

Lodi Electric, Water, and Wastewater Utilities

City of Lodi, Wisconsin

Financial Report

Year Ended December 31, 2021



Lodi Municipal Utilities
Financial Statements and Supplementary Financial Information
Year Ended December 31, 2021

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Independent Auditor's Report

Utility Commission
Lodi Municipal Utilities
Lodi, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Lodi Municipal Utilities (the "Utilities"), enterprise funds of the City of Lodi, Wisconsin, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lodi Municipal Utilities, enterprise funds of the City of Lodi, Wisconsin, as of December 31, 2021, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the enterprise funds of the City of Lodi, Wisconsin, and do not purport to, and do not present fairly the financial position of the City of Lodi, Wisconsin, as of December 31, 2021 and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lodi Municipal Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lodi Municipal Utilities's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lodi Municipal Utilities's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lodi Municipal Utilities's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System, and the schedules of the employer's proportionate share of the net OPEB liability (asset) and employer contributions -LRLIF be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utilities' basic financial statements. The utility operating revenues and expenses schedules, schedule of rates of return, and debt coverage, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Madison, Wisconsin

May 24, 2022

Lodi Electric Utility

Statement of Net Position

December 31, 2021

Assets:	
Current assets:	
Cash and investments	\$ 702,513
Accounts receivable	291,001
Inventory	82,051
Total current assets	<u>1,075,565</u>
Noncurrent assets:	
Restricted cash and investments	264,899
Net pension asset	111,351
Capital assets, nondepreciable	245,845
Capital assets, depreciable	3,625,599
Total noncurrent assets	<u>4,247,694</u>
Total assets	<u>5,323,259</u>
Deferred outflows related to pensions/OPEB	195,655
Total assets and deferred outflows of resources	<u>\$ 5,518,914</u>
Liabilities:	
Current liabilities:	
Other accrued liabilities	\$ 61,473
Due to other funds	9,459
Current portion of long-term debt	144,450
Total current liabilities	<u>215,382</u>
Noncurrent liabilities:	
Long term debt, net of premiums	385,497
Compensated absences	27,293
Post-employment benefits	18,971
Total noncurrent liabilities	<u>431,761</u>
Total liabilities	<u>647,143</u>
Deferred inflows related to pensions/OPEB	248,616
Total liabilities and deferred inflows of resources	<u>895,759</u>
Net position:	
Net investment in capital assets	3,341,497
Restricted	376,250
Unrestricted	905,408
Total net position	<u>4,623,155</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,518,914</u>

See accompanying notes to the financial statements.

Lodi Electric Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2021

Operating revenues:	
Charges for services	\$ 3,324,067
Other operating revenues	24,202
Total operating revenues	<u>3,348,269</u>
Operating expenses:	
Operation and maintenance	2,816,441
Depreciation	255,808
Total operating expenses	<u>3,072,249</u>
Operating income	<u>276,020</u>
Nonoperating revenues (expenses):	
Interest income	(470)
Interest expense	(12,022)
Gain (loss) on sale of capital assets	(100,220)
Total nonoperating revenues (expenses)	<u>(112,712)</u>
Net income before capital contributions and transfers	<u>163,308</u>
Capital contributions	9,335
Transfers out	<u>(117,486)</u>
Change in net position	<u>55,157</u>
Net position - beginning, as restated	<u>4,567,998</u>
Net position - ending	<u>\$ 4,623,155</u>

See accompanying notes to the financial statements.

Lodi Electric Utility

Statement of Cash Flows

For the Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 3,367,392
Cash payments to suppliers	(2,591,814)
Cash payments to employees	(341,152)
Net cash provided by operating activities	434,426
Cash flows from noncapital financing activities:	
Transfer out	(117,486)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(501,645)
Capital contributions	9,335
Principal payments on long-term debt	(28,957)
Interest payments on long-term debt	(12,047)
Sale of capital assets	15,500
Net cash (used) by capital and related financing activities	(517,814)
Cash flows from investing activities:	
Interest income received	(470)
Change in cash and cash equivalents	(201,344)
Cash and cash equivalents - beginning	1,168,756
Cash and cash equivalents - ending	\$ 967,412
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 276,020
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	255,808
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	(34,471)
Changes in assets, liabilities and deferrals	
Receivables	19,123
Inventory	21,344
Accounts payable	(16,219)
Accrued liabilities	48,582
Due to other funds	(148,083)
Compensated absences	12,322
Net cash provided by operating activities	\$ 434,426

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Net Position

December 31, 2021

Assets:

Current assets:

Cash and investments	\$	741,843
Accounts receivable		68,898
Inventory		38,155
Total current assets		<u>848,896</u>

Noncurrent assets:

Restricted cash and investments		121,152
Net pension asset		49,859
Capital assets, nondepreciable		65,467
Capital assets, depreciable		6,968,734
Total noncurrent assets		<u>7,205,212</u>
Total assets		<u>8,054,108</u>

Deferred outflows related to pensions/OPEB		87,609
Total assets and deferred outflows of resources	\$	<u>8,141,717</u>

Liabilities:

Current liabilities:

Other accrued liabilities	\$	25,418
Current portion of long-term debt		147,373
Total current liabilities		<u>172,791</u>

Noncurrent liabilities:

Long term debt, net of premiums		1,810,794
Compensated absences		12,263
Post-employment benefits		8,496
Total noncurrent liabilities		<u>1,831,553</u>
Total liabilities		<u>2,004,344</u>

