are reported as due to/from other funds.

The utilities have the right under Wisconsin statutes to place delinquent water and sewer bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

#### *Materials and Supplies*

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

#### *Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)*

#### ***Designated Projects Investments***

These are funds the sewer utility has elected to set aside for future collecting system projects.

#### ***OPEB Investment***

These are funds the utilities have elected to set aside for future OPEB obligations. In 2019 the funds were transferred to a qualified trust which is reported as a fiduciary fund of the city. Further information about the OPEB obligation can be seen in Note 10.

#### ***Prepayments***

This balance represents prepaid insurance and bills.

#### ***Preliminary Survey and Investigation***

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

#### ***Special Assessments Receivable***

This account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually.

#### ***Anticipated Future Special Assessments***

At December 31, 2019, and 2018, there were \$1,257,634 and \$1,258,063, respectively, of anticipated future assessments which are not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

#### ***Property Held for Future Use***

The balance represents land purchased and held for a possible water treatment facility.

#### ***Non-Utility Property***

The balance represents wet lands donated to be used in the future to help offset wastewater treatment levels.

#### ***Capital Assets***

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION* (cont.)

#### **Capital Assets** (cont.)

Capital assets of the utilities are recorded at cost or the estimated acquisition value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Water Plant	
Source of supply	34
Pumping	23 - 31
Water treatment	30 - 31
Transmission and distribution	18 - 77
General	4 - 34
Sewer Plant	
Collecting system	15 - 77
Treatment and disposal	15 - 40
General	4 - 17

#### **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.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)*

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

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City OPEB Plan and additions to/deductions from the City OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by City OPEB Plan. For this purpose, the City OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

#### ***Deferred Outflow of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

#### ***Accrued Vacation and Sick Leave***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

#### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***REVENUES AND EXPENSES***

The utilities 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 the utilities' principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Charges for Services***

Billings are rendered and recorded quarterly based on metered usage. The utilities do not accrue revenues beyond billing dates.

Current water rates were approved by the PSCW effective April 1, 2011.

Current sewer rates were approved by the city council on December 1, 2006.

### ***Capital Contributions***

Cash and capital assets are contributed to the utilities from customers, the municipality, or external parties. The value of property contributed to the utilities are reported as revenue on the statements of revenues, expenses, and changes in net position.

### ***EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS***

GASB has approved GASB Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. When they become effective, application of these standards may restate portions of these financial statements.

### ***COMPARATIVE DATA***

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.



## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2019	2018	
Checking and savings	\$ 727,312	\$ 820,625	See city audit report
LGIP	10,081,014	10,534,017	Credit risk
Certificates of deposit (negotiable)	1,630,581	715,324	Interest rate risk
Other investments and mutual funds	3,769,787	3,048,758	See city audit report
U.S. agency securities	-	728,487	Credit risk and interest rate risk
Demand deposit/money market	-	771,344	Custodial credit
Cash on hand	300	-	
Totals	<u>\$ 16,208,994</u>	<u>\$ 16,618,555</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

The Wisconsin Local Government Investment Pool (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 and 2018, the fair value of the LGIP's assets were substantially equal to the utilities' share.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

The utilities 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 other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring methods fair value measurements are as follows:

- quoted prices or independent services
- most advantageous market for the investment/government
- current market prices

<u>Investment Type</u>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposits - negotiable	\$ -	\$ 1,630,581	\$ -	\$ 1,630,581
<u>Investment Type</u>	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposits - negotiable	\$ -	\$ 715,324	\$ -	\$ 715,324
U.S. Agencies	-	728,487	-	728,487
Total	\$ -	\$ 1,443,811	\$ -	\$ 1,443,811

#### ***Custodial Credit Risk***

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the utilities' deposits may not be returned to the utilities.

The utilities do not have any deposits, including those commingled with the municipality, exposed to custodial credit risk.

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The utilities do not have any investments, including those commingled with the municipality, exposed to custodial credit risk.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

#### ***Credit Risk***

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

The utilities maintain certain investments commingled with the municipality. The credit risk pertaining specifically to the utilities' resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk. As of December 31, 2019, the utilities did not have investments subject to credit risk.

As of December 31, 2018, the utilities' investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
United States Treasury Bills	A-1+	Aaa

The utilities also held investments in the following external pools which are not rated:

Local Government Investment Pool

#### ***Interest Rate Risk***

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2019, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Greater than 5
Certificates of deposit	\$ -	\$ -	\$ 1,630,581	\$ -

As of December 31, 2018, the utilities' investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Greater than 5
U.S. Agencies	\$ 728,487	\$ 728,487	\$ -	\$ -
Certificates of deposit	715,324	715,324	-	-
Totals	\$ 1,443,811	\$ 1,443,811	\$ -	\$ -

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

#### *Interest Rate Risk* (cont.)

The utilities maintain certain investments commingled with the municipality. The interest rate risk pertaining specifically to the utilities' resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on this risk.

#### *Investment Policy*

The municipality addresses custodial credit risk by collateralizing certificates of deposit or any other time deposit in an amount equal to 105% of the investment less the amount insured by the FDIC or guaranteed by the State of Wisconsin with appropriate collateral instruments and at levels per recommended practices of the Government Finance Officers Association. Collateral shall be held by the municipality or an independent third party custodian with whom the City has a current custodial agreement. As of December 31, 2019, the market value of collateral held at First Bank was \$5,996,772. As of December 31, 2018, the market value of collateral held at First Bank was \$6,056,388. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit.

The municipality addresses these risks by requiring commercial paper issued with a maturity not exceeding 270 days shall have a rating of at least A1 by Standard & Poors at the time of purchase. Corporate notes and bonds with maturities not exceeding 5 years should be rated at least Aa by Moody's or AA by Standard & Poors at the time of purchase. All money market mutual funds should be rated AAAM by Standard & Poors or AAA by Moody's Investor Service at the time of purchase.

### NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2019 and 2018:

Due To	Due From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Municipality	Sewer Water	\$ 9,240	Shared costs	\$ 56,676	Shared costs
		740,937	Shared costs and tax equivalent	768,431	Shared costs and tax equivalent
Sewer Municipality	Municipality Sewer	161,414	Shared costs	164,615	Shared costs
		375,892	Shared costs	182,132	Shared costs

The following is a schedule of transfer balances for the years ending December 31, 2019 and 2018:

To	From	2019		2018	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 641,090	Tax Equivalent	\$ 641,108	Tax equivalent
Sewer	Municipality	16,059	TIF No. 11	89,963	TIF No. 11
Water	Municipality	3,531	Debt Service	14,373	Debt service

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 4 - RESTRICTED ASSETS

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### *Restricted Accounts*

Certain proceeds of the water utility debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

### *Replacement Account*

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

### *Net Pension Asset*

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 4 - RESTRICTED ASSETS (cont.)

#### *Restricted Net Position*

The following calculation supports the amount of water restricted net position:

	2019	2018
Restricted Assets		
Redemption account	\$ -	\$ 181,849
Reserve account	-	358,878
Depreciation account	-	338,346
Net pension asset	-	187,352
Total Restricted Assets	-	1,066,425
Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	-	(358,878)
Current Liabilities Payable From Restricted Assets	-	(13,440)
Total Restricted Net Position as Calculated	\$ -	\$ 694,107

The purpose of the restricted net position is as follows:

	2019	2018
Debt service	\$ -	\$ 168,409
Equipment replacement	-	338,346
Pension	-	187,352
Total Restricted Net Position	\$ -	\$ 694,107

The following calculation supports the amount of sewer restricted net position:

	2019	2018
Restricted Assets		
Replacement account	\$ 718,575	\$ 657,313
Net pension asset	-	122,876
Total Restricted Assets	718,575	780,189
Total Restricted Net Position as Calculated	\$ 718,575	\$ 780,189

The purpose of the restricted net position is as follows:

	2019	2018
Equipment replacement	\$ 718,575	\$ 657,313
Pension	-	122,876
Total Restricted Net Position	\$ 718,575	\$ 780,189

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 5 - ADVANCES TO OTHER FUNDS

In 2008, the water utility advanced funds to various Tax Incremental Financing (TIF) districts of the municipality out of the 2008 Revenue Bonds. The advanced debt portion will be paid by the TIF districts.

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2019
02/01/1999	TIF District #3 Construction	09/01/2019	4.2-4.9%	\$ 945,000	\$ -
02/01/1999	TIF District #6 Construction	09/01/2019	4.2-4.9	280,000	-
02/01/1999	TIF District #4 Construction	09/01/2019	4.2-4.9	570,000	-

The sewer utility has advanced funds to the General Fund, Library HVAC, Economic Development and Capital Project Funds and TIF Districts No. 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13. Repayment schedules have only been established for the Library HVAC, 2015 General, and Economic Development Funds. No other repayment schedules have been established. In 2013, an allowance was set-up for TIF advances No. 5, 7, 9, 11, 12 and 13 in the amount of \$3,030,843. This amount was reduced to \$2,824,797 in 2019 due to recovery of a previously written off advance to TIF No. 11. Interest is calculated and added to the remaining advances yearly based on the calculated average investment interest rate.

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2019 (Gross)	Allowance for Advance	Outstanding Amount 12/31/2019 (Net)
1996	TIF District #3 Construction	TBD	Variable	\$ 1,187,560	\$ 1,773,679	-	\$ 1,773,679
1998	TIF District #5 Construction	TBD	Variable	1,008,124	462,826	(462,826)	-
2000	TIF District #7 Construction	TBD	Variable	117,128	230,819	(230,819)	-
2000	TIF District #8 Construction	TBD	Variable	157,563	51,208	-	51,208
2003	TIF District #9 Construction	TBD	Variable	1,524,624	1,696,361	(1,642,182)	54,179
2004	TIF District #10 Construction	TBD	Variable	426,173	503,649	-	503,649
2005	TIF District #11 Construction	TBD	Variable	96,481	105,272	(105,272)	-
2007	TIF District #12 Construction	TBD	Variable	106,038	106,038	(106,038)	-
2010	TIF District #13 Construction	TBD	Variable	50,000	134,153	(134,153)	-
2012	Economic Development Fund	2042	0.69 %	1,350,000	1,035,000	-	1,035,000
2017	TIF District #12 Construction	2035	2.385 %	1,750,000	1,843,508	(143,508)	1,700,000

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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### NOTE 5 - ADVANCES TO OTHER FUNDS (cont.)

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Repayment requirements to maturity follow:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 95,000	\$ 47,687	\$ 142,687
2021	95,000	46,183	141,183
2022	95,000	44,680	139,680
2023	95,000	43,178	138,178
2024	145,000	41,675	186,675
2025-2029	750,000	167,940	917,940
2030-2034	950,000	87,793	1,037,793
2035-2039	375,000	12,892	387,892
2040-2042	<u>135,000</u>	<u>1,863</u>	<u>136,863</u>
Totals	<u>\$ 2,735,000</u>	<u>\$ 493,891</u>	<u>\$ 3,228,891</u>



## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 6 - CHANGES IN CAPITAL ASSETS

#### *Water Utility*

A summary of changes in water capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets, not being depreciated				
Land and land rights	\$ 517,041	\$ -	\$ -	\$ 517,041
Capital assets being depreciated				
Source of supply	793,616	1,866	-	795,482
Pumping	3,278,387	34,322	28,000	3,284,709
Water treatment	1,617,426	57,200	-	1,674,626
Transmission and distribution	33,961,668	949,830	76,309	34,835,189
General	4,070,377	111,817	79,437	4,102,757
Total Capital Assets Being Depreciated	43,721,474	1,155,035	183,746	44,692,763
Total Capital Assets	44,238,515	1,155,035	183,746	45,209,804
Less: Accumulated depreciation				
Source of supply	(527,856)	(23,042)	-	(550,898)
Pumping	(2,161,419)	(127,788)	28,000	(2,261,207)
Water treatment	(1,098,284)	(53,535)	-	(1,151,819)
Transmission and distribution	(9,988,028)	(659,870)	83,991	(10,563,907)
General	(3,477,890)	(202,151)	79,437	(3,600,604)
Total Accumulated Depreciation	(17,253,477)	(1,066,386)	191,428	(18,128,435)
Construction in progress	37,957	973,626	867,741	143,842
Net Capital Assets	\$ 27,022,995			\$ 27,225,211

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Water Utility* (cont.)

