This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 29, 2020

*In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.*

*The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.*

**New Issue** **Rating Application Made: Moody's Investors Service, Inc.**

## CITY OF STOUGHTON, WISCONSIN
(Dane County)

## $2,440,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020A

**BID OPENING**: June 4, 2020, 10:00 A.M., C.T.
**CONSIDERATION**: Not later than 11:59 P.M., C.T. on June 4, 2020 (PARAMETERS RESOLUTION)

**PURPOSE/AUTHORITY/SECURITY:** The $2,440,000* General Obligation Promissory Notes, Series 2020A (the "Notes") of the City of Stoughton, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including paying the cost of equipment purchases, park improvements, street improvements, parking lot repairs, stormwater improvements and other capital projects. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF NOTES:** June 18, 2020

**MATURITY:** April 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2021 | $110,000 | 2025 | $200,000 | 2029 | $225,000 |
| 2022 | 120,000 | 2026 | 210,000 | 2030 | 245,000 |
| 2023 | 250,000 | 2027 | 400,000 | | |
| 2024 | 200,000 | 2028 | 480,000 | | |

**MATURITY ADJUSTMENTS:** * The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of $5,000 each, up to a maximum of $40,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** April 1, 2021 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Notes maturing on April 1, 2028 and thereafter are subject to call for prior optional redemption on April 1, 2027 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM BID:** $2,415,600.

**MAXIMUM BID:** $2,586,400.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of $48,800 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Associated Trust Company, N.A.

**BOND COUNSEL:** Quarles & Brady LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Notes.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Notes, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Notes in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

# TABLE OF CONTENTS


INTRODUCTORY STATEMENT. . . . . 1

THE NOTES. . . . . 1
- GENERAL. . . . . 1
- OPTIONAL REDEMPTION. . . . . 1
- AUTHORITY; PURPOSE. . . . . 2
- ESTIMATED SOURCES AND USES. . . . . 2
- SECURITY. . . . . 2
- RATING. . . . . 2
- CONTINUING DISCLOSURE. . . . . 3
- LEGAL OPINION. . . . . 3
- TAX EXEMPTION. . . . . 4
- ORIGINAL ISSUE DISCOUNT. . . . . 4
- BOND PREMIUM. . . . . 5
- QUALIFIED TAX-EXEMPT OBLIGATIONS. . . . . 6
- MUNICIPAL ADVISOR. . . . . 6
- MUNICIPAL ADVISOR AFFILIATED COMPANIES. . . . . 6
- INDEPENDENT AUDITORS. . . . . 6
- RISK FACTORS. . . . . 7

VALUATIONS. . . . . 10
- WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES. . . . . 10
- CURRENT PROPERTY VALUATIONS. . . 11
- 2019 EQUALIZED VALUE BY CLASSIFICATION. . . . . 11
- TREND OF VALUATIONS. . . . . 11
- LARGER TAXPAYERS. . . . . 12

DEBT. . . . . 13
- DIRECT DEBT. . . . . 13
- SCHEDULE OF GENERAL OBLIGATION DEBT. . . . . 14
- SCHEDULE OF ELECTRIC REVENUE DEBT. . . . . 17
- SCHEDULE OF SEWER REVENUE DEBT. . . . . 18
- SCHEDULE OF WATER REVENUE DEBT. . . . . 19
- DEBT LIMIT. . . . . 20
- OVERLAPPING DEBT. . . . . 20
- DEBT RATIOS. . . . . 21
- DEBT PAYMENT HISTORY. . . . . 21
- FUTURE FINANCING. . . . . 21

TAX LEVIES AND COLLECTIONS. . . . . 22
- TAX LEVIES AND COLLECTIONS. . . . . 22
- PROPERTY TAX RATES. . . . . 23
- LEVY LIMITS. . . . . 23

THE ISSUER. . . . . 25
- CITY GOVERNMENT. . . . . 25
- EMPLOYEES; PENSIONS. . . . . 25
- OTHER POST EMPLOYMENT BENEFITS. . . . . 26
- LITIGATION. . . . . 27
- MUNICIPAL BANKRUPTCY. . . . . 27
- FUNDS ON HAND. . . . . 28
- ENTERPRISE FUNDS. . . . . 29
- SUMMARY GENERAL FUND INFORMATION. . . . . 30

GENERAL INFORMATION. . . . . 31
- LOCATION. . . . . 31
- LARGER EMPLOYERS. . . . . 31
- BUILDING PERMITS. . . . . 32
- U.S. CENSUS DATA. . . . . 33
- EMPLOYMENT/UNEMPLOYMENT DATA. . . . . 33

FINANCIAL STATEMENTS. . . . . A-1

FORM OF LEGAL OPINION. . . . . B-1

BOOK-ENTRY-ONLY SYSTEM. . . . . C-1

FORM OF CONTINUING DISCLOSURE CERTIFICATE. . . . . D-1

NOTICE OF SALE. . . . . E-1

BID FORM

# CITY OF STOUGHTON
# COMMON COUNCIL

| | | Term Expires |
|---|---|---|
| Tim B. Swadley | Mayor | April 2022 |
| Regina Hirsch | Council President | April 2021 |
| Greg Jenson | Council Vice President | April 2023 |
| Sid Boersma | Alderperson | April 2021 |
| Phil Caravello | Alderperson | April 2021 |
| Leonard Doom | Alderperson | April 2022 |
| Ben Heili | Alderperson | April 2023 |
| Fred Hundt | Alderperson | April 2023 |
| Jean Ligocki | Alderperson | April 2022 |
| Tom Majewski | Alderperson | April 2022 |
| Lisa Reeves | Alderperson | April 2023 |
| Timothy Riley | Alderperson | April 2023 |
| Brett Schumacher | Alderperson | April 2022 |

## ADMINISTRATION

Jamin Friedl, Director of Finance/Comptroller
Holly Licht, City Clerk

## PROFESSIONAL SERVICES

Stafford Rosenbaum LLP, City Attorney, Madison, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(*Other offices located in Roseville, Minnesota and Denver, Colorado*)

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Stoughton, Wisconsin (the "City") and the issuance of its $2,440,000* General Obligation Promissory Notes, Series 2020A (the "Notes"). **The Common Council adopted a resolution on May 12, 2020, (the "Parameters Resolution") which authorized the Mayor or Director of Finance/Comptroller to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on June 4, 2020, neither the Mayor or Director of Finance/Comptroller will have the authority to accept a bid for the Notes, and all bids for the Notes will be rejected.**

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

# THE NOTES

## GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 18, 2020. The Notes will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Award Resolution.