Deferred inflows related to pensions/OPEB		111,323
Total liabilities and deferred inflows of resources		<u>2,115,667</u>

Net position:

Net investment in capital assets		5,076,034
Restricted		171,011
Unrestricted		779,005
Total net position		<u>6,026,050</u>
Total liabilities, deferred inflows of resources and net position	\$	<u>8,141,717</u>

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2021

Operating revenues:	
Charges for services	\$ 931,917
Other operating revenues	13,540
Total operating revenues	<u>945,457</u>
Operating expenses:	
Operation and maintenance	292,437
Depreciation	259,175
Total operating expenses	<u>551,612</u>
Operating income	<u>393,845</u>
Nonoperating revenues (expenses):	
Interest income	(73)
Interest expense	(66,818)
Gain (loss) on sale of capital assets	(19,489)
Total nonoperating revenues (expenses)	<u>(86,380)</u>
Net income before capital contributions and transfers	<u>307,465</u>
Capital contributions	124,049
Transfers out	<u>(167,871)</u>
Change in net position	<u>263,643</u>
Net position - beginning, as restated	<u>5,762,407</u>
Net position - ending	<u>\$ 6,026,050</u>

See accompanying notes to the financial statements.

Lodi Water Utility

Statement of Cash Flows

For the Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 955,905
Cash payments to suppliers	(380,775)
Cash payments to employees	(143,174)
Net cash provided by operating activities	431,956
Cash flows from noncapital financing activities:	
Transfer out	(167,871)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(303,999)
Capital contributions	124,049
Principal payments on long-term debt	(157,812)
Interest payments on long-term debt	(69,806)
Net cash (used) by capital and related financing activities	(407,568)
Cash flows from investing activities:	
Interest income received	(73)
Change in cash and cash equivalents	(143,556)
Cash and cash equivalents - beginning	1,006,551
Cash and cash equivalents - ending	\$ 862,995
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 393,845
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	259,175
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	(15,517)
Changes in assets, liabilities and deferrals	
Receivables	10,448
Inventory	(5,626)
Accounts payable	(5,391)
Accrued liabilities	14,420
Due to other funds	(223,194)
Compensated absences	3,796
Net cash provided by operating activities	\$ 431,956

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Net Position

December 31, 2021

Assets:	
Current assets:	
Cash and investments	\$ 789,813
Accounts receivable	86,442
Total current assets	<u>876,255</u>
Noncurrent assets:	
Restricted cash and investments	832,607
Net pension asset	84,254
Capital assets, nondepreciable	6,143
Capital assets, depreciable	3,745,884
Total noncurrent assets	<u>4,668,888</u>
Total assets	<u>5,545,143</u>
Deferred outflows related to pensions/OPEB	148,044
Total assets and deferred outflows of resources	<u>\$ 5,693,187</u>
Liabilities:	
Current liabilities:	
Other accrued liabilities	\$ 11,636
Current portion of long-term debt	38,750
Total current liabilities	<u>50,386</u>
Noncurrent liabilities:	
Long term debt, net of premiums	401,201
Compensated absences	67,627
Post-employment benefits	14,356
Total noncurrent liabilities	<u>483,184</u>
Total liabilities	<u>533,570</u>
Deferred inflows related to pensions/OPEB	188,116
Total liabilities and deferred inflows of resources	<u>721,686</u>
Net position:	
Net investment in capital assets	3,312,076
Restricted	916,861
Unrestricted	742,564
Total net position	<u>4,971,501</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,693,187</u>

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2021

Operating revenues:	
Charges for services	\$ 921,032
Other operating revenues	2,492
Total operating revenues	<u>923,524</u>
Operating expenses:	
Operation and maintenance	467,523
Depreciation	234,228
Total operating expenses	<u>701,751</u>
Operating income	<u>221,773</u>
Nonoperating revenues (expenses):	
Interest income	(965)
Interest expense	(15,190)
Gain (loss) on sale of capital assets	(21,453)
Total nonoperating revenues (expenses)	<u>(37,608)</u>
Net income before capital contributions and transfers	<u>184,165</u>
Capital contributions	<u>77,911</u>
Change in net position	<u>262,076</u>
Net position - beginning	<u>4,709,425</u>
Net position - ending	<u>\$ 4,971,501</u>

See accompanying notes to the financial statements.

Lodi Wastewater Utility

Statement of Cash Flows For the Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 945,112
Cash payments to suppliers	(226,341)
Cash payments to employees	(244,722)
Net cash provided by operating activities	<u>474,049</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(476,489)
Capital contributions	77,911
Principal payments on long-term debt	(54,270)
Interest payments on long-term debt	(16,179)
Net cash (used) by capital and related financing activities	<u>(469,027)</u>
Cash flows from investing activities:	
Interest income received	<u>(965)</u>
Change in cash and cash equivalents	<u>4,057</u>
Cash and cash equivalents - beginning	1,618,363
Cash and cash equivalents - ending	<u>\$ 1,622,420</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 221,773
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	234,228
Change in pension related assets, deferred outflows, liabilities, and deferred inflows	(24,965)
Changes in assets, liabilities and deferrals	
Receivables	21,588
Accounts payable	(8,816)
Accrued liabilities	9,174
Compensated absences	21,067
Net cash provided by operating activities	<u>\$ 474,049</u>

See accompanying notes to the financial statements.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

The financial statements of the Lodi Municipal Utilities (the "Utilities") have been prepared to conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the Utilities.