A summary of changes in water capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 517,041	\$ -	\$ -	\$ 517,041
Capital assets being depreciated				
Source of supply	793,616	-	-	793,616
Pumping	3,272,193	6,194	-	3,278,387
Water treatment	1,617,426	-	-	1,617,426
Transmission and distribution	33,465,238	557,894	61,464	33,961,668
General	3,902,480	244,828	76,931	4,070,377
Total Capital Assets Being Depreciated	43,050,953	808,916	138,395	43,721,474
Total Capital Assets	43,567,994	808,916	138,395	44,238,515
Less: Accumulated depreciation				
Source of supply	(504,841)	(23,015)	-	(527,856)
Pumping	(2,033,863)	(127,556)	-	(2,161,419)
Water treatment	(1,045,693)	(52,591)	-	(1,098,284)
Transmission and distribution	(9,408,254)	(647,938)	68,164	(9,988,028)
General	(3,365,349)	(189,474)	76,933	(3,477,890)
Total Accumulated Depreciation	(16,358,000)	(1,040,574)	145,097	(17,253,477)
Construction in progress	22,144	462,960	447,147	37,957
Net Capital Assets	\$ 27,232,138			\$ 27,022,995

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 6 - CHANGES IN CAPITAL ASSETS (cont.)

#### *Sewer Utility*

A summary of changes in sewer capital assets for 2019 follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
Capital assets, not being depreciated				
Land and land rights	\$ 35,530	\$ -	\$ -	\$ 35,530
Capital assets being depreciated				
Collecting system	23,553,942	344,831	6,059	23,892,714
Collecting system pumping	360,624	27,520	-	388,144
Treatment and disposal	26,660,164	202,015	53,700	26,808,479
General	724,774	241,953	88,492	878,235
Total Capital Assets Being Depreciated	51,299,504	816,319	148,251	51,967,572
Total Capital Assets	51,335,034	816,319	148,251	52,003,102
Less: Accumulated depreciation	(27,598,459)	(1,294,284)	148,251	(28,744,492)
Construction in progress	188,985	725,665	563,232	351,418
Net Capital Assets	\$ 23,925,560			\$ 23,610,028

A summary of changes in sewer capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 35,530	\$ -	\$ -	\$ 35,530
Capital assets being depreciated				
Collecting system	23,372,107	211,420	29,585	23,553,942
Collecting system pumping	360,624	-	-	360,624
Treatment and disposal	26,420,545	340,645	101,026	26,660,164
General	723,802	2,859	1,887	724,774
Total Capital Assets Being Depreciated	50,877,078	554,924	132,498	51,299,504
Total Capital Assets	50,912,608	554,924	132,498	51,335,034
Less: Accumulated depreciation	(26,459,186)	(1,271,771)	132,498	(27,598,459)
Construction in progress	93,531	562,081	466,627	188,985
Net Capital Assets	\$ 24,546,953			\$ 23,925,560

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 7 - LONG-TERM OBLIGATIONS

#### **General Obligation Debt - Water**

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
07/09/2014	2014C Refunding Bonds	04/01/2020	2.00%	785,000	\$ 135,000
03/29/2016	System improvements and refund 2010 bonds	03/01/2030	2.00-2.50	775,000	630,000
06/01/2016	System improvements	06/01/2026	1.35	800,000	585,000
05/11/2017	System improvements	03/01/2027	2.03	700,000	580,000
05/03/2018	System improvements	05/01/2020	3.00	530,000	490,000
04/03/2019	2019A Refunding Bonds	03/01/2030	2.00-2.50	775,000	1,350,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 525,000	\$ 97,808	\$ 622,808
2021	400,000	84,578	484,578
2022	415,000	72,598	487,598
2023	435,000	60,059	495,059
2024	410,000	47,786	457,786
2025-2029	1,480,000	98,646	1,578,646
2030-2031	105,000	2,011	107,011
Totals	<u>\$ 3,770,000</u>	<u>\$ 463,486</u>	<u>\$ 4,233,486</u>

#### **General Obligation Debt - Sewer**

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/19
10/1/2010	System improvements from TIF #11	04/01/2026	4.29%	\$ 500,080	\$ 52,141
05/09/2012	Refinance part of 2010 debt	04/01/2026	2.22	235,000	210,000
6/10/2015	Refinance 2010 debt	10/1/2019	1.50-2.00	120,000	-

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### **General Obligation Debt - Sewer** (cont.)

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 55,000	\$ 5,411	\$ 60,411
2021	57,141	3,901	61,042
2022	30,000	2,812	32,812
2023	30,000	2,212	32,212
2024	30,000	1,612	31,612
2025-2026	<u>60,000</u>	<u>1,332</u>	<u>61,332</u>
Totals	<u>\$ 262,141</u>	<u>\$ 17,280</u>	<u>\$ 279,421</u>

#### **Long-Term Obligations Summary - Water**

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	1/1/19 Balance	Additions	Reductions	12/31/19 Balance	Due Within One Year
Revenue bonds	\$ 1,095,000	\$ -	\$ 1,095,000	\$ -	\$ -
General obligation debt	3,010,000	1,350,000	590,000	3,770,000	525,000
Accrued sick leave	127,200	19,700	14,235	132,665	-
Unamortized debt premium	45,412	87,429	19,235	113,606	-
OPEB obligation	<u>489,841</u>	<u>-</u>	<u>61,648</u>	<u>428,193</u>	<u>-</u>
Totals	<u>\$ 4,767,453</u>	<u>\$ 1,457,129</u>	<u>\$ 1,780,118</u>	<u>\$ 4,444,464</u>	<u>\$ 525,000</u>