The City has selected Associated Trust Company, N.A., Green Bay, Wisconsin, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2028 shall be subject to optional redemption prior to maturity on April 1, 2027 or on any date thereafter, at a price of par plus accrued interest.

*Preliminary, subject to change.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

## AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including paying the cost of equipment purchases, park improvements, street improvements, parking lot repairs, stormwater improvements and other capital projects.

## ESTIMATED SOURCES AND USES*

| | | |
|---|---|---|
| **Sources** | | |
| Par Amount of Notes | $2,440,000 | |
| Estimated Interest Earnings | 5,922 | |
| **Total Sources** | | **$2,445,922** |
| **Uses** | | |
| Total Underwriter's Discount | $24,400 | |
| Costs of Issuance | 48,750 | |
| Deposit to Project Construction Fund | 2,368,974 | |
| Rounding Amount | 3,798 | |
| **Total Uses** | | **$2,445,922** |

*Preliminary, subject to change.

## SECURITY

For the prompt payment of the Notes with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrepealable tax on all taxable property in the City sufficient to pay the interest on the Notes when it becomes due and also to pay and discharge the principal on the Notes at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "Aa2" by Moody's Investors Service, Inc. ( "Moody's").

The City has requested a rating on the Notes from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Notes, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

## TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Notes under existing law substantially in the following form:

> "The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## ORIGINAL ISSUE DISCOUNT

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Notes") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Note over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Notes were sold (issue price). With respect to a taxpayer who purchases a Discounted Note in the initial public offering at the issue price and who holds such Discounted Note to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Note for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Note upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Note, on days that are determined by reference to the maturity date of such Discounted Note. The amount treated as original issue discount on a Discounted Note for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Note (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Note at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Note during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Note the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Note is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Note is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Note (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Note that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Notes may result in certain collateral federal income tax consequences for the owners of such Discounted Notes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Notes at a price other than the issue price or who purchase such Discounted Notes in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Notes. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Notes.

## BOND PREMIUM

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Notes") will be considered to have bond premium.

Any Premium Note purchased in the initial offering at the issue price will have "amortizable premium" within the meaning of Section 171 of the Code. The amortizable premium of each Premium Note is calculated on a daily basis from the issue date of such Premium Note until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Note that has amortizable premium is not allowed any deduction for the amortizable premium; rather the amortizable premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable premium that is allocable to the portion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

Owners of Premium Notes who did not purchase such Premium Notes in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Notes. Owners of Premium Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Notes.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2019, have been audited by Baker Tilly Virchow Krause, LLP, Madison, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

Following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Notes are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

**Tax Exemption:** If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Notes may fall for purposes of resale. Noncompliance by the City with the covenants in the Parameters Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Notes in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

**Secondary Market for the Notes:** No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

**Cybersecurity:** The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

**Impact of the Spread of COVID-19:** In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 12, 2020, Wisconsin Governor Tony Evers declared a public health emergency in the state in response to the growing threat of COVID-19. That declaration included direction to the state Department of Health Services to use any and all required resources to respond to and contain the outbreak. Governor Evers followed that up with a "safer at home" order on March 24, 2020, closing nonessential businesses, banning gatherings of any size and imposing strict travel restrictions through April 24, 2020. On April 16, 2020, the "safer at home" order was extended from April 24, 2020 through May 26, 2020. Schools will remain closed for the duration of the 2019-2020 school year and continue distance learning, but certain non-essential businesses will be allowed to open operations on a limited basis during this time, including curbside pickup, delivery, mailings and minimum basic operations.

Also on April 16, 2020, President Trump outlined "Guidelines for Opening Up America Again," a three-phased approach to restarting the economy based on public health experts' advice. The guidelines start with a set of criteria that should be met before starting phases one to three. The criteria include a downward trajectory of people with flu-like and COVID-19-like symptoms for 14 days; a downward trajectory of documented cases for 14 days or a downward trajectory of positive tests as a percentage of total tests over a 14-day period; and hospitals with the ability to treat all patients without crisis care and a robust testing program for at-risk healthcare workers.

On April 20, 2020, Governor Evers announced Wisconsin's three-phased approach to reopening the State's economy, based on President Trump's guidelines, including similar criteria to be met before phase one can begin. On April 21, 2020, Republican legislators in the State filed a lawsuit challenging the legality of the Order. On May 13, 2020, the Wisconsin Supreme Court ruled that the State's "safer at home" order is unlawful, invalid and unenforceable because the emergency rulemaking procedures under Section 227.24 of the Wisconsin Statutes and procedures established by the Wisconsin Legislature for rulemaking if criminal penalties were to follow were not followed in connection with the order. The Supreme Court's decision does not invalidate any local health officials' orders or prevent future local health officials' orders related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Notes. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

The economic impact of COVID-19 may impact assessed and equalized valuations of property in the State, including in the City. The City cannot predict the extent of any such changes, but a material decrease in the equalized valuations of property in the City may materially adversely affect the financial condition of the City (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