The Financial Reporting Entity

The Utilities are enterprise funds of the City of Lodi, Wisconsin (the "City"). In accordance with GAAP, the financial statements are required to include the Utilities and any separate component units that have a significant operational or financial relationship with the Utilities. The Utilities has not identified any component units that are required to be included in the financial statements.

The accounts of the Utilities are accounted for in an enterprise fund as required by GAAP. Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The accompanying financial statements do not purport to, and do not, present the financial position, changes in financial position and cash flows, where applicable, of the City of Lodi, Wisconsin as a whole.

The Utilities reports the following major funds:

Electric Utility – This fund accounts for the City's operation and maintenance of the electric utility system for residents, business entities, and public authorities of the City.

Water Utility – This fund accounts for the City's operation and maintenance of the water distribution system for residents, business entities, and public authorities of the City.

Wastewater Utility – This fund accounts for the City's operation and maintenance of the wastewater treatment and disposal system for residents, business entities and public authorities of the City.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

For purposes of the statement of cash flows, the Utilities consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments of individual funds are pooled unless maintained in segregated accounts and are carried at fair value.

- Investment of the City's funds are restricted by state statutes. Investments are limited to:
- 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, the University of Wisconsin Hospitals and Clinic Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Accounts Receivable

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

Inventories

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. Inventory items are expensed in the period used. Any materials and supplies on hand at year-end are valued at the lower of cost, determined on the first-in, first out (FIFO) method, or market.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Utilities maintain a threshold level of \$5,000 or more for capitalizing assets.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the Utilities, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 18 to 100 years for infrastructure, site improvements, and buildings and 3 to 32 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Internal balances between funds of the governmental activities or funds of the business-type activities are eliminated in the government-wide financial statements.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed as incurred.

Accumulated Unpaid Sick Pay and Other Employee Benefit Amounts

Compensated absences - The estimated amount of accumulated sick leave that will be paid after retirement is recorded as a liability on the statements of net position. Vested vacation pay is also recorded as a liability. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at year end are determined on the basis of current salary rates and include salary related payments. Governmental funds recognize expenditures for sick leave and vacation when paid. Employees may accumulate up to 120 days of sick leave. Employees who retire with 15 years of continuous services preceding the date of retirement or have attained age fifty-five (55) or fifty (50) if the employee is a protective category employee are paid their accumulated sick leave to pay health insurance premiums. No payment is made if the employee resigns or is terminated.

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accumulated Unpaid Sick Pay and Other Employee Benefit Amounts (Continued)

Postemployment Benefits Other than Pensions (OPEB) Plan - The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the Net OPEB Liability, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits, OPEB Expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Utilities have one type of item that qualifies for reporting in this category. They are the deferred outflows related to pensions and OPEB. The deferred outflows of resources related to pensions represent the Utilities' proportionate share of collective deferred outflows of resources related to pensions and Utilities' contributions to pension and OPEB plans subsequent to the measurement date of the collective net pension/OPEB liability (asset) for the WRS and LRLIF plans.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes 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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The Utilities have one type of item that qualifies for reporting in this category. They are deferred inflows of resources related to pensions for its proportionate share of the collective deferred inflows of resources related to pensions for the WRS plan and OPEB for the LRLIF plan.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance (adjusted for unspent proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Utilities policy to use externally restricted resources first.

Lodi Municipal Utilities

Notes to Financial Statements

Note 2: Cash and Investments

The Utilities' cash and investment balances at December 31, 2021 were as follows:

	Amount	Fair Value Level
Deposits with financial institutions	\$ 2,061,150	N/A
Cash on hand	150	N/A
Investments:		
U.S. agencies	780,665	Level 2
Money market funds	3,592	Level 2
Municipal bonds	188,868	Level 2
Certificates of deposit	418,402	Level 2
Total	\$ 3,452,827	

The Utilities' cash and investment balances as shown in the basic financial statements are as follows:

Electric Utility:		
Cash and investments	\$	702,513
Restricted cash and investments		264,899
Water Utility		
Cash and investments		741,843
Restricted cash and investments		121,152
Wastewater Utility		
Cash and investments		789,813
Restricted cash and investments		832,607
Total	\$	3,452,827

Deposits

Deposits at each bank in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the Utilities' deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Utilities' deposits may not be returned to it. The Utilities' does have a deposit policy for custodial credit risk. Funds may only be invested up to \$500,000 at any financial institution unless the excess is collateralized.

As of December 31, 2021, the Utilities' bank balance of \$2,061,150 was exposed to custodial credit risk as follows: \$250,000 was covered by FDIC insurance, \$400,000 was covered by the State of Wisconsin, and \$1,411,150 was covered by collateral held in the Utilities' name.

Lodi Municipal Utilities

Notes to Financial Statements

Note 2: Cash and Investments (Continued)

Investments

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. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. agencies	\$ 780,665	\$ -	\$ -	\$ 780,665	\$ -
Money market funds	3,592	3,592	-	-	-
Municipal bonds	188,868	121,420	67,448	-	-
Certificates of deposit	418,402	-	141,469	276,933	-
Total	\$ 1,391,527	\$ 125,012	\$ 208,917	\$ 1,057,598	\$ -

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Total	AAA	AA+	AA	A+	Unrated
U.S. agencies	\$ 780,665	\$ -	\$ 780,665	\$ -	\$ -	\$ -
Money market funds	3,592	-	-	-	-	3,592
Municipal bonds	188,868	10,298	70,169	108,401	-	-
Certificates of deposit	418,402	-	-	418,402	-	-
Total	\$ 1,391,527	\$ 10,298	\$ 850,834	\$ 526,803	\$ -	\$ 3,592

Lodi Municipal Utilities

Notes to Financial Statements

Note 3: Restricted Assets

Restricted assets consist of cash and investments held for the following purposes:

Redemption and Reserve Accounts

Accounts shall be maintained with amounts sufficient to pay the principal and interest on the bonds when due plus a reserve equal to the highest annual debt service requirement.

