

**LODI ELECTRIC, WATER AND
WASTEWATER UTILITIES**
Enterprise Funds of the
City of Lodi, Wisconsin

Financial Statements

December 31, 2019

LODI ELECTRIC, WATER AND WASTEWATER UTILITIES
Enterprise Funds of the City of Lodi, Wisconsin

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December 31, 2019

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Utility Commission
Lodi Municipal Utilities
City of Lodi, Wisconsin

We have audited the accompanying financial statements of Lodi Municipal Utilities (Utilities), enterprise funds of the City of Lodi, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lodi Municipal Utilities, enterprise funds of the City of Lodi, Wisconsin, as of December 31, 2019, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Utility Commission
Lodi Municipal Utilities

Enterprise Funds of the City of Lodi, Wisconsin

As discussed in Note 1, the financial statements present only the enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Lodi, Wisconsin, as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System and schedules of proportionate share of the net OPEB liability and employer contributions – life insurance benefits on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Utility Commission
Lodi Municipal Utilities

The schedule of rates of return and debt coverage are also the responsibility of management. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

KerberRose SC

KerberRose SC
Shawano, Wisconsin
Certified Public Accountants
June 2, 2020

FINANCIAL STATEMENTS

ELECTRIC UTILITY

**LODI ELECTRIC UTILITY
CITY OF LODI, WISCONSIN**

Statement of Net Position
As of December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 743,779
Customer Accounts Receivable	261,664
Other Accounts Receivable	3,363
Materials and Supplies	74,907
Total Current Assets	<u>1,083,713</u>
RESTRICTED ASSETS	
Debt Redemption	161,112
Depreciation Account	25,000
Bond Reserve Account	151,340
Total Restricted Assets	<u>337,452</u>
CAPITAL ASSETS	
Plant in Service	7,755,370
Less: Accumulated Depreciation	(4,001,878)
Construction in Progress	27,474
Total Capital Assets	<u>3,780,966</u>
TOTAL ASSETS	<u>5,202,131</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	179,567
Deferred Outflows Related to Other Post-Employment Benefits	867
Total Deferred Outflows of Resources	<u>180,434</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	12,005
Accrued Liabilities	140,581
Current Portion of Compensated Absences	4,597
Current Portion of General Obligation Debt	13,872
Total Current Liabilities	<u>171,055</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Current Portion of Revenue Bonds	145,000
Accrued Interest	2,730
Total Liabilities Payable From Restricted Assets	<u>147,730</u>
NON-CURRENT LIABILITIES	
General Obligation Debt, Net of Premiums and Discounts	73,406
Revenue Bonds	453,726
Advances Payable	49,065
Accrued Compensated Absences	13,011
Net Other Post-Employment Benefits Liability	7,262
Net Pension Liability	66,925
Total Noncurrent Liabilities	<u>663,395</u>
TOTAL LIABILITIES	<u>982,180</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	94,028
Deferred Inflows Related to Other Post-Employment Benefits	3,016
Total Deferred Outflows of Resources	<u>97,044</u>
NET POSITION	
Net Investment in Capital Assets	3,094,962
Restricted	
Debt Service	312,452
Plant Replacement	25,000
Pension Benefits	18,614
Unrestricted	852,313
TOTAL NET POSITION	<u>\$ 4,303,341</u>

See Accompanying Notes

LODI ELECTRIC UTILITY
CITY OF LODI, WISCONSIN
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2019

OPERATING REVENUES	
Charges for Services	\$ 3,162,066
Other	40,342
Total Operating Revenues	<u>3,202,408</u>
OPERATING EXPENSES	
Operation and Maintenance	2,612,474
Depreciation	293,552
Taxes	33,357
Total Operating Expenses	<u>2,939,383</u>
OPERATING INCOME	<u>263,025</u>
NON-OPERATING REVENUE (EXPENSES)	
Investment Income	26,605
Interest Expense	(17,492)
Amortization of Debt Discount and Premium	(1,677)
Total Non-Operating Revenue (Expenses)	<u>7,436</u>
INCOME BEFORE TRANSFER AND CAPITAL CONTRIBUTIONS	270,461
TRANSFER	(145,562)
CAPITAL CONTRIBUTIONS	<u>71,390</u>
CHANGE IN NET POSITION	196,289
NET POSITION - BEGINNING	<u>4,107,052</u>
NET POSITION - ENDING	<u><u>\$ 4,303,341</u></u>

LODI ELECTRIC UTILITY
CITY OF LODI, WISCONSIN
Statement of Cash Flows
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from User Charges	\$ 3,164,676
Cash Payments to Suppliers	(2,330,802)
Cash Payments to Employees	(249,563)
Cash Payments to Municipality	(23,726)
Net Cash Flows from Operating Activities	560,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Municipality	(145,562)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(347,559)
Capital Contributions Received	71,390
Principal Payments on Long-Term Debt Issuance	(171,010)
Interest Payments on Long-Term Debt	(16,209)
Net Cash Flows From Capital and Related Financing Activities	(463,388)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Purchased	(10,692)
Investment Income	26,605
Net Cash Flows from Investing Activities	15,913
NET CHANGE IN CASH AND INVESTMENTS	
	(32,452)
CASH AND INVESTMENTS - BEGINNING	
	806,225
CASH AND INVESTMENTS - ENDING	
	<u>\$ 773,773</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 263,025
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	293,552
(Increase) Decrease in Operating Assets and Deferred Outflows of Resources:	
Receivables	
Accounts	51,700
Other	2,401
Inventories and Prepaid Items	20,583
Net Pension Asset	53,288
Deferred Outflows Related to Pension	(81,160)
Deferred Outflows Related to OPEB	116
(Decrease) Increase in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	2,713
Accrued and Other Liabilities	4,351
Sales Tax Payable	(288)
Customer Deposits	(87,595)
Due to Other Funds	(22,218)
Compensated Absences	5,258
Deferred Inflows Related to Pension	(12,431)
Deferred Inflows Related to OPEB	2,191
Net Pension Liability	66,925
Net OPEB Liability	(1,826)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 560,585</u>
RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT	
OF NET POSITION TO STATEMENT OF CASH FLOWS	
Cash and Investments	\$ 743,779
Redemption Account	161,112
Depreciation Account	25,000
Bond Reserve Account	151,340
Less Non Cash Equivalents	(307,458)
TOTAL CASH PER STATEMENT OF CASH FLOWS	<u>\$ 773,773</u>