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	1/1/18 Balance	Additions	Reductions	12/31/18 Balance	Due Within One Year
Revenue bonds	\$ 1,410,000	\$ -	\$ 315,000	\$ 1,095,000	\$ 345,000
General obligation debt	2,805,000	530,000	325,000	3,010,000	375,000
Accrued sick leave	128,710	14,871	16,381	127,200	-
Unamortized debt premium	41,731	14,948	11,267	45,412	9,998
OPEB obligation	<u>288,835</u>	<u>489,841</u>	<u>288,835</u>	<u>489,841</u>	<u>-</u>
Totals	<u>\$ 4,674,276</u>	<u>\$ 1,049,660</u>	<u>\$ 956,483</u>	<u>\$ 4,767,453</u>	<u>\$ 729,998</u>

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### *Long-Term Obligations Summary - Sewer*

Long-term obligation activity for the year ended December 31, 2019 is as follows:

	<u>1/1/19</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt	\$ 322,140	\$ -	\$ 59,999	\$ 262,141	\$ 55,000
Accrued sick leave	30,717	7,891	4,836	33,772	-
OPEB obligation	<u>78,230</u>	<u>-</u>	<u>9,161</u>	<u>69,069</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 431,087</u></b>	<b><u>\$ 7,891</u></b>	<b><u>\$ 73,996</u></b>	<b><u>\$ 364,982</u></b>	<b><u>\$ 55,000</u></b>

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt	\$ 382,140	\$ -	\$ 60,000	\$ 322,140	\$ 60,000
Accrued sick leave	29,550	7,652	6,485	30,717	-
OPEB obligation	<u>138,252</u>	<u>78,230</u>	<u>138,252</u>	<u>78,230</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 549,942</u></b>	<b><u>\$ 85,882</u></b>	<b><u>\$ 204,737</u></b>	<b><u>\$ 431,087</u></b>	<b><u>\$ 60,000</u></b>

#### *Current Refunding*

On April 3, 2019, bonds in the amount of \$1,350,000 were issued with an average interest rate of 2.25%, of which, \$613,108 was used in the refunding of \$1,325,000 of the outstanding 2008 and 2009 revenue bonds, and 2011 general obligation bonds with an average interest rate of 3.6%. Cash on hand was used for the remaining \$711,892 of the refunding.

The cash flow requirements on the old bonds prior to the current refunding was \$1,504,098 from 2019 through 2031. The cash flow requirements on the new bonds are \$1,599,020 from 2019 through 2031. The current refunding resulted in an economic loss of \$94,922.

#### *Bond Covenant Disclosures*

The following information is provided in compliance with the resolution creating the water utility's revenue bonds:

#### *Insurance*

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

#### **Bond Covenant Disclosures** (cont.)

##### **Insurance** (cont.)

The utilities are covered under the following insurance policies at December 31, 2019:

Type	Coverage	Expiration
General Liability	\$ 5,000,000	4/1/2020
Automobile	5,000,000	4/1/2020
Workers Compensation	500,000	4/1/2020
Property	137,068,797	4/1/2020
Crime	250,000	4/1/2020
Commercial	5,000,000	4/1/2020
Equipment	100,000,000	4/1/2020

##### **Debt Coverage - Water**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. Revenue debt for the water utility was paid off as of December 31, 2019. The coverage requirement was met in 2018 as follows:

	<u>2018</u>
Operating revenues	\$ 4,860,605
Investment income	79,697
Less: Operation and maintenance expenses	<u>(2,879,846)</u>
Net Defined Earnings	<u>\$ 2,060,456</u>
Minimum Required Earnings per Resolution:	
Highest annual debt service	\$ 384,073
Coverage factor	<u>1.25</u>
Minimum Required Earnings	<u>\$ 480,091</u>
Actual Debt Coverage	<u>5.36</u>

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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### NOTE 7 - LONG-TERM OBLIGATIONS (cont.)

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#### *Bond Covenant Disclosures* (cont.)

#### *Number of Customers and Billed Volumes - Water*

The utility has the following number of customers and billed volumes for 2018:

	<u>Customers</u>	<u>Sales (000 gals)</u>
	<u>2018</u>	<u>2018</u>
Residential	10,873	474,532
Multifamily residential	186	91,430
Commercial	794	145,765
Industrial	80	77,154
Public authority	<u>70</u>	<u>41,354</u>
Totals	<u><u>12,003</u></u>	<u><u>830,235</u></u>

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### NOTE 8 - NET POSITION

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GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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



## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 8 - NET POSITION (cont.)

The following calculation supports the water net investment in capital assets:

	2019	2018
Construction work in progress	\$ 143,842	\$ 37,957
Plant in service	45,209,804	44,238,515
Accumulated depreciation	<u>(18,128,435)</u>	<u>(17,253,477)</u>
Sub-Totals	<u>27,225,211</u>	<u>27,022,995</u>
Less: Capital related debt		
Current portion of capital related long-term debt	525,000	720,000
Long-term portion of capital related long-term debt	3,245,000	3,385,000
Unamortized debt premium	<u>113,606</u>	<u>45,412</u>
Sub-Totals	<u>3,883,606</u>	<u>4,150,412</u>
Add: Unspent debt proceeds		
Reserve from borrowing	<u>-</u>	<u>358,878</u>
Total Net Investment in Capital Assets	<u>\$ 23,341,605</u>	<u>\$ 23,231,461</u>

The following calculation supports the sewer net investment in capital assets:

	2019	2018
Construction work in progress	\$ 351,418	\$ 188,985
Plant in service	52,003,102	51,335,034
Accumulated depreciation	<u>(28,744,492)</u>	<u>(27,598,459)</u>
Sub-Totals	<u>23,610,028</u>	<u>23,925,560</u>
Less: Capital related debt		
Current portion of capital related long-term debt	55,000	60,000
Long-term portion of capital related long-term debt	<u>207,141</u>	<u>262,140</u>
Sub-Totals	<u>262,141</u>	<u>322,140</u>
Total Net Investment in Capital Assets	<u>\$ 23,347,887</u>	<u>\$ 23,603,420</u>

### NOTE 9 - EMPLOYEES RETIREMENT SYSTEM

#### **General Information About the Pension Plan**

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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.

# WEST BEND WATER AND SEWER UTILITIES

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

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

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

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42)%
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0
2018	2.4	17.0

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

## **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

**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 January 1, 2016, the Executives and Elected Officials category 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.