## CURRENT PROPERTY VALUATIONS

| | |
|---|---|
| 2019 Equalized Value | $1,233,724,300 |
| 2019 Equalized Value Reduced by Tax Increment Valuation | $1,176,283,200 |
| 2019 Assessed Value | $1,201,415,140 |

## 2019 EQUALIZED VALUE BY CLASSIFICATION

| | 2019 Equalized Value[1] | Percent of Total Equalized Value |
|---|---|---|
| Residential | $ 913,148,200 | 74.016% |
| Commercial | 252,348,700 | 20.454% |
| Manufacturing | 36,760,300 | 2.980% |
| Agricultural | 154,800 | 0.013% |
| Undeveloped | 198,600 | 0.016% |
| Ag Forest | 9,500 | 0.001% |
| Forest | 57,000 | 0.005% |
| Personal Property | 31,047,200 | 2.517% |
| Total | $ 1,233,724,300 | 100.000% |

## TREND OF VALUATIONS

| Year | Assessed Value | Equalized Value[1] | Percent Increase/Decrease in Equalized Value |
|---|---|---|---|
| 2015 | $ 948,202,600 | $ 954,262,000 | 4.51% |
| 2016 | 996,893,100 | 1,000,796,500 | 4.88% |
| 2017 | 1,054,034,100 | 1,065,541,100 | 6.47% |
| 2018 | 1,130,807,600 | 1,163,261,500 | 9.17% |
| 2019 | 1,201,415,140 | 1,233,724,300 | 6.06% |

**Source:** Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

[1] Includes tax increment valuation.

## LARGER TAXPAYERS

| Taxpayer | Type of Business/Property | 2019 Equalized Value[1] | Percent of City's Total Equalized Value |
|---|---|---|---|
| Cummings Emission Solutions Inc | Manufacturing | $ 18,864,260 | 1.53% |
| Stoughton Trailers Inc | Manufacturing | 12,185,568 | 0.99% |
| Wal-Mart Real Estate Business | Retail | 11,032,422 | 0.89% |
| Abilit Holdings Stoughton LLC | Senior Living | 6,712,659 | 0.54% |
| Nelson Industries | Manufacturing | 6,674,895 | 0.54% |
| O Brand Acquisition Corp | Commercial | 5,302,132 | 0.43% |
| Stoughton Arms Associates | Residential Apartments | 4,966,272 | 0.40% |
| Skaalendal Inc | Retirement Community | 4,817,434 | 0.39% |
| SLOW LLC | Real Estate | 4,411,639 | 0.36% |
| SWAC LLC | Wellness/Athletic Center | 4,314,489 | 0.35% |
| **Total** | | **$ 79,281,770** | **6.43%** |
| City's Total 2019 Equalized Value[2] | | $1,233,724,300 | |

**Source:** The City.

[1] Calculated by dividing the 2019 Assessed Values by the 2019 Aggregate Ratio of assessment for the City.

[2] Includes tax increment valuation.

# DEBT

**DIRECT DEBT**[1] (includes the Notes)*

**General Obligation Debt (see schedules following)**

| | |
|---|---|
| Total General Obligation Debt (includes the Notes)* | $ 36,705,214 |

**Revenue Debt (see schedules following)**

| | |
|---|---|
| Total revenue debt secured by electric revenues | $ 3,750,000 |
| Total revenue debt secured by sewer revenues | 3,478,265 |
| Total revenue debt secured by water revenues | 3,373,207 |

*Preliminary, subject to change.

[1] Outstanding debt is as of the dated date of the Notes.

**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Taxes**
**(As of 06/18/2020)**

| | Promissory Notes Series 2012A | | Promissory Notes Series 2014A | | Promissory Notes Series 2015A | | Promissory Notes Series 2016A | | State Trust Fund Loan 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 04/15/2012 | | 06/01/2014 | | 07/09/2015 | | 05/26/2016 | | 12/28/2016 | |
| **Amount** | $3,420,000 | | $3,035,000 | | $2,725,000 | | $5,830,000 | | $850,000 | |
| **Maturity** | 03/01 | | 04/01 | | 04/01 | | 04/01 | | 03/15 | |
| **Calendar Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| **2020** | 0 | 6,144 | 0 | 10,163 | 0 | 15,584 | 0 | 38,750 | 0 | 0 |
| **2021** | 325,000 | 9,444 | 230,000 | 18,025 | 290,000 | 28,269 | 705,000 | 73,975 | 36,021 | 26,432 |
| **2022** | 330,000 | 3,300 | 235,000 | 13,375 | 295,000 | 22,419 | 710,000 | 65,125 | 37,282 | 25,172 |
| **2023** | | | 240,000 | 8,325 | 295,000 | 16,519 | 725,000 | 52,550 | 38,587 | 23,867 |
| **2024** | | | 250,000 | 2,813 | 305,000 | 10,328 | 745,000 | 37,850 | 39,876 | 22,578 |
| **2025** | | | | | 315,000 | 3,544 | 755,000 | 22,850 | 41,333 | 21,121 |
| **2026** | | | | | | | 765,000 | 7,650 | 42,780 | 19,674 |
| **2027** | | | | | | | | | 44,277 | 18,177 |
| **2028** | | | | | | | | | 45,781 | 16,673 |
| **2029** | | | | | | | | | 47,429 | 15,025 |
| **2030** | | | | | | | | | 49,089 | 13,365 |
| **2031** | | | | | | | | | 50,807 | 11,647 |
| **2032** | | | | | | | | | 52,558 | 9,895 |
| **2033** | | | | | | | | | 54,425 | 8,029 |
| **2034** | | | | | | | | | 56,330 | 6,124 |
| **2035** | | | | | | | | | 58,301 | 4,152 |
| **2036** | | | | | | | | | 60,336 | 2,118 |
| **2037** | | | | | | | | | | |
| **2038** | | | | | | | | | | |
| | 655,000 | 18,888 | 955,000 | 52,700 | 1,500,000 | 96,663 | 4,405,000 | 298,750 | 755,214 | 244,047 |