See Accompanying Notes

WATER UTILITY

**LODI WATER UTILITY
CITY OF LODI, WISCONSIN**

Statement of Net Position
As of December 31, 2019

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 605,677
Customer Accounts Receivable	67,744
Other Accounts Receivable	140
Materials and Supplies	32,132
Total Current Assets	705,693

RESTRICTED ASSETS

Redemption Account	121,152
Depreciation Account	25,000
Total Restricted Assets	146,152

CAPITAL ASSETS

Plant in Service	9,481,200
Less: Accumulated Depreciation	(2,409,100)
Total Capital Assets	7,072,100

TOTAL ASSETS

7,923,945

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	76,895
Deferred Outflows Related to Other Post-Employment Benefits	372
Total Deferred Outflows of Resources	77,267

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	4,190
Accrued Liabilities	126,292
Accrued Interest	12,469
Current Portion of Compensated Absences	2,880
Current Portion of General Obligation Debt	71,172
Total Current Liabilities	217,003

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current Portion of Revenue Bonds	70,000
	70,000

NON-CURRENT LIABILITIES

General Obligation Debt	305,740
Revenue Bonds	1,805,000
Advances Payable	60,896
Accrued Compensated Absences	7,861
Net Pension Liability	28,660
Net Other Post-Employment Benefits Liability	3,110
Total Noncurrent Liabilities	2,211,267

TOTAL LIABILITIES

2,498,270

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension	40,265
Deferred Inflows Related to Other Post-Employment Benefits	1,292
Total Deferred Outflows of Resources	41,557

NET POSITION

Net Investment in Capital Assets	4,820,188
Restricted	
Debt Service	121,152
Plant Replacement	25,000
Pension Benefits	7,970
Unrestricted	487,075
TOTAL NET POSITION	\$ 5,461,385

LODI WATER UTILITY
CITY OF LODI, WISCONSIN
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2019

OPERATING REVENUES	
Charges for Services	\$ 801,240
Other	15,250
Total Operating Revenues	<u>816,490</u>
OPERATING EXPENSES	
Operation and Maintenance	322,796
Depreciation	252,455
Taxes	11,608
Total Operating Expenses	<u>586,859</u>
OPERATING INCOME	<u>229,631</u>
NON-OPERATING REVENUE (EXPENSE)	
Investment Income	16,511
Interest Expense	(74,362)
Total Non-operating Revenue (Expense)	<u>(57,851)</u>
INCOME BEFORE TRANSFER AND CAPITAL CONTRIBUTIONS	171,780
TRANSFER	(177,785)
CAPITAL CONTRIBUTIONS	<u>14,398</u>
CHANGE IN NET POSITION	8,393
NET POSITION - BEGINNING	<u>5,452,992</u>
NET POSITION - ENDING	<u><u>\$ 5,461,385</u></u>

LODI WATER UTILITY
CITY OF LODI, WISCONSIN
Statement of Cash Flows
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from User Charges	\$ 805,363
Cash Payments to Suppliers	(194,926)
Cash Payments to Employees	(120,486)
Cash Payments from Municipality	25,300
Net Cash Flows from Operating Activities	<u>515,251</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Municipality	<u>(177,785)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(26,012)
Capital Contributions Received	14,398
Principal Payments on Long-Term Debt	(135,192)
Interest Payments on Long-Term Debt	(76,989)
Net Cash Flows From Capital and Related Financing Activities	<u>(223,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Purchased	(14,388)
Investment Income	16,511
Net Cash Flows from Investing Activities	<u>2,123</u>
NET CHANGE IN CASH AND INVESTMENTS	115,794
CASH AND INVESTMENTS - BEGINNING	<u>222,295</u>
CASH AND INVESTMENTS - ENDING	<u><u>\$ 338,089</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 229,631
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	252,455
Joint Meter Allocation	11,030
(Increase) Decrease in Operating Assets and Deferred Outflows of Resources:	
Receivables	
Accounts	(18,992)
Other	191
Due from Other Funds	4,609
Inventories and Prepaid Items	(1,418)
Net Pension Asset	22,820
Deferred Outflows Related to Pension	(34,754)
Deferred Outflows Related to OPEB	49
(Decrease) Increase in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	460
Due to Other Funds	20,691
Compensated Absences	4,986
Deferred Inflows Related to Pension	(5,324)
Deferred Inflows Related to OPEB	939
Net Pension Liability	28,660
Net OPEB Liability	(782)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 515,251</u></u>
RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF NET POSITION TO STATEMENT OF CASH FLOWS	
Cash and Investments	\$ 605,677
Redemption Account	121,152
Depreciation Account	25,000
Less Non Cash Equivalents	(413,740)
TOTAL CASH PER STATEMENT OF CASH FLOWS	<u><u>\$ 338,089</u></u>

WASTEWATER UTILITY

**LODI WASTEWATER UTILITY
CITY OF LODI, WISCONSIN**

Statement of Net Position
As of December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 807,374
Customer Accounts Receivable	85,428
Other Accounts Receivable	210
Total Current Assets	893,012
RESTRICTED ASSETS	
Debt Redemption Account	50,833
Depreciation Account	25,000
Replacement Accounts	775,848
Total Restricted Assets	851,681
CAPITAL ASSETS	
Plant in Service	8,232,074
Less: Accumulated Depreciation	(4,945,834)
Construction in Progress	37,056
Total Noncurrent Assets	3,323,296
TOTAL ASSETS	5,067,989
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	126,740
Deferred Outflows Related to Other Post-Employment Benefits	611
Total Deferred Outflows of Resources	127,351
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	7,769
Current Portion of Compensated Absences	14,505
Current Portion of General Obligation Debt	8,400
Accrued Interest	2,868
Total Current Liabilities	33,542
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Current Portion of Revenue Bonds	25,000
NON-CURRENT LIABILITIES	
General Obligation Debt	55,242
Revenue Bonds	425,000
Accrued Compensated Absences	42,736
Net Pension Liability	47,237
Net Other Post-Employment Benefits Liability	5,125
Total Noncurrent Liabilities	575,340
TOTAL LIABILITIES	633,882
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	66,366
Deferred Inflows Related to Other Post-Employment Benefits	2,129
Total Deferred Inflows of Resources	68,495
NET POSITION	
Net Investment in Capital Assets	2,809,654
Restricted	
Debt Service	50,833
Plant Replacement	800,848
Pension Benefits	13,137
Unrestricted	818,491
TOTAL NET POSITION	\$ 4,492,963

