

# **City of South Milwaukee**

## Financial Statements and Supplementary Information

December 31, 2020

# City of South Milwaukee

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# City of South Milwaukee

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Common Council  
City of South Milwaukee  
South Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Milwaukee, Wisconsin, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of South Milwaukee's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Milwaukee, Wisconsin, as of December 31, 2020 and the 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.

To the Honorable Mayor and Common Council  
City of South Milwaukee

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Milwaukee's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of South Milwaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of South Milwaukee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Milwaukee's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
September 22, 2021

## **Management's Discussion and Analysis**

(unaudited)

As management of the City of South Milwaukee ("the City"), we offer readers of the City of South Milwaukee's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. Comparative government-wide data from the prior year is included for a comprehensive discussion of the City of South Milwaukee's change in net position.

The City of South Milwaukee is a community of approximately 20,743 residents located in Milwaukee County, Wisconsin. The City of South Milwaukee is a community with a commitment to maintaining assets through a capital projects program.

### ***Financial Highlights***

The assets and deferred outflows of the City of South Milwaukee exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$19.7 million (net position).

The government's total net position increased in total by \$3.8 million from 2019 to 2020.

As of the close of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$24 million, an increase of \$5.6 million in comparison with the prior year. Of this total amount, approximately \$802,000 is available for spending at the government's discretion (unassigned fund balance).

The total long-term obligations for the City of South Milwaukee decreased by approximately \$1.3 million during the current fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City of South Milwaukee's basic financial statements. The City of South Milwaukee's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Milwaukee's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of South Milwaukee's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between assets/deferred outflows and liabilities/deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of South Milwaukee is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and earned but unused comp time).

Both of the government-wide financial statements distinguish functions of the City of South Milwaukee that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Milwaukee include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library and conservation and development. The business-type activities of the City of South Milwaukee include a Water Utility, a Sewer Utility, a Storm Water Utility, and Parkcrest Housing Authority.

The Water Utility, Storm Water Utility, and Sewer Enterprise Fund function for all practical purposes as departments of the City of South Milwaukee, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Milwaukee, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Milwaukee can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of South Milwaukee maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, special revenue fund – tax incremental district funds and the capital projects-public works project fund, all of which are considered to be major funds. Data from the other 20 governmental funds are combined and titled Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

The City of South Milwaukee adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

**Proprietary funds.** The City of South Milwaukee maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Milwaukee uses enterprise funds to account for its Water, Storm Water, and Sewer Utilities and Parkcrest Housing Authority. The City of South Milwaukee maintains an Internal Service Fund that is presented as governmental activities in the government-wide financial statements. The City of South Milwaukee uses this fund to account for its self-insurance activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utilities, both of which are considered to be major funds of the City of South Milwaukee.

The basic proprietary fund financial statements can be found on pages 17 - 20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of South Milwaukee's own programs. The only fiduciary fund maintained by the City of South Milwaukee is the Trust and Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of South Milwaukee. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 65 of this report.

**Supplementary information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 71 - 73 of this report.



## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of South Milwaukee, assets and deferred outflows exceeded liabilities and deferred inflows by \$19.74 million at the close of the most recent fiscal year, as presented in the following table.

CITY OF SOUTH MILWAUKEE NET POSITION  
December 31, 2020 and 2019  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 43,558	\$ 34,868	\$ 10,344	\$ 8,380	\$ 53,902	\$ 43,248
Capital assets, net of depreciation	19,779	18,156	45,210	45,746	64,989	63,902
Total assets	63,337	53,024	55,554	54,126	118,891	107,150
Deferred outflows of resources	9,334	11,142	1,057	1,382	10,391	12,524
Current and other liabilities	4,398	3,335	2,117	3,303	6,515	6,638
Noncurrent liabilities	50,256	50,470	24,269	24,716	74,525	75,186
Total liabilities	54,654	53,805	26,386	28,019	81,040	81,824
Deferred inflows of resources	26,151	20,156	2,355	1,761	28,506	21,917
Net position (Deficit)						
Net investment in capital assets	1,016	777	23,294	22,950	24,310	23,727
Restricted	8,193	4,963	2,270	2,033	10,463	6,996
Unrestricted (deficit)	(17,343)	(15,534)	2,306	744	(15,037)	(14,790)
Total net position (deficit)	\$ (8,134)	\$ (9,794)	\$ 27,870	\$ 25,727	\$ 19,736	\$ 15,933

The City of South Milwaukee's governmental activities net position includes \$1,015,721 of investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding as negative. City of South Milwaukee uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Milwaukee's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental activities.** Governmental activities increased net position by \$1.66 million.

**Business-type activities.** Business-type activities increased the net position by \$2.14 million.

The following is a more detailed review of the year's operation.

**CITY OF SOUTH MILWAUKEE'S CHANGES IN NET POSITION**

**For the years ending December 31, 2020 and 2019**

(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 3,135	\$ 3,121	\$ 9,261	\$ 8,590	\$ 12,396	\$ 11,711
Operating grants and contributions	2,549	1,840	150	82	2,699	1,922
Capital grants and contributions	-	-	8	608	8	608
General revenues						
Property taxes	13,373	12,845	-	-	13,373	12,845
Other taxes	17	40	-	-	17	40
Intergovernmental revenues not restricted to specific programs	3,456	3,106	-	-	3,456	3,106
Investment income	198	616	20	87	218	703
Miscellaneous/Other	386	376	-	-	386	376
Total revenues	<u>23,114</u>	<u>21,944</u>	<u>9,439</u>	<u>9,367</u>	<u>32,553</u>	<u>31,311</u>
Expenses						
General government	2,547	2,386	-	-	2,547	2,386
Protection of persons and property	9,447	10,743	-	-	9,447	10,743
Public works	6,024	5,646	-	-	6,024	5,646
Conservation and development	651	1,004	-	-	651	1,004
Health and human services	1,105	931	-	-	1,105	931
Library	782	945	-	-	782	945
Parks and recreation	167	173	-	-	167	173
Other	645	532	-	-	645	532
Interest and fiscal charges	700	516	-	-	700	516
Water	-	-	3,375	2,455	3,375	2,455
Wastewater	-	-	2,261	3,256	2,261	3,256
Stormwater	-	-	508	688	508	688
Parkcrest	-	-	543	547	543	547
Total expenses	<u>22,068</u>	<u>22,876</u>	<u>6,687</u>	<u>6,946</u>	<u>28,755</u>	<u>29,822</u>
Increase (decrease) in net position before transfers	1,046	(932)	2,752	2,421	3,798	1,489
Transfers	614	601	(614)	(601)	-	-
Increase (decrease) in net position	<u>1,660</u>	<u>(331)</u>	<u>2,138</u>	<u>1,820</u>	<u>3,798</u>	<u>1,489</u>
Net position (as restated) - January 1, 2020	<u>(9,794)</u>	<u>(9,463)</u>	<u>25,732</u>	<u>23,907</u>	<u>15,938</u>	<u>14,444</u>
Net position - December 31, 2020	<u>\$ (8,134)</u>	<u>\$ (9,794)</u>	<u>\$ 27,870</u>	<u>\$ 25,727</u>	<u>\$ 19,736</u>	<u>\$ 15,933</u>

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of South Milwaukee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of South Milwaukee's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of South Milwaukee's governmental funds reported combined ending fund balances of approximately \$24.08 million, an increase of approximately \$5.6 million in comparison with the prior year. Approximately \$802,465 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of South Milwaukee. At the end of the current fiscal year total fund balance amounted to \$6,508,813.

The debt service fund has a total fund balance of \$187,797 which is restricted for debt service requirements.

The special revenue fund – tax increment district funds has a total fund balance of \$3,534,396 which is restricted for tax increment district projects.

The capital project fund – public works projects has a total fund balance of \$7,253,438 which is committed for future public work projects.

**Proprietary funds.** The City of South Milwaukee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility at the end of the year amounted to \$(930,029). The Sewer Utility had unrestricted net position of \$1,638,984. The Stormwater Utility had unrestricted net position of \$1,413,613. The change in net position for the funds was an increase in the Water Utility amounting to \$316,456, an increase in the Sewer Utility of \$1,478,933 and an increase in the Stormwater Utility of \$423,150. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of South Milwaukee's business-type activities.

### **General Fund Budgetary Highlights**

No budget amendments were adopted during 2020. The City's General Fund has \$457,568 less in revenues and other financing sources than expenditures and other financing uses on a budgetary basis.

**Capital Asset and Debt Administration**

**Net investment in capital assets.** The City of South Milwaukee’s investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounts to \$65 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

**City of South Milwaukee Capital Assets (Net Accumulated Depreciation/Amortization)**

As of December 31, 2020 and 2019

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land & improvements	\$ 2,836	\$ 2,837	\$ 17	\$ 17	\$ 2,853	\$ 2,854
Intangible assets	102	112	110	110	212	222
Construction in progress	625	260	250	40	875	300
Structures and improvements	3,140	2,765	6,692	6,719	9,832	9,484
Machinery & equipment	2,731	2,902	16	7	2,747	2,909
Library Books	346	361	-	-	346	361
Infrastructure	9,999	8,915	38,125	38,853	48,124	47,768
Total	<u>\$ 19,779</u>	<u>\$ 18,152</u>	<u>\$ 45,210</u>	<u>\$ 45,746</u>	<u>\$ 64,989</u>	<u>\$ 63,898</u>

Additional information on the City of South Milwaukee’s capital assets can be found in Note 4 on pages 41-43 of this report.

**Long-term obligations.** At the end of the current fiscal year, the City of South Milwaukee had total obligations outstanding of \$79 million. Of this amount, \$31.5 million was for the City's General Obligation debt which included TIF #1, TIF #2 and TIF #3.

**CITY OF SOUTH MIWAUKEE LONG-TERM OBLIGATIONS**

As of December 31, 2020 and 2019

(In Thousands)

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Obligation Debt	\$ 26,482	\$ 21,627	\$ 5,018	\$ 4,673	\$ 31,500	\$ 26,300
Premium on Debt Issued	572	405	138	86	710	491
Revenue Bonds	-	-	17,538	18,931	17,538	18,931
Net Pension Liability	-	2,948	-	329	-	3,277
Net OPEB Liability	746	442	126	96	872	538
Total OPEB Liability	24,120	26,115	3,028	3,340	27,148	29,455
Accumulated Sick Pay	1,018	1,087	180	202	1,198	1,289
<b>Total</b>	<b>\$ 52,938</b>	<b>\$ 52,624</b>	<b>\$ 26,028</b>	<b>\$ 27,657</b>	<b>\$ 78,966</b>	<b>\$ 80,281</b>

The City of South Milwaukee maintained its bond rating by Moody's Investor Service of AA2 for its general obligation debt in 2020. This reflects the City's strong financial position and moderate debt burden.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The debt limitation as of December 31, 2020 for the City of South Milwaukee is \$67.5 million which is significantly in excess of the City of South Milwaukee's outstanding general obligation debt of \$31.5 million.

Additional information on the City of South Milwaukee's long-term debt can be found in Note 4 on pages 45-48 of this report.

### ***Economic Factors and Next Year's Budgets and Rates***

South Milwaukee's bond rating by Moody's Investor Service is an AA2. This reflects the City's strong financial position, responsible spending and moderate debt burden.

The Plan Commission and Common Council continue to encourage and oversee redevelopment in the City's four Tax Increment Financing (TIF) districts, and pursue other redevelopment opportunities. Many successful projects have been completed in TIDs 1, 2, and 3, creating increased property values in these areas. The economic standing of TID 2 following the completion of major projects has allowed the City to pursue its status as a donor TID in 2019. TID 4 was an industrial TID approved in 2006 to assist with the retention and expansion of Bucyrus International (now Caterpillar). TID 4 closed in 2019. Due to recent conditions in downtown South Milwaukee, the City created TID 5 to spur reinvestment and catalyze downtown activation effective January 1, 2019.