*--Continued on next page*

**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness continued**
**General Obligation Debt Secured by Taxes**
**(As of 06/18/2020)**

| | Promissory Notes Series 2017A | | Corporate Purpose Bonds Series 2018A | | Taxable Promissory Notes Series 2018B | | Promissory Notes Series 2019A | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 06/08/2017 | | 04/26/2018 | | 04/26/2018 | | 04/24/2019 | |
| **Amount** | $7,660,000 | | $12,585,000 | | $775,000 | | $7,430,000 | |
| **Maturity** | 04/01 | | 04/01 | | 04/01 | | 04/01 | |
| **Calendar Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| **2020** | 0 | 75,150 | 0 | 193,025 | 0 | 14,570 | 0 | 104,669 |
| **2021** | 800,000 | 142,300 | 525,000 | 380,800 | 0 | 29,140 | 410,000 | 201,138 |
| **2022** | 745,000 | 124,988 | 545,000 | 367,375 | 100,000 | 27,140 | 745,000 | 181,763 |
| **2023** | 765,000 | 106,113 | 565,000 | 350,725 | 105,000 | 23,040 | 770,000 | 159,038 |
| **2024** | 780,000 | 84,850 | 595,000 | 333,325 | 105,000 | 18,840 | 800,000 | 133,488 |
| **2025** | 1,005,000 | 62,472 | 615,000 | 315,175 | 110,000 | 14,540 | 825,000 | 105,050 |
| **2026** | 1,030,000 | 40,206 | 635,000 | 296,425 | 115,000 | 10,040 | 855,000 | 75,650 |
| **2027** | 1,205,000 | 14,309 | 660,000 | 273,700 | 120,000 | 5,820 | 880,000 | 51,338 |
| **2028** | | | 685,000 | 246,800 | 120,000 | 1,950 | 895,000 | 31,919 |
| **2029** | | | 715,000 | 218,800 | | | 920,000 | 10,925 |
| **2030** | | | 740,000 | 189,700 | | | | |
| **2031** | | | 765,000 | 163,425 | | | | |
| **2032** | | | 795,000 | 140,025 | | | | |
| **2033** | | | 820,000 | 115,288 | | | | |
| **2034** | | | 850,000 | 88,663 | | | | |
| **2035** | | | 540,000 | 66,075 | | | | |
| **2036** | | | 560,000 | 48,200 | | | | |
| **2037** | | | 580,000 | 29,675 | | | | |
| **2038** | | | 600,000 | 10,125 | | | | |
| | 6,330,000 | 650,388 | 11,790,000 | 3,827,325 | 775,000 | 145,080 | 7,100,000 | 1,054,975 |

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**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness continued**
**General Obligation Debt Secured by Taxes**
**(As of 06/18/2020)**

**Promissory Notes**
**Series 2020A**

| | |
|---|---|
| **Dated** | 06/18/2020 |
| **Amount** | $2,440,000* |
| **Maturity** | 04/01 |

| Calendar Year Ending | Principal* | Estimated Interest* | Total Principal* | Total Interest* | Total P & I* | Principal Outstanding* | % Paid* | Calendar Year Ending |
|---|---|---|---|---|---|---|---|---|
| **2020** | 0 | 0 | 0 | 458,054 | 458,054 | 36,705,214 | .00% | **2020** |
| **2021** | 110,000 | 61,376 | 3,431,021 | 970,898 | 4,401,920 | 33,274,192 | 9.35% | **2021** |
| **2022** | 120,000 | 45,720 | 3,862,282 | 876,375 | 4,738,658 | 29,411,910 | 19.87% | **2022** |
| **2023** | 250,000 | 42,698 | 3,753,587 | 782,873 | 4,536,460 | 25,658,323 | 30.10% | **2023** |
| **2024** | 200,000 | 38,885 | 3,819,876 | 682,956 | 4,502,832 | 21,838,448 | 40.50% | **2024** |
| **2025** | 200,000 | 35,285 | 3,866,333 | 580,036 | 4,446,369 | 17,972,114 | 51.04% | **2025** |
| **2026** | 210,000 | 31,388 | 3,652,780 | 481,033 | 4,133,813 | 14,319,335 | 60.99% | **2026** |
| **2027** | 400,000 | 25,240 | 3,309,277 | 388,584 | 3,697,861 | 11,010,058 | 70.00% | **2027** |
| **2028** | 480,000 | 15,980 | 2,225,781 | 313,321 | 2,539,103 | 8,784,276 | 76.07% | **2028** |
| **2029** | 225,000 | 8,289 | 1,907,429 | 253,038 | 2,160,468 | 6,876,847 | 81.26% | **2029** |
| **2030** | 245,000 | 2,879 | 1,034,089 | 205,943 | 1,240,033 | 5,842,758 | 84.08% | **2030** |
| **2031** | | | 815,807 | 175,072 | 990,879 | 5,026,951 | 86.30% | **2031** |
| **2032** | | | 847,558 | 149,920 | 997,479 | 4,179,393 | 88.61% | **2032** |
| **2033** | | | 874,425 | 123,316 | 997,741 | 3,304,968 | 91.00% | **2033** |
| **2034** | | | 906,330 | 94,786 | 1,001,116 | 2,398,638 | 93.47% | **2034** |
| **2035** | | | 598,301 | 70,227 | 668,529 | 1,800,336 | 95.10% | **2035** |
| **2036** | | | 620,336 | 50,318 | 670,654 | 1,180,000 | 96.79% | **2036** |
| **2037** | | | 580,000 | 29,675 | 609,675 | 600,000 | 98.37% | **2037** |
| **2038** | | | 600,000 | 10,125 | 610,125 | 0 | 100.00% | **2038** |
| | 2,440,000 | 307,738 | 36,705,214 | 6,696,553 | 43,401,766 | | | |

* Preliminary, subject to change.