See Accompanying Notes

LODI WASTEWATER UTILITY
CITY OF LODI, WISCONSIN
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2019

OPERATING REVENUES	
Charges for Services	\$ 867,122
Other	1,935
Total Operating Revenues	<u>869,057</u>
OPERATING EXPENSES	
Operation and Maintenance	491,890
Depreciation	233,603
Total Operating Expenses	<u>725,493</u>
OPERATING INCOME	<u>143,564</u>
NON-OPERATING REVENUE (EXPENSE)	
Investment Income	40,229
Interest Expense	(11,890)
Total Nonoperating Revenue (Expense)	<u>28,339</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	171,903
CAPITAL CONTRIBUTIONS	<u>18,944</u>
CHANGE IN NET POSITION	190,847
NET POSITION - BEGINNING - RESTATED	<u>4,302,116</u>
NET POSITION - ENDING	<u><u>\$ 4,492,963</u></u>

LODI WASTEWATER UTILITY
CITY OF LODI, WISCONSIN
Statement of Cash Flows
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from User Charges	\$ 879,851
Cash Payments to Suppliers	(391,789)
Cash Payments to Employees and for Benefits	(119,187)
Cash Payments to Municipality	(4,609)
Net Cash Flows From Operating Activities	<u>364,266</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(368,849)
Capital Contributions Received	18,944
Principal Payments on Long-Term Debt	(40,750)
Interest Payments on Long-Term Debt	(12,091)
Net Cash Flows From Capital and Related Financing Activities	<u>(402,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investments Purchased	(29,286)
Interest income	40,229
Net Cash Flows Provided by Investing Activities	<u>10,943</u>
NET CHANGE IN CASH	(27,537)
CASH - BEGINNING	<u>844,526</u>
CASH - ENDING	<u>\$ 816,989</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 143,564
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	233,603
Joint Meter Allocation	(11,030)
Increase (Decrease) in Operating Assets and Deferred Outflows of Resources:	
Accounts Receivable	(36,039)
Other Receivable	4,587
Net Pension Asset	37,611
Deferred Outflow Related to Pension	(57,284)
Deferred Outflow Related to OPEB	83
Increase (Decrease) in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	2,747
Due to Other Funds	(4,609)
Compensated Absences	12,314
Deferred Inflow Related to Pension	(8,775)
Deferred Inflow Related to OPEB	1,547
Net Pension Liability	47,237
Net OPEB Liability	(1,290)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 364,266</u>
RECONCILIATION OF CASH PER STATEMENT OF NET POSITION	
TO STATEMENT OF CASH FLOWS	
Cash and Investments	\$ 807,374
Debt Service Account	50,833
Depreciation Account	25,000
Replacement Account	775,848
Less Non Cash Equivalents	(842,066)
TOTAL CASH PER STATEMENT OF CASH FLOWS	<u>\$ 816,989</u>

See Accompanying Notes

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of Significant Accounting Policies

Introduction

This summary of significant accounting policies of the Lodi Municipal Utilities (Utilities) is presented to assist in understanding the Utilities' financial statements. The financial statements and notes are representations of the Utilities' management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Nature of Business

Lodi Electric, Water and Wastewater Utilities (Utilities) are three enterprise funds of the City of Lodi (Municipality). The Utilities provide electric, water and wastewater services to properties within the municipality and a limited number of customers outside the municipality. The Utilities are managed by the Lodi Utility Commission.

The electric and water utilities operate 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 utility commission.

Measurement Focus and Basis Accounting

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 recorded when earned and expenses are recorded when a 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets 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.

Cash and Investments

For purposes of the statements of cash flows, cash deposits and highly liquid investments having original maturities of three months or less at the time of purchase are considered to be cash equivalents.

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 quoted market prices. Adjustments necessary to record investment at fair value are recorded in the operating statement as increases or decreases in investment income.

Restricted Assets

The bond resolutions require the creation and funding of several accounts from operating revenue as described below:

Bond Redemption Account

The bond resolutions require the creation of a redemption account in an amount sufficient to pay the principal and interest on the bonds when due. This account was properly funded as of December 31, 2019.

Replacement Account

The wastewater utility has established an equipment replacement account to be used for significant wastewater treatment mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets (Continued)

Bond Depreciation Account

The bond resolutions also state that \$75,000 of income and revenues shall be set aside in a depreciation account for additions to and betterment of the system. This amount was properly funded as of December 31, 2019.

Bond Reserve Account

The bond resolutions also require the establishment of a reserve account. This account shall have funds taken from it only when the redemption fund is not sufficient to meet principal and interest payments. The Utilities reserve requirement as of December 31, 2019 was approximately \$146,000 and was properly funded.

Accounts Receivable

Accounts receivable are recorded at their gross amount with uncollectible amounts being recognized under the direct write-off method. The Utilities have the right under Wisconsin statutes to place delinquent electric, water, and sewer bills on the tax roll for collection. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

Materials and Supplies

Inventories are recorded at lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Capital Assets

Capital assets are defined by the Utilities as assets with an initial, individual cost of \$2,000 or more and an estimated useful life in excess of one year.

Capital assets of the Utilities are recorded at cost or estimated acquisition value at the time of contribution to the Utilities. Major outlays for Utility plants 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 using the straight-line method over the following useful lives:

	<u>Years</u>
Electric Plant:	
Transmission	33
Distribution	18 – 40
General	4 – 40
Water Plant:	
Sources of Supply	34 – 56
Pumping	23 – 41
Water Treatment	17
Transmission and Distribution	20 – 108
General	4 – 44
Sewer Plant:	
Collecting System	100
Collecting System Pumping	20 – 40
Treatment and Disposal	15 – 40
General	4 – 20

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Sick Leave – Utility employees earn 12 sick leave days annually. Employees are allowed to accumulate up to 120 days. Employees who retire with 15 years of continuous service preceding the date of retirement or have attained age fifty-five (55) are paid their accumulated sick leave to pay health insurance premiums. No accumulated sick leave is paid to employees who are terminated or resign.

Vacation – The Utility generally does not allow accumulation of unused vacation.