The City sought and received a designation for the downtown as an Opportunity Zone as outlined in the 2017 Tax Cuts and Jobs Act. The City nominated both eligible census tracts in South Milwaukee, one of which was selected by the State of Wisconsin for consideration by the federal government. The federal government affirmed the nomination, which will allow three types of investments to flow to the designated census tract over a 10-year period. This census tract includes land in downtown South Milwaukee spanning from Rawson to Blake/Columbia and 14th Avenue to 9th Avenue.

The City of South Milwaukee continues to offer what is now known as the Bucyrus Downtown Revitalization Grant to property/business owners located in the central business district. The grant provides up to \$30,000 in matching funds. Grant funds have been awarded and are currently receiving updates that enhance the downtown and generate economic activity. The City of South Milwaukee also continues to work with the South Shore Chamber of Commerce, and the Aerotropolis Milwaukee Board. The City's involvement in these associations continues to generate business transactions in the South Milwaukee community.

We continue to look for new and creative ways in order to make the delivery of our services more efficient. Some of the changes we enacted were to introduce the use of automated garbage collection and using our neighboring resource of the City of Oak Creek to provide us with IT services. South Milwaukee will continue to look for new and creative ways to make use of our neighboring communities, other governmental agencies, and our community's resources.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of South Milwaukee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City Clerk, City of South Milwaukee, 2424 15<sup>th</sup> Avenue, South Milwaukee, Wisconsin 53172.

**City of South Milwaukee**

 Statement of Net Position  
 December 31, 2020

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>Assets</b>			
Cash and investments	\$ 33,524,669	\$ 4,348,384	\$ 37,873,053
Receivables			
Taxes	6,028,858	980,079	7,008,937
Accounts	896,126	748,509	1,644,635
Special assessments	38,948	-	38,948
Interest	3,785	-	3,785
Accrued revenue	-	1,432,492	1,432,492
Internal balances	352,550	(352,550)	-
Prepaid items and inventories	-	79,361	79,361
Other assets	-	4,889	4,889
Restricted assets			
Cash and investments	-	2,824,562	2,824,562
Net pension asset	2,712,633	278,931	2,991,564
Capital assets			
Land	2,836,513	16,596	2,853,109
Intangible assets	33,758	110,000	143,758
Construction in progress	624,889	250,548	875,437
Other capital and intangible assets, net of depreciation/amortization	16,284,272	44,832,698	61,116,970
Total assets	<u>63,337,001</u>	<u>55,554,499</u>	<u>118,891,500</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	26,269	-	26,269
Deferred outflows related to OPEB - LRLIF	302,717	52,744	355,461
Deferred outflows related to OPEB - health	2,703,560	339,443	3,043,003
Deferred outflows related to pension	6,301,377	664,576	6,965,953
Total deferred outflows of resources	<u>9,333,923</u>	<u>1,056,763</u>	<u>10,390,686</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,468,643	212,900	1,681,543
Accrued interest payable	172,005	98,218	270,223
Deposits	74,840	18,485	93,325
Unearned revenues	-	27,005	27,005
Noncurrent liabilities			
Due within one year	2,681,996	1,760,089	4,442,085
Due in more than one year	50,256,391	24,268,908	74,525,299
Total liabilities	<u>54,653,875</u>	<u>26,385,605</u>	<u>81,039,480</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	8,153,346	812,926	8,966,272
Deferred inflows related to OPEB, health	4,004,645	502,800	4,507,445
Deferred inflows related to OPEB, LRLIF	118,359	25,657	144,016
Unearned Revenue	13,875,148	1,013,518	14,888,666
Total deferred inflows of resources	<u>26,151,498</u>	<u>2,354,901</u>	<u>28,506,399</u>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	1,015,721	23,294,050	24,309,771
Restricted			
Library	423,224	-	423,224
Police federal asset forfeiture	60,107	-	60,107
TID purposes	4,726,145	-	4,726,145
Pension	2,712,633	278,931	2,991,564
Special assessment and interest - capital projects	254,760	-	254,760
Equipment replacement reserve	-	1,537,935	1,537,935
Debt service reserve	15,792	453,623	469,415
Unrestricted (deficit)	(17,342,831)	2,306,217	(15,036,614)
Total net position (deficit)	<u>\$ (8,134,449)</u>	<u>\$ 27,870,756</u>	<u>\$ 19,736,307</u>

See notes to financial statements

**City of South Milwaukee**

Statement of Activities  
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ 2,546,823	\$ 1,150,618	\$ 2,549	\$ -	\$ (1,393,656)	\$ -	\$ (1,393,656)
Public safety	9,446,841	1,089,488	302,159	-	(8,055,194)	-	(8,055,194)
Public works	6,023,831	852,417	1,224,244	-	(3,947,170)	-	(3,947,170)
Conservation and development	651,327	-	-	-	(651,327)	-	(651,327)
Health and human services	1,104,941	19,903	1,010,483	-	(74,555)	-	(74,555)
Library	781,954	22,461	9,203	-	(750,290)	-	(750,290)
Parks and recreation	167,413	-	-	-	(167,413)	-	(167,413)
Other	644,920	-	-	-	(644,920)	-	(644,920)
Interest and fiscal charges	700,109	-	-	-	(700,109)	-	(700,109)
<b>Total governmental activities</b>	<b>22,068,159</b>	<b>3,134,887</b>	<b>2,548,638</b>	<b>-</b>	<b>(16,384,634)</b>	<b>-</b>	<b>(16,384,634)</b>
<b>Business-type Activities</b>							
Water	3,374,691	4,259,228	-	-	-	884,537	884,537
Sewer	2,260,543	3,698,459	-	8,496	-	1,446,412	1,446,412
Stormwater	508,044	965,076	-	-	-	457,032	457,032
Parkcrest housing authority	543,002	338,100	150,402	-	-	(54,500)	(54,500)
<b>Total business-type activities</b>	<b>6,686,280</b>	<b>9,260,863</b>	<b>150,402</b>	<b>8,496</b>	<b>-</b>	<b>2,733,481</b>	<b>2,733,481</b>
<b>Totals</b>	<b>\$ 28,754,439</b>	<b>\$ 12,395,750</b>	<b>\$ 2,699,040</b>	<b>\$ 8,496</b>	<b>(16,384,634)</b>	<b>2,733,481</b>	<b>(13,651,153)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property taxes, levied for general purposes					8,600,045	-	8,600,045
Property taxes, levied for debt service					2,101,074	-	2,101,074
Property taxes, levied for tax increment					1,782,813	-	1,782,813
Property taxes, levied for other purposes					889,366	-	889,366
Other taxes					16,965	-	16,965
Intergovernmental revenues not restricted to specific programs					3,456,303	-	3,456,303
Investment income					197,723	20,068	217,791
Miscellaneous					385,714	-	385,714
<b>Total general revenues</b>					<b>17,430,003</b>	<b>20,068</b>	<b>17,450,071</b>
Transfers					614,363	(614,363)	-
Change in net position					1,659,732	2,139,186	3,798,918
<b>Net Position (Deficit), Beginning</b>					<b>(9,794,181)</b>	<b>25,731,570</b>	<b>15,937,389</b>
<b>Net Position (Deficit), Ending</b>					<b>\$ (8,134,449)</b>	<b>\$ 27,870,756</b>	<b>\$ 19,736,307</b>

See notes to financial statements



**City of South Milwaukee**

Balance Sheet  
 Governmental Funds  
 December 31, 2020

	General	Debt Service	Special Revenue Fund Tax Incremental District Funds	Capital Projects Fund Public Works Projects	Nonmajor Governmental Funds	Totals
<b>Assets</b>						
Cash and investments	\$ 10,728,545	\$ 2,092,626	\$ 4,515,327	\$ 7,149,228	\$ 7,677,990	\$ 32,163,716
Receivables						
Taxes	3,098,139	1,301,473	697,912	-	930,359	6,027,883
Accounts	496,465	-	40,531	-	335,188	872,184
Special assessments	-	-	-	-	38,948	38,948
Delinquent personal property taxes	975	-	-	-	-	975
Interest	3,785	-	-	-	-	3,785
Due from other funds	108,700	-	-	278,335	272,476	659,511
<b>Total assets</b>	<b>\$ 14,436,609</b>	<b>\$ 3,394,099</b>	<b>\$ 5,253,770</b>	<b>\$ 7,427,563</b>	<b>\$ 9,254,961</b>	<b>\$ 39,767,002</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 276,796	\$ -	\$ -	\$ 174,125	\$ 475,163	\$ 926,084
Accrued liabilities	420,032	-	-	-	47,139	467,171
Deposits	20,699	-	-	-	54,141	74,840
Due to other funds	-	-	-	-	306,961	306,961
<b>Total liabilities</b>	<b>717,527</b>	<b>-</b>	<b>-</b>	<b>174,125</b>	<b>883,404</b>	<b>1,775,056</b>
<b>Deferred Inflows of Resources</b>						
Unearned revenue	7,352,269	3,206,302	1,719,374	-	1,597,203	13,875,148
Unavailable revenue	-	-	-	-	38,948	38,948
<b>Total deferred inflows of resources</b>	<b>7,352,269</b>	<b>3,206,302</b>	<b>1,719,374</b>	<b>-</b>	<b>1,636,151</b>	<b>13,914,096</b>
<b>Fund Balances</b>						
Nonspendable	514,383	-	-	-	-	514,383
Restricted	-	187,797	3,534,396	6,288,075	2,596,196	12,606,464
Committed	4,304,630	-	-	965,363	3,163,819	8,433,812
Assigned	1,547,800	-	-	-	975,391	2,523,191
<b>Total fund balances</b>	<b>6,366,813</b>	<b>187,797</b>	<b>3,534,396</b>	<b>7,253,438</b>	<b>6,735,406</b>	<b>24,077,850</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 14,436,609</b>	<b>\$ 3,394,099</b>	<b>\$ 5,253,770</b>	<b>\$ 7,427,563</b>	<b>\$ 9,254,961</b>	

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Note 2.	19,779,432
Some receivables that are not currently available are reported as unearned revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	38,948
The net pension asset does not relate to current financial resources and is not reported in the governmental funds	2,712,633
Deferred outflows of resources related to pension and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	9,307,654
Deferred inflows of resources related to pensions and OPEBs do not relate to current financial resources and are not reported in the governmental funds.	(12,276,350)
Internal service funds are reported in the statement of net position as governmental activities.	1,309,507
Other long-term assets are not available to pay for current period expenditures and are a deferred outflow.	26,269
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. Note 2.	(53,110,392)
<b>Net position of governmental activities</b>	<b>\$ (8,134,449)</b>