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.

Purpose	Total	Electric Utility	Water Utility	Sewer Utility
Redemption/Reserve Account	\$ 426,051	\$ 264,899	\$ 121,152	\$ 40,000
Replacement Account	792,607	-	-	792,607
Total	\$ 1,218,658	\$ 264,899	\$ 121,152	\$ 832,607

Note 4: Interfund Balances and Activity

The following is a schedule of interfund receivables and payables in the fund financial statements:

Receivable Fund	Payable Fund	Amount
General Fund	Electric Utility	\$ 9,459

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.

Interfund transfers for the year ended December 31, 2021 were as follows:

Transfer From:	Transfers To:	Amount
Electric Utility	General Fund	\$ 117,486
Water Utility	General Fund	167,871
Total Transfers		\$ 285,357

The purpose of the transfer above was for the tax equivalent payment.

Lodi Municipal Utilities

Notes to Financial Statements

Note 5: Capital Assets

Capital asset balances and activity for the year ended December 31, 2021, were as follows:

Electric Utility	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Land	\$ 49,111	\$ -	\$ -	\$ 49,111
Construction in progress	4,865	196,697	(4,828)	196,734
Total capital assets, not being depreciated	53,976	196,697	(4,828)	245,845
Capital assets, being depreciated:				
Distribution	6,987,405	309,776	(242,201)	7,054,980
General	923,214	-	-	923,214
Total capital assets, being depreciated	7,910,619	309,776	(242,201)	7,978,194
Less Accumulated depreciation	(4,223,268)	(255,808)	126,481	(4,352,595)
Total capital assets, being depreciated, net	3,687,351	53,968	(115,720)	3,625,599
Capital assets, net	\$ 3,741,327	\$ 250,665	\$ (120,548)	\$ 3,871,444

Water Utility	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Land	\$ 57,387	\$ -	\$ -	\$ 57,387
Construction in progress	17,272	8,080	(17,272)	8,080
Total capital assets, not being depreciated	74,659	8,080	(17,272)	65,467
Capital assets, being depreciated:				
Source of supply	430,581	-	-	430,581
Pumping	2,061,568	-	-	2,061,568
Water treatment	24,017	-	-	24,017
Transmission and distribution	6,292,701	313,191	(31,156)	6,574,736
General	770,038	-	-	770,038
Total capital assets, being depreciated	9,578,905	313,191	(31,156)	9,860,940
Total accumulated depreciation	(2,644,698)	(259,175)	11,667	(2,892,206)
Total capital assets, being depreciated, net	6,934,207	54,016	(19,489)	6,968,734
Capital assets, net	\$ 7,008,866	\$ 62,096	\$ (36,761)	\$ 7,034,201

Lodi Municipal Utilities

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Wastewater Utility	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Construction in progress	\$ 12,327	\$ 6,143	\$ (12,327)	\$ 6,143
Total capital assets, not being depreciated	12,327	6,143	(12,327)	6,143
Capital assets, being depreciated:				
Collection system	2,470,708	204,939	(4,430)	2,671,217
Collection system pumping	96,540	-	-	96,540
Treatment and disposal	5,430,033	271,191	(126,847)	5,574,377
General	615,428	6,543	(3,785)	618,186
Total capital assets, being depreciated	8,612,709	482,673	(135,062)	8,960,320
Total accumulated depreciation	(5,093,817)	(234,228)	113,609	(5,214,436)
Total capital assets, being depreciated, net	3,518,892	248,445	(21,453)	3,745,884
Capital assets, net	\$ 3,531,219	\$ 254,588	\$ (33,780)	\$ 3,752,027

Note 6: Long-Term Obligations

Long-term obligations of the Utilities are as follows:

Electric Utility	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Amounts Due Within One Year
Revenue Bonds	\$ 455,000	\$ -	\$ 145,000	\$ 310,000	\$ 130,000
GO Notes	73,406	160,417	14,450	219,373	14,450
Debt Discount	(3,621)	-	(2,019)	(1,602)	-
Debt Premium	3,468	-	1,292	2,176	-
Compensated Absences	19,961	7,720	388	27,293	-
Net OPEB Liability	13,228	5,743	-	18,971	-
Totals	\$ 561,442	\$ 173,880	\$ 159,111	\$ 576,211	\$ 144,450

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

<i>Water Utility</i>	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Amounts Due Within One Year
GO Bonds	\$ 37,142	\$ -	\$ 14,781	\$ 22,361	\$ 14,030
Revenue Bonds	1,735,000	-	75,000	1,660,000	75,000
GO Notes	296,418	-	58,350	238,068	58,343
Debt Premium	39,957	-	2,219	37,738	-
Compensated Absences	11,290	1,057	84	12,263	-
Net OPEB Liability	6,013	2,483	-	8,496	-
Totals	\$ 2,125,820	\$ 3,540	\$ 150,434	\$ 1,978,926	\$ 147,373

<i>Wastewater Utility</i>	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Amounts Due Within One Year
GO Notes	\$ 44,450	\$ -	\$ 8,750	\$ 35,700	\$ 8,750
Revenue Bonds	425,000	-	30,000	395,000	30,000
Debt Premium	10,021	-	770	9,251	-
Compensated Absences	62,080	5,547	-	67,627	-
Net OPEB Liability	7,308	7,048	-	14,356	-
Totals	\$ 548,859	\$ 12,595	\$ 39,520	\$ 521,934	\$ 38,750

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. Business-type activities debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies.