The WRS recognized \$112,375 and \$109,058 in contributions from the utilities during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2019 and December 31, 2018 are:

	2019		2018	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.7%	6.7%	6.7%	6.7%
Protective with Social Security	6.7%	10.7%	6.7%	10.7%
Protective without Social Security	6.7%	14.9%	6.7%	14.9%

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

At December 31, 2019, the utilities reported a liability (asset) of \$376,806 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City of West Bend's proportion was .13139584%, which was an increase of .00280519% from its proportion measured as of December 31, 2017.

At December 31, 2018, the utilities reported a liability (asset) of \$(310,228) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of West Bend's proportion was .12859065%, which was increase of .00126600% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2019 and 2018, the utilities recognized pension expense of \$260,372 and \$148,380, respectively.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

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

	<u>West Bend Water Utility</u>		<u>West Bend Sewer Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 184,505	\$ 332,046	\$ 116,120	\$ 214,965
Changes in assumption	46,012	-	26,897	-
Net differences between project and actual earnings on pension plan	366,076	-	244,557	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,038	-	2,575	-
Employer contributions subsequent to the measurement date	<u>66,936</u>	<u>-</u>	<u>46,231</u>	<u>-</u>
Total	<u>\$ 669,567</u>	<u>\$ 332,046</u>	<u>\$ 436,380</u>	<u>\$ 214,965</u>

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

	<u>West Bend Water Utility</u>		<u>West Bend Sewer Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 242,139	\$ 133,588	\$ 156,022	\$ 77,567
Changes in assumption	44,411	-	25,789	-
Net differences between project and actual earnings on pension plan	-	209,038	-	153,610
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,978	-	5,303	-
Employer contributions subsequent to the measurement date	<u>66,408</u>	<u>-</u>	<u>45,976</u>	<u>-</u>
Total	<u>\$ 362,936</u>	<u>\$ 342,626</u>	<u>\$ 233,090</u>	<u>\$ 231,177</u>

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>West Bend Water Utility</u>	<u>West Bend Sewer Utility</u>
2020	\$ 99,562	\$ 64,460
2021	25,042	16,213
2022	42,524	27,530
2023	103,457	66,981
2024	-	-
Thereafter	-	-
Total	<u>\$ 270,585</u>	<u>\$ 175,184</u>

**Actuarial assumptions.** The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2018	December 31, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases		
Inflation	3.0%	3.2%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments *	1.9%	2.1%

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

Actuarial assumptions used in the December 31, 2017 actuarial valuation is based upon an experience study conducted in 2018 using experience from 2015 – 2017. 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.

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

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

**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 as of December 31, 2019 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.45
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	4.47
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%.  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2018 are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single discount rate.** A single discount rate of 7.00% and 7.20% was used to measure the total pension liability as of December 31, 2019 and December 31, 2018, respectively. As of December 31, 2019, the single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. As of December 31, 2018, the single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.00% (7.20% for 2018) expected rate of return implies that a dividend of approximately 1.9% (2.1% for 2018) will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 9 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The sensitivity analysis as of December 31, 2019 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
West Bend Water & Sewer Utilities' proportionate share of the net position liability (asset)	\$ 1,497,351	\$ 376,806	\$ (456,457)

The sensitivity analysis as of December 31, 2018 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
West Bend Water & Sewer Utilities' proportionate share of the net position liability (asset)	\$ 803,121	\$ (310,228)	\$ (1,156,718)

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

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

#### GENERAL INFORMATION ABOUT THE OPEB PLAN

**Plan description.** The utilities' defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the utilities. RBP is a single-employer defined benefit OPEB plan administered by the City of West Bend. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City of West Bend Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 as of the December 31, 2017 or 2018 measurement dates. The Utilities transferred assets to a trust in 2019 which is reported as a fiduciary fund of the city.

**Benefits provided.** Benefits provided. Retiree Medical Benefits provides health insurance benefits for retirees and their spouses. The benefit terms provide for payment of 50 percent of health insurance premiums for non-Medicare-eligible retirees except for police union members. Police union retirees are allowed to remain on the plan until they reach Medicare eligibility, but must contribute 100% of the premium.



## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

**Employees covered by benefit terms.** At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefit payments	2	3
Active plan members	23	10
	25	13

#### **TOTAL OPEB LIABILITY**

At December 31, 2019, the utilities' total OPEB liability of \$412,316 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. At December 31, 2018, the utilities' total OPEB liability of \$472,838 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions and other inputs.** The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Inflation	2.50	3.44
Salary increases	0.4% - 4.8%	0.4% - 4.8%
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter	7.903% decreasing to ultimate rate of 4.6% over 68 years
Retirees' share of benefit-related costs	50% non-police union	50% non-police union

The discount rate was based on the Bond Buyer GO 20-Year AA Bond Index.

Mortality rates were based on the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period 2015 - 2017.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

#### CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balances at December 31, 2017	\$ 488,703
Changes for the year:	
Service cost	19,776
Interest	12,921
Changes of benefit terms	(266)
Benefit payments	(48,296)
Net changes	(15,865)
Balances at December 31, 2018	\$ 472,838
Changes for the year:	
Service cost	26,585
Interest	13,117
Differences between expected and actual experience	6,330
Changes in assumptions or other inputs	(89,188)
Benefit payments	(17,366)
Net changes	(60,522)
Balances at December 31, 2019	\$ 412,316

Changes of assumptions and other inputs reflect a change in the healthcare trend rate from 7.90 percent in 2018 to 7.50 percent in 2019.