See notes to financial statements

**City of South Milwaukee**

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended December 31, 2020

	General	Debt Service	Special Revenue Fund Tax Incremental District Funds	Capital Projects Fund Public Works Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 8,336,562	\$ 2,101,074	\$ 1,839,554	\$ -	\$ 1,113,074	\$ 13,390,264
Intergovernmental	4,895,674	-	56,530	-	836,570	5,788,774
Regulation and compliance	637,343	-	-	-	-	637,343
Public charges for services	773,266	-	-	-	1,115,304	1,888,570
Public improvement revenues	-	-	-	-	14,806	14,806
Interdepartmental revenues	709,369	-	-	-	-	709,369
Investment income	161,367	-	-	6,370	29,984	197,721
Miscellaneous	185,190	-	-	-	303,579	488,769
<b>Total revenues</b>	<u>15,698,771</u>	<u>2,101,074</u>	<u>1,896,084</u>	<u>6,370</u>	<u>3,413,317</u>	<u>23,115,616</u>
<b>Expenditures</b>						
Current						
General government	2,360,660	-	-	-	2,572	2,363,232
Public safety	7,138,637	-	-	-	1,590,408	8,729,045
Public works	3,667,174	-	-	-	519,097	4,186,271
Health and human services	566,418	-	-	-	533,265	1,099,683
Library	-	-	-	-	671,629	671,629
Parks and recreation	167,413	-	-	-	-	167,413
Conservation and development	177,148	-	-	-	81,417	258,565
Other	644,920	-	-	-	-	644,920
Capital Outlay	203,824	-	-	2,415,307	1,774,019	4,393,150
Debt Service						
Principal retirement	-	2,075,000	-	-	-	2,075,000
Interest and fiscal charges	-	608,318	-	131,670	-	739,988
<b>Total expenditures</b>	<u>14,926,194</u>	<u>2,683,318</u>	<u>-</u>	<u>2,546,977</u>	<u>5,172,407</u>	<u>25,328,896</u>
Excess (deficiency) of revenues over expenditures	<u>772,577</u>	<u>(582,244)</u>	<u>1,896,084</u>	<u>(2,540,607)</u>	<u>(1,759,090)</u>	<u>(2,213,280)</u>
<b>Other Financing Sources (Uses)</b>						
Debt proceeds	-	-	-	6,930,000	-	6,930,000
Premium on debt issuance	-	-	-	261,442	-	261,442
Transfers in	647,256	582,244	-	-	2,836,957	4,066,457
Transfers out	(1,077,593)	-	(1,464,628)	-	(909,873)	(3,452,094)
<b>Total other financing sources (uses)</b>	<u>(430,337)</u>	<u>582,244</u>	<u>(1,464,628)</u>	<u>7,191,442</u>	<u>1,927,084</u>	<u>7,805,805</u>
Net change in fund balance	342,240	-	431,456	4,650,835	167,994	5,592,525
<b>Fund Balances, Beginning</b>	<u>6,024,573</u>	<u>187,797</u>	<u>3,102,940</u>	<u>2,602,603</u>	<u>6,567,412</u>	<u>18,485,325</u>
<b>Fund Balances, Ending</b>	<u>\$ 6,366,813</u>	<u>\$ 187,797</u>	<u>\$ 3,534,396</u>	<u>\$ 7,253,438</u>	<u>\$ 6,735,406</u>	<u>\$ 24,077,850</u>

See notes to financial statements

## City of South Milwaukee

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to The Statement of Activities Year Ended December 31, 2020

Net change in fund balances - total governmental funds \$ 5,592,525

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

Governmental funds report capital outlays as expenditures. However in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	4,393,150
Some items reported as capital outlay are not capitalized	(1,283,016)
Depreciation is reported in the government-wide statements	(1,551,030)
Net book value of assets retired	68,407

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(6,930,000)
Premium on debt issued	(261,442)
Principal repaid	2,075,000

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

(2,089)

Internal service funds are used by management to charge self insurance costs to individual funds. The increase in net position of the internal service fund reported with the governmental activities.

48,140

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	69,071
Amortization of loss on refunding	(8,758)
Amortization of premium	94,425
Net pension asset	5,660,727
Deferred outflows of resources related to pension and OPEB	(1,799,199)
Deferred inflows of resources related to pension and OPEB	(6,150,422)
Net and total OPEB liabilities	1,690,030
Accrued interest on debt	(45,787)

Change in net position \$ 1,659,732

**City of South Milwaukee**

Statement of Net Position  
 Proprietary Funds  
 December 31, 2020

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Internal Service Fund
<b>Assets</b>						
<b>Current Assets</b>						
Cash and investments	\$ 248,488	\$ 1,686,786	\$ 2,162,741	\$ 250,369	\$ 4,348,384	\$ 1,360,953
Taxes receivable	300,670	268,011	411,398	-	980,079	-
Accounts receivable	740,322	3,647	-	4,540	748,509	23,942
Due from other funds	30,180	479,842	-	-	510,022	-
Prepaid items and inventories	64,103	-	-	15,258	79,361	-
Accrued revenue	665,153	767,339	-	-	1,432,492	-
Restricted assets						
Cash and investments	160,207	339,808	-	-	500,015	-
Total current assets	2,209,123	3,545,433	2,574,139	270,167	8,598,862	1,384,895
<b>Noncurrent Assets</b>						
Restricted assets						
Cash and investments	786,612	1,537,935	-	-	2,324,547	-
Net pension asset	134,051	108,760	-	36,120	278,931	-
Capital assets						
Land	2,400	8,000	-	6,196	16,596	-
Intangible assets	110,000	-	-	-	110,000	-
Property and equipment	30,338,603	32,624,570	11,329,185	4,858,304	79,150,662	-
Construction work in progress	30,750	153,810	65,988	-	250,548	-
Less accumulated depreciation	(10,807,264)	(16,755,601)	(3,178,849)	(3,576,250)	(34,317,964)	-
Other Assets	-	-	-	4,889	4,889	-
Total noncurrent assets	20,595,152	17,677,474	8,216,324	1,329,259	47,818,209	-
Total assets	22,804,275	21,222,907	10,790,463	1,599,426	56,417,071	1,384,895
<b>Deferred Outflows of Resources</b>						
Deferred outflows related to pensions	310,863	268,284	-	85,429	664,576	-
Deferred outflows related to OPEB, health	207,774	131,669	-	-	339,443	-
Deferred outflows related to OPEB, life	36,571	16,173	-	-	52,744	-
Total deferred outflows of resources	555,208	416,126	-	85,429	1,056,763	-
<b>Liabilities</b>						
Accounts payable	14,063	120,191	-	11,443	145,697	-
Accrued liabilities	29,384	20,652	4,322	12,845	67,203	75,388
Accrued interest	33,640	-	18,186	-	51,826	-
Special deposits	-	-	-	18,485	18,485	-
Due to other funds	635,177	77,042	124,500	25,853	862,572	-
Current portion of general obligation debt	175,920	194,949	145,381	-	516,250	-
Current portion of compensated absences	-	16,309	-	-	16,309	-
Liabilities payable from restricted assets						
Current portion of revenue bonds	759,403	468,127	-	-	1,227,530	-
Accrued interest	6,786	39,606	-	-	46,392	-
Total current liabilities	1,654,373	936,876	292,389	68,626	2,952,264	75,388
Noncurrent liabilities						
Unearned revenue	27,005	-	-	-	27,005	-
Compensated absences	143,914	19,831	-	-	163,745	-
Total OPEB liability, health insurance	1,853,687	1,174,708	-	-	3,028,395	-
Net OPEB liability, life insurance	88,203	37,941	-	-	126,144	-
Long-term bonds and notes payable						
General obligation debt	837,634	1,514,877	2,287,673	-	4,640,184	-
Revenue bonds	9,133,165	7,177,275	-	-	16,310,440	-
Total noncurrent liabilities	12,083,608	9,924,632	2,287,673	-	24,295,913	-
Total liabilities	13,737,981	10,861,508	2,580,062	68,626	27,248,177	75,388
<b>Deferred Inflows of Resources</b>						
Deferred inflows related to pension	383,234	321,482	-	108,210	812,926	-
Deferred inflows related to OPEB, health	307,765	195,035	-	-	502,800	-
Deferred inflows related to OPEB, life	18,081	7,576	-	-	25,657	-
Unearned Revenue	-	-	1,013,518	-	1,013,518	-
Total deferred inflows of resources	709,080	524,093	1,013,518	108,210	2,354,901	-
<b>Net Position</b>						
Net investment in capital assets	9,554,979	6,667,551	5,783,270	1,288,250	23,294,050	-
Restricted						
Pension	134,051	108,760	-	36,120	278,931	-
Equipment replacement reserve	-	1,537,935	-	-	1,537,935	-
Debt service reserve	153,421	300,202	-	-	453,623	-
Unrestricted (deficit)	(930,029)	1,638,984	1,413,613	183,649	2,306,217	1,309,507
Total net position	\$ 8,912,422	\$ 10,253,432	\$ 7,196,883	\$ 1,508,019	\$ 27,870,756	\$ 1,309,507

See notes to financial statements

**City of South Milwaukee**

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Internal Service Fund
<b>Operating Revenues</b>						
Charges for services	\$ 4,145,627	\$ 3,646,609	\$ 965,076	\$ -	\$ 8,757,312	\$ 475,575
Other operating revenues	113,601	51,850	-	338,100	503,551	66,600
Total operating revenues	4,259,228	3,698,459	965,076	338,100	9,260,863	542,175
<b>Operating Expenses</b>						
Operation and maintenance	2,105,646	1,096,710	276,632	453,298	3,932,286	501,035
Depreciation	966,698	860,214	161,578	89,704	2,078,194	-
Taxes	47,595	44,877	-	-	92,472	-
Total operating expenses	3,119,939	2,001,801	438,210	543,002	6,102,952	501,035
Operating Income (Loss)	1,139,289	1,696,658	526,866	(204,902)	3,157,911	41,140
<b>Nonoperating Revenues (Expenses)</b>						
Gain (loss) of disposal of capital asset	-	-	(36,653)	-	(36,653)	-
Intergovernmental grants and aids	-	8,496	-	150,402	158,898	7,000
Investment income	8,057	8,240	2,771	1,000	20,068	-
Interest and amortization expense	(254,752)	(222,089)	(69,834)	-	(546,675)	-
Total nonoperating revenues (expenses)	(246,695)	(205,353)	(103,716)	151,402	(404,362)	7,000
Income (loss) before transfers	892,594	1,491,305	423,150	(53,500)	2,753,549	48,140
<b>Transfers Out, Tax Equivalent</b>	(576,138)	(12,372)	-	(25,853)	(614,363)	-
Change in net position	316,456	1,478,933	423,150	(79,353)	2,139,186	48,140
<b>Net Position, Beginning</b>	8,595,966	8,774,499	6,773,733	1,587,372	25,731,570	1,261,367
<b>Net Position, Ending</b>	\$ 8,912,422	\$ 10,253,432	\$ 7,196,883	\$ 1,508,019	\$ 27,870,756	\$ 1,309,507

See notes to financial statements

**City of South Milwaukee**

 Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority	Totals	Internal Service Fund
<b>Cash Flows From Operating Activities</b>						
Received from customers	\$ 3,219,009	\$ 3,506,421	\$ 984,356	\$ 339,857	\$ 8,049,643	\$ 545,062
Received (paid) from/(to) municipality	951,641	-	-	-	951,641	-
Paid to vendors for goods and services	(708,177)	(1,366,098)	(193,239)	(456,281)	(2,723,795)	(500,609)
Paid to employees for services	(630,336)	(524,555)	(117,462)	-	(1,272,353)	-
Net cash flows from operating activities	2,832,137	1,615,768	673,655	(116,424)	5,005,136	44,453
<b>Cash Flows From Noncapital Financing Activities</b>						
Intergovernmental grants and aids	-	-	-	150,402	150,402	7,000
Received (paid) from/(to) municipality	(576,138)	(12,372)	-	(25,853)	(614,363)	-
Net cash flows from noncapital financing activities	(576,138)	(12,372)	-	124,549	(463,961)	7,000
<b>Cash Flows From Capital and Related Financing Activities</b>						
Debt retired	(1,844,233)	(661,381)	(412,540)	-	(2,918,154)	-
Interest paid and fees	(265,951)	(221,160)	(64,169)	-	(551,280)	-
(Paid)/Received from municipality	-	(86,189)	-	-	(86,189)	-
Acquisition and construction of capital assets	(198,226)	(352,613)	(849,432)	(21,363)	(1,421,634)	-
Intergovernmental grants and aids	-	8,496	-	-	8,496	-
Premium on debt issued	(5,327)	22,625	35,245	-	52,543	-
Proceeds from debt issued	-	740,000	1,130,000	-	1,870,000	-
Net Cash Flows From Capital and Related Financing Activities	(2,313,737)	(550,222)	(160,896)	(21,363)	(3,046,218)	-
<b>Cash Flows From Investing Activities</b>						
Investment income	8,056	8,240	2,771	1,000	20,067	-
Net change in cash and cash equivalents	(49,682)	1,061,414	515,530	(12,238)	1,515,024	51,453
<b>Cash and Cash Equivalents, Beginning</b>	1,244,989	2,503,115	1,647,211	262,607	5,657,922	1,309,500
<b>Cash and Cash Equivalents, Ending</b>	\$ 1,195,307	\$ 3,564,529	\$ 2,162,741	\$ 250,369	\$ 7,172,946	\$ 1,360,953