**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness**
**Revenue Debt Secured by Electric Revenues**
**(As of 06/18/2020)**

| | Electric System Mortgage Revenue Refunding Bonds Series 2013 | | Electric System Mortgage Revenue Bonds Series 2016B | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 02/15/2013 | | 05/26/2016 | | | | | | | |
| **Amount** | $3,170,000 | | $4,005,000 | | | | | | | |
| **Maturity** | 04/01 | | 04/01 | | | | | | | |
| **Calendar Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Calendar Year Ending** |
| **2020** | 0 | 11,081 | 0 | 33,875 | 0 | 44,956 | 44,956 | 3,750,000 | .00% | **2020** |
| **2021** | 320,000 | 18,563 | 350,000 | 64,250 | 670,000 | 82,813 | 752,813 | 3,080,000 | 17.87% | **2021** |
| **2022** | 340,000 | 11,138 | 345,000 | 57,300 | 685,000 | 68,438 | 753,438 | 2,395,000 | 36.13% | **2022** |
| **2023** | 325,000 | 3,656 | 365,000 | 50,200 | 690,000 | 53,856 | 743,856 | 1,705,000 | 54.53% | **2023** |
| **2024** | | | 110,000 | 45,450 | 110,000 | 45,450 | 155,450 | 1,595,000 | 57.47% | **2024** |
| **2025** | | | 115,000 | 43,200 | 115,000 | 43,200 | 158,200 | 1,480,000 | 60.53% | **2025** |
| **2026** | | | 115,000 | 40,900 | 115,000 | 40,900 | 155,900 | 1,365,000 | 63.60% | **2026** |
| **2027** | | | 120,000 | 38,550 | 120,000 | 38,550 | 158,550 | 1,245,000 | 66.80% | **2027** |
| **2028** | | | 125,000 | 35,475 | 125,000 | 35,475 | 160,475 | 1,120,000 | 70.13% | **2028** |
| **2029** | | | 125,000 | 31,725 | 125,000 | 31,725 | 156,725 | 995,000 | 73.47% | **2029** |
| **2030** | | | 130,000 | 27,900 | 130,000 | 27,900 | 157,900 | 865,000 | 76.93% | **2030** |
| **2031** | | | 135,000 | 23,925 | 135,000 | 23,925 | 158,925 | 730,000 | 80.53% | **2031** |
| **2032** | | | 140,000 | 19,800 | 140,000 | 19,800 | 159,800 | 590,000 | 84.27% | **2032** |
| **2033** | | | 140,000 | 15,600 | 140,000 | 15,600 | 155,600 | 450,000 | 88.00% | **2033** |
| **2034** | | | 145,000 | 11,325 | 145,000 | 11,325 | 156,325 | 305,000 | 91.87% | **2034** |
| **2035** | | | 150,000 | 6,900 | 150,000 | 6,900 | 156,900 | 155,000 | 95.87% | **2035** |
| **2036** | | | 155,000 | 2,325 | 155,000 | 2,325 | 157,325 | 0 | 100.00% | **2036** |
| | 985,000 | 44,438 | 2,765,000 | 548,700 | 3,750,000 | 593,138 | 4,343,138 | | | |

**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness**
**Revenue Debt Secured by Sewer Revenues**
**(As of 06/18/2020)**

| | Sewer System Revenue Bonds (CWFL) 1) Series 2003 | | Sewer System Revenue Bonds (CWFL) 2) Series 2007 | | Sewer System Revenue Bonds (CWFL) 3) Series 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 09/10/2003 | | 06/27/2007 | | 06/11/2014 | | | | | |
| **Amount** | $1,670,624 | | $1,663,258 | | $3,305,713 | | | | | |
| **Maturity** | 05/01 | | 05/01 | | 05/01 | | | | | |
| **Calendar Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** |
| **2020** | 0 | 4,346 | 0 | 8,380 | 0 | 32,640 | 0 | 45,366 | 45,366 | 3,478,265 |
| **2021** | 101,897 | 7,282 | 89,790 | 15,649 | 149,284 | 63,321 | 340,971 | 86,252 | 427,223 | 3,137,294 |
| **2022** | 104,715 | 4,425 | 92,013 | 13,399 | 153,202 | 59,351 | 349,930 | 77,175 | 427,105 | 2,787,364 |
| **2023** | 107,612 | 1,488 | 94,290 | 11,094 | 157,224 | 55,276 | 359,126 | 67,858 | 426,984 | 2,428,238 |
| **2024** | | | 96,624 | 8,731 | 161,351 | 51,095 | 257,975 | 59,826 | 317,801 | 2,170,263 |
| **2025** | | | 99,015 | 6,310 | 165,587 | 46,804 | 264,602 | 53,114 | 317,716 | 1,905,662 |
| **2026** | | | 101,466 | 3,829 | 169,933 | 42,400 | 271,399 | 46,229 | 317,628 | 1,634,263 |
| **2027** | | | 103,977 | 1,287 | 174,394 | 37,881 | 278,371 | 39,168 | 317,539 | 1,355,892 |
| **2028** | | | | | 178,972 | 33,243 | 178,972 | 33,243 | 212,215 | 1,176,920 |
| **2029** | | | | | 183,670 | 28,483 | 183,670 | 28,483 | 212,153 | 993,250 |
| **2030** | | | | | 188,491 | 23,599 | 188,491 | 23,599 | 212,090 | 804,759 |
| **2031** | | | | | 193,439 | 18,586 | 193,439 | 18,586 | 212,025 | 611,320 |
| **2032** | | | | | 198,517 | 13,442 | 198,517 | 13,442 | 211,958 | 412,803 |
| **2033** | | | | | 203,728 | 8,162 | 203,728 | 8,162 | 211,890 | 209,076 |
| **2034** | | | | | 209,076 | 2,744 | 209,076 | 2,744 | 211,820 | 0 |
| | 314,224 | 17,541 | 677,175 | 68,679 | 2,486,866 | 517,028 | 3,478,265 | 603,248 | 4,081,513 | |

1) Pursuant to the Wisconsin Capital Finance Office, Project No. 4078-08, this issue was closed out on 12/6/2004.

