

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

**Financial Statements**

**December 31, 2020**

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

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**December 31, 2020**

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## 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, 2020, 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, 2020, 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, 2020, 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*

**KerberRose SC**  
**Certified Public Accountants**  
Shawano, Wisconsin  
May 5, 2021

## **FINANCIAL STATEMENTS**

## **ELECTRIC UTILITY**

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

Statement of Net Position  
As of December 31, 2020

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 852,454
Customer Accounts Receivable	301,493
Other Accounts Receivable	8,631
Materials and Supplies	103,395
<b>Total Current Assets</b>	<u>1,265,973</u>
<b>NONCURRENT ASSETS</b>	
Restricted Cash - Bond Redemption	161,112
Restricted Cash - Bond Reserve Account	155,190
Net Pension Asset	58,701
<b>Total Restricted Assets</b>	<u>375,003</u>
<b>CAPITAL ASSETS</b>	
Land	49,111
Construction in Progress	4,865
Plant in Service	7,910,619
Less: Accumulated Depreciation	(4,223,268)
<b>Total Capital Assets</b>	<u>3,741,327</u>
<b>TOTAL ASSETS</b>	
	<u>5,382,303</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pension	136,428
Deferred Outflows Related to Other Post-Employment Benefits	5,129
<b>Total Deferred Outflows of Resources</b>	<u>141,557</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	16,164
Accrued Liabilities	137,212
Due to Other Fund	157,542
Sales Tax Payable	55
Accrued Interest	2,137
Current Portion of Compensated Absences	4,990
Current Portion of General Obligation Debt	14,450
<b>Total Current Liabilities</b>	<u>332,550</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	
Current Portion of Revenue Bonds	145,000
<b>NON-CURRENT LIABILITIES</b>	
General Obligation Debt, Net of Premiums and Discounts	58,956
Revenue Bonds	309,847
Advances Payable	25,087
Accrued Compensated Absences	14,971
Net Other Post-Employment Benefits Liability	13,228
<b>Total Noncurrent Liabilities</b>	<u>422,089</u>
<b>TOTAL LIABILITIES</b>	
	<u>899,639</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pension	177,900
Deferred Inflows Related to Other Post-Employment Benefits	4,182
<b>Total Deferred Outflows of Resources</b>	<u>182,082</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,213,074
Restricted	
Debt Service	316,302
Pension Benefits	17,229
Unrestricted	895,534
<b>TOTAL NET POSITION</b>	<u>\$ 4,442,139</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, 2020

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 3,108,331
Other	59,142
<b>Total Operating Revenues</b>	<u>3,167,473</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance	2,631,702
Depreciation	261,207
Taxes	10,475
<b>Total Operating Expenses</b>	<u>2,903,384</u>
<b>OPERATING INCOME</b>	<u>264,089</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Investment Income	11,362
Interest Expense	(14,993)
Amortization of Debt Discount and Premium	(1,306)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(4,937)</u>
<b>INCOME BEFORE TRANSFER AND CAPITAL CONTRIBUTIONS</b>	259,152
<b>TRANSFER</b>	(148,391)
<b>CAPITAL CONTRIBUTIONS</b>	<u>28,037</u>
<b>CHANGE IN NET POSITION</b>	138,798
<b>NET POSITION - BEGINNING</b>	<u>4,303,341</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 4,442,139</u></u>

**LODI ELECTRIC UTILITY**  
**CITY OF LODI, WISCONSIN**  
Statement of Cash Flows  
For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from User Charges	\$ 3,122,376
Cash Payments to Suppliers	(2,343,306)
Cash Payments to Employees	(284,932)
Cash Receipts from Municipality	133,564
<b>Net Cash Flows from Operating Activities</b>	<u>627,702</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to Municipality	<u>(148,391)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(255,421)
Capital Contributions Received	28,037
Principal Payments on Long-Term Debt	(158,872)
Interest Payments on Long-Term Debt	(16,892)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(403,148)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments Purchased	(7,822)
Investment Income	11,362
<b>Net Cash Flows from Investing Activities</b>	<u>3,540</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	79,703
<b>CASH AND INVESTMENTS - BEGINNING</b>	<u>773,773</u>
<b>CASH AND INVESTMENTS - ENDING</b>	<u><u>\$ 853,476</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 264,089
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	261,207
(Increase) Decrease in Operating Assets and Deferred Outflows of Resources:	
Receivables	
Accounts	(4,855)
Other	(5,268)
Materials and Supplies	(28,488)
Net Pension Asset	(125,626)
Deferred Outflows Related to Pension	43,139
Deferred Outflows Related to OPEB	(4,262)
(Decrease) Increase in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	4,159
Accrued and Other Liabilities	(3,369)
Sales Tax Payable	55
Due to Other Funds	133,564
Compensated Absences	2,353
Deferred Inflows Related to Pension	83,872
Deferred Inflows Related to OPEB	1,166
Net OPEB Liability	5,966
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 627,702</u></u>
<b>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT</b>	
<b>OF NET POSITION TO STATEMENT OF CASH FLOWS</b>	
Cash and Investments	\$ 852,454
Redemption Account	161,112
Bond Reserve Account	155,190
Less Non Cash Equivalents	(315,280)
<b>TOTAL CASH PER STATEMENT OF CASH FLOWS</b>	<u><u>\$ 853,476</u></u>