See notes to financial statements

**City of South Milwaukee**

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities
	Water Utility	Sewer Utility	Stormwater Utility	Nonmajor Fund - Parkcrest Housing Authority		Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities</b>						
Operating income (loss)	\$ 1,139,289	\$ 1,696,658	\$ 526,866	\$ (204,902)	\$ 3,157,911	\$ 41,140
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	966,698	860,214	161,578	89,704	2,078,194	-
Depreciation charged to other utilities	33,241	(33,242)	-	-	(1)	-
Changes in assets, deferred outflows/inflows and liabilities						
Accounts receivable	(68,806)	(56,906)	-	1,757	(123,955)	2,887
Due from other funds	(60,326)	(143,695)	(29,162)	-	(233,183)	-
Inventories	(45,761)	-	-	(781)	(46,542)	-
Prepaid items	-	-	-	43	43	-
Accrued liabilities	20,588	(31,738)	-	-	(11,150)	-
Accounts payable	(36,536)	57,576	(35,270)	-	(14,230)	-
Due to other funds	165,491	-	-	(1,363)	164,128	-
Unearned revenues	5,402	-	-	-	5,402	-
OPEB / Pension related deferrals, assets and liabilities	712,857	(734,921)	48,442	2,375	28,753	-
Customer deposits	-	-	-	(910)	(910)	-
Other current liabilities	-	1,822	1,201	(2,347)	676	426
Net cash flows from operating activities	<u>\$ 2,832,137</u>	<u>\$ 1,615,768</u>	<u>\$ 673,655</u>	<u>\$ (116,424)</u>	<u>\$ 5,005,136</u>	<u>\$ 44,453</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds</b>						
Cash and investments, statement of net position	\$ 248,488	\$ 1,686,786	\$ 2,162,741	\$ 250,369	\$ 4,348,384	\$ 1,360,953
Restricted cash and investments, statement of net position	946,819	1,877,743	-	-	2,824,562	-
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,195,307</u>	<u>\$ 3,564,529</u>	<u>\$ 2,162,741</u>	<u>\$ 250,369</u>	<u>\$ 7,172,946</u>	<u>\$ 1,360,953</u>
<b>Noncash Capital and Related Financing Activities</b>						
Capital assets included in accounts payable	<u>\$ 153,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,836</u>	<u>\$ -</u>
Amortization	<u>\$ 5,327</u>	<u>\$ 5,293</u>	<u>\$ 7,385</u>	<u>\$ -</u>	<u>\$ 18,005</u>	<u>\$ -</u>

See notes to financial statements

# City of South Milwaukee

## Statement of Fiduciary Net Position

Fiduciary Fund

December 31, 2020

	<u>Custodial Fund</u>
	<u>Tax</u>
	<u>Collection</u>
	<u>Fund</u>
<b>Assets</b>	
Cash and investments	\$ 13,499,097
Taxes receivable	7,966,996
	<hr/>
Total assets	21,466,093
	<hr/>
<b>Liabilities</b>	
Due to other taxing units	\$ 21,466,093
Special deposits	-
	<hr/>
Total liabilities	21,466,093
	<hr/>
Net position	\$ -
	<hr/> <hr/>

See notes to financial statements



# City of South Milwaukee

## Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended December 31, 2020

	<u>Custodial Fund</u> <u>Tax</u> <u>Collection</u> <u>Fund</u>
<b>Additions</b>	
Tax collections	\$ 20,962,396
<b>Expenses</b>	
Payments to overlying districts	20,962,396
Change in fiduciary net position	-
<b>Net Position, Beginning</b>	-
<b>Net Position, Ending</b>	<u>\$ -</u>

See notes to financial statements

# City of South Milwaukee

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December 31, 2020

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# City of South Milwaukee

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Notes to Financial Statements  
December 31, 2020

## 1. Summary of Significant Accounting Policies

The accounting policies of the City of South Milwaukee (the "City"), Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

### Reporting Entity

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

### Government-Wide and Fund Financial Statements

#### Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Government-Wide Financial Statements (cont.)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

Financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

The City reports the following major governmental funds:

**General Fund**

General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

**Special Revenue Fund**

Special revenue fund - Tax Incremental Districts - used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the tax incremental districts.

**Debt Service Fund**

Debt service fund - used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than TID or enterprise debt.

**Capital Projects Fund**

Capital projects fund - Public Works Projects - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets..

**Enterprise Funds**

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system

Sewer Utility - accounts for operations of the sewer system

Stormwater Utility - accounts for operations of the stormwater system

The City reports the following nonmajor governmental and enterprise funds:

**Special Revenue Funds**

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library	Health Consortium
Recycling	General Government
Paramedic	Police
School Liaison Police Program	Health
City Sealer	Fire
Community Development Block Grant	Referendum Officer
Economic Development	

**Capital Projects Funds**

Capital Projects Funds - used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Equipment  
Special Assessment and Interest  
Tax Incremental District - #1, #2, #3, #4, and #5

**Enterprise Fund**

Enterprise Fund - accounts for operations of the housing authority.

Parkcrest Housing Authority

In addition, the City reports the following fund types:

**Internal Service Fund**

Internal Service Fund is used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Self Insurance Fund

**Custodial Fund**

Custodial Fund is used to account for assets held by the City in a trustee capacity as agent for individuals, private organizations and/or other governmental units.

Tax Collection Fund

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer, and stormwater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

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Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received prior to the entitlement period are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

## **Proprietary and Fiduciary Funds**

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The 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 water and sewer funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **All Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles 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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

### **Deposits and Investments**

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. 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, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.

## City of South Milwaukee

### Notes to Financial Statements

December 31, 2020

- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. City Funds maybe invested deposits in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the State of Wisconsin if the time deposits mature in not more than three years. Preference may be given, within reason, to South Milwaukee area financial institutions. Subject to an exception a maximum of \$650,000, the amount of State and FDIC insurance limits, may be invested in each such institution unless collateralized or approved by the Common Council.

City funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and bonds, or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the state of Wisconsin and placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.

City funds may be invested in the Wisconsin Local Government Investment Pool at the discretion of the City Treasurer. Investment limitations shall not apply. City funds may also be invested in interest bearing savings, demand deposit, and Money Market accounts.

In accordance with 1987 Wisconsin Act 399, City funds may be invested in securities if the security has a rating which is the highest or second highest rating category assigned by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. 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.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020, the fair value of the City 's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 4. for further information.



# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of fiduciary net position.

Property tax calendar - 2020 tax roll:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full, or	January 31, 2021
First installment due	January 31, 2021
Second installment due	April 30, 2021
Third installment due	July 31, 2021
Final settlement with County	August 15, 2021
Personal property taxes in full	January 31, 2021
Tax deed by County - 2020 delinquent real estate taxes	October 2023

Delinquent real estate taxes as of July 31 are paid in full by the County, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

The City provides water and sewer service to customers primarily within its municipal boundaries. Metered water sales to consumers are billed on a tri-annual basis for all classes of customers at rates approved by the Public Service Commission of Wisconsin. Sewer service charges to consumers are billed on a tri-annual basis at rates established by the City's Common Council. Billings for metered water and sewer service are recorded on the first day of each month, payable in 20 days. Unbilled revenues from the last metered billings to the end of the year are estimated and recorded as accrued utility revenue. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

## Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

**Capital Assets**

**Government-Wide Statements**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method at rates certified by the Public Service Commission. The range of estimated useful lives by type of asset is as follows:

Buildings	15-40	Years
Land Improvements	15-30	Years
Machinery and Equipment	2-25	Years
Utility System	18-90	Years
Infrastructure	15-40	Years
Intangible assets- easements	Indefinite	
Intangible assets - software	10	Years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

### **Deferred Outflows of Resources**

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

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

### **Compensated Absences**

Under terms of employment agreements, employees are granted sick pay benefits and vacations in varying amounts. Employee vacation allowances are not cumulative and must be used in the year after they are earned. Non-union employees receive six personal days and six sick days. These employees are paid for the unused time at year-end. Most other employees earn sick leave at the rate of one day per month, which may be accumulated. General City union employees hired before July 1, 2005 and police department employees and fire department employees hired before January 1, 1985, will receive a severance payment upon retirement or death at full pay for the first 50 days and at half pay for the remaining days. General City union employees hired after July 1, 2005 receive a severance payment upon retirement or death at full pay for 50 days. General City union employees hired after January 1, 2012 accrue ½ sick days per month and will receive a severance payment upon retirement or death of ½ of the unused sick pay not to exceed compensation of 400 hours at their current pay rate. Fire department employees hired after July 1, 2012 accrue 9 sick days per year or 18 hours per month and will receive a severance and payment upon retirement or death of ½ of 75 days. Estimated future payments of accumulated sick pay are included in the long-term obligations shown in the Government-Wide Statement of Net Position.

### **Long-Term Obligations**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as an other financing source and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

### **Deferred Inflows of Resources**

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

## **Equity Classifications**

### **Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

### **Fund Statements**

Governmental fund balances are displayed as follows:

- a. *Nonspendable* - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. *Restricted* - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City . This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. *Assigned* - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1)The City has adopted a financial policy authorizing the City Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. *Unassigned* - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Under Resolution in 2011 the Council formally established a stabilization fund beginning with the fiscal year 2011 budget. The stabilization fund contained as a committed balance within the General Fund and is included in each annual budget. The balance in the account at year end was \$3,944,630.

See Note 4. for further information.

### **Pension**

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

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

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

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the City OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### **Basis for Existing Rates**

#### **Water Utility**

Current water rates were approved by the Public Service Commission of Wisconsin effective April 4, 2019.

#### **Sewer Utility**

Current sewer rates were approved by the City's common council effective February 1, 2019.

#### **Stormwater Utility**

Current sewer rates were approved by the City's common council effective November 1, 2018.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## 2. Reconciliation of Government-Wide and Fund Financial Statements

### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	2,836,513
Construction in Progress		624,889
Buildings		8,041,590
Machinery and equipment		9,629,374
Library book collection		788,637
Infrastructure		21,465,350
Intangibles - easements		33,758
Intangibles - software		104,775
Less accumulated depreciation		<u>(23,745,454)</u>
Combined adjustment for capital assets	\$	<u>19,779,432</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

Bonds and notes payable	\$	26,482,000
Premium on debt issued		571,774
Accumulated sick pay benefits		1,018,052
Accrued interest payable		172,005
Net and Total OPEB liability		<u>24,866,561</u>
Combined adjustment for long-term liabilities	\$	<u>53,110,392</u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## 3. Stewardship, Compliance and Accountability

### Budgetary Information

A budget has been adopted for all funds except for the following Special Revenue Funds – Tax Incremental District, Community Development Block Grant Fund, Police Fund, Library Fund, and the following Capital Project Funds – Public Works Projects Fund, Capital Equipment Fund, TIF Increment District #1, TIF Increment District #2, TIF Increment District #3, TIF Increment District #4, and TIF Increment District #5. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

### Excess Expenditures and Other Financing Uses Over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue Funds:			
General Government Fund	\$ 6,250	\$ 21,204	\$ 14,954
Police Fund	2,500	17,889	15,389
Health Fund	132,064	343,573	211,509
Fire Fund	7,100	22,511	15,411

The City controls expenditures at the total fund level. Some individual funds experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

### Limitations on the City's Tax Levy

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## 4. Detailed Notes on All Funds

### Deposits and Investments

The City's deposits and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Demand Deposits	\$ 9,147,033	\$ 9,436,267	Custodial Credit
Certificates of deposit - non-negotiable	303,833	303,935	Custodial Credit, Credit, Concentration Credit, Interest Rate, Investment Highly Sensitive to Interest Rate Changes
Certificates of deposit - negotiable	1,014,905	1,014,905	Custodial Credit, Credit, Concentration Credit, Interest Rate, Investment Highly Sensitive to Interest Rate Changes
LGIP	43,710,480	43,710,480	Credit
Petty cash	<u>20,461</u>	<u>-</u>	N/A
Total deposits and investments	<u>\$ 54,196,712</u>	<u>\$ 54,465,587</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 37,873,053		
Restricted cash and investments	2,824,562		
Per statement of fiduciary net position, custodial fund	<u>13,499,097</u>		
Total deposits and investments	<u>\$ 54,196,712</u>		

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

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the City's investments are covered by SIPC.



# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Market Value	December 31, 2020			
	Investment Type	Level 1	Level 2	Level 3
Certificates of deposits - negotiable	\$ -	\$ 1,014,905	\$ -	\$ 1,014,905

## Custodial Credit Risk

### Deposits

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

As of December 31, 2020, none of the City's bank balances were exposed to custodial credit risk. The City has collateral at local banks in the amount of \$8,193,672.

### Investments

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

#### Certificates of Deposit - negotiable

Neither insured nor registered and held by counterparty	\$ <u>1,014,905</u>
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The City has adopted an investment policy pertaining to custodial credit risk for deposits and investments. See Note 1 for further information.

## Credit Risk

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

As of December 31, 2020, the City's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Certificates of Deposit - Negotiable	n/a	n/a

The City also had investments in the Local Government Investment Pool which is not rated.

The City has not adopted an investment policy pertaining to credit risk.

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2020, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Net Position</u>
Wells Fargo	Certificates of Deposits - negotiable	20.18 %
Goldman Sachs	Certificates of Deposits - negotiable	19.94
BMO	Certificates of Deposits - negotiable	10.03
Morgan Stanley	Certificates of Deposits - negotiable	10.04
Comenity Bank	Certificates of Deposits - negotiable	9.97
Synchrony Bank	Certificates of Deposits - negotiable	9.97
CITI	Certificates of Deposits - negotiable	9.96
Ally Bank	Certificates of Deposits - negotiable	9.94

### Interest Rate Risk

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

As of December 31, 2020, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit - negotiable	<u>\$ 1,014,905</u>	1.13

### Investments Highly Sensitive to Interest Rate Changes

At December 31, 2020, the City held \$1,014,905 in Certificates of Deposits - negotiable. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is three years maturing in 2022.

See Note 1. for further information on deposit and investment policies.

### Receivables

Receivables as of year-end for the government's individual major funds, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are detailed on the governmental funds balance sheet, proprietary funds statement of net position and fiduciary funds statement of net position. All amounts are expected to be collected within one year except for \$975 of delinquent personal property taxes reported in the general fund, \$22,788 of water tower lease payments in the general fund, and \$38,948 of special assessments reported in the capital projects fund.

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable	\$ 13,875,148	\$ -
Special assessments not yet due	<u>-</u>	<u>38,948</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 13,875,148</u>	<u>\$ 38,948</u>
Unearned property taxes receivable for enterprise funds	<u>\$ 1,013,518</u>	<u>\$ -</u>

### Restricted Assets

The following represent the balances of the restricted assets:

#### Debt Service

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

*Redemption* - Used to segregate resources accumulated for debt service payments over the next twelve months.

*Reserve* - Used to report resources set aside to make up potential future deficiencies in the redemption account.

*Construction* - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

#### Equipment Replacement Account

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

#### Net Pension Asset

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

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

Following is a list of restricted assets at December 31, 2020:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets</u>	<u>Restricted Net Position</u>
Debt service reserve	\$ 339,808	\$ 39,606	\$ 300,202
Equipment replacement account	1,537,935	-	1,537,935
Construction account	786,612	-	n/a
Pension	2,991,564	-	2,991,564
Redemption account	<u>160,207</u>	<u>6,786</u>	<u>153,421</u>
Total	<u>\$ 5,816,126</u>	<u>\$ 46,392</u>	<u>\$ 4,983,122</u>

## Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,836,513	\$ -	\$ -	\$ 2,836,513
Intangible assets	33,758	-	-	33,758
Construction in progress	<u>260,005</u>	<u>624,889</u>	<u>260,005</u>	<u>624,889</u>
Total capital assets not being depreciated / amortized	<u>3,130,276</u>	<u>624,889</u>	<u>260,005</u>	<u>3,495,160</u>
Capital assets being depreciated/amortized:				
Buildings	7,501,590	540,000	-	8,041,590
Machinery and equipment	9,193,496	435,878	-	9,629,374
Library book collection	807,731	64,488	83,582	788,637
Roads	18,187,962	950,263	690,879	18,447,346
Bridges	229,534	-	-	229,534
Sidewalks	2,153,571	754,621	119,722	2,788,470
Intangible assets	<u>104,775</u>	<u>-</u>	<u>-</u>	<u>104,775</u>
Total capital assets being depreciated / amortized	<u>38,178,659</u>	<u>2,745,250</u>	<u>894,183</u>	<u>40,029,726</u>
Total capital assets	<u>41,308,935</u>	<u>3,370,139</u>	<u>1,154,188</u>	<u>43,524,886</u>
Less accumulated depreciation/amortization for:				
Buildings	(4,736,102)	(165,937)	-	(4,902,039)
Machinery and equipment	(6,291,404)	(606,375)	-	(6,897,779)
Library book collection	(447,120)	(78,863)	83,582	(442,401)
Roads	(11,043,359)	(628,275)	841,885	(10,829,749)
Bridges	(37,266)	(4,591)	-	(41,857)
Sidewalks	(575,568)	(56,512)	37,123	(594,957)
Intangible assets	<u>(26,195)</u>	<u>(10,477)</u>	<u>-</u>	<u>(36,672)</u>
Total accumulated depreciation / amortization	<u>(23,157,014)</u>	<u>(1,551,030)</u>	<u>962,590</u>	<u>(23,745,454)</u>
Net capital assets being depreciated/amortized	<u>15,021,645</u>	<u>1,194,220</u>	<u>(68,407)</u>	<u>16,284,272</u>
Total governmental activities capital assets, net of accumulated depreciation/amortization	<u>\$ 18,151,921</u>	<u>\$ 1,819,109</u>	<u>\$ 191,598</u>	<u>\$ 19,779,432</u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

Depreciation expense was charged to functions as follows:

## Governmental Activities

General government	\$ 153,203
Public safety	281,561
Public works	1,024,048
Library	<u>92,218</u>

Total governmental activities depreciation / amortization expense	<u><u>\$ 1,551,030</u></u>
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 16,596	\$ -	\$ -	\$ 16,596
Construction in progress	40,100	250,548	40,100	250,548
Intangible asset	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Total capital assets not being depreciated / amortized	<u>166,696</u>	<u>250,548</u>	<u>40,100</u>	<u>377,144</u>
Capital assets being depreciated:				
Structures and improvements	13,195,299	168,366	16,108	13,347,557
Machinery & equipment	53,908	10,253	-	64,161
Water distribution system	12,835,894	-	-	12,835,894
Sewer collection system	16,380,082	3,700	2,295	16,381,487
Sewer machinery & equipment	7,664,109	40,077	14,513	7,689,673
Water machinery & equipment	17,230,455	323,103	50,852	17,502,706
Stormwater equipment	135,448	-	-	135,448
Stormwater system	<u>10,477,654</u>	<u>823,543</u>	<u>107,461</u>	<u>11,193,736</u>
Total capital assets being depreciated	<u>77,972,849</u>	<u>1,369,042</u>	<u>191,229</u>	<u>79,150,662</u>
Total capital assets	<u>78,139,545</u>	<u>1,619,590</u>	<u>231,329</u>	<u>79,527,806</u>
Less accumulated depreciation for:				
Structures and improvements	(6,475,856)	(196,162)	16,108	(6,655,910)
Machinery & equipment	(46,860)	(1,121)	-	(47,981)
Water distribution system	(4,207,196)	(517,798)	-	(4,724,994)
Sewer collection system	(6,134,965)	(505,732)	2,295	(6,638,402)
Sewer machinery & equipment	(6,806,215)	(213,662)	14,513	(7,005,364)
Water machinery & equipment	(5,634,595)	(482,140)	50,272	(6,066,463)
Stormwater equipment	(27,580)	(12,076)	-	(39,656)
Stormwater system	<u>(3,060,498)</u>	<u>(149,503)</u>	<u>70,807</u>	<u>(3,139,194)</u>
Total accumulated depreciation	<u>(32,393,765)</u>	<u>(2,078,194)</u>	<u>153,995</u>	<u>(34,317,964)</u>
Net capital assets being depreciated	<u>45,579,084</u>	<u>(709,152)</u>	<u>37,234</u>	<u>44,832,698</u>
Business-type capital assets, net of accumulated depreciation	<u><u>\$ 45,745,780</u></u>	<u><u>\$ (458,604)</u></u>	<u><u>\$ 77,334</u></u>	<u><u>\$ 45,209,842</u></u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

Depreciation expense was charged to functions as follows:

### Business-Type Activities

Water	\$ 966,698
Sewer	860,214
Stormwater	161,578
Parkcrest Housing Authority	<u>89,704</u>
Total business-type activities depreciation expense	<u>\$ 2,078,194</u>

### Interfund Receivables/Payables and Transfers

#### Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special revenue - Community Development Block Grant	\$ 1,592
General Fund	Water Utility	1,500
General Fund	Sewer utility	46,862
General Fund	Parkcrest Housing Fund	25,853
General Fund	Capital Projects Fund - Tax Increment District #4	32,893
Special Revenue - Economic Development Fund	Capital Projects Fund - Tax Increment District #1	3,949
Special Revenue - Economic Development Fund	Capital Projects Fund - Tax Increment District #2	35
Special Revenue - Economic Development Fund	Capital Projects Fund - Tax Increment District #3	333
Special Revenue - Economic Development Fund	Capital Projects Fund - Tax Increment District #4	244,789
Special Revenue - Economic Development Fund	Capital Projects Fund - Tax Increment District #5	23,370
Capital Project Fund - Public Works Projects	Water Utility	153,835
Capital Project Fund - Public Works Projects	Stormwater Utility	<u>124,500</u>
Total - Fund Financial Statements		659,511
Sewer Utility	Water Utility	479,842
Water Utility	Sewer Utility	<u>30,180</u>
Total, fund financial statements		1,169,533
Less fund eliminations		<u>(816,983)</u>
Total internal balances, government-wide statement of net position		<u>\$ 352,550</u>

All amounts are due within one year, except for the amounts due from the TIF Capital Projects.