2) Pursuant to the Wisconsin Capital Finance Office, Project No. 4078-09, this issue was closed out on 12/16/2008.

3) Pursuant to the Wisconsin Capital Finance Office, Project No. 4078-11, this issue was closed out on 2/25/2015.

**City of Stoughton, Wisconsin**
**Schedule of Bonded Indebtedness**
**Revenue Debt Secured by Water Revenues**
**(As of 06/18/2020)**

| | Water System Revenue Bonds (SDWFL) 1) Series 2010 | | Waterworks System Mortgage Revenue Bonds Series 2016C | | Waterworks System Revenue Bonds Series 2019B | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 01/27/2010 | | 05/26/2016 | | 11/14/2019 | | | | | | | |
| **Amount** | $575,018 | | $2,520,000 | | $1,825,000 | | | | | | | |
| **Maturity** | 05/01 | | 05/01 | | 05/01 | | | | | | | |
| **Calendar Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Calendar Year Ending** |
| **2020** | 0 | 4,111 | 0 | 12,400 | 0 | 22,644 | 0 | 39,155 | 39,155 | 3,373,207 | .00% | **2020** |
| **2021** | 30,751 | 7,813 | 305,000 | 22,513 | 100,000 | 43,788 | 435,751 | 74,113 | 509,864 | 2,937,456 | 12.92% | **2021** |
| **2022** | 31,571 | 6,981 | 295,000 | 18,013 | 100,000 | 40,788 | 426,571 | 65,781 | 492,353 | 2,510,885 | 25.56% | **2022** |
| **2023** | 32,414 | 6,128 | 320,000 | 13,000 | 100,000 | 37,788 | 452,414 | 56,915 | 509,329 | 2,058,471 | 38.98% | **2023** |
| **2024** | 33,278 | 5,251 | 135,000 | 9,019 | 110,000 | 34,638 | 278,278 | 48,908 | 327,186 | 1,780,193 | 47.23% | **2024** |
| **2025** | 34,166 | 4,352 | 140,000 | 5,913 | 110,000 | 31,338 | 284,166 | 41,602 | 325,768 | 1,496,027 | 55.65% | **2025** |
| **2026** | 35,078 | 3,428 | 145,000 | 1,994 | 115,000 | 27,963 | 295,078 | 33,384 | 328,462 | 1,200,949 | 64.40% | **2026** |
| **2027** | 36,014 | 2,480 | | | 125,000 | 24,363 | 161,014 | 26,842 | 187,856 | 1,039,935 | 69.17% | **2027** |
| **2028** | 36,974 | 1,506 | | | 130,000 | 21,188 | 166,974 | 22,694 | 189,668 | 872,961 | 74.12% | **2028** |
| **2029** | 37,961 | 506 | | | 130,000 | 18,588 | 167,961 | 19,094 | 187,055 | 705,000 | 79.10% | **2029** |
| **2030** | | | | | 135,000 | 15,684 | 135,000 | 15,684 | 150,684 | 570,000 | 83.10% | **2030** |
| **2031** | | | | | 135,000 | 12,478 | 135,000 | 12,478 | 147,478 | 435,000 | 87.10% | **2031** |
| **2032** | | | | | 140,000 | 9,125 | 140,000 | 9,125 | 149,125 | 295,000 | 91.25% | **2032** |
| **2033** | | | | | 145,000 | 5,563 | 145,000 | 5,563 | 150,563 | 150,000 | 95.55% | **2033** |
| **2034** | | | | | 150,000 | 1,875 | 150,000 | 1,875 | 151,875 | 0 | 100.00% | **2034** |
| | 308,207 | 42,557 | 1,340,000 | 82,850 | 1,725,000 | 347,806 | 3,373,207 | 473,213 | 3,846,420 | | | |

1) Pursuant to the Wisconsin Capital Finance Office, Project No. 5403-01, this issue was closed out on 12/8/2010

## DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

| | |
|---|---|
| Equalized Value | $ 1,233,724,300 |
| Multiply by 5% | 0.05 |
| Statutory Debt Limit | $ 61,686,215 |
| Less: General Obligation Debt (includes the Notes)* | (36,705,214) |
| Unused Debt Limit* | $ 24,981,001 |

*Preliminary, subject to change.

## OVERLAPPING DEBT[1]

| Taxing District | 2019 Equalized Value[2] | % In City | Total G.O. Debt[3] | City's Proportionate Share |
|---|---|---|---|---|
| Dane County | $ 69,928,053,700 | 1.76% | $352,385,000 | $ 6,217,129 |
| Madison Area Technical College District | 94,997,912,017 | 1.30% | 158,365,000 | 2,056,686 |
| Stoughton Area School District | 2,445,980,210 | 50.44% | 4,200,000 | 2,118,434 |
| City's Share of Total Overlapping Debt | | | | $10,392,249 |

[1] Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

[2] Includes tax increment valuation.

[3] Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

## DEBT RATIOS

| | G.O. Debt | Debt/Equalized Value $1,233,724,300 | Debt/ Per Capita 12,911[1] |
|---|---|---|---|
| Total General Obligation Debt (includes the Notes)* | $ 36,705,214 | 2.98% | $ 2,842.94 |
| City's Share of Total Overlapping Debt | 10,392,249 | 0.84% | 804.91 |
| Total* | $ 47,097,463 | 3.82% | $ 3,647.86 |

*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City anticipates borrowing for annual capital projects in 2021, however the projects to be included have not yet been determined. Aside from the annual borrowing the City has no current plans for additional financing in the next 12 months.