## **WATER UTILITY**

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

Statement of Net Position  
As of December 31, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and Investments	\$ 885,399
Customer Accounts Receivable	76,663
Other Accounts Receivable	2,683
Materials and Supplies	32,529
<b>Total Current Assets</b>	<b>997,274</b>

**NONCURRENT ASSETS**

Restricted Cash - Bond Redemption	121,152
Net Pension Asset	26,285
<b>Total Noncurrent Assets</b>	<b>147,437</b>

**CAPITAL ASSETS**

Land	57,387
Construction in Progress	17,272
Plant in Service	9,578,905
Less: Accumulated Depreciation	(2,644,698)
<b>Total Capital Assets</b>	<b>7,008,866</b>

**TOTAL ASSETS** **8,153,577**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pension	61,089
Deferred Outflows Related to Other Post-Employment Benefits	2,332
<b>Total Deferred Outflows of Resources</b>	<b>63,421</b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	5,391
Accrued Liabilities	126,292
Due to Other Fund	223,194
Accrued Interest	11,767
Current Portion of Compensated Absences	2,823
Current Portion of General Obligation Debt	73,127
<b>Total Current Liabilities</b>	<b>442,594</b>

**LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Current Portion of Revenue Bonds	75,000
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**NON-CURRENT LIABILITIES**

General Obligation Debt	300,390
Revenue Bonds	1,660,000
Advances Payable	6,858
Accrued Compensated Absences	8,467
Net Other Post-Employment Benefits Liability	6,013
<b>Total Noncurrent Liabilities</b>	<b>1,981,728</b>

**TOTAL LIABILITIES** **2,499,322**

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pension	79,660
Deferred Inflows Related to Other Post-Employment Benefits	1,901
<b>Total Deferred Outflows of Resources</b>	<b>81,561</b>

**NET POSITION**

Net Investment in Capital Assets	4,900,349
Restricted	
Debt Service	121,152
Pension Benefits	7,714
Unrestricted	606,900
<b>TOTAL NET POSITION</b>	<b>\$ 5,636,115</b>

See Accompanying Notes

**LODI WATER UTILITY**  
**CITY OF LODI, WISCONSIN**  
Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended December 31, 2020

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 935,749
Other	1,680
<b>Total Operating Revenues</b>	<u>937,429</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance	288,942
Depreciation	255,439
Taxes	1,808
<b>Total Operating Expenses</b>	<u>546,189</u>
<b>OPERATING INCOME</b>	<u>391,240</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Investment Income	11,958
Interest Expense	(70,999)
Miscellaneous Non-Operating Revenues	1,737
Impact Fees	16,808
<b>Total Non-operating Revenue (Expense)</b>	<u>(40,496)</u>
<b>INCOME BEFORE TRANSFER</b>	350,744
<b>TRANSFER</b>	<u>(176,014)</u>
<b>CHANGE IN NET POSITION</b>	174,730
<b>NET POSITION - BEGINNING</b>	<u>5,461,385</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 5,636,115</u></u>

**LODI WATER UTILITY**  
**CITY OF LODI, WISCONSIN**  
Statement of Cash Flows  
For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from User Charges	\$ 925,967
Other Receipts	1,737
Cash Payments to Suppliers	(148,574)
Cash Payments to Employees	(124,187)
Cash Receipts from Municipality	168,454
<b>Net Cash Flows from Operating Activities</b>	<u>823,397</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to Municipality	<u>(176,014)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(209,254)
Proceeds from Impact Fees	16,808
Principal Payments on Long-Term Debt	(141,174)
Interest Payments on Long-Term Debt	(70,999)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(404,619)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments Purchased	(10,525)
Investment Income	11,958
<b>Net Cash Flows from Investing Activities</b>	<u>1,433</u>
<b>NET CHANGE IN CASH AND INVESTMENTS</b>	244,197
<b>CASH AND INVESTMENTS - BEGINNING</b>	<u>338,089</u>
<b>CASH AND INVESTMENTS - ENDING</b>	<u>\$ 582,286</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 391,240
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	255,439
Joint Meter Allocation	10,853
(Increase) Decrease in Operating Assets and Deferred Outflows of Resources:	
Receivables	
Accounts	(3,207)
Other	(3,245)
Inventories and Prepaid Items	(397)
Net Pension Asset	(54,945)
Deferred Outflows Related to Pension	15,806
Deferred Outflows Related to OPEB	(1,960)
(Decrease) Increase in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	1,201
Accrued and Other Liabilities	(54,038)
Due to Other Funds	223,194
Compensated Absences	549
Deferred Inflows Related to Pension	39,395
Deferred Inflows Related to OPEB	609
Net OPEB Liability	2,903
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 823,397</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF NET POSITION TO STATEMENT OF CASH FLOWS</b>	
Cash and Investments	\$ 885,399
Redemption Account	121,152
Less Non Cash Equivalents	(424,265)
<b>TOTAL CASH PER STATEMENT OF CASH FLOWS</b>	<u>\$ 582,286</u>