The Utility records a liability on the statement of net position for accrued compensated absences.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Utilities report deferred outflows of resources related to pension and other post-employment benefits.

In addition to liabilities, the statement of net position reports a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Utilities report deferred inflows of resources related to pension and other post-employment benefits.

Public Benefits

The Electric Utility charges public benefit fees to all customers as required by the 1999 Energy Reliability Act. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance programs. The Utility is acting as an agent administering the program so receipts and disbursements associated with the program are recorded as a current liability on the statement of net position.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as Utility liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the statement of net position.

Interfund Transactions

Interfund transactions include transfers to the municipality for payment in lieu of taxes.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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' funds are charges to customers for services. The principal operating expenses are depreciation on capital assets and purchase of electricity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Cash and Investments

The Utilities are authorized to invest their funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- 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 or by the University of Wisconsin Hospitals and Clinics.
- 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.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy restricts its investment choices to the statutory limits listed above.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Utilities would not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings account (including NOW accounts); up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

Any loss caused by failure of public depository are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2019, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts.

The Utilities, as enterprise funds of the municipality, maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. In regards to custodial credit risk, both the City's and Utilities' bank balances are fully insured and collateralized.

For all deposits and investments shown, the market value at the net position date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City's investment policy limits investments maturities to less than five years as a means of managing its exposure of fair value losses arising from increasing interest rates.

As of December 31, 2019, the Utilities had deposits in demand accounts and time deposits with maturities of less than three years.

Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded as increases or decreases in investment income.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources from market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

Investments apply to all municipal accounts, and accordingly, the amount of investments is not determinable for the utilities alone. Please refer to the City of Lodi's financial statements for fair value categorization of investments on all municipal accounts.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 3 - Capital Assets

Electric Utility

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital Assets not being Depreciated:				
Land	\$ 49,111	\$ -	\$ -	\$ 49,111
Construction in Progress	1,537	26,354	417	27,474
Total Capital Assets Not Being Depreciated	<u>50,648</u>	<u>26,354</u>	<u>417</u>	<u>76,585</u>
Capital Assets Being Depreciated:				
Distribution	6,563,603	268,498	43,740	6,788,361
General	911,943	52,706	46,751	917,898
Total Capital Assets Being Depreciated	<u>7,475,546</u>	<u>321,204</u>	<u>90,491</u>	<u>7,706,259</u>
Total Capital Assets	<u>7,526,194</u>	<u>347,558</u>	<u>90,908</u>	<u>7,782,844</u>
Less Accumulated Depreciation	<u>(3,792,972)</u>	<u>(293,552)</u>	<u>(84,646)</u>	<u>(4,001,878)</u>
NET CAPITAL ASSETS	<u>\$ 3,733,222</u>	<u>\$ 54,006</u>	<u>\$ 6,262</u>	<u>\$ 3,780,966</u>

Water Utility

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

	<u>Balance 1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital Assets not being Depreciated:				
Land	\$ 57,387	\$ -	\$ -	\$ 57,387
Capital Assets Being Depreciated:				
Sources of Supply	430,581	-	-	430,581
Pumping	2,053,331	-	-	2,053,331
Water Treatment	24,017	-	-	24,017
Transmission and Distribution	6,140,329	3,409	18,624	6,125,114
General	770,200	22,603	2,033	790,770
Total Capital Assets Being Depreciated	<u>9,418,458</u>	<u>26,012</u>	<u>20,657</u>	<u>9,423,813</u>
Total Capital Assets	<u>9,475,845</u>	<u>26,012</u>	<u>20,657</u>	<u>9,481,200</u>
Less Accumulated Depreciation	<u>(2,173,946)</u>	<u>(252,455)</u>	<u>(17,301)</u>	<u>(2,409,100)</u>
NET CAPITAL ASSETS	<u>\$ 7,301,899</u>	<u>\$ (226,443)</u>	<u>\$ 3,356</u>	<u>\$ 7,072,100</u>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 3 - Changes in Capital Assets (Continued)

Sewer Utility

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

	<u>Balance</u> <u>1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/19</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 6,743	\$ 35,245	\$ 4,932	\$ 37,056
Capital Assets Being Depreciated:				
Collection System	1,808,437	324,245	7,246	2,125,436
Collection System Pumping	91,186	5,756	-	96,942
Treatment and Disposal	5,356,460	64,780	21,449	5,399,791
General	609,262	939	296	609,905
Total Capital Assets Being Depreciated	<u>7,865,345</u>	<u>395,720</u>	<u>28,991</u>	<u>8,232,074</u>
Total Capital Assets	<u>7,872,088</u>	<u>430,965</u>	<u>33,923</u>	<u>8,269,130</u>
Less Accumulated Depreciation	<u>(4,736,543)</u>	<u>(233,603)</u>	<u>(24,312)</u>	<u>(4,945,834)</u>
NET CAPITAL ASSETS	<u>\$ 3,135,545</u>	<u>\$ 197,362</u>	<u>\$ 9,611</u>	<u>\$ 3,323,296</u>

Depreciation expense may be different than the accumulated depreciation increases because of joint metering, salvage, cost of removal or costs associated with the disposal of assets.

Note 4 - Interfund Receivables, Payables and Transfers

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Municipality	Electric Utility	\$ 26,288	Advance for system improvements
Municipality	Electric Utility	22,777	Tax equivalent accrued in past years
Municipality	Water Utility	60,896	Tax equivalent accrued in past years

In 2011, the general fund loaned the electric utility \$150,000 to finance system improvements. The advance is being repaid over 10 years with interest equal to the 10 year rate from the State Trust Fund Loan Program. The balance at December 31, 2019 was \$26,288.