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

As of December 31, 2019:

	1% Decrease (1.8%)	Discount Rate (2.8%)	1% Increase (3.8%)
Total OPEB liability	\$ 448,596	\$ 412,316	\$ 379,060

As of December 31, 2018:

	1% Decrease (1.8%)	Discount Rate (2.8%)	1% Increase (3.8%)
Total OPEB liability	\$ 519,132	\$ 472,838	\$ 430,322

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of the utilities, as well as what the utilities' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2019:

	1% Decrease (7.5% Decreasing to 6.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to -%)	1% Increase (7.5% Decreasing to 8.5%)
Total OPEB liability	\$ 369,998	\$ 412,316	\$ 461,766

As of December 31, 2018:

	1% Decrease (7.9% Decreasing to 6.9%)	Healthcare Cost Trend Rates (7.9% Decreasing to -%)	1% Increase (7.9% Decreasing to 8.9%)
Total OPEB liability	\$ 411,763	\$ 472,838	\$ 546,712

#### **OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

For the year ended December 31, 2019 and 2018, the utilities recognized OPEB expense of \$30,571 and \$29,680, respectively. At December 31, 2019 and 2018, the utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,632	\$ 221	\$ -	\$ 243
Changes of assumptions or other inputs	-	79,362	-	-
Employer contributions subsequent to the measurement date	1,147,482	-	39,768	-
Total	\$ 1,153,114	\$ 79,583	\$ 39,768	\$ 243

# WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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## NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

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Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2020	\$	(9,239)
2021		(9,239)
2022		(9,239)
2023		(9,239)
2024		(9,239)
Thereafter		(27,756)

### Local Retiree Life Insurance Fund (LRLIF)

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

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

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

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

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

Employers are required to pay the following contribution 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.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)**

Contribution rates for the plan year reported as of December 31, 2019 and 2018 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
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 plan year are as listed below:

<b>Life Insurance Employee Contribution Rates For the Plan Year</b>	
<b>Attained Age</b>	<b>Basic</b>
Under 30	\$0.05
30-34	0.06
34-39	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

The LRLIF recognized \$635 and \$368 in contributions from the employer during the current and prior reporting periods, respectively.

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

At December 31, 2019, the utilities reported a liability of \$84,946 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 benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportion of the net OPEB liability was based on the utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the utilities's proportion was 0.03293225%, which was an increase of 0.00123827% from its proportion measured as of December 31, 2017.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)**

At December 31, 2018, the utilities reported a liability of \$95,233 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities' proportion of the net OPEB liability was based on the utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the utilities' proportion was 0.03169320%, which was an increase of 0.00088680% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019 and 2018, the utilities recognized OPEB expense of \$9,182 and \$9,672, respectively.

At December 31, 2019 and 2018, the utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,308	\$ -	\$ 1,342
Net differences between projected and actual earnings on OPEB plan investments	8,097	18,413	1,097	-
Changes in assumptions	2,030	-	9,203	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,484	-	1,865	-
Employer contributions subsequent to the measurement date	674	-	638	-
Total	\$ 15,285	\$ 22,721	\$ 12,803	\$ 1,342

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### **NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)**

Deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ (914)
2021	(914)
2022	(914)
2023	(1,200)
2024	(1,495)
Thereafter	(2,673)

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

	2019	2018
Actuarial Valuation Date:	January 1, 2018	January 1, 2017
Measurement Date of Net OPEB Liability	December 31, 2018	December 31, 2017
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	4.10%	3.44%
Long-Term Expected Rate of Return:	5.00%	5.00%
Discount Rate:	4.22%	3.63%
Salary Increases:		
Inflation	3.00%	3.20%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

#### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2018

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 Muni	1	1.68
Inflation			2.30
Long-Term Expected Rate of Return			5.00

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

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



## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont.)

**Single discount rate.** A single discount rate was used to measure the total OPEB liability (4.22% for 2019 and 3.63% for 2018). The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

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

As of December 31, 2019:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
The utilities' proportionate share of the net OPEB liability	\$ 120,883	\$ 84,946	\$ 57,280

As of December 31, 2018:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
The utilities' proportionate share of the net OPEB liability	\$ 134,768	\$ 95,233	\$ 65,104

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

### NOTE 11 - COMMITMENTS AND CONTINGENCIES

#### **Claims and Judgments**

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

#### **Open Contracts**

The utilities have signed construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2019 has been accrued in these financial statements.

## WEST BEND WATER AND SEWER UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2019 and 2018

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### **NOTE 12 - SELF INSURANCE**

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The utilities are part of the municipality's self-funded health insurance program with claims processed by an administrative firm on behalf of the municipality. A separate fund has been established into which deposits are made and actual claims are paid out. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$90,000 per individual up to a maximum of \$2,490,673. Deposits to the self-insured fund in excess of the claims and other costs paid are retained by the municipality. The utilities' total contributions to the program during the years 2019 and 2018 were \$623,633 and \$279,446, respectively. Details of the plan can be found in the basic financial statements of the City of West Bend.

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### **NOTE 13 - SUBSEQUENT EVENTS**

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The utilities evaluated subsequent events through , the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

#### ***Rate Adjustment***

The City of West Bend approved an 11.92% sewer rate increase on December 13, 2019. The sewer rate increase is effective for billings after January 1, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

## WEST BEND UTILITIES

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset) - City	Utilities' Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	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)
12/31/19	0.13139584%	\$ 376,806	\$ 1,677,373	22.46%	96.45%
12/31/18	0.12859065%	(310,228)	1,603,794	19.34%	102.93%
12/31/17	0.12732465%	81,821	1,414,758	5.78%	99.12%
12/31/16	0.12885040%	181,128	1,562,206	11.59%	98.20%
12/31/15	0.13330900%	(299,673)	1,694,410	17.69%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2019

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/19	\$ 113,167	\$ 113,167	\$ -	1,329,812	8.51%
12/31/18	112,384	112,384	-	1,677,373	6.70%
12/31/17	109,058	109,058	-	1,603,794	6.80%
12/31/16	93,374	93,374	-	1,414,758	6.60%
12/31/15	106,230	106,230	-	1,562,206	6.80%

See independent auditors' report and accompanying notes to the required supplementary information.