## WASTEWATER UTILITY

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

Statement of Net Position  
As of December 31, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and Investments	\$ 774,088
Customer Accounts Receivable	102,733
Other Accounts Receivable	5,297
<b>Total Current Assets</b>	<b>882,118</b>

**NONCURRENT ASSETS**

Restricted Cash - Bond Redemption	50,833
Restricted Cash - Replacement Accounts	793,442
Net Pension Asset	39,676
<b>Total Noncurrent Assets</b>	<b>883,951</b>

**CAPITAL ASSETS**

Construction in Progress	12,327
Plant in Service	8,612,709
Less: Accumulated Depreciation	(5,093,817)
<b>Total Noncurrent Assets</b>	<b>3,531,219</b>

**TOTAL ASSETS**

**5,297,288**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pension	92,212
Deferred Outflows Related to Other Post-Employment Benefits	2,835
<b>Total Deferred Outflows of Resources</b>	<b>95,047</b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	8,816
Current Portion of Compensated Absences	15,520
Current Portion of General Obligation Debt	8,750
Accrued Interest	2,681
<b>Total Current Liabilities</b>	<b>35,767</b>

**LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Current Portion of Revenue Bonds	30,000
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**NON-CURRENT LIABILITIES**

General Obligation Debt	45,721
Revenue Bonds	395,000
Accrued Compensated Absences	46,560
Net Other Post-Employment Benefits Liability	7,308
<b>Total Noncurrent Liabilities</b>	<b>494,589</b>

**TOTAL LIABILITIES**

**560,356**

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pension	120,244
Deferred Inflows Related to Other Post-Employment Benefits	2,310
<b>Total Deferred Inflows of Resources</b>	<b>122,554</b>

**NET POSITION**

Net Investment in Capital Assets	3,051,748
Restricted	
Debt Service	50,833
Plant Replacement	793,442
Pension Benefits	11,644
Unrestricted	801,758
<b>TOTAL NET POSITION</b>	<b>\$ 4,709,425</b>



**LODI WASTEWATER UTILITY**  
**CITY OF LODI, WISCONSIN**  
Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended December 31, 2020

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<b>OPERATING REVENUES</b>	
Charges for Services	\$ 889,509
Other	2,502
<b>Total Operating Revenues</b>	<u>892,011</u>
<b>OPERATING EXPENSES</b>	
Operation and Maintenance	503,257
Depreciation	201,957
<b>Total Operating Expenses</b>	<u>705,214</u>
<b>OPERATING INCOME</b>	<u>186,797</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Investment Income	24,413
Interest Expense	(16,459)
Miscellaneous Non-Operating Income	21,711
<b>Total Nonoperating Revenue (Expense)</b>	<u>29,665</u>
<b>CHANGE IN NET POSITION</b>	216,462
<b>NET POSITION - BEGINNING</b>	<u>4,492,963</u>
<b>NET POSITION - ENDING</b>	<u>\$ 4,709,425</u>

**LODI WASTEWATER UTILITY**  
**CITY OF LODI, WISCONSIN**  
Statement of Cash Flows  
For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from User Charges	\$ 869,619
Cash Payments to Suppliers	(259,627)
Cash Payments to Employees and for Benefits	(201,700)
<b>Net Cash Flows From Operating Activities</b>	<u>408,292</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(445,249)
Proceeds from Impact Fees	21,711
Principal Payments on Long-Term Debt	(33,400)
Interest Payments on Long-Term Debt	(16,459)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(473,397)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investments Purchased	(21,423)
Interest income	24,413
<b>Net Cash Flows Provided by Investing Activities</b>	<u>2,990</u>
<b>NET CHANGE IN CASH</b>	(62,115)
<b>CASH - BEGINNING</b>	<u>816,989</u>
<b>CASH - ENDING</b>	<u>\$ 754,874</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 186,797
Adjustments to Reconcile Operating Income to Net Cash	
Flows From Operating Activities:	
Depreciation	201,957
Joint Meter Allocation	(10,853)
Increase (Decrease) in Operating Assets and Deferred Outflows of Resources:	
Accounts Receivable	28,146
Other Receivable	(5,087)
Net Pension Asset	(87,100)
Deferred Outflow Related to Pension	34,528
Deferred Outflow Related to OPEB	(2,224)
Increase (Decrease) in Operating Liabilities and Deferred Inflows of Resources:	
Accounts Payable	1,047
Compensated Absences	4,839
Deferred Inflow Related to Pension	53,878
Deferred Inflow Related to OPEB	181
Net OPEB Liability	2,183
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 408,292</u>
<b>RECONCILIATION OF CASH PER STATEMENT OF NET POSITION</b>	
<b>TO STATEMENT OF CASH FLOWS</b>	
Cash and Investments	\$ 774,088
Debt Service Account	50,833
Replacement Account	793,442
Less Non Cash Equivalents	(863,489)
<b>TOTAL CASH PER STATEMENT OF CASH FLOWS</b>	<u>\$ 754,874</u>

# LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

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## 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 investments 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, 2020.