# City of South Milwaukee

## Notes to Financial Statements

December 31, 2020

The principal reason for the above interfund amounts relates to time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

### Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Parkcrest Housing Authority	\$ 25,853
	Capital Project Fund - Tax Incremental District #4	32,893
	Water Utility	12,372
	Sewer Utility	576,138
Special Revenue		
Library Fund	General Fund	762,372
School Liaison Police		
Program Fund	General Fund	155,821
Health Consortium Fund	General Fund	17,400
Economic Development Fund	Capital Project Fund - Tax Incremental District #4	243,523
Debt Service Fund	Special Revenue Fund - Tax Incremental District	582,244
Capital Project Fund		
	Special Revenue Fund - Tax Incremental District	
Tax Incremental District #2	#2	636,267
Tax Incremental District #4	Special Revenue Fund - Tax Incremental District	246,117
Tax Incremental District #5	Capital Project Fund - Tax Incremental District #2	633,457
Total - Fund Financial Statements		3,924,457
Less fund eliminations		(3,310,094)
Total transfers, government-wide statement of activities		<u>\$ 614,363</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and notes payable:					
General obligation debt	\$ 21,627,000	\$ 6,930,000	\$ 2,075,000	\$ 26,482,000	\$ 2,608,750
Premium on debt issued	<u>404,757</u>	<u>261,442</u>	<u>94,425</u>	<u>571,774</u>	<u>-</u>
Subtotal	<u>22,031,757</u>	<u>7,191,442</u>	<u>2,169,425</u>	<u>27,053,774</u>	<u>2,608,750</u>
Other liabilities:					
Net Pension Liability	2,948,094	-	2,948,094	-	-
Accumulated sick pay benefits	1,087,123	601,258	670,329	1,018,052	73,246
Net OPEB liability - LR LIF	441,525	304,844	-	746,369	-
Total OPEB liability - Health insurance	<u>26,115,066</u>	<u>1,673,732</u>	<u>3,668,606</u>	<u>24,120,192</u>	<u>-</u>
Total other liabilities	<u>30,591,808</u>	<u>2,579,834</u>	<u>7,287,029</u>	<u>25,884,613</u>	<u>73,246</u>
Total governmental activities long-term liabilities	<u>\$ 52,623,565</u>	<u>\$ 9,771,276</u>	<u>\$ 9,456,454</u>	<u>\$ 52,938,387</u>	<u>\$ 2,681,996</u>
<b>Business-Type Activities</b>					
Bonds and notes payable:					
General obligation bonds and notes	\$ 4,673,000	\$ 1,870,000	\$ 1,525,000	\$ 5,018,000	\$ 516,250
General obligation notes from direct borrowings and direct placements	18,931,122	-	1,393,152	17,537,970	1,227,530
Premium on debt issued	<u>85,891</u>	<u>70,548</u>	<u>18,005</u>	<u>138,434</u>	<u>-</u>
Subtotal	<u>23,690,013</u>	<u>1,940,548</u>	<u>2,936,157</u>	<u>22,694,404</u>	<u>1,743,780</u>
Other liabilities:					
Net pension liability	328,606	-	328,606	-	-
Accumulated sick pay benefits	201,565	10,227	31,738	180,054	16,309
Net OPEB liability - LR LIF	96,274	29,870	-	126,144	-
Total OPEB liability - Health insurance	<u>3,340,231</u>	<u>566,490</u>	<u>878,326</u>	<u>3,028,395</u>	<u>-</u>
Total other liabilities	<u>3,966,676</u>	<u>606,587</u>	<u>1,238,670</u>	<u>3,334,593</u>	<u>16,309</u>
Total business-type activities long-term liabilities	<u>\$ 27,656,689</u>	<u>\$ 2,547,135</u>	<u>\$ 4,174,827</u>	<u>\$ 26,028,997</u>	<u>\$ 1,760,089</u>

## General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. 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.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2020, was \$67,532,100. Total general obligation debt outstanding at year end was \$31,500,000.



# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

<b>Governmental Activities</b>					<b>Balance</b>
<b>General Obligation Debt</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>December 31, 2020</b>
GO Refunding Bond	5/01/12	10/01/24	3.00-3.38%	\$ 1,500,000	\$ 1,500,000
GO Bond	05/05/14	12/01/23	2.00-3.00	7,150,000	4,300,000
GO Refunding Bond	08/11/15	06/01/22	2.00-3.25	1,640,000	450,000
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	5,477,000	5,477,000
GO Refunding Bond	08/01/18	10/01/26	2.35-4.00	2,760,000	206,865
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	6,115,000	7,618,135
GO Promissory Note	5/6/2020	10/01/30	1.750-3	6,930,000	6,930,000

Total governmental activities, general obligation debt \$ 26,482,000

<b>Business-Type Activities</b>					<b>Balance</b>
<b>General Obligation Debt</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>December 31, 2020</b>
<b>Water Utility</b>					
GO Promissory Note	03/15/16	10/01/25	2.00-4.00%	\$ 1,538,000	\$ 988,250
<b>Sewer Utility</b>					
GO Promissory Note	03/15/16	10/01/25	2.00-4.00	460,000	423,938
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	500,000
GO Promissory Note	5/6/2020	10/01/30	1.750-3	740,000	740,000
Total Sewer Utility					<u>1,663,938</u>

<b>Stormwater Utility</b>					
GO Promissory Note	3/15/16	10/01/25	2.00-4.00	500,000	460,812
GO Promissory Note	04/03/18	10/01/28	2.00-3.07	775,000	775,000
GO Promissory Note	5/6/2020	10/01/30	1.750-3	1,130,000	1,130,000
Total Stormwater Utility					<u>2,365,812</u>

Total business-type activities, general obligation debt \$ 5,018,000

Debt service requirements to maturity are as follows:

<b>Years</b>	<b>Governmental Activities General Obligation Debt</b>		<b>Business-Type Activities General Obligation Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 2,608,750	\$ 776,622	\$ 516,250	\$ 147,426
2022	2,903,750	636,233	656,250	110,336
2023	2,926,515	548,164	673,485	88,704
2024	3,587,150	445,107	687,850	68,444
2025	5,182,085	345,270	1,017,915	52,030
2026-2030	<u>9,273,750</u>	<u>424,039</u>	<u>1,466,250</u>	<u>68,611</u>
Total	<u>\$ 26,482,000</u>	<u>\$ 3,175,435</u>	<u>\$ 5,018,000</u>	<u>\$ 535,551</u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Revenue Debt

Business-type activities revenue bonds are payable from revenues derived from the operation of the sewer utility and water utility.

The City has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in \$25.6 million in revenue bonds issued in 2001, two revenue bonds issued in 2008, and one issued in 2013, 2018 and 2019. Proceeds from the bonds provided financing for the City's Water and Sewer Systems. The bonds are payable solely from revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require 40.00 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,537,970. Principal and interest paid for the current year and total customer net revenues were \$1,788,087 and \$4,543,734, respectively.

Revenue debt payable at December 31, 2020, consists of the following:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2020</u>
<b>Sewer System Revenue Bonds - Direct</b>					
	06/11/0	05/01/28	2.37 %	\$ 1,431,165	\$ 654,418
	06/26/13	05/01/33	2.63	5,412,363	3,844,486
	08/28/19	05/01/39	1.76	3,284,958	<u>3,146,498</u>
				Total Sewer	<u>7,645,402</u>
<b>Water System Revenue Bonds - Direct</b>					
	04/23/08	05/01/27	2.37%	\$ 7,743,344	\$ 3,404,122
	06/27/18	05/01/38	1.87	6,789,348	<u>6,488,446</u>
				Total Water	<u>9,892,568</u>
					<u>\$ 17,537,970</u>

Total business-type activities, revenue debt \$ 17,537,970

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-Type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,227,530	\$ 359,956
2022	1,254,847	332,330
2023	1,282,783	304,077
2024	1,311,353	275,182
2025	1,340,573	245,630
2026-2030	5,343,007	822,663
2031-2035	3,789,110	351,468
2036-2039	<u>1,988,767</u>	<u>61,734</u>
Total	<u>\$ 17,537,970</u>	<u>\$ 2,753,040</u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

The City's outstanding revenue bonds from direct borrowings and/or direct placements related to business type-activities of \$17,537,970 contain provisions that in an event of default, outstanding amounts are recoverable by the State by deducting those amounts from any State payments due the City, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the City is located, or to collect user fees from the operations of the City's water and sewer system.

## Other Debt Information

Estimated payments of of vested compensated absences, total OPEB and net OPEB are not included in the debt service requirement schedules. The vested compensated absences, net pension, total OPEB and net OPEB are not included in the debt service requirement schedules. The vested compensated absences, total OPEB and net OPEB attributable to governmental activities will be liquidated primarily by the general fund.

## Revenue Bond Compliance

The City of South Milwaukee authorized the issuance of \$3,002,550 of Sewer System Mortgage Revenue Bonds dated January 24, 2001, \$1,431,165 of Sewer System Revenue Bonds dated June 11, 2008, \$7,743,344 of Safe Drinking Water Revenue Bonds dated March 23, 2008 and amended April 28, 2010, \$5,412,363 of Clean Water Revenue Bonds dated June 26, 2013, \$6,789,348 of Clean Water Revenue Bonds dated June 27, 2018, and \$3,284,958 of Clean Water Revenue Bonds dated August 28, 2019. In accordance with the City's resolution authorizing the issuance and sale of the Revenue Bonds, separate funds were established to account for the Sewer Enterprise Fund and Water Enterprise Fund. As of December 31, 2020, both the sewer enterprise fund and water enterprise fund were in compliance with revenue bond compliance.

## Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2020, includes the following:

### Governmental Activities

Net investment in capital assets:	
Land	\$ 2,836,513
Construction in progress	624,889
Intangible assets	33,758
Other capital assets, net of accumulated depreciation	16,284,272
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(18,763,711)</u>
Total net investment in capital assets	<u>1,015,721</u>
Restricted:	
Debt service	15,792
Library	423,224
Police fund	60,107
TID purpose	4,726,145
Pension	2,712,633
Special assessment and interest - capital projects	<u>254,760</u>
Total restricted	<u>8,192,661</u>
Unrestricted (deficit)	<u>(17,342,831)</u>
Total governmental activities net position	<u>\$ (8,134,449)</u>

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2020, include the following:

### Nonspendable

#### Major Funds:

##### General Fund:

Noncurrent receivables	\$ 73,544
Insurance Contingencies	439,864
Delinquent personal property taxes	<u>975</u>

Total \$ 514,383

### Restricted

#### Major Funds:

Debt Service	\$ 187,797
Special Revenue Funds:	
Tax Incremental District Funds	3,534,396
Capital Project Fund:	
Public Works Projects	6,288,075

#### Nonmajor Funds:

##### Special Revenue Fund:

Library	423,224
Police fund	60,107
Community Development Block Grant	465

##### Capital Project Funds

Equipment	665,891
Special Assessments and Interest	254,760
TID No. 1	515,946
TID No. 3	592,930
TID No. 4	5,449
TID No. 5	<u>77,424</u>

Total \$ 12,606,464

### Committed

#### Major Funds

##### General Fund

Stabilization Arrangement	\$ <u>4,304,630</u>
Capital Projects fund	
Public works projects	<u>965,363</u>

#### Nonmajor Funds

##### Special Revenue Funds

Recycling program	528,361
Paramedic program	1,733,397
School liaison program	66,428
Health Consortium	22,829
City Sealer	938
General government fund	164,370
Health Fund	342,702
Fire Fund	29,706
Referendum Officer	<u>275,088</u>

Total \$ 8,433,812

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Assigned

### Major Funds:

#### General Fund:

Equipment acquisitions	\$ 602,433
Insurance reserve	387,500
OPEB	300,000
Projected retirements	<u>257,867</u>
	<u>1,547,800</u>

### Nonmajor Funds

Special Renveue Fund - Economic Development	<u>975,391</u>
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Total	<u>\$ 2,523,191</u>
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## Reserve Account

The rate structure for the Sewer Utility provides revenues to be generated for equipment replacement, depreciation and a rate of return on the net investment rate base. Revenues from these sources are then transferred into the Equipment Replacement Reserve and Clean Water Fund Debt Service Reserve. The Equipment Replacement Reserve is funds from which future replacements of equipment will be paid. Revenues generated from depreciation and the rate of return are transferred into the Clean Water Fund Debt Service Reserve. These Funds will be used to provide for system expansion and replacement not provided for in the Equipment Replacement Reserve and for payment of principal and interest due on long-term debt.

## 5. Other Information

### Employees' Retirement System

#### Plan Description

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

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

#### Vesting

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

**Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. 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 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)%	22.0%
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)

**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 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 \$967,054 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2020 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (Executives & Elected Officials)	6.55 %	6.55 %
Protective with Social Security	6.55 %	10.55 %
Protective without Social Security	6.55 %	14.95 %

**Pension Liability (asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2020, the City reported an liability (asset) of \$(2,991,564) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (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 liability (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 0.09277698 percent, which was an increase of 0.00006750 percent from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized pension expense of \$1,046,704.