## WEST BEND WATER AND SEWER UTILITIES

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET LIFE INSURANCE OPEB LIABILITY LOCAL RETIREE LIFE INSURANCE FUND For the Year Ended December 31, 2019

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Fiscal Year Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/19	0.00882900%	\$ 84,946	\$ 1,766,769	4.81%	48.69%
12/31/18	0.00632100%	\$ 95,223	\$ 1,723,864	5.52%	44.81%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

## WEST BEND WATER AND SEWER UTILITIES

### HEALTH INSURANCE SCHEDULE OF CHANGES IN THE UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS Most Recent Fiscal Year

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 26,585	\$ 19,776
Interest	13,117	12,921
Changes of benefit terms	-	-
Differences between expected and actual experience	6,330	(266)
Changes of assumptions	(89,188)	-
Benefit payments	(17,366)	(48,296)
<b>Net Change in Total OPEB Liability</b>	(60,522)	(15,865)
<b>Total OPEB Liability - Beginning</b>	472,838	488,703
<b>Total OPEB Liability - Ending</b>	\$ 412,316	\$ 472,838
 <b>Covered-employee payroll</b>	 \$ 1,766,769	 \$ 1,723,864
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 23.34%	 27.43%

**Notes to Schedule:**

**Valuation date:**

Actuarially determined contribution rates are calculated as of December 31, 2018, one year prior to the end of the fiscal year.

Actuarial cost method	Entry age normal
Amortization method	Average remaining member service life
Amortization period	9 years
Asset valuation method	N/A
Inflation	2.50 percent
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Salary increases	3 percent annually
Investment rate of return	N/A
Retirement age	Based upon rates from the December 31, 2018 actuarial valuation for the Wisconsin Retirement System (WRS)
Mortality	Assumed life expectancies were based on the Wisconsin 2018 Mortality Table

*Benefit changes.* There were no changes to the benefits.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The utilities implemented GASB Statement No. 75 in 2018. Information prior to 2018 is not available.

See accompanying notes to required supplementary information and independent auditors' report.

## WEST BEND UTILITIES

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

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

*Changes of assumptions.*

	2015 - 2018	2019
Long-term expected rate of	7.2%	7.0%
Discount rate	7.2%	7.0%
Salary increases		
Inflation	3.2%	3.0%
Seniority/Merit	0.2% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2018 Mortality Table
Post-retirement adjustments	2.10%	1.90%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**S U P P L E M E N T A L   I N F O R M A T I O N**



## WEST BEND WATER UTILITY

WATER UTILITY PLANT  
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Adjustments	Balance 12/31/19
<b>SOURCE OF SUPPLY</b>					
Land and land rights	\$ 142,270	\$ -	\$ -	\$ -	\$ 142,270
Wells and springs	793,616	1,866	-	-	795,482
Total Source of Supply	<u>935,886</u>	<u>1,866</u>	<u>-</u>	<u>-</u>	<u>937,752</u>
<b>PUMPING</b>					
Structures and improvements	1,382,769	4,275	3,200	-	1,383,844
Electric pumping equipment	1,325,824	30,047	24,800	-	1,331,071
Diesel pumping equipment	569,794	-	-	-	569,794
Total Pumping	<u>3,278,387</u>	<u>34,322</u>	<u>28,000</u>	<u>-</u>	<u>3,284,709</u>
<b>WATER TREATMENT</b>					
Land and land rights	76,102	-	-	-	76,102
Structures and improvements	784,709	-	-	-	784,709
Water treatment equipment	832,717	57,200	-	-	889,917
Total Water Treatment	<u>1,693,528</u>	<u>57,200</u>	<u>-</u>	<u>-</u>	<u>1,750,728</u>
<b>TRANSMISSION AND DISTRIBUTION</b>					
Land and land rights	52,719	-	-	-	52,719
Distribution reservoirs and standpipes	2,398,485	31,414	-	-	2,429,899
Transmission and distribution mains	21,593,821	598,933	9,221	-	22,183,533
Services	3,876,462	112,812	120	-	3,989,154
Meters	2,382,182	116,584	43,650	-	2,455,116
Hydrants	3,710,718	90,087	23,318	-	3,777,487
Total Transmission and Distribution	<u>34,014,387</u>	<u>949,830</u>	<u>76,309</u>	<u>-</u>	<u>34,887,908</u>
<b>GENERAL</b>					
Land and land rights	245,950	-	-	-	245,950
Structures and improvements	981,908	2,200	10,000	-	974,108
Office furniture and equipment	35,810	-	-	-	35,810
Computer equipment	422,412	12,562	49,291	-	385,683
Transportation equipment	996,076	57,652	3,650	-	1,050,078
Tools, shop and garage equipment	220,844	-	6,495	-	214,349
Laboratory equipment	7,106	-	-	-	7,106
Power-operated equipment	130,569	-	5,675	-	124,894
Communication equipment	168,799	-	-	-	168,799
SCADA equipment	912,603	39,403	4,326	-	947,680
Miscellaneous equipment	194,250	-	-	-	194,250
Total General	<u>4,316,327</u>	<u>111,817</u>	<u>79,437</u>	<u>-</u>	<u>4,348,707</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u><u>\$44,238,515</u></u>	<u><u>\$ 1,155,035</u></u>	<u><u>\$ 183,746</u></u>	<u><u>\$ -</u></u>	<u><u>\$45,209,804</u></u>

## WEST BEND WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Sales of Water		
Metered		
Residential	\$ 2,183,055	\$ 2,229,784
Multifamily residential	288,212	297,860
Commercial	504,995	506,022
Industrial	177,636	192,601
Public authorities	128,141	128,099
Total Metered Sales	3,282,039	3,354,366
Private fire protection	155,601	154,077
Public fire protection	1,047,274	1,042,007
Total Sales of Water	4,484,914	4,550,450
Other Operating Revenues		
Forfeited discounts	58,347	57,736
Miscellaneous service revenue	1,850	1,507
Rents from water property	227,254	208,501
Other	50,910	42,411
Total Operating Revenues	4,823,275	4,860,605
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Maintenance		
Wells and springs	79,631	258,259
Pumping		
Operation supervision and engineering	1,412	1,688
Fuel or purchased power for pumping	188,702	189,170
Pumping labor	24,958	20,445
Miscellaneous	39,821	35,374
Maintenance		
Supervision and engineering	159	-
Structures and improvements	22,601	15,431
Pumping equipment	33,078	38,149
Total Pumping	310,731	300,257
Water Treatment		
Chemicals	96,085	97,450
Operation labor	24,211	21,744
Maintenance		
Supervision and engineering	178	-
Water treatment equipment	24,814	35,499
Total Water Treatment	145,288	154,693