#### 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, 2020

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## Note 1 - Summary of Significant Accounting Policies (Continued)

### Restricted Assets (Continued)

#### 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 account was properly funded as of December 31, 2020.

### 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, 2020

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### 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 statements of net position report 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 Utilities are acting as an agent administering the program so receipts and disbursements associated with the program are recorded as a current liability on the statements 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 statements 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, 2020

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### 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 their 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, 2020

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### 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, 2020, 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, 2020.

#### 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, 2020, 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, 2020

**Note 3 - Capital Assets**

***Electric Utility***

A summary of changes in electric capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital Assets not being Depreciated:				
Land	\$ 49,111	\$ -	\$ -	\$ 49,111
Construction in Progress	27,474	4,865	27,474	4,865
<b>Total Capital Assets Not Being Depreciated</b>	<u>76,585</u>	<u>4,865</u>	<u>27,474</u>	<u>53,976</u>
Capital Assets Being Depreciated:				
Distribution	6,788,361	230,720	31,676	6,987,405
General	917,898	19,836	14,520	923,214
Total Capital Assets Being Depreciated	<u>7,706,259</u>	<u>250,556</u>	<u>46,196</u>	<u>7,910,619</u>
Total Capital Assets	<u>7,782,844</u>	<u>255,421</u>	<u>73,670</u>	<u>7,964,595</u>
Less Accumulated Depreciation	<u>(4,001,878)</u>	<u>(261,207)</u>	<u>(39,817)</u>	<u>(4,223,268)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 3,780,966</u>	<u>\$ (5,786)</u>	<u>\$ 33,853</u>	<u>\$ 3,741,327</u>

***Water Utility***

A summary of changes in water capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital Assets not being Depreciated:				
Land	\$ 57,387	\$ -	\$ -	\$ 57,387
Construction in Progress	-	17,272	-	17,272
<b>Total Capital Assets Not Being Depreciated</b>	<u>57,387</u>	<u>17,272</u>	<u>-</u>	<u>74,659</u>
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	6,125,114	183,839	13,748	6,295,205
General	790,770	8,143	23,142	775,771
Total Capital Assets Being Depreciated	<u>9,423,813</u>	<u>191,982</u>	<u>36,890</u>	<u>9,578,905</u>
Total Capital Assets	<u>9,481,200</u>	<u>209,254</u>	<u>36,890</u>	<u>9,653,564</u>
Less Accumulated Depreciation	<u>(2,409,100)</u>	<u>(266,292)</u>	<u>(30,694)</u>	<u>(2,644,698)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 7,072,100</u>	<u>\$ (57,038)</u>	<u>\$ 6,196</u>	<u>\$ 7,008,866</u>



**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**Note 3 - Changes in Capital Assets (Continued)**

**Sewer Utility**

A summary of changes in sewer capital assets for 2020 follows:

	<u>Balance 1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/20</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 37,056	\$ 12,327	\$ 37,056	\$ 12,327
Capital Assets Being Depreciated:				
Collection System	2,125,436	352,839	7,567	2,470,708
Collection System Pumping	96,942	-	402	96,540
Treatment and Disposal	5,399,791	71,940	41,698	5,430,033
General	609,905	8,143	2,620	615,428
Total Capital Assets Being Depreciated	<u>8,232,074</u>	<u>432,922</u>	<u>52,287</u>	<u>8,612,709</u>
Total Capital Assets	<u>8,269,130</u>	<u>445,249</u>	<u>89,343</u>	<u>8,625,036</u>
Less Accumulated Depreciation	<u>(4,945,834)</u>	<u>(191,104)</u>	<u>(43,121)</u>	<u>(5,093,817)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 3,323,296</u>	<u>\$ 254,145</u>	<u>\$ 46,222</u>	<u>\$ 3,531,219</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	\$ 18,274	Advance for system improvements
Municipality	Electric Utility	6,813	Tax equivalent accrued in past years
Municipality	Water Utility	6,858	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, 2020 was \$18,274.

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.

During the current year, the Electric and Water Utility tax equivalent was accrued but not paid. The electric utility and water utility tax equivalent will be paid in 2021 in the amounts \$157,542 and \$223,194 respectively.

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**Note 4 - Interfund Receivables, Payables and Transfers**

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

	<u>Municipality</u>	<u>Purpose</u>
Transfer From:		
Electric Utility	\$ 148,391	Property Tax Equivalent
Water Utility	176,014	Property Tax Equivalent
Total Transfers	<u>\$ 324,405</u>	