Debt at December 31, 2021 is comprised of the following individual issues:

<i>General Obligation Debt</i>	Issue Dates	Interest Rates %	Dates of Maturity	Balance 12/31/21
2012A GO Bonds	03/28/12	05-2.75%	03/01/24	\$ 22,361
2012A GO Notes	06/11/15	0.75-2.4%	05/01/25	332,724
Taxable note anticipation notes	02/08/21	0%	02/28/31	160,417
Total general obligation debt				\$ 515,502

<i>Mortgage Revenue Bonds</i>	Issue Dates	Interest Rates %	Dates of Maturity	Balance 12/31/21
2012B Revenue Bonds	02/22/12	2.4%	05/01/23	\$ 250,000
2018A Revenue Bonds	04/12/18	3.00-4.00%	05/01/38	2,115,000
Total revenue bonds				\$ 2,365,000

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

Debt service requirements to maturity on general obligation debt are as follows:

Electric Utility

<i>Year Ended:</i>	Principal	Interest
2022	\$ 161,950	\$ 11,023
2023	162,528	4,211
2024	42,528	2,116
2025	41,950	1,373
2026	27,500	800
2027-2031	92,917	600
Totals	\$ 529,373	\$ 20,123

Water Utility

<i>Year Ended:</i>	Principal	Interest
2022	\$ 147,373	\$ 63,220
2023	139,853	58,810
2024	144,853	54,275
2025	138,350	49,635
2026	80,000	45,735
2027-2031	470,000	185,406
2032-2036	680,000	104,506
2037-2041	120,000	2,280
Totals	\$ 1,920,429	\$ 563,867

Wastewater Utility

<i>Year Ended:</i>	Principal	Interest
2022	\$ 38,750	\$ 14,051
2023	39,100	12,673
2024	39,100	11,275
2025	38,750	9,868
2026	30,000	8,563
2027-2031	175,000	26,408
2032-2037	70,000	2,494
Totals	\$ 430,700	\$ 85,332

Lodi Municipal Utilities

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

The Utilities have pledged future revenue derived from the Electric Utility, net of specified operating expenses, to repay the 2012 Electric Utility revenue bonds. Proceeds from the debt provided financing for the construction or acquisition of capital assets used within the utility. Additionally, on April 12, 2018 the City issued \$2,370,000 of Revenue Bonds split between the Electric, Water, and Wastewater Utilities.

The revenue bonds are payable from the Electric Utility net revenues and payable through 2023. The total principal and interest remaining to be paid on the 2012 revenue bonds is \$255,813 and on the 2018 revenue bonds is \$2,759,381. Principal and interest paid for the current year and total Electric Utility net revenues were \$147,325 and \$263,528, respectively. The Electric Utility did meet the 2012 revenue bonds revenue requirements in 2020. The Electric Utility also met the reserve required to have 10% of the stated principal amount of the bonds in a reserve account. The requirement as of December 31, 2021 was \$47,519 for the 2012 bonds. For the 2018 bonds, the reserve requirement is \$229,622 across all of the Utility Funds. The Utilities did meet the 2018 revenue bond reserve requirements as of December 31, 2021.

Note 7: Net Position

Net position reported on the statements of net position at December 31, 2021 include the following:

	Electric Utility	Water Utility	Wastewater Utility
Net investment in capital assets:			
Land and other nondepreciable assets	\$ 245,845	\$ 65,467	\$ 6,143
Other capital assets, net of accumulated depreciation	3,625,599	6,968,734	3,745,884
Less: related long-term debt outstanding	(529,947)	(1,958,167)	(439,951)
Total net investment in capital assets	3,341,497	5,076,034	3,312,076
Restricted:			
Net pension asset	111,351	49,859	84,254
Debt service	264,899	121,152	40,000
Plant replacement	-	-	792,607
Total restricted	376,250	171,011	916,861
Unrestricted	905,408	779,005	742,564
Total net position	\$ 4,623,155	\$ 6,026,050	\$ 4,971,501

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System

Plan Description: The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

ETF issued a standalone Annual Comprehensive Financial Report (ACFR), 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.

Benefits Provided: Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) 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 years' 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 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:

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2)%	11.0 %
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.5 %	(5.0)%
2017	2.0 %	4.0 %
2018	2.4 %	17.0 %
2019	0.0 %	(10.0)%
2020	1.7 %	21.0 %

Contributions: Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee-required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2006, 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 ended, the WRS recognized \$47,519 in contributions from the employer.

Contribution rates as of December 31, 2021, are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.75 %	6.75 %
Protective with social security	6.75	11.75
Protective without social security	6.75	16.35

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to Pensions: At December 31, 2021, the Utilities reported an asset of \$41,826 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net pension asset was based on each fund's allocation of the Utilities' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the Utilities' proportion was 0.00393174%, which was an increase of 0.00006690% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Utilities recognized pension expense of \$(28,599).