## WEST BEND WATER UTILITY

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 16,850	\$ 12,529
Storage facilities	11,436	11,180
Meters	7,831	6,829
Miscellaneous	25,180	34,930
Maintenance		
Supervision and engineering	16,031	12,022
Reservoirs and standpipes	29,108	33,570
Mains	566,287	520,883
Services	166,021	173,591
Meters	39,165	33,345
Hydrants	17,385	23,771
Total Transmission and Distribution	895,294	862,650
Customer Accounts		
Meter reading	18,765	20,162
Accounting and collecting labor	66,709	65,174
Total Customer Accounts	85,474	85,336
Administrative and General		
Salaries	312,121	296,718
Office supplies	38,656	41,144
Outside services employed	29,434	21,080
Injuries and damages	56,401	56,763
Employee pensions and benefits	536,441	541,906
Miscellaneous	71,486	70,622
Maintenance	94,057	118,221
Total Administrative and General	1,138,596	1,146,454
Taxes	79,564	72,197
Total Operation and Maintenance	2,734,578	2,879,846
Depreciation	990,523	973,038
Total Operating Expenses	3,725,101	3,852,884
OPERATING INCOME	\$ 1,098,174	\$ 1,007,721

## WEST BEND SEWER UTILITY

SEWER UTILITY PLANT  
As of and for the Year Ended December 31, 2019

	Balance 1/1/19	Additions	Retirements	Balance 12/31/19
<b>COLLECTING SYSTEM</b>				
Land and land rights	\$ 26,039	\$ -	\$ -	\$ 26,039
Collecting mains	19,581,863	344,831	6,059	19,920,635
Interceptor mains	3,373,873	-	-	3,373,873
Force mains	225,919	-	-	225,919
Other collecting system equipment	<u>372,287</u>	<u>-</u>	<u>-</u>	<u>372,287</u>
Total Collecting System	<u>23,579,981</u>	<u>344,831</u>	<u>6,059</u>	<u>23,918,753</u>
<b>COLLECTING SYSTEM PUMPING</b>				
Electric pumping equipment	<u>360,624</u>	<u>27,520</u>	<u>-</u>	<u>388,144</u>
<b>TREATMENT AND DISPOSAL</b>				
Land and land rights	9,491	-	-	9,491
Structures and improvements	12,138,689	13,233	-	12,151,922
Preliminary treatment equipment	637,214	-	-	637,214
Primary treatment equipment	282,634	188,782	53,700	417,716
Secondary treatment equipment	1,513,134	-	-	1,513,134
Advanced treatment equipment	2,810,938	-	-	2,810,938
Chlorination equipment	147,572	-	-	147,572
Disinfecting equipment	620,660	-	-	620,660
Sludge treatment and disposal equipment	3,977,946	-	-	3,977,946
Plant site piping	4,239,775	-	-	4,239,775
Flow metering and monitoring equipment	177,846	-	-	177,846
Other treatment and disposal equipment	<u>113,756</u>	<u>-</u>	<u>-</u>	<u>113,756</u>
Total Treatment and Disposal	<u>26,669,655</u>	<u>202,015</u>	<u>53,700</u>	<u>26,817,970</u>
<b>GENERAL</b>				
Office furniture and equipment	51,139	-	-	51,139
Computer equipment	130,378	-	-	130,378
Transportation equipment	188,145	240,417	88,492	340,070
Other general equipment	<u>355,112</u>	<u>1,536</u>	<u>-</u>	<u>356,648</u>
Total General	<u>724,774</u>	<u>241,953</u>	<u>88,492</u>	<u>878,235</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u><u>\$51,335,034</u></u>	<u><u>\$ 816,319</u></u>	<u><u>\$ 148,251</u></u>	<u><u>\$52,003,102</u></u>

## WEST BEND SEWER UTILITY

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 2,050,915	\$ 2,093,728
Multifamily residential	283,138	293,885
Commercial	466,688	466,522
Industrial	211,943	216,091
Public authorities	142,071	137,288
Interdepartmental sales	492	1,698
Contractual services revenue	<u>272,975</u>	<u>296,524</u>
Total Sewer Revenues	<u>3,428,222</u>	<u>3,505,736</u>
Other Operating Revenues		
Forfeited discounts	41,864	40,915
Generation revenue	<u>113,510</u>	<u>106,802</u>
Total Operating Revenues	<u>3,583,596</u>	<u>3,653,453</u>
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	262,664	259,526
Power and fuel for pumping	371,735	351,977
Treatment charges	75,001	101,583
Phosphorous removal chemicals	248,738	237,192
Other chemicals	48,561	50,703
Laboratory expenses	57,148	74,270
Other operating supplies	73,953	71,241
Joint metering costs	66,513	64,512
Transportation	14,813	11,070
Rents	<u>43,228</u>	<u>43,582</u>
Total Operation	<u>1,262,354</u>	<u>1,265,656</u>
Maintenance		
Collection system	90,412	70,073
Meters	12,862	12,772
Pumping equipment	12,568	11,853
Treatment and disposal plant equipment	311,233	255,669
General plant structures and equipment	<u>91,593</u>	<u>38,887</u>
Total Maintenance	<u>518,668</u>	<u>389,254</u>
Customer Accounts		
Accounting and collecting	43,197	47,405
Miscellaneous	<u>19,194</u>	<u>17,815</u>
Total Customer Accounts	<u>62,391</u>	<u>65,220</u>
Administrative and General		
Salaries	236,021	224,231
Office supplies	31,222	31,700
Outside services employed	121,770	81,533
Insurance	60,742	60,311
Employees pensions and benefits	430,407	144,709
Miscellaneous	<u>11,303</u>	<u>11,631</u>
Total Administrative and General	<u>891,465</u>	<u>554,115</u>
Taxes	<u>70,707</u>	<u>68,761</u>
Total Operation and Maintenance	2,805,585	2,343,006
Depreciation	<u>1,294,284</u>	<u>1,271,533</u>
Total Operating Expenses	<u>4,099,869</u>	<u>3,614,539</u>
 OPERATING INCOME (LOSS)	 <u>\$ (516,273)</u>	 <u>\$ 38,914</u>