The electric and water utilities owe the general fund for tax equivalents from prior years. The outstanding amounts are being paid in equal installments until 2021. No interest is being charged.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 4 - Interfund Receivables, Payables and Transfers

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

	<u>Municipality</u>	<u>Purpose</u>
Transfer From:		
Electric Utility	\$ 145,562	Property Tax Equivalent
Water Utility	177,785	Property Tax Equivalent
Total Transfers	<u>\$ 323,347</u>	

Note 5 - Long-Term Debt

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

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>1/1/19</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/19</u>	<u>One Year</u>
Electric Utility					
Mortgage Revenue Bonds	\$ 745,000	\$ -	\$ 145,000	\$ 600,000	\$ 145,000
GO Notes	113,288	-	26,010	87,278	13,872
Debt Discount	(10,215)	-	(3,707)	(6,508)	-
Debt Premium	7,450	-	2,215	5,235	-
Compensated Absences	12,350	24,136	18,879	17,607	4,597
Net OPEB Liability	9,088	481	2,307	7,262	-
Net Pension Liability	-	111,723 *	44,798	66,925	-
Total	<u>\$ 876,961</u>	<u>\$ 136,340</u>	<u>\$ 235,502</u>	<u>\$ 777,799</u>	<u>\$ 163,469</u>
Water Utility					
GO Bonds	\$ 67,462	\$ -	\$ 15,160	\$ 52,302	\$ 15,160
Revenue Bonds	1,820,000	-	15,000	1,805,000	70,000
GO Notes	457,464	-	105,032	352,432	56,012
Debt Premium	44,397	-	2,220	42,177	-
Compensated Absences	5,755	6,360	1,373	10,742	2,880
Net OPEB Liability	3,892	206	988	3,110	-
Net Pension Liability	-	47,844 *	19,184	28,660	-
Total	<u>\$ 2,398,970</u>	<u>\$ 54,410</u>	<u>\$ 158,957</u>	<u>\$ 2,294,423</u>	<u>\$ 144,052</u>
Wastewater Utility					
GO Notes	\$ 68,600	\$ -	\$ 15,750	\$ 52,850	\$ 8,400
Revenue Bonds	475,000	-	25,000	450,000	25,000
Debt Premium	11,563	-	771	10,792	-
Compensated Absences	44,927	25,145	12,831	57,241	14,505
Net OPEB Liability	6,415	340	1,630	5,125	-
Net Pension Liability	-	78,856 *	31,619	47,237	-
Total	<u>\$ 606,505</u>	<u>\$ 104,341</u>	<u>\$ 87,601</u>	<u>\$ 623,245</u>	<u>\$ 47,905</u>

*The net pension asset from December 31, 2018 has been netted with the increase in the net pension liability.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 5 - Long-Term Debt (Continued)

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
General Obligation Debt					
2012A GO Bonds	03/28/12	03/01/24	.5%-2.75%	\$ 145,157	\$ 52,302
2015A GO Notes	06/11/15	05/01/25	.5%-2.4%	1,066,674	492,560
					<u>544,862</u>
Mortgage Revenue Bonds					
2012B Revenue Bonds	02/22/12	05/01/23	2.400%	1,460,000	530,000
2018A Revenue Bonds	04/12/18	05/01/38	3.00-4.00%	2,370,000	2,325,000
					<u>2,855,000</u>
					<u>\$ 3,399,862</u>

Electric Utilities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 158,872	\$ 14,708	\$ 173,580
2021	159,450	11,199	170,649
2022	144,450	7,818	152,268
2023	145,028	4,508	149,536
2024	25,028	3,683	28,711
2025 - 2029	54,450	3,300	57,750
	<u>\$ 687,278</u>	<u>\$ 45,216</u>	<u>\$ 732,494</u>

Water Utility

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 141,172	\$ 71,701	\$ 212,873
2021	148,127	67,586	215,713
2022	147,376	63,220	210,596
2023	139,842	58,810	198,652
2024	144,847	54,275	199,122
2025 - 2029	493,370	212,503	705,873
2030 - 2034	525,000	136,265	661,265
2035 - 2039	470,000	35,795	505,795
	<u>\$ 2,209,734</u>	<u>\$ 700,155</u>	<u>\$ 2,909,889</u>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 5 - Long-Term Debt (Continued)

Wastewater Utility

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 33,400	\$ 16,646	\$ 50,046
2021	38,750	15,409	54,159
2022	38,750	14,052	52,802
2023	39,100	12,672	51,772
2024	39,100	11,274	50,374
2025 - 2029	173,750	37,575	211,325
2030 - 2034	140,000	9,757	149,757
	<u>\$ 502,850</u>	<u>\$ 117,385</u>	<u>\$ 620,235</u>

Utilities Revenues Pledged

The Utilities have pledged future revenue derived from the Electric, Water and Wastewater Utilities, net of specified operating expenses, to repay the 2012B Mortgage Revenue Bonds and 2018 Revenue Bonds. The revenue bonds require the Utilities maintain a bond reserve account in the amount of \$146,000 for the 2012B Bonds and \$259,679 for the 2018 Revenue Bonds to be used in the event that the Utilities do not generate sufficient revenues to make the annual principal and interest payments. The revenue bonds also require that the Utilities establish rates sufficient so that revenues (i.e. gross revenues derived from said rates and charges less all costs of operations and maintenance, exclusive of debt service and depreciation) will be at least 1.25 times the amount of principal and interest coming due on all outstanding bonds payable from the income and revenues of the Utility System each year. The Utilities are in compliance with the above requirements.

Note 6 - Net Position

Net position is classified 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 improvements 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 assets 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 provision or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does 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.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 6 - Net Position (Continued)

Net position of the Utilities at December 31, 2019 include the following:

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Net Investment in Capital Assets			
Net Capital Assets	\$ 3,780,966	\$ 7,072,100	\$ 3,323,296
Less: Related Long-Term Debt Outstanding	(687,278)	(2,209,734)	(502,850)
Plus (Less): Net Discount and Premium	1,273	(42,177)	(10,792)
Net Investment in Capital Assets	<u>3,094,962</u>	<u>4,820,188</u>	<u>2,809,654</u>
Restricted			
Debt Service	312,452	121,152	50,833
Plant Replacement	25,000	25,000	800,848
Pension Benefits	18,614	7,970	13,137
Total Restricted	<u>356,066</u>	<u>154,122</u>	<u>864,818</u>
Unrestricted	<u>852,313</u>	<u>487,075</u>	<u>818,491</u>
Total Net Position	<u>\$ 4,303,341</u>	<u>\$ 5,461,385</u>	<u>\$ 4,492,963</u>

Note 7 - Defined Benefit Pension Plan**Summary of Significant Accounting Policies****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, 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.

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

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

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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

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

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$39,006 in contributions from the Utility.

Contribution rates as of December 31, 2019 are:

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

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

Pension amounts have been allocated to the Utilities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the Utilities relative to the total contributions made by the municipality. The allocations were as follows: Governmental Activities – 64.02%, Electric – 16.86%, Water – 7.22%, and Wastewater – 11.90%.