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 355,262	\$ 76,523
Change in assumptions	5,567	-
Net differences between projected and actual earnings on pension plan investments	-	460,838
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,793
Employer contributions subsequent to the measurement date	47,519	-
Total	\$ 408,348	\$ 540,154

\$47,519 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2022	\$ (46,844)
2023	(13,277)
2024	(83,850)
2025	(35,354)
Total	\$ (179,325)

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

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, 2019
Measurement date of net pension liability (asset)	December 31, 2020
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

Actuarial assumptions are based on 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, 2020, is based on a rollforward of the liability calculated from the December 31, 2019, 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

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Asset Allocation Targets and Expected Returns

As of December 31, 2020

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	51.0 %	7.2 %	4.7 %
Fixed income	25.0 %	3.2 %	0.8 %
Inflation sensitive assets	16.0 %	2.0 %	(0.4)%
Real estate	8.0 %	5.6 %	3.1 %
Private equity/debt	11.0 %	10.2 %	7.6 %
Multi-asset	4.0 %	5.8 %	4.1 %
Total core fund	115.0 %	6.6 %	4.1 %
<u>Variable Fund Asset Class</u>			
U.S. equities	70.0 %	6.6 %	4.1 %
International equities	30.0 %	7.4 %	4.9 %
Total variable fund	100.0 %	7.1 %	4.6 %

New England Consultants Long-Term US CPI (Inflation) Forecast: 2.4%

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.

Lodi Municipal Utilities

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the Utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

2020	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Utilities' proportionate share of the net pension liability (asset)	\$ (56,895)	\$ (41,826)	\$ (30,430)

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>.

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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 postretirement 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, 2021, are as follows:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of member contribution
25% Post Retirement Coverage	20% of member 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, 2020, are as follows:

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

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

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

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

At December 31, 2021, the Utilities reported a liability of \$41,823 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability was based on each fund's allocation of the Utilities' share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the Utilities' proportion was 0.00760371%, which was an increase of 0.00136803% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Utilities recognized OPEB expense of \$5,434.

At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,996
Net differences between projected and actual earnings on OPEB plan investments	609	-
Change in assumptions	16,271	2,870
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,080	3,035
Total	\$ 22,960	\$ 7,901

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

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2022	\$ 2,564
2023	2,499
2024	2,431
2025	2,336
2026	3,090
Thereafter	2,139
Total	\$ 15,059

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions

The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2020
Measurement date of net OPEB liability (asset)	December 31, 2020
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	2.12
Long-term expected rate of return	4.25%
Discount rate	2.25
Salary Increases:	
Inflation	3.0%
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 carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2020

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Government bonds	Barclays Credit	50%	1.47%
U.S. Mortgages	Barclays MBS	50%	0.82%
Inflation			2.20%
Long-term expected rate of return			4.25%

Lodi Municipal Utilities

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. 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 2.25% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. 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 Utilities' Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate:

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

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Utilities' proportionate share of the net OPEB liability	\$ 56,895	\$ 41,823	\$ 30,430

Lodi Municipal Utilities

Notes to Financial Statements

Note 10: Reconciliation of Deferred Outflows and Inflows

The tables below reconciles the deferred outflows and inflows from the Notes to the financial statements:

	Wisconsin Retirement System		Local Retiree Life Insurance Fund	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Electric Utility	\$ 185,240	\$ 245,032	\$ 10,415	\$ 3,584
Water Utility	82,945	109,718	4,664	1,605
Wastewater Utility	140,163	185,404	7,881	2,712
Total	\$ 408,348	\$ 540,154	\$ 22,960	\$ 7,901

Note 11: Risk Management

The Utilities' is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the Utilities' carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the Utilities' insurance coverage in fiscal 2021.

Note 12: Commitments and Contingencies

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

Long-Term Contract - 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.

Lodi Municipal Utilities

Notes to Financial Statements

Note 12: Commitments and Contingencies (Continued)

Under the long-term contract, the Lode 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 be the Lodi Electric Utility from the WPPI Energy for distribution to its customers under the above arrangement amounted to approximately \$2.3 million for the year ended December 31, 2021.

Note 13: Prior Year Restatement

The Utilities doubled its payments in lieu of taxes as an expense in a prior year and therefore interfund liabilities were overstated in the prior year. The adjustment below increases beginning net position in the affected funds.

	Total Utilities	Electric Utility	Water Utility
Balance at December 31, 2020, as previously reported	\$ 14,787,679	\$ 4,442,139	\$ 5,636,115
Overstatement of liability	252,151	125,859	126,292
Balance at December 31, 2020, as restated	\$ 15,039,830	\$ 4,567,998	\$ 5,762,407

Required Supplementary Information

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Lodi Municipal Utilities

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset) Wisconsin Retirement System (WRS)

Last 10 Calendar Years*

Measurement Date December 31,	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Electric Utility</u>					
2020	0.00178357 %	\$ (111,351)	\$ 256,023	(43.49)%	105.26 %
2019	0.00181995	(58,701)	241,855	(24.27)	102.96
2018	0.00188115	66,925	258,066	25.93	96.45
2017	0.00179474	(53,288)	245,505	(21.71)	102.93
2016	0.00171662	14,149	242,956	5.82	99.12
2015	0.00162203	26,358	216,171	12.19	98.20
2014	0.00162500	(39,917)	234,783	(17.00)	102.74
<u>Water Utility</u>					
2020	0.00079863 % \$	(49,859)	\$ 114,639	(43.49)%	105.26 %
2019	0.00081473	(26,285)	103,570	(25.38)	102.96
2018	0.00080557	28,660	110,512	25.93	96.45
2017	0.00076856	(22,820)	105,133	(21.71)	102.93
2016	0.00073511	6,059	104,042	5.82	99.12
2015	0.00069461	11,287	92,572	12.19	98.20
2014	0.00069588	(17,102)	100,590	(17.00)	102.74
<u>Wastewater Utility</u>					
2020	0.00134954 % \$	(84,254)	\$ 193,720	(43.49)%	105.26 %
2019	0.00123016	(39,676)	170,705	(23.24)	102.96
2018	0.00132774	47,237	182,146	25.93	96.45
2017	0.00126675	(37,611)	173,281	(21.71)	102.93
2016	0.00121161	9,987	171,481	5.82	99.12
2015	0.00114485	18,604	152,576	12.19	98.20
2014	0.00114695	(28,173)	165,710	(17.00)	102.74