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,678,652	\$ 2,841,785
Changes in assumptions	233,120	-
Net differences between projected and actual earnings on pension plan investments	-	6,115,799
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,047	8,688
Employer contributions subsequent to the measurement date	<u>1,051,134</u>	<u>-</u>
Total	<u>\$ 6,965,953</u>	<u>\$ 8,966,272</u>

\$1,051,134 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2021	\$ (904,756)
2022	(676,447)
2023	103,322
2024	(1,573,572)



**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 percent 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.

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

### 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75 percent  
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 percent was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.75 percent. (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 percent expected rate of return implies that a dividend of approximately 1.9 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
City’s proportionate share of the net pension liability (asset)	\$ <u>7,703,784</u>	\$ <u>(2,991,564)</u>	\$ <u>(10,987,548)</u>

**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>.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**Public Entity Risk Pool**

**Wisconsin Municipal Insurance Commission (WMIC)  
Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

The City pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2020. A total liability of approximately \$75,388 at December 31, 2020, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	<u>Beginning Balance</u>	<u>Incurred Claims</u>	<u>Claims Paid/ Settled</u>	<u>Ending Balance</u>
2019	\$ 73,385	\$ 462,673	\$ 462,673	\$ 73,385
2020	73,385	477,578	475,575	75,388

## Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability band expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

## Other Postemployment Benefits

### General Information about the OPEB Plan

#### Plan Description

The City's defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the City. RBP is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### Benefits Provided

Benefits provisions are established through collective bargaining agreements and state that eligible retirees receive healthcare insurance at established contributions rates. The Retiree Health Plan does not issue a publicly available financial report.

#### Employees covered by benefit terms

At December 31, 2020, the following employees were covered by the benefit terms:

Active plan members	148
Inactive plan members or beneficiaries receiving benefit payments	<u>36</u>
Active plan members	<u><u>184</u></u>

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

The City's total OPEB liability of \$27,148,587 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.00 percent
Salary increases	3.00 percent, average, including inflation
Healthcare cost trend rates	9.4 percent for 2019, decreasing .6 percent per year to an ultimate rate 4.0 percent for 2028 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2020 valuation were based on mortality, withdrawal, diablement and retirement, changes in compensation and government provided OPEB benefits, rates of investment earnings and asset appreciation and depreciation.

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balances at January 1, 2020	<u>\$ 29,455,297</u>
Changes for the year:	
Service cost	985,082
Interest	837,382
Differences between expected and actual experience	(2,938,405)
Benefit payments	<u>(1,190,769)</u>
Net changes	<u>(2,306,710)</u>
Balances at December 31, 2020	<u><u>\$ 27,148,587</u></u>

There were no changes of benefit terms for the January 1, 2020 actuarial valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.75 percent in 2019 to 2.84 percent in 2020.

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.8 percent) or 1-percentage-point higher (3.8 percent) than the current discount rate:

	<u>1% Decrease (1.84%)</u>	<u>Discount Rate (2.84%)</u>	<u>1% Increase (3.84%)</u>
Net OPEB liability	\$ 30,392,539	\$ 27,148,587	\$ 24,436,198

## Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower ( 9.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (11.0 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

	<u>1% Decrease (9.0% Decreasing to 3.0%)</u>	<u>Healthcare Cost Trend Rates (10.0% Decreasing to 4.0%)</u>	<u>1% Increase (11.0% Decreasing to 5.0%)</u>
Net OPEB liability	\$ 24,248,875	\$ 27,148,587	\$ 30,560,858

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

For the year ended December 31, 2020, the City recognized negative OPEB expense of \$1,626,809. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,398,889
Changes of assumptions or other inputs	3,043,003	1,108,556
Total	<u>\$ 3,043,003</u>	<u>\$ 4,507,445</u>

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

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2021	\$ (195,383)
2022	(195,383)
2023	(195,383)
2024	(195,383)
2025	(195,383)
Thereafter	(487,527)

**Local Retiree Life Insurance Fund (LRLIF)**

**Plan Description**

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

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

Contribution rates for the plan year reported 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

## City of South Milwaukee

Notes to Financial Statements

December 31, 2020

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

### Life Insurance Member Contribution Rates For the Plan Year

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

During the reporting period, the LRLIF recognized \$3,704 in contributions from the employer.

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

At December 31, 2020, the City reported a liability of \$872,513 for its proportionate share of the net OPEB liability. The net 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 January 1, 2019 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 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, 2019, the City's proportion was 0.20490200 percent, which was an decrease of 0.00352000 percent from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized OPEB expense of \$62,388.



# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 39,087
Net differences between projected and actual earnings on OPEB plan investments	16,459	-
Changes in assumptions	321,332	95,970
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,087	8,959
Employer contributions subsequent to the measurement date	<u>7,583</u>	<u>-</u>
Total	<u>\$ 355,461</u>	<u>\$ 144,016</u>

\$7,583 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2021	\$ 35,410
2022	35,410
2023	33,635
2024	31,807
2025	25,684
Thereafter	41,916

# City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

## 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	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.

### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2019

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
US Credit Bonds	Barclays Credit	45 %	2.12 %
US Long Credit Bonds	Barclays Long Credit	5	2.90
US Mortgages	Barclays MBS	50	1.53
Inflation			2.20
Long-Term Expected Rate of Return			4.25 %

## City of South Milwaukee

Notes to Financial Statements  
December 31, 2020

The long-term expected rate of return decreased slightly from 5.00 percent in the prior year to 4.25 percent 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 percent in the prior year to 2.20 percent 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 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22 percent 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 percent as of December 31, 2018 to 2.74 percent 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 employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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 to Discount Rate (1.87%)</b>	<b>Current Discount Rate (2.87%)</b>	<b>1% Increase to Discount Rate (3.87%)</b>
City's proportionate share of the net OPEB liability	<u>\$ 1,204,794</u>	<u>\$ 872,513</u>	<u>\$ 619,711</u>

### Subsequent Events

On April 01, 2021 the City issued general obligation promissory notes in the amount of \$5,440,000 with an interest rate of 1.1 percent. This amount will be used for various capital improvement projects.

## City of South Milwaukee

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Notes to Financial Statements  
December 31, 2020

The federal government passed the American Rescue Plan Act on March 11, 2021 to respond to the COVID-19 public health emergency and its negative economic impacts. Amounts were appropriated for fiscal year 2021 to units of local government to mitigate the fiscal effects stemming from the public health emergency. The City's estimate award is \$2,166,220, which will be used to combat the negative effects of the public health emergency in the local economy. The City will receive 50% of the funds in June 2021, with the remaining expected a year later. The funds are to cover costs incurred by December 31, 2024.

### **Tax Incremental Financing District (TID)**

The City has five Tax Incremental Financing Districts currently active. Tax increment financing, as authorized by the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in TID designated areas. These costs are recovered from property taxes generated on taxable value over a base valuation determined at the start of the project. The City has financed development and public improvement costs in certain designated areas through the issuance of bond anticipation notes, general obligation promissory notes and a line of credit. Project costs will be reported as Capital Projects Fund expenditures. Tax increments are reported as revenue of the Special Revenue Fund. Resources are transferred to the Debt Service Fund to the extent required for maturing debt obligations, which were incurred to provide financing for development and public improvement costs within the TID. Recovery of project costs through tax increments is limited by State law to a period of twenty-seven years.

### **Effect of New Accounting Standards on Current-Period Financial Statements**

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 87, *Leases*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

When they become effective, application of these standards may restate portions of these financial statements.

**City of South Milwaukee**

## Schedule of Revenues, Expenditures and Changers in Fund Balances -

Budget and Actual (Non-GAAP)

General Fund

Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
<b>Revenues</b>			
Taxes	\$ 8,341,597	\$ 8,336,562	\$ (5,035)
Intergovernmental	4,516,271	4,895,674	379,403
Licenses and permits	333,300	364,541	31,241
Fines, forfeitures and penalties	290,000	272,802	(17,198)
Public charges for services	847,500	773,266	(74,234)
Interdepartmental revenues	496,855	529,319	32,464
Investment income	175,000	161,367	(13,633)
Miscellaneous	170,436	185,190	14,754
	<u>15,170,959</u>	<u>15,518,721</u>	<u>347,762</u>
<b>Expenditures</b>			
Current			
General government	2,241,304	2,315,667	(74,363)
Public safety	7,171,111	7,092,263	78,848
Public works	3,651,610	3,632,714	18,896
Health and sanitation	529,363	566,418	(37,055)
Parks and recreation	176,755	162,943	13,812
Conservation and development	165,597	177,148	(11,551)
Other	735,569	644,920	90,649
	<u>14,671,309</u>	<u>14,592,073</u>	<u>79,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>499,650</u>	<u>926,648</u>	<u>426,998</u>
<b>Other Financing Sources (Uses)</b>			
Transfer in	436,700	647,256	210,556
Transfer out	<u>(1,393,918)</u>	<u>(1,077,593)</u>	<u>316,325</u>
Net change in fund balance	<u>\$ (457,568)</u>	496,311	<u>\$ 953,879</u>
<b>Adjustments to Generally Accepted Accounting Principles Basis</b>			
Revenue credited to designated funds		180,050	
Expenditures credited to designated funds		<u>(334,121)</u>	
Net change in fund balance, generally accepted accounting principles basis		342,240	
<b>Fund Balances, Beginning</b>		<u>6,024,573</u>	
<b>Fund Balances, Ending</b>		<u>\$ 6,366,813</u>	

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

**City of South Milwaukee**

Schedule of City's Proportionate Share of the Net Pension Liability (Asset) -  
 Wisconsin Retirement System  
 Year Ended December 31, 2020

<b>WRS Fiscal Year End</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
12/31/14	0.090580130%	\$ (2,200,580)	\$ 9,655,137	22.79%	102.74%
12/31/15	0.090320880%	1,467,697	9,784,397	15.00%	98.20%
12/31/16	0.088959710%	742,080	9,722,475	7.63%	99.12%
12/31/17	0.089990950%	(2,703,945)	9,745,969	27.74%	102.93%
12/31/18	0.090996850%	3,276,700	9,861,966	33.23%	96.45%
12/31/19	0.092776980%	(2,991,564)	10,117,263	29.57%	102.96%

**City of South Milwaukee**

Schedule of Employer Contributions - Wisconsin Retirement System  
 Year Ended December 31, 2020

<b>City Fiscal Year End</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
12/31/15	\$ 863,388	\$ 863,388	\$ -	\$ 9,784,357	8.82%
12/31/16	859,080	859,080	-	9,722,475	8.84%
12/31/17	934,900	934,900	-	9,745,969	9.59%
12/31/18	952,574	952,574	-	9,861,966	9.66%
12/31/19	1,124,221	1,124,221	-	10,117,264	11.11%
12/31/20	1,051,134	1,051,134	-	10,260,075	10.24%

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

**City of South Milwaukee**

Schedule of Change in the Total OPEB Liability and Related Ratios -  
Other Postemployment Benefits Liability - Health Insurance Plan  
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 985,082	\$ 982,734	\$ 1,077,152
Interest	837,382	1,073,395	942,022
Prior year activity		-	-
Differences between expected and actual experience	(2,938,405)	(1,018,415)	-
Changes of assumptions		2,603,282	-
Benefit payments	<u>(1,190,769)</u>	<u>(1,046,087)</u>	<u>(1,386,619)</u>
Net change in total OPEB liability	(2,306,710)	2,594,909	632,555
Total OPEB liability, beginning	<u>29,455,297</u>	<u>26,860,388</u>	<u>26,227,833</u>
Total OPEB liability, ending	<u>\$ 27,148,587</u>	<u>\$ 29,455,297</u>	<u>\$ 26,860,388</u>
<b>Covered-Employee Payroll</b>	\$ 9,967,999	\$ 9,681,000	\$ 8,554,897
Total OPEB liability as a percentage of covered-employee payroll	272.36%	304.26%	313.98%

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

**City of South Milwaukee**

Schedule of Proportionate Share of the Net OPRB Liability -  
 Local Retiree Life Insurance Fund (LRLIF)  
 Year Ended December 31, 2020

<b>Plan Fiscal Year End</b>	<b>Proportion of the Net OPEB Liability</b>	<b>Proportionate Share of the Net OPEB Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
12/31/17	0.20625600%	\$ 620,539	\$ 9,749,965	6.36%	44.81%
12/31/18	0.20842200%	537,799	9,577,000	5.62%	48.69%
12/31/19	0.20490200%	872,513	10,000,000	8.73%	37.58%

**City of South Milwaukee**

Schedule of Employer Contributions - Local retiree Life Insurance Fund (LRLIF)  
 Year Ended December, 2020

<b>City Fiscal Year End</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
12/31/18	\$ 6,452	\$ 6,452	\$ -	\$ 9,906,348	0.07%
12/31/19	7,150	7,150	-	10,117,264	0.07%
12/31/20	7,583	7,583	-	10,260,075	0.07%

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



## CITY OF SOUTH MILWAUKEE

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2020

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

The budgeted amounts presented include any amendments made. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure.