At December 31, 2019, the Electric, Water and Wastewater Utilities reported liabilities of \$66,925, \$28,660, and \$47,237, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.01115746%, which was an increase of 0.00051253% from its proportion measured as of December 31, 2017. The Utilities participate in the plan as part of the City and the proportion related to the Utilities is not reported by the plan.

For the year ended December 31, 2019, the Utilities recognized pension expense of \$95,601. This consisted of \$44,798 from the Electric Utility, \$19,184 from the Water Utility, and \$31,619 from the Wastewater Utility.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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

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

Electric Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experiences	\$ 52,125	\$ 92,138
Changes in assumptions	11,281	-
Net differences between projected and actual earnings on pension plan investments	97,740	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	143	1,890
Employer contributions subsequent to the measurement date	18,278	-
Total	<u>\$ 179,567</u>	<u>\$ 94,028</u>

Water Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experiences	\$ 22,321	\$ 39,456
Changes in assumptions	4,831	-
Net differences between projected and actual earnings on pension plan investments	41,855	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	61	809
Employer contributions subsequent to the measurement date	7,827	-
Total	<u>\$ 76,895</u>	<u>\$ 40,265</u>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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

Wastewater Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 36,790	\$ 65,032
Changes in assumptions	7,962	-
Net differences between projected and actual earnings on pension plan investments	68,986	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	101	1,334
Employer contributions subsequent to the measurement date	12,901	-
Total	<u>\$ 126,740</u>	<u>\$ 66,366</u>

The \$39,006 (\$18,278 Electric Utility, \$7,827 Water Utility, \$12,901 Wastewater Utility) reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense in subsequent years as follows:

Electric Utility

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 24,455
2021	5,666
2022	10,545
2023	26,595
	<u>\$ 67,261</u>

Water Utility

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 10,473
2021	2,427
2022	4,516
2023	11,387
	<u>\$ 28,803</u>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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

Wastewater Utility

Years ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 17,261
2021	3,999
2022	7,443
2023	18,770
	\$ 47,473

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

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

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

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

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

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	8.0	6.5	3.9
Private Equity/Debt	8.0	9.4	6.7
Multi-Asset	4.0	6.7	4.1
Total Core Fund	110.0%	7.3%	4.7%
Variable Fund Asset Class			
U.S. Equities	70.0%	7.6%	5.0%
International Equities	30.0	8.5	5.9
Total Variable Fund	100.0%	8.0%	5.4%

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

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,577,510	\$ 396,947	(\$ 480,892)

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>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 8 - Post-Employment Benefits Other Than Pension Benefits

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

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

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

Contributions.

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

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

Contribution Rates as of December 31, 2019 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

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

**Life Insurance
Employee Contribution Rates
For the year ended December 31, 2018**

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$ 0.05	\$ 0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver of premium benefit.

During the reporting period, the Plan didn't recognize any contributions from the employer.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

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

At December 31, 2019, the City reported a liability of \$43,701 for its proportionate share of the net OPEB liability, of which \$15,497 is reported by the Utilities. The total 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 City's proportion of the total OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.01669200%, which was a decrease of 0.001225% from its proportion measured as of December 31, 2017. The Utilities participate in the plan as a part of the City and the proportion related to the Utilities is not reported by the plan.

For the year ended December 31, 2019, the Utilities recognized OPEB expense of \$1,027. This consisted of \$481 from the Electric Utility, \$206 from the Water Utility, and \$340 from the Wastewater Utility.

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

Electric Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 368
Changes in assumptions	693	1,574
Net differences between projected and actual earnings on plan investments	174	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,074
Total	\$ 867	\$ 3,016

Water Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 158
Changes in assumptions	297	674
Net differences between projected and actual earnings on plan investments	75	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	460
Total	\$ 372	\$ 1,292

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Wastewater Utility	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 260
Changes in assumptions	489	1,111
Net differences between projected and actual earnings on plan investments	122	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	758
Total	\$ 611	\$ 2,129

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense/income in subsequent years as follows:

Electric Utility

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (328)
2021	(328)
2022	(328)
2023	(353)
2024	(378)
Thereafter	(434)
	<u>\$ (2,149)</u>

Water Utility

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (141)
2021	(141)
2022	(141)
2023	(151)
2024	(162)
Thereafter	(184)
	<u>\$ (920)</u>

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Wastewater Utility

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (232)
2021	(232)
2022	(232)
2023	(249)
2024	(267)
Thereafter	(306)
	<u>\$ (1,518)</u>

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

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

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.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 8 - Post-Employment Benefits Other Than Pension Benefits (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 3.63 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease (3.22%)	Discount Rate (4.22%)	1% Increase (5.22%)
Total OPEB Liability	\$ 61,271	\$ 43,071	\$ 29,034

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>

Payables to the OPEB Plan

As of December 31, 2019, the District had no outstanding payables to the OPEB plan.

Note 9 - Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Utilities purchase commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past year.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 10 - Basis For Utility Existing Rates

Electric Utility

Current electric rates were approved by the PSCW on October 1, 2018.

Water Utility

Current water rates were approved by the PSCW on August 1, 2019.

Wastewater Utility

Current sewer rates were approved by the Council with an effective date of March 1, 2018.

Note 11 - Commitments and Contingencies

Long-Term Contracts - WPPI

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

The Lodi Electric Utility is one of 51 members of WPPI Energy located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a new long-term power supply contract for participating members (long-term contract) under which WPPI Energy has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract has been amended to extend the term of the contract through 2037.

Under the long-term contract, the Lodi Electric Utility and other members of WPPI Energy are required to pay for all power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover all of WPPI Energy's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI Energy's subsequent year's rates and operating budget are approved annually by its Board of Directors, consisting of representatives from each member municipality. The members have agreed to charge rates to retail ratepayers of their electric system sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy under the Contract constitute operating expenses of the Lodi electric system payable from any operating and maintenance fund established by the Lodi Electric Utility.

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

Electric power purchases by the Lodi Electric Utility from the WPPI Energy for distribution to its customers under the above arrangement amounted to approximately \$2.3 million.

LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2019

Note 11 - Commitments and Contingencies (Continued)

Other

From time to time, the Utilities are party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and 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.