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Lodi Municipal Utilities (Continued)

Schedule of the Employer Contributions

Wisconsin Retirement System (WRS)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll for the Fiscal Year	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
2021	\$ 20,218	\$ 20,218	-	\$ 269,276	7.51 %
2020	20,411	20,411	-	256,023	7.97
2019	19,646	19,646	-	241,855	8.12
2018	19,786	19,786	-	258,066	7.67
2017	18,597	18,597	-	245,505	7.57
2016	18,046	18,046	-	242,956	7.43
2015	15,911	15,911	-	216,171	7.36
<u>Water Utility</u>					
2021	9,053	9,053	-	120,574	7.51
2020	9,142	9,142	-	114,639	7.97
2019	8,413	8,413	-	103,570	8.12
2018	8,473	8,473	-	110,512	7.67
2017	7,964	7,964	-	105,133	7.58
2016	7,728	7,728	-	104,042	7.43
2015	6,813	6,813	-	92,572	7.36
<u>Wastewater Utility</u>					
2021	15,298	15,298	-	203,748	7.51
2020	13,803	13,803	-	193,720	7.13
2019	13,866	13,866	-	170,705	8.12
2018	13,965	13,965	-	182,146	7.67
2017	13,126	13,126	-	173,281	7.57
2016	12,737	12,737	-	171,481	7.43
2015	11,230	11,230	-	152,576	7.36

Notes to the Schedules:

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 prior year.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Life Insurance Benefits

Lodi Municipal Utility

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net OPEB Liability (Asset) Life Insurance Benefit

Measurement Date December 31,	Utility's Proportion of the Net OPEB Liability (Asset)	Utility's Proportionate Share of the Net OPEB Liability (Asset)	Utility's Covered Payroll	Utility's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<u>Electric Utility</u>					
2020	0.00344930 %	\$ 18,971	\$ 190,246	9.97 %	31.36 %
2019	0.00310676	13,226	177,005	7.47	37.58
2018	0.00281427	7,262	130,845	5.55	48.69
2017	0.00302081	9,088	127,034	7.15	44.81
<u>Water Utility</u>					
2020	0.00154449 %	\$ 8,496	\$ 85,186	9.97 %	31.36 %
2019	0.00141230	6,014	75,799	7.93	37.58
2018	0.00120516	3,110	56,032	5.55	48.69
2017	0.00129361	3,892	54,400	7.15	44.81
<u>Wastewater Utility</u>					
2020	0.00260992 %	\$ 14,356	\$ 143,950	9.97 %	31.36 %
2019	0.00171662	7,310	124,932	5.85	37.58
2018	0.00198635	5,125	92,352	5.55	48.69
2017	0.00213212	6,415	89,662	7.15	44.81

Lodi Municipal Utilities

Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Life Insurance Benefits Lodi Municipal Utility (Continued)

Schedule of the Employer Contributions Local Retiree Life Insurance Fund (LRLIF) Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
<u>Electric Utility</u>					
2021	\$ 69	\$ 69	\$ -	\$ 205,266	0.0336 %
2020	56	56	-	190,246	0.0294
2019	54	54	-	177,005	0.0305
2018	63	63	-	130,845	0.0481
<u>Water Utility</u>					
2021	\$ 31	\$ 31	\$ -	\$ 91,912	0.0337 %
2020	26	26	-	85,186	0.0305
2019	23	23	-	75,799	0.0303
2018	27	27	-	50,032	0.0540
<u>Wastewater Utility</u>					
2021	\$ 52	\$ 52	\$ -	\$ 155,315	0.0335 %
2020	31	31	-	143,950	0.0215
2019	38	38	-	124,932	0.0304
2018	44	44	-	92,352	0.0476

Notes to the Schedules:

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 notes to the financial statements for additional details.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Supplementary Financial Information

Lodi Electric Utility

Electric Utility Operating Revenues and Expenses

For the Year Ended December 31, 2021

Operating Revenues

Charges for services	
Residential	\$ 1,514,116
Small commercial and industrial	1,124,502
Large commercial and industrial	579,701
Public street and highway lighting	67,603
Interdepartmental sales	38,145
Total charges for services	<u>3,324,067</u>
Other operating revenues	
Forfeited discounts	3,591
Miscellaneous service revenues	894
Rent from electric property	17,614
Other	2,103
Total other operating revenues	<u>24,202</u>
Total operating revenues	<u>3,348,269</u>