#### ***WISCONSIN RETIREMENT SYSTEM***

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

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

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in Assumptions.* There were no changes in assumptions noted from the prior year.

#### ***HEALTH INSURANCE PLAN***

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

Changes in benefit terms. There were no changes of benefits terms for the city.

Changes in assumptions. The discount rate was changed from 2.75% to 2.84%.

#### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)***

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

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

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

Changes in assumptions. There were no changes in assumptions noted from the prior year.

**City of South Milwaukee**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2020

	Special Revenue Funds							General Government
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	
<b>Assets</b>								
Cash and investments	\$ 447,724	\$ 569,966	\$ 2,121,447	\$ 71,420	\$ -	\$ 23,495	\$ 788	\$ 183,007
Receivables								
Taxes	-	469,572	366,088	-	-	-	-	-
Accounts	-	-	170,846	-	2,613	5,057	150	-
Special assessments	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 447,724</b>	<b>\$ 1,039,538</b>	<b>\$ 2,658,381</b>	<b>\$ 71,420</b>	<b>\$ 2,613</b>	<b>\$ 28,552</b>	<b>\$ 938</b>	<b>\$ 183,007</b>
<b>Liabilities Deferred Inflows of Resources and Fund Balances</b>								
Accounts payable	24,500	41,154	3,419	-	-	119	-	18,637
Accrued payroll	-	451	19,672	4,992	556	5,604	-	-
Deposits	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	1,592	-	-	-
<b>Total liabilities</b>	<b>24,500</b>	<b>41,605</b>	<b>23,091</b>	<b>4,992</b>	<b>2,148</b>	<b>5,723</b>	<b>-</b>	<b>18,637</b>
Deferred Inflows of Resources								
Unearned revenues	-	469,572	901,893	-	-	-	-	-
Unavailable revenues	-	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>469,572</b>	<b>901,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances								
Restricted	423,224	-	-	-	465	-	-	-
Committed	-	528,361	1,733,397	66,428	-	22,829	938	164,370
Assigned	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>423,224</b>	<b>528,361</b>	<b>1,733,397</b>	<b>66,428</b>	<b>465</b>	<b>22,829</b>	<b>938</b>	<b>164,370</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 447,724</b>	<b>\$ 1,039,538</b>	<b>\$ 2,658,381</b>	<b>\$ 71,420</b>	<b>\$ 2,613</b>	<b>\$ 28,552</b>	<b>\$ 938</b>	<b>\$ 183,007</b>

Special Revenue Funds					Capital Projects Funds							Total Nonmajor Funds
Police	Health	Fire	Referendum Officer	Economic Development	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	Tax Increment District #5	
\$ 57,832	\$ 211,118	\$ 36,763	\$ 411,577	\$ 758,989	\$ 665,891	\$ 253,363	\$ 521,463	\$ 35	\$ 626,190	\$ 285,432	\$ 431,490	\$ 7,677,990
-	-	-	90,487	-	-	4,212	-	-	-	-	-	930,359
2,275	154,247	-	-	-	-	-	-	-	-	-	-	335,188
-	-	-	-	-	-	38,948	-	-	-	-	-	38,948
-	-	-	-	272,476	-	-	-	-	-	-	-	272,476
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 60,107</u>	<u>\$ 365,365</u>	<u>\$ 36,763</u>	<u>\$ 502,064</u>	<u>\$ 1,031,465</u>	<u>\$ 665,891</u>	<u>\$ 296,523</u>	<u>\$ 521,463</u>	<u>\$ 35</u>	<u>\$ 626,190</u>	<u>\$ 285,432</u>	<u>\$ 431,490</u>	<u>\$ 9,254,961</u>
-	12,517	7,057	-	1,933	-	-	1,568	-	32,927	2,301	329,031	475,163
-	10,146	-	4,053	-	-	-	-	-	-	-	1,665	47,139
-	-	-	-	54,141	-	-	-	-	-	-	-	54,141
-	-	-	-	-	-	-	3,949	35	333	277,682	23,370	306,961
-	22,663	7,057	4,053	56,074	-	-	5,517	35	33,260	279,983	354,066	883,404
-	-	-	222,923	-	-	2,815	-	-	-	-	-	1,597,203
-	-	-	-	-	-	38,948	-	-	-	-	-	38,948
-	-	-	222,923	-	-	41,763	-	-	-	-	-	1,636,151
60,107	-	-	-	-	665,891	254,760	515,946	-	592,930	5,449	77,424	2,596,196
-	342,702	29,706	275,088	-	-	-	-	-	-	-	-	3,163,819
-	-	-	-	975,391	-	-	-	-	-	-	-	975,391
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>60,107</u>	<u>342,702</u>	<u>29,706</u>	<u>275,088</u>	<u>975,391</u>	<u>665,891</u>	<u>254,760</u>	<u>515,946</u>	<u>-</u>	<u>592,930</u>	<u>5,449</u>	<u>77,424</u>	<u>6,735,406</u>
<u>\$ 60,107</u>	<u>\$ 365,365</u>	<u>\$ 36,763</u>	<u>\$ 502,064</u>	<u>\$ 1,031,465</u>	<u>\$ 665,891</u>	<u>\$ 296,523</u>	<u>\$ 521,463</u>	<u>\$ 35</u>	<u>\$ 626,190</u>	<u>\$ 285,432</u>	<u>\$ 431,490</u>	<u>\$ 9,254,961</u>

**City of South Milwaukee**

Combing Statement of rEvenues, Expenditures and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2020

	Special Revenue Funds							
	Library	Recycling	Paramedic	School Liaison Police Program	Community Development Block Grant	Health Consortium	City Sealer	General Government
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ 889,366	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	566	81,404	89,491	63,130	25,182	22,200	361	12,736
Public charges for services	11,471	469,409	498,875	-	-	129,890	5,659	-
Public improvement revenues	-	-	-	-	-	-	-	-
Investment income	2,024	-	-	-	-	-	-	-
Miscellaneous	19,628	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>33,689</b>	<b>550,813</b>	<b>1,477,732</b>	<b>63,130</b>	<b>25,182</b>	<b>152,090</b>	<b>6,020</b>	<b>12,736</b>
<b>Expenditures</b>								
Current								
General government	-	-	-	-	-	-	-	2,572
Public safety	-	-	1,182,120	215,972	-	-	-	-
Public works	-	513,995	-	-	-	-	5,102	-
Health and social services	-	-	-	-	24,717	164,975	-	-
Conservation and development	-	-	-	-	-	-	-	-
Library	671,629	-	-	-	-	-	-	-
Capital outlay	64,488	-	-	-	-	-	-	18,632
<b>Total expenditures</b>	<b>736,117</b>	<b>513,995</b>	<b>1,182,120</b>	<b>215,972</b>	<b>24,717</b>	<b>164,975</b>	<b>5,102</b>	<b>21,204</b>
Excess (deficiency) of revenues over expenditures	(702,428)	36,818	295,612	(152,842)	465	(12,885)	918	(8,468)
<b>Other Financing Sources (Uses)</b>								
Transfer in	762,372	-	-	155,821	-	17,400	-	10,000
Transfer out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>762,372</b>	<b>-</b>	<b>-</b>	<b>155,821</b>	<b>-</b>	<b>17,400</b>	<b>-</b>	<b>10,000</b>
Net change in fund balances	59,944	36,818	295,612	2,979	465	4,515	918	1,532
<b>Fund Balances, Beginning</b>	<b>363,280</b>	<b>491,543</b>	<b>1,437,785</b>	<b>63,449</b>	<b>-</b>	<b>18,314</b>	<b>20</b>	<b>162,838</b>
<b>Fund Balances, Ending</b>	<b>\$ 423,224</b>	<b>\$ 528,361</b>	<b>\$ 1,733,397</b>	<b>\$ 66,428</b>	<b>\$ 465</b>	<b>\$ 22,829</b>	<b>\$ 938</b>	<b>\$ 164,370</b>

Special Revenue Funds					Capital Projects Funds							Total Nonmajor Funds	
Police	Health	Fire	Referendum Officer	Economic Development	Equipment	Special Assessment and Interest	Tax Increment District #1	Tax Increment District #2	Tax Increment District #3	Tax Increment District #4	Tax Increment District #5		
\$ -	\$ -	\$ -	\$ 223,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,113,074
7,789	515,529	18,182	-	-	-	-	-	-	-	-	-	-	836,570
-	-	-	-	-	-	-	-	-	-	-	-	-	1,115,304
-	-	-	-	-	-	14,806	-	-	-	-	-	-	14,806
-	-	-	-	-	1,439	316	5,639	8,962	9,253	899	1,452	-	29,984
1,660	1,080	-	-	64,570	2,120	-	-	-	-	-	214,521	-	303,579
9,449	516,609	18,182	223,708	64,570	3,559	15,122	5,639	8,962	9,253	899	215,973	-	3,413,317
-	-	-	-	-	-	-	-	-	-	-	-	-	2,572
16,264	-	22,510	153,542	-	-	-	-	-	-	-	-	-	1,590,408
-	-	-	-	-	-	-	-	-	-	-	-	-	519,097
-	343,573	-	-	-	-	-	-	-	-	-	-	-	533,265
-	-	-	-	35,655	-	-	-	-	-	-	45,762	-	81,417
-	-	-	-	-	-	-	-	-	-	-	-	-	671,629
1,625	-	-	-	81,670	275,873	-	33,097	11,772	11,888	5,054	1,269,920	-	1,774,019
17,889	343,573	22,510	153,542	117,325	275,873	-	33,097	11,772	11,888	5,054	1,315,682	-	5,172,407
(8,440)	173,036	(4,328)	70,166	(52,755)	(272,314)	15,122	(27,458)	(2,810)	(2,635)	(4,155)	(1,099,709)	-	(1,759,090)
-	-	-	-	375,523	-	-	-	636,267	-	246,117	633,457	-	2,836,957
-	-	-	-	-	-	-	-	(633,457)	-	(276,416)	-	-	(909,873)
-	-	-	-	375,523	-	-	-	2,810	-	(30,299)	633,457	-	1,927,084
(8,440)	173,036	(4,328)	70,166	322,768	(272,314)	15,122	(27,458)	-	(2,635)	(34,454)	(466,252)	-	167,994
68,547	169,666	34,034	204,922	652,623	938,205	239,638	543,404	-	595,565	39,903	543,676	-	6,567,412
\$ 60,107	\$ 342,702	\$ 29,706	\$ 275,088	\$ 975,391	\$ 665,891	\$ 254,760	\$ 515,946	\$ -	\$ 592,930	\$ 5,449	\$ 77,424	\$ -	\$ 6,735,406