Note 12 - Subsequent Event

The global pandemic resulting from the infection COVID-19 has affected the City's operations and finances. The impact to the City's financial position is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

LODI MUNICIPAL UTILITIES
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Past Ten Years*

WRS Fiscal Year End Date (Measurement Date)	Utility's Proportion of the Net Pension Asset/Liability	Utility's Proportionate Share of the Net Pension (Asset)/Liability	Utility's Covered Payroll	Utility's Proportionate Share of the Net Pension Asset/Liability as a percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Electric Utility</u>					
12/31/2018	0.00188115%	\$ 66,925	\$ 258,066	25.93%	96.45%
12/31/2017	0.00179474%	(53,288)	245,505	-21.71%	102.93%
12/31/2016	0.00171662%	14,149	242,956	5.82%	99.12%
12/31/2015	0.00162203%	26,358	216,171	12.19%	98.20%
12/31/2014	0.00162500%	(39,917)	234,783	-17.00%	102.74%
<u>Water Utility</u>					
12/31/2018	0.00080557%	28,660	110,512	25.93%	96.45%
12/31/2017	0.00076856%	(22,820)	105,133	-21.71%	102.93%
12/31/2016	0.00073511%	6,059	104,042	5.82%	99.12%
12/31/2015	0.00069461%	11,287	92,572	12.19%	98.20%
12/31/2014	0.00069588%	(17,102)	100,590	-17.00%	102.74%
<u>Wastewater Utility</u>					
12/31/2018	0.00132774%	47,237	182,146	25.93%	96.45%
12/31/2017	0.00126675%	(37,611)	173,281	-21.71%	102.93%
12/31/2016	0.00121161%	9,987	171,481	5.82%	99.12%
12/31/2015	0.00114485%	18,604	152,576	12.19%	98.20%
12/31/2014	0.00114695%	(28,173)	165,710	-17.00%	102.74%

* Ten years of information will be presented beginning in 2014.

Schedule of Employer Contributions
Wisconsin Retirement System
Past Ten Years*

Utility Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
12/31/2019	\$ 19,646	\$ 19,646	\$ -	\$ 241,855	8.12%
12/31/2018	19,786	19,786	-	258,066	7.67%
12/31/2017	18,597	18,597	-	245,505	7.57%
12/31/2016	18,046	18,046	-	242,956	7.43%
12/31/2015	15,911	15,911	-	216,171	7.36%
<u>Water Utility</u>					
12/31/2019	8,413	8,413	-	103,570	8.12%
12/31/2018	8,473	8,473	-	110,512	7.67%
12/31/2017	7,964	7,964	-	105,133	7.58%
12/31/2016	7,728	7,728	-	104,042	7.43%
12/31/2015	6,813	6,813	-	92,572	7.36%
<u>Wastewater Utility</u>					
12/31/2019	13,866	13,866	-	170,705	8.12%
12/31/2018	13,965	13,965	-	182,146	7.67%
12/31/2017	13,126	13,126	-	173,281	7.57%
12/31/2016	12,737	12,737	-	171,481	7.43%
12/31/2015	11,230	11,230	-	152,576	7.36%

* Ten years of information will be presented beginning in 2015. 37

LODI MUNICIPAL UTILITIES
Schedule of Proportionate Share of the Net OPEB Liability
Life Insurance Benefits
Past Ten Years*

WRS Fiscal Year End Date (Measurement Date)	Utility's Proportion of the Net OPEB Asset/Liability	Utility's Proportionate Share of the Net OPEB (Asset)/Liability	Utility's Covered Payroll	Utility's Proportionate Share of the Net OPEB Asset/Liability as a percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<u>Electric Utility</u>					
12/31/2018	0.00281427%	\$ 7,262	\$ 130,845	5.55%	48.69%
12/31/2017	0.00302081%	9,088	127,034	7.15%	44.81%
<u>Water Utility</u>					
12/31/2018	0.00120516%	3,110	56,032	5.55%	48.69%
12/31/2017	0.00129361%	3,892	54,400	7.15%	44.81%
<u>Wastewater Utility</u>					
12/31/2018	0.00198635%	5,125	92,352	5.55%	48.69%
12/31/2017	0.00213212%	6,415	89,662	7.15%	44.81%

* Ten years of information will be presented beginning in 2017.

Schedule of Employer Contributions
Life Insurance Benefits
Past Ten Years*

Utility Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
12/31/2019	\$ -	\$ -	\$ -	\$ 177,005	0.00%
12/31/2018	63	63	-	130,845	0.05%
<u>Water Utility</u>					
12/31/2019	-	-	-	75,799	0.00%
12/31/2018	27	27	-	56,032	0.05%
<u>Wastewater Utility</u>					
12/31/2019	-	-	-	124,932	0.00%
12/31/2018	44	44	-	92,352	0.05%

* Ten years of information will be presented beginning in 2018.

LODI MUNICIPAL UTILITIES
Notes to Required Supplementary Information
December 31, 2019

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

Defined Benefit Pension Plan

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

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

Post-Employment Benefits Other Than Pension Benefits

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

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

SUPPLEMENTARY INFORMATION

LODI ELECTRIC UTILITY
CITY OF LODI, WISCONSIN
Electric Utility Operating Revenues and Expenses
For the Year Ended December 31, 2019

OPERATING REVENUES

Charges for Services:

Residential	\$ 1,402,220
Small Commercial and Industrial	987,927
Large Commercial and Industrial	667,072
Public Street and Highway Lighting	65,804
Interdepartment Sales	39,043
Total Charges for Services	3,162,066

Other Operating Revenues:

Forfeited Discounts	5,447
Miscellaneous Service Revenues	1,720
Rent from Electric Property	16,944
Other	16,231
Total Other Operating Revenues	40,342

Total Operating Revenues	3,202,408
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OPERATING EXPENSES

Operation and Maintenance:

Purchased Power	2,155,331
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Distribution:

Operation Supervision and Engineering	21,933
Station	7,969
Meter	7,055
Maintenance	
Lines	122,830
Line Transformers	4,056
Street Lighting and Signal System	9,918
Miscellaneous	819
Total Distribution	174,580

Customer Accounts:

Meter Reading	5,742
Accounting and Collecting	28,778
Total Customer Accounts	34,520

Administrative and General:

Salaries	42,713
Office Supplies	10,682
Outside Services Employed	24,260
Property Insurance	17,444
Employee Pensions and Benefits	70,535
Regulatory Commission	19,476
Miscellaneous	35,010
Maintenance of General Plant	27,923
Total Administrative and General	248,043

Total Operation and Maintenance	2,612,474
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Depreciation	293,552
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Taxes	33,357
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Total Operating Expenses	2,939,383
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OPERATING INCOME	\$ 263,025
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LODI WATER UTILITY
CITY OF LODI, WISCONSIN
Water Utility Operating Revenues and Expenses
For the Year Ended December 31, 2019

OPERATING REVENUES

Charges for Services:

Metered:

Residential	\$ 301,767
Commercial	57,033
Industrial	140,122
Multifamily	17,700
Public authorities	24,423
Interdepartmental	2,813
Total Metered Sales	543,858

Private Fire Protection	13,365
Public Fire Protection	244,017
Total Charges for Services	801,240

Other Operating Revenues:

Forfeited Discounts	1,032
Other	14,218
Total Other Operating Revenues	15,250

Total Operating Revenues	816,490
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OPERATING EXPENSES

Operation and Maintenance:

Source of Supply - Operation Labor	25,712
Pumping:	
Fuel or Purchased Power for Pumping	34,498
Maintenance	289
Total Pumping	34,787

Transmission and Distribution:

Operation Supervision and Engineering	21,933
Miscellaneous	2,954
Maintenance:	
Distribution Reservoirs and Standpipes	1,924
Mains	13,722
Services	10,709
Meters	15,497
Hydrants	19,442
Miscellaneous	2,433
Total Transmission and Distribution	88,614

Customer Accounts:

Meter Reading	456
Accounting and Collecting Labor	14,396
Total Customer Accounts	14,852

Administrative and General:

Salaries	21,754
Office Supplies	8,274
Outside Services Employed	23,873
Property Insurance	6,410
Employee Pensions and Benefits	44,325
Regulatory Commission	6,201
Miscellaneous	26,114
Maintenance	17,856
Total Administrative and General	154,807

Total Operation and Maintenance	322,796
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Depreciation	252,455
Taxes	11,608
Total Operating Expenses	586,859

OPERATING INCOME	\$ 229,631
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**LODI WASTEWATER UTILITY
CITY OF LODI, WISCONSIN**

Wastewater Utility Operating Revenues and Expenses
For the Year Ended December 31, 2019

OPERATING REVENUES

Charges for Services

Metered:

Residential	\$ 651,313
Commercial	109,059
Industrial	18,661
Public authorities	43,341
Multifamily	40,181
Other	4,567
Total Charges for Services	867,122

Other Operating Revenues:

Forfeited Discounts	1,935
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Total Operating Revenues	869,057
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OPERATING EXPENSES

Operation and Maintenance:

Operation:

Supervision and Labor	234,978
Power and Fuel for Pumping	50,549
Phosphorous Removal Chemicals	23,727
Other Chemicals	10,212
Transportation	11,051
Rents	12,000
Total Operation	342,517

Maintenance:

Collection System	151
Pumping Equipment	3,685
General Plant Structures and Equipment	7,410
Total Maintenance	11,246

Customer Accounts:

Meter Reading	13,955
Accounting and Collecting	24,361
Total Customer Accounts	38,316

Administrative and General:

Office Supplies	10,950
Outside Services Employed	15,470
Insurance	21,181
Regulatory Commission	4,004
Employees Pensions and Benefits	19,129
Miscellaneous	29,077
Total Administrative and General	99,811

Total Operation and Maintenance	491,890
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Depreciation

Total Operating Expenses	725,493
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OPERATING INCOME	\$ 143,564
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LODI ELECTRIC, WATER AND WASTEWATER UTILITIES

CITY OF LODI, WISCONSIN

Schedule of Rates of Return
For the Year Ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
UTILITY PLANT			
Beginning	\$ 6,204,056	\$ 7,973,773	\$ 7,603,289
Ending	<u>6,361,464</u>	<u>7,979,128</u>	<u>8,232,074</u>
Average	<u>6,282,760</u>	<u>7,976,451</u>	<u>7,917,682</u>
ACCUMULATED DEPRECIATION			
Beginning	(2,816,035)	(1,838,575)	(4,512,650)
Ending	<u>(2,986,820)</u>	<u>(2,048,494)</u>	<u>(4,945,834)</u>
Average	<u>(2,901,428)</u>	<u>(1,943,535)</u>	<u>(4,729,242)</u>
MATERIALS AND SUPPLIES INVENTORY			
Beginning	98,210	26,887	-
Ending	<u>73,664</u>	<u>28,397</u>	<u>-</u>
Average	<u>85,937</u>	<u>27,642</u>	<u>-</u>
AMORTIZATION OF REGULATORY LIABILITY			
Beginning	(88,307)	(22,599)	-
Ending	<u>(70,645)</u>	<u>(18,080)</u>	<u>-</u>
Average	<u>(79,476)</u>	<u>(20,340)</u>	<u>-</u>
AVERAGE NET RATE BASE	<u>\$ 3,387,793</u>	<u>\$ 6,040,218</u>	<u>3,188,440</u>
OPERATING INCOME	<u>\$ 164,477</u>	<u>\$ 87,956</u>	<u>143,564</u>
RATES OF RETURN	<u>4.85%</u>	<u>1.46%</u>	<u>4.50%</u>

The Electric and Water Rate of Return is computed based on the Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States as described in Note 1. The authorized rate of return for the Electric Utility is 6.0% and the Water Utility is 3.32%.

The Sewer Rate of Return is based on operating results reflected in the basic financial statements.

LODI MUNICIPAL UTILITIES

Debt Coverage
December 31, 2019

	<u>Utilities</u>
Actual Defined Earnings	
Operating Revenues	\$ 4,887,955
Plus: Investment Income	83,345
Less: Operation and Maintenance Expenses	(4,251,735)
Transfer to General Fund for Payment in Lieu of Taxes	<u>(323,347)</u>
	396,218
Plus: Depreciation Expense	<u>779,610</u>
Net Revenue Per Bond Covenant	<u>\$ 1,175,828</u>
Required Net Revenues - Revenue Bonds	
Highest Outstanding Annual Principal and Interest Payments	\$ 705,873
Coverage Factor	<u>1.25</u>
Required Net Revenues	<u>\$ 882,341</u>