Operating Expenses

Operation and maintenance	
Purchased power	<u>2,283,969</u>
Distribution	
Operation, supervision, and engineering	21,416
Station	8,027
Meter	14,603
Maintenance	
Lines	110,933
Line transformers	1,981
Street lighting and signal system	10,238
Miscellaneous	3,028
Total distribution	<u>170,226</u>
Customer accounts	
Meter reading	8,686
Accounting and collecting	32,812
Total customer accounts	<u>41,498</u>
Administrative and general	
Salaries	39,577
Office supplies	12,727
Outside services employed	27,578
Property insurance	19,076
Employee pension and benefits	124,181
Regulatory commission	24,939
Miscellaneous	11,803
Maintenance of general plant	60,867
Total administrative and general	<u>320,748</u>
Total operating and maintenance	<u>2,816,441</u>
Depreciation	255,808
Total operating expenses	<u>3,072,249</u>

Operating income \$ 276,020

Lodi Water Utility

Water Utility Operating Revenues and Expenses

For the Year Ended December 31, 2021

Operating Revenues	
Charges for services	
Metered	
Residential	\$ 382,465
Commerical	68,015
Industrial	115,979
Multifamily	22,634
Public authorities	30,315
Interdepartmental	2,681
Total metered sales	<u>622,089</u>
Private fire protection	13,380
Public fire protection	296,448
Total charges for services	<u>931,917</u>
Other operating revenues	
Forfeited discounts	1,019
Other	12,521
Total other operating revenues	<u>13,540</u>
Total operating revenues	<u>945,457</u>
Operating Expenses	
Operation and maintenance	
Source of supply - operation labor	<u>40,598</u>
Pumping	
Fuel or purchased power for pumping	38,080
Maintenance	760
Total pumping	<u>38,840</u>
Transmission and distribution	
Operation, supervision, and engineering	21,416
Miscellaneous	16,752
Maintenance	
Mains	12,088
Services	2,683
Meters	12,189
Hydrants	3,432
Total transmission and distribution	<u>68,560</u>
Customer accounts	
Meter reading	419
Accounting and collecting	16,273
Total customer accounts	<u>16,692</u>
Administrative and general	
Salaries	19,798
Office supplies	8,959
Outside services employed	17,591
Property insurance	7,177
Employee pension and benefits	45,611
Regulatory commission	3,302
Miscellaneous	4,574
Maintenance of general plant	20,735
Total administrative and general	<u>127,747</u>
Total operating and maintenance	<u>292,437</u>
Depreciation	259,175
Total operating expenses	<u>551,612</u>
Operating income	<u>\$ 393,845</u>

Lodi Wastewater Utility

Wastewater Utility Operating Revenues and Expenses

For the Year Ended December 31, 2021

Operating Revenues

Charges for services	
Residential	\$ 679,403
Commercial	109,580
Industrial	21,904
Public authorities	41,842
Multifamily	42,476
Other	25,827
Total charges for services	<u>921,032</u>
Other operating revenues	
Forfeited discounts	1,649
Other	843
Total other operating revenues	<u>2,492</u>
Total operating revenues	<u>923,524</u>

Operating Expenses

Operation	
Supervision and labor	248,181
Power and fuel for pumping	37,872
Supplies	10,383
Phosphorous removal chemicals	14,193
Other chemicals	14,776
Transportation	16,441
Rents	12,000
Total operation	<u>353,846</u>
Maintenance	
Collection system	2,334
Pumping equipment	1,352
Treatment and disposal plant equipment	2,771
General plant structures and equipment	20,543
Total maintenance	<u>27,000</u>
Customer accounts	
Meter reading	22,785
Accounting and collecting	26,784
Total customer accounts	<u>49,569</u>
Administrative and general	
Office supplies	12,369
Outside services employed	11,307
Property insurance	23,342
Employee pension and benefits	(24,965)
Regulatory commission	4,069
Miscellaneous	10,986
Total administrative and general	<u>37,108</u>
Total operating and maintenance	<u>467,523</u>
Depreciation	234,228
Total operating expenses	<u>701,751</u>
Operating income	<u>\$ 221,773</u>

Lodi Electric, Water and Wastewater Utilities

Schedule of Rates of Return For the Year Ended December 31, 2021

	Electric Utility	Water Utility	Sewer Utility
UTILITY PLANT			
Beginning	\$ 6,531,409	\$ 8,126,288	\$ 8,612,710
Ending	6,589,648	8,290,384	8,960,319
Average	6,560,529	8,208,336	8,786,515
ACCUMULATED DEPRECIATION			
Beginning	(3,169,089)	(2,258,770)	(5,093,817)
Ending	(3,258,130)	(2,479,706)	(5,214,435)
Average	(3,213,610)	(2,369,238)	(5,154,126)
MATERIALS AND SUPPLIES INVENTORY			
Beginning	103,395	32,530	-
Ending	82,051	38,155	-
Average	92,723	35,343	-
AMORTIZATION OF REGULATORY LIABILITY			
Beginning	(52,982)	(13,560)	-
Ending	(35,319)	(9,040)	-
Average	(44,151)	(11,300)	-
AVERAGE NET RATE BASE	\$ 3,395,492	\$ 5,863,141	\$ 3,632,389
OPERATING INCOME	\$ 276,020	\$ 393,845	\$ 221,773
RATES OF RETURN	8.13%	6.72%	6.11%

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, 2021

Actual Defined Earnings

Operating revenues	\$	5,217,250
Plus: Investment income		(1,508)
Less: Operation and maintenance expenses		(4,325,612)
Transfer to General Fund for payment in lieu of taxes		<u>(285,357)</u>
		890,130
Plus: Depreciation expense		749,211

Net revenue per bond covenant

\$ 1,639,341

Required net revenues - revenue bonds

Highest outstanding annual principal and interest payments	\$	518,442
Coverage factor		<u>1.25</u>

Required net revenues

\$ 648,053