**Note 5 - Long-Term Debt**

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

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>1/1/20</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/20</u>	<u>One Year</u>
<b>Electric Utility</b>					
Mortgage Revenue Bonds	\$ 600,000	\$ -	\$ 145,000	\$ 455,000	\$ 145,000
GO Notes	87,278	-	13,872	73,406	14,450
Debt Discount	(6,508)	-	(2,887)	(3,621)	-
Debt Premium	5,235	-	1,767	3,468	-
Compensated Absences	17,607	32,127	29,773	19,961	4,990
Net OPEB Liability	7,262	5,966	-	13,228	-
Net Pension Liability	66,925	-	66,925	-	-
Total	<u>\$ 777,799</u>	<u>\$ 38,093</u>	<u>\$ 254,450</u>	<u>\$ 561,442</u>	<u>\$ 164,440</u>
<b>Water Utility</b>					
GO Bonds	\$ 52,302	\$ -	\$ 15,160	\$ 37,142	\$ 14,781
Revenue Bonds	1,805,000	-	70,000	1,735,000	75,000
GO Notes	352,432	-	56,014	296,418	58,346
Debt Premium	42,177	-	2,220	39,957	-
Compensated Absences	10,742	11,404	10,856	11,290	2,823
Net OPEB Liability	3,110	2,903	-	6,013	-
Net Pension Liability	28,660	-	28,660	-	-
Total	<u>\$ 2,294,423</u>	<u>\$ 14,307</u>	<u>\$ 182,910</u>	<u>\$ 2,125,820</u>	<u>\$ 150,950</u>
<b>Wastewater Utility</b>					
GO Notes	\$ 52,850	\$ -	\$ 8,400	\$ 44,450	\$ 8,750
Revenue Bonds	450,000	-	25,000	425,000	30,000
Debt Premium	10,792	-	771	10,021	-
Compensated Absences	57,241	22,853	18,014	62,080	15,520
Net OPEB Liability	5,125	2,183	-	7,308	-
Net Pension Liability	47,237	-	47,237	-	-
Total	<u>\$ 623,245</u>	<u>\$ 25,036</u>	<u>\$ 99,422</u>	<u>\$ 548,859</u>	<u>\$ 54,270</u>

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**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 12/31/20</u>
<b>General Obligation Debt</b>					
2012A GO Bonds	03/28/12	03/01/24	.5%-2.75%	\$ 145,157	\$ 37,142
2015A GO Notes	06/11/15	05/01/25	.75%-2.4%	1,066,674	414,274
					<u>451,416</u>
<b>Mortgage Revenue Bonds</b>					
2012B Revenue Bonds	02/22/12	05/01/23	2.40%	1,460,000	390,000
2018A Revenue Bonds	04/12/18	05/01/38	3.00-4.00%	2,370,000	2,225,000
					<u>2,615,000</u>
					<u>\$ 3,066,416</u>

**Electric Utilities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 159,450	\$ 11,023	\$ 170,473
2022	144,450	7,582	152,032
2023	145,028	4,211	149,239
2024	25,028	2,115	27,143
2025	24,450	1,373	25,823
2026 - 2029	30,000	1,400	31,400
	<u>\$ 528,406</u>	<u>\$ 27,704</u>	<u>\$ 556,110</u>

**Water Utility**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 148,127	\$ 67,586	\$ 215,713
2022	147,376	63,220	210,596
2023	139,842	58,810	198,652
2024	144,849	54,275	199,124
2025	138,366	49,635	188,001
2026 - 2030	450,000	200,114	650,114
2031 - 2035	545,000	117,579	662,579
2036 - 2038	355,000	20,235	375,235
	<u>\$ 2,068,560</u>	<u>\$ 631,454</u>	<u>\$ 2,700,014</u>

## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

### Note 5 - Long-Term Debt (Continued)

#### Wastewater Utility

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 38,750	\$ 15,409	\$ 54,159
2022	38,750	14,051	52,801
2023	39,100	12,673	51,773
2024	39,100	11,274	50,374
2025	38,750	9,867	48,617
2026 - 2030	170,000	31,917	201,917
2031 - 2034	105,000	5,547	110,547
	<u>\$ 469,450</u>	<u>\$ 100,738</u>	<u>\$ 570,188</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, 2015 GO Notes and 2018 Revenue Bonds. The revenue bonds require the Utilities maintain a bond reserve account in the amount of \$162,359 for the 2012B Bonds and GO Notes and \$85,983 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, 2020

### Note 6 - Net Position (Continued)

Net position of the Utilities at December 31, 2020 include the following:

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Net Investment in Capital Assets			
Net Capital Assets	\$ 3,741,327	\$ 7,008,866	\$ 3,531,219
Less: Related Long-Term Debt Outstanding	<u>(528,253)</u>	<u>(2,108,517)</u>	<u>(479,471)</u>
Net Investment in Capital Assets	<u>3,213,074</u>	<u>4,900,349</u>	<u>3,051,748</u>
Restricted			
Debt Service	316,302	121,152	50,833
Plant Replacement	-	-	793,442
Pension Benefits	17,229	7,714	11,644
Total Restricted	<u>333,531</u>	<u>128,866</u>	<u>855,919</u>
Unrestricted	<u>895,534</u>	<u>606,900</u>	<u>801,758</u>
Total Net Position	<u>\$ 4,442,139</u>	<u>\$ 5,636,115</u>	<u>\$ 4,709,425</u>

### Note 7 - Defined Benefit Pension Plan

#### **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 issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

**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, 2020

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## 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>
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
2019	0.0	(10)

## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

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### 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 \$43,356 in contributions from the Utilities.

Contribution rates as of December 31, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.75%	6.75%
Protective with Social Security	6.84%	11.65%

#### *Pension Assets, 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 – 64.08%, Electric – 16.92%, Water – 7.57%, and Wastewater – 11.43%.