[1] Estimated 2019 population.

# TAX LEVIES AND COLLECTIONS

## TAX LEVIES AND COLLECTIONS

| Tax Year | Levy for City Purposes Only | % Collected | Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per $1,000 |
|---|---|---|---|
| 2015/16 | $7,914,655 | 100% | $8.57 |
| 2016/17 | 8,098,257 | 100% | 8.42 |
| 2017/18 | 8,507,687 | 100% | 8.34 |
| 2018/19 | 9,032,362 | 100% | 8.13 |
| 2019/20 | 9,383,714 | In Process | 7.98 |

Property tax statements are distributed to taxpayers by the town, village, and city treasurers in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. On April 15, 2020, Governor Tony Evers signed into law 2020 Wisconsin Act 185, which provides that for property taxes payable in 2020, a taxation district may, after making a general or case-by-case finding of hardship, choose to waive interest or penalties on property tax installment payments paid after April 1, 2020 but on or before October 1, 2020. In order to take such action, the county board of supervisors must first adopt a resolution authorizing such waiver and determining criteria for determining hardship and the taxation district must subsequently adopt a similar resolution. In the case of a county adopting such a resolution, the county shall proportionally settle with the taxation districts any taxes, interest and penalties collected on or before July 31, 2020 on August 20, 2020, and settle the remaining unpaid taxes, interest, and penalties on September 20, 2020. Both the County and the City have adopted such a resolution. The City cannot predict whether

and how much payment of property taxes will be impacted by COVID-19. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Notes.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per $1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

| Year Levied/ Year Collected | Schools[1] | County | Local | Other[2] | Total |
|---|---|---|---|---|---|
| 2015/16 | $12.45 | $3.15 | $8.57 | $0.18 | $24.35 |
| 2016/17 | 12.25 | 3.12 | 8.42 | 0.18 | 23.97 |
| 2017/18 | 12.39 | 3.14 | 8.34 | 0.00 | 23.87 |
| 2018/19 | 11.87 | 2.97 | 8.13 | 0.00 | 22.97 |
| 2019/20 | 11.71 | 2.90 | 7.98 | 0.00 | 22.59 |

**Source:** Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

## LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is

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[1] The Schools tax rate reflects the composite rate of all local school districts and technical college district.

[2] Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

# THE ISSUER

## CITY GOVERNMENT

The City was incorporated in 1882 and is governed by a Mayor and a twelve-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to three-year terms. The appointed Finance Director/Comptroller and City Clerk are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The City employs a staff of 106 full-time, 21 part-time, and 73 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2017 ("Fiscal Year 2017"), the fiscal year ended December 31, 2018 ("Fiscal Year 2018") and the fiscal year ended December 31, 2019 ("Fiscal Year 2019"), the City's portion of contributions to WRS (not including any employee contributions) totaled $456,310, $508,566 and $529,035 respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2016.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2018, the total pension liability of the WRS was calculated as $100.3 billion and the fiduciary net position of the WRS was calculated as $96.7 billion, resulting in a net pension asset of $3.6 billion. The spread of COVID-19 has significantly impacted investment markets, which may impact the funded status of the WRS and future contribution requirements as a result (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2019, the City reported a liability of $1,775,198 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2018 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.04989755% of the aggregate WRS net pension asset as of December 31, 2018.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

**Recognized and Certified Bargaining Units**

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

| Bargaining Unit | Expiration Date of Current Contract |
|---|---|
| WPPA - Police | December 31, 2020 |

## OTHER POST EMPLOYMENT BENEFITS

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to employees who have terminated their employment with the City and have satisfied specified eligibility standards through a single-employer defined benefit plan. Membership of the plan consisted of 4 retirees receiving benefits, 65 active but not yet fully eligible and 27 active fully eligible plan members as of January 1, 2018, the date of the latest actuarial valuation.

OPEB calculations are required to be updated every two years. Prior to fiscal years beginning after June 15, 2017, OPEB calculations were required to be prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. For fiscal years beginning after June 15, 2017, OPEB calculations are required to be prepared in accordance with Statement No. 75 of the Governmental Accounting Standards Board ("GASB 75"). An actuarial study for the plan prepared in accordance with GASB 75 was most recently completed by Actuarial & Health Care Solutions, LLC, in January 2019 with an actuarial valuation date of January 1, 2018 (the "Actuarial Report").

Under GASB 75, a net OPEB liability (or asset) is calculated as the difference between the plan's total OPEB liability and the plan's fiduciary net position, which terms have similar meanings as under GASB 68 for pension plans.

As of December 31, 2018, the plan's total OPEB liability was $633,238 and the plan fiduciary net position was $0, resulting in a net OPEB liability of $633,238.

The calculation of the total OPEB liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations.

The City also provides OPEB through the Firemen's Pension Plan (the "Plan"). The plan is administered by the Firemen's Pension Board and provides pension benefits to fire department employees. The amount paid to retirees each year is based on the years of service at the time of retirement and the position the retiree held while a member of the department. As of January 1, 2018, membership of the plan consisted of 29 retirees and beneficiaries and 36 active plan members.