At December 31, 2020, the Electric, Water and Wastewater Utilities reported assets of \$58,701, \$26,285, and \$39,676, respectively, for their proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.01076259%, which was a decrease of 0.00039487% from its proportion measured as of December 31, 2018. 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, 2020, the Utilities recognized pension expense of \$45,425. This consisted of \$21,390 from the Electric Utility, \$9,578 from the Water Utility, and \$14,457 from the Wastewater Utility.

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**Note 7 - Defined Benefit Pension Plan (Continued)**

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

At December 31, 2020, the Utilities' reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Electric Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 111,436	\$ 55,779
Changes in assumptions	4,573	-
Net differences between projected and actual earnings on pension plan investments	-	119,989
Changes in proportion and differences between employer contributions and proportionate share of contributions	8	2,132
Employer contributions subsequent to the measurement date	20,411	-
<b>Total</b>	<u>\$ 136,428</u>	<u>\$ 177,900</u>

<b>Water Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 49,892	\$ 24,955
Changes in assumptions	2,050	-
Net differences between projected and actual earnings on pension plan investments	-	53,750
Changes in proportion and differences between employer contributions and proportionate share of contributions	4	955
Employer contributions subsequent to the measurement date	9,142	-
<b>Total</b>	<u>\$ 61,089</u>	<u>\$ 79,660</u>



**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**Note 7 - Defined Benefit Pension Plan (Continued)**

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

<b>Wastewater Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 75,312	\$ 37,702
Changes in assumptions	3,091	-
Net differences between projected and actual earnings on pension plan investments	-	81,100
Changes in proportion and differences between employer contributions and proportionate share of contributions	6	1,442
Employer contributions subsequent to the measurement date	13,803	-
<b>Total</b>	<u><u>\$ 92,212</u></u>	<u><u>\$ 120,244</u></u>

The \$43,356 (\$20,411 Electric Utility, \$9,142 Water Utility, \$13,803 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 (asset) in the year ending December 31, 2021. 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
2021	\$ (18,625)
2022	(13,895)
2023	1,650
2024	(31,013)
	<u><u>\$ (61,883)</u></u>

**Water Utility**

Years Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ (8,333)
2022	(6,217)
2023	738
2024	(13,901)
	<u><u>\$ (27,713)</u></u>

## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

### 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
2021	\$ (12,582)
2022	(9,387)
2023	1,115
2024	(20,981)
	<u>\$ (41,835)</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
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. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

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

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

## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

### Note 7 - Defined Benefit Pension Plan (Continued)

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49.0%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Total Core Fund	110.0% *	7.5%	4.6%
Variable Fund Asset Class			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0	8.2	5.3
Total Variable Fund	100.0%	7.8%	4.9%

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

*\* Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.*

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 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)	\$ 893,677	\$ (347,034)	\$ (1,274,610)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

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### 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 members.

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

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

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

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

Employers are required to pay the following contributions based on 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, 2020 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, 2018 are as listed below:

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

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

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**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, 2020, the City reported a liability of \$62,906 for its proportionate share of the net OPEB liability, of which \$26,549 is reported by the Utilities. The total OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the 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 0.0147730%, which was a decrease of 0.0019190% from its proportion measured as of December 31, 2018. 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 \$2,009. This consisted of \$1,001 from the Electric Utility, \$455 from the Water Utility, and \$553 from the Wastewater Utility.

At December 31, 2020, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Electric Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ -	\$ 592
Changes in assumptions	4,879	1,455
Net differences between projected and actual earnings on plan investments	249	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,134
<b>Total</b>	<b>\$ 5,129</b>	<b>\$ 4,182</b>
<b>Water Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ -	\$ 269
Changes in assumptions	2,218	661
Net differences between projected and actual earnings on plan investments	113	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	971
<b>Total</b>	<b>\$ 2,332</b>	<b>\$ 1,901</b>

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**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)***

<b>Wastewater Utility</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ -	\$ 327
Changes in assumptions	2,698	804
Net differences between projected and actual earnings on plan investments	138	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,179
<b>Total</b>	<b>\$ 2,835</b>	<b>\$ 2,310</b>

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 of Resources
2021	\$ 127
2022	127
2023	100
2024	73
2025	52
Thereafter	468
	<b>\$ 947</b>

**Water Utility**

Years Ending December 31,	Net Deferred Outflows of Resources
2021	\$ 58
2022	58
2023	46
2024	33
2025	23
Thereafter	213
	<b>\$ 431</b>

**LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

**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 of Resources
2021	\$ 70
2022	70
2023	55
2024	40
2025	28
Thereafter	262
	\$ 525

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87 %
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

**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, 2020

**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, 2019**

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

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

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

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

**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 2.87 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 (1.87 percent) or 1-percentage-point higher (3.87 percent) than the current rate:

	<b>1% Decrease (1.87%)</b>	<b>Discount Rate (2.87%)</b>	<b>1% Increase (3.87%)</b>
<b>Total OPEB Liability</b>	\$ 86,863	\$ 62,906	\$ 44,680

**Payables to the OPEB Plan** As of December 31, 2020, the District had no outstanding payables to the OPEB plan.



## LODI MUNICIPAL UTILITIES

Notes to Financial Statements

December 31, 2020

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### **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.

### **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 \$2.1 million.

## **LODI MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2020

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### **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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**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
<b><u>Electric Utility</u></b>					
12/31/2019	0.00181995%	\$ (58,701)	\$ 241,855	-24.27%	102.96%
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%
<b><u>Water Utility</u></b>					
12/31/2019	0.00081473%	(26,285)	103,570	-25.38%	102.96%
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%
<b><u>Wastewater Utility</u></b>					
12/31/2019	0.00123016%	(39,676)	170,705	-23.24%	102.96%
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
<b><u>Electric Utility</u></b>					
12/31/2020	\$ 20,411	\$ 20,411	\$ -	\$ 259,425	7.87%
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%
<b><u>Water Utility</u></b>					
12/31/2020	9,142	9,142	-	116,135	7.87%
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%
<b><u>Wastewater Utility</u></b>					
12/31/2020	13,803	13,803	-	175,353	7.87%
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.

**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
<b><u>Electric Utility</u></b>					
12/31/2019	0.00310676%	\$ 13,226	\$ 177,005	7.47%	37.58%
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%
<b><u>Water Utility</u></b>					
12/31/2019	0.00141230%	6,014	75,799	7.93%	37.58%
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%
<b><u>Wastewater Utility</u></b>					
12/31/2019	0.00171662%	7,310	124,932	5.85%	37.58%
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
<b><u>Electric Utility</u></b>					
12/31/2020	\$ 56	\$ 56	\$ -	\$ 213,053	0.03%
12/31/2019	54	54	-	177,005	0.03%
12/31/2018	63	63	-	130,845	0.05%
<b><u>Water Utility</u></b>					
12/31/2020	26	26	-	96,851	0.03%
12/31/2019	23	23	-	75,799	0.03%
12/31/2018	27	27	-	56,032	0.05%
<b><u>Wastewater Utility</u></b>					
12/31/2020	31	31	-	117,721	0.03%
12/31/2019	38	38	-	124,932	0.03%
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, 2020

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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.* No significant change in assumptions were noted from the previous year.

**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.* Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the actuarial assumptions in the notes to the financial statements for additional details.

**SUPPLEMENTARY INFORMATION**



**LODI ELECTRIC UTILITY**  
**CITY OF LODI, WISCONSIN**  
Electric Utility Operating Revenues and Expenses  
For the Year Ended December 31, 2020

**OPERATING REVENUES**

Charges for Services:

Residential	\$ 1,472,337
Small Commercial and Industrial	994,928
Large Commercial and Industrial	540,748
Public Street and Highway Lighting	64,046
Interdepartment Sales	36,272
<b>Total Charges for Services</b>	<b>3,108,331</b>

Other Operating Revenues:

Forfeited Discounts	4,410
Miscellaneous Service Revenues	1,133
Rent from Electric Property	17,275
Other	36,324
<b>Total Other Operating Revenues</b>	<b>59,142</b>

<b>Total Operating Revenues</b>	<b>3,167,473</b>
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**OPERATING EXPENSES**

Operation and Maintenance:

Purchased Power	2,094,424
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Distribution:

Operation Supervision and Engineering	23,572
Station	8,993
Meter	8,244
Maintenance	
Lines	136,819
Line Transformers	2,208
Street Lighting and Signal System	3,074
Miscellaneous	3,204
<b>Total Distribution</b>	<b>186,114</b>

Customer Accounts:

Meter Reading	6,740
Accounting and Collecting	28,817
<b>Total Customer Accounts</b>	<b>35,557</b>

Administrative and General:

Salaries	42,493
Office Supplies	11,824
Outside Services Employed	22,610
Property Insurance	18,429
Employee Pensions and Benefits	153,704
Regulatory Commission	4,595
Miscellaneous	26,929
Maintenance of General Plant	35,023
<b>Total Administrative and General</b>	<b>315,607</b>

<b>Total Operation and Maintenance</b>	<b>2,631,702</b>
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Depreciation	261,207
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Taxes	10,475
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<b>Total Operating Expenses</b>	<b>2,903,384</b>
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<b>OPERATING INCOME</b>	<b>\$ 264,089</b>
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**LODI WATER UTILITY**  
**CITY OF LODI, WISCONSIN**  
Water Utility Operating Revenues and Expenses  
For the Year Ended December 31, 2020

**OPERATING REVENUES**

Charges for Services:

Metered:

Residential	\$ 382,283
Commercial	59,692
Industrial	167,260
Multifamily	22,617
Public authorities	26,483
Interdepartmental	2,703
<b>Total Metered Sales</b>	<b>661,038</b>

Private Fire Protection	13,380
Public Fire Protection	261,331
<b>Total Charges for Services</b>	<b>935,749</b>

Other Operating Revenues:

Forfeited Discounts	1,059
Other	621
<b>Total Other Operating Revenues</b>	<b>1,680</b>

<b>Total Operating Revenues</b>	<b>937,429</b>
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**OPERATING EXPENSES**

Operation and Maintenance:

Source of Supply - Operation Labor	27,174
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Pumping:

Fuel or Purchased Power for Pumping	34,433
Maintenance	3,996
<b>Total Pumping</b>	<b>38,429</b>

Transmission and Distribution:

Operation Supervision and Engineering	23,572
Miscellaneous	12,665

Maintenance:

Distribution Reservoirs and Standpipes	3,939
Mains	6,663
Services	19,552
Meters	967
Hydrants	8,522
Miscellaneous	1,169
<b>Total Transmission and Distribution</b>	<b>77,049</b>

Customer Accounts:

Meter Reading	533
Accounting and Collecting Labor	14,204
<b>Total Customer Accounts</b>	<b>14,737</b>

Administrative and General:

Salaries	21,247
Office Supplies	8,275
Outside Services Employed	17,925
Property Insurance	6,886
Employee Pensions and Benefits	56,431
Regulatory Commission	846
Miscellaneous	4,564
Maintenance	13,417
<b>Total Administrative and General</b>	<b>129,591</b>

<b>Total Operation and Maintenance</b>	<b>288,942</b>
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Depreciation	255,439
Taxes	1,808

<b>Total Operating Expenses</b>	<b>546,189</b>
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<b>OPERATING INCOME</b>	<b>\$ 391,240</b>
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**LODI WASTEWATER UTILITY  
CITY OF LODI, WISCONSIN**

Wastewater Utility Operating Revenues and Expenses  
For the Year Ended December 31, 2020

**OPERATING REVENUES**

Charges for Services

Metered:

Residential	\$ 688,563
Commercial	103,520
Industrial	17,035
Public authorities	35,288
Multifamily	42,893
Other	2,210

<b>Total Charges for Services</b>	889,509
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Other Operating Revenues:

Other Misc Revenue	775
Forfeited Discounts	1,727

<b>Total Other Operating Revenues</b>	2,502
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<b>Total Operating Revenues</b>	892,011
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**OPERATING EXPENSES**

Operation and Maintenance:

Operation:

Supervision and Labor	246,090
Power and Fuel for Pumping	47,827
Phosphorous Removal Chemicals	15,729
Other Chemicals	8,387
Transportation	17,342
Rents	12,000

<b>Total Operation</b>	347,375
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Maintenance:

Collection System	27,885
Pumping Equipment	5,273
Treatment and Disposal Plant Equipment	3,299
General Plant Structures and Equipment	11,190

<b>Total Maintenance</b>	47,647
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Customer Accounts:

Meter Reading	10,080
Accounting and Collecting	24,081

<b>Total Customer Accounts</b>	34,161
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Administrative and General:

Office Supplies	12,796
Outside Services Employed	15,274
Insurance	22,607
Regulatory Commission	4,097
Employees Pensions and Benefits	1,633
Miscellaneous	17,667

<b>Total Administrative and General</b>	74,074
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<b>Total Operation and Maintenance</b>	503,257
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Depreciation

Depreciation	201,957
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<b>Total Operating Expenses</b>	705,214
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<b>OPERATING INCOME</b>	<b>\$ 186,797</b>
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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, 2020

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
<b>UTILITY PLANT</b>			
Beginning	\$ 6,361,464	\$ 7,979,128	\$ 8,232,074
Ending	<u>6,531,410</u>	<u>8,126,286</u>	<u>8,612,709</u>
<b>Average</b>	<u>6,446,437</u>	<u>8,052,707</u>	<u>8,422,392</u>
<b>ACCUMULATED DEPRECIATION</b>			
Beginning	(2,986,820)	(2,048,494)	4,945,834
Ending	<u>(3,169,089)</u>	<u>(2,258,769)</u>	<u>(5,093,817)</u>
<b>Average</b>	<u>(3,077,955)</u>	<u>(2,153,632)</u>	<u>(73,992)</u>
<b>MATERIALS AND SUPPLIES INVENTORY</b>			
Beginning	73,664	28,397	-
Ending	<u>103,368</u>	<u>28,205</u>	<u>-</u>
<b>Average</b>	<u>88,516</u>	<u>28,301</u>	<u>-</u>
<b>AMORTIZATION OF REGULATORY LIABILITY</b>			
Beginning	(70,645)	(18,080)	-
Ending	<u>(52,982)</u>	<u>(13,560)</u>	<u>-</u>
<b>Average</b>	<u>(61,814)</u>	<u>(15,820)</u>	<u>-</u>
<b>AVERAGE NET RATE BASE</b>	<u>\$ 3,395,184</u>	<u>\$ 5,911,556</u>	<u>8,348,400</u>
<b>OPERATING INCOME</b>	<u>\$ 159,074</u>	<u>\$ 242,357</u>	<u>186,797</u>
<b>RATES OF RETURN</b>	<u>4.69%</u>	<u>4.10%</u>	<u>2.24%</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, 2020

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Actual Defined Earnings	<u>Utilities</u>
Operating Revenues	\$ 4,996,913
Plus: Investment Income	47,733
Less: Operation and Maintenance Expenses	(4,154,787)
Transfer to General Fund for Payment in Lieu of Taxes	<u>(324,405)</u>
	565,454
Plus: Depreciation Expense	<u>718,603</u>
Net Revenue Per Bond Covenant	<u>\$ 1,284,057</u>
Required Net Revenues - Revenue Bonds	
Highest Outstanding Annual Principal and Interest Payments	\$ 518,442
Coverage Factor	<u>1.25</u>
Required Net Revenues	<u>\$ 648,053</u>

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