**Source:** City's most recent actuarial study.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

**FUNDS ON HAND** (as of December 31, 2019)

| Fund | Total Cash and Investments |
|---|---|
| General Fund | $ 4,956,245 |
| Debt Service | 525,806 |
| Major Capital Project Funds | 3,866,225 |
| Non-major Governmental Funds | 7,576,367 |
| Enterprise Funds | 13,200,308 |
| Total Funds on Hand | $ 30,124,951 |

## ENTERPRISE FUNDS

Revenues available for debt service for the City's enterprise funds have been as follows as of December 31 each year:

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Water** | | | |
| Total Operating Revenues | $ 2,071,229 | $ 2,121,101 | $ 2,316,517 |
| Less: Operating Expenses | (1,494,371) | (1,429,523) | (1,550,960) |
| Operating Income | $ 576,858 | $ 691,578 | $ 765,557 |
| Plus: Depreciation | 444,601 | 460,342 | 484,888 |
| Interest Income | 22,208 | 18,984 | 38,171 |
| Revenues Available for Debt Service | $ 1,043,667 | $ 1,170,904 | $ 1,288,616 |
| **Wastewater** | | | |
| Total Operating Revenues | $ 2,051,313 | $ 2,055,876 | $ 2,128,425 |
| Less: Operating Expenses | (1,823,896) | (1,780,177) | (1,882,228) |
| Operating Income | $ 227,417 | $ 275,699 | $ 246,197 |
| Plus: Depreciation | 811,239 | 820,778 | 856,914 |
| Interest Income | 33,367 | 29,344 | 61,695 |
| Revenues Available for Debt Service | $ 1,072,023 | $ 1,125,821 | $ 1,164,806 |
| **Electric** | | | |
| Total Operating Revenues | $ 15,249,623 | $ 15,136,031 | $ 14,624,571 |
| Less: Operating Expenses | (14,276,445) | (14,168,219) | (13,969,109) |
| Operating Income | $ 973,178 | $ 967,812 | $ 655,462 |
| Plus: Depreciation | 1,019,024 | 1,108,163 | 1,194,203 |
| Interest Income | 92,681 | 104,218 | 202,391 |
| Revenues Available for Debt Service | $ 2,084,883 | $ 2,180,193 | $ 2,052,056 |

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2019 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|---|---|---|---|---|
| | 2016 Audited | 2017 Audited | 2018 Audited | 2019 Audited | 2020 Adopted Budget[1] |
| Revenues | | | | | |
| Taxes | $ 7,968,616 | $ 8,154,172 | $ 8,564,436 | $ 9,090,775 | $10,141,534 |
| Special assessments | 12,855 | 13,600 | 16,717 | 12,678 | 0 |
| Intergovernmental | 1,629,115 | 1,730,666 | 1,671,045 | 1,919,896 | 2,280,126 |
| Licenses and permits | 233,079 | 206,157 | 292,448 | 223,924 | 199,075 |
| Penalties and forfeitures | 135,588 | 134,649 | 168,454 | 149,398 | 155,000 |
| Public charges for services | 1,393,649 | 1,431,359 | 1,429,250 | 1,449,026 | 588,894 |
| Intergovernmental charges for services | 55,536 | 60,391 | 58,889 | 62,202 | 64,000 |
| Investment income | 26,183 | 85,048 | 189,555 | 236,249 | 0 |
| Miscellaneous | 464,732 | 511,434 | 530,241 | 475,983 | 442,505 |
| Total Revenues | $11,919,353 | $12,327,476 | $12,921,035 | $13,620,131 | $13,871,134 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | $ 1,843,239 | $ 1,660,722 | $ 1,852,615 | $ 1,724,843 | $ 2,055,672 |
| Public safety | 3,814,855 | 3,884,807 | 4,094,906 | 4,060,432 | 3,867,662 |
| Public works | 1,995,483 | 2,034,622 | 2,060,491 | 2,288,436 | 1,676,663 |
| Culture, recreation and education | 1,236,683 | 1,514,881 | 1,569,926 | 1,609,975 | 1,743,704 |
| Total Expenditures | $ 8,890,260 | $ 9,095,032 | $ 9,577,938 | $ 9,683,686 | $ 9,343,701 |
| **Excess of revenues over (under) expenditures** | $ 3,029,093 | $ 3,232,444 | $ 3,343,097 | $ 3,936,445 | $ 4,527,433 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | 796,334 | 839,670 | 898,285 | 1,098,665 | 65,000 |
| Transfers out | (3,722,286) | (3,618,424) | (3,869,912) | (4,482,298) | (4,583,613) |
| **Total Other Financing Sources (Uses)** | ($2,925,952) | ($2,778,754) | ($2,971,627) | ($3,383,633) | ($4,518,613) |
| **Excess of revenues and other financing sources over (under) expenditures and other financing uses** | $ 103,141 | $ 453,690 | $ 371,470 | $ 552,812 | $ 8,820 |
| General Fund Balance January 1 | 5,322,468 | 5,425,609 | 5,879,299 | 6,250,769 | 6,803,581 |
| General Fund Balance December 31 | $ 5,425,609 | $ 5,879,299 | $ 6,250,769 | $ 6,803,581 | $ 6,812,401 |
| **DETAILS OF DECEMBER 31 FUND BALANCE** | | | | | |
| Nonspendable | $ 991,095 | $ 1,016,502 | $ 1,159,444 | $ 1,394,058 | |
| Restricted | 0 | 0 | 0 | 0 | |
| Committed | 0 | 0 | 0 | 0 | |
| Assigned | 1,069,756 | 1,119,700 | 1,206,970 | 1,160,595 | |
| Unassigned | 3,364,758 | 3,742,097 | 3,884,355 | 4,248,928 | |
| **Total** | $ 5,425,609 | $ 5,878,299 | $ 6,250,769 | $ 6,803,581 | |

[1] The 2020 budget was adopted on November 12, 2019.

# GENERAL INFORMATION

## LOCATION

The City, with a 2010 U.S. Census population of 12,611 and a current estimated population of 12,911 comprises an area of 5.09 square miles and is located approximately 20 miles southeast of the City of Madison.

## LARGER EMPLOYERS[1]

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|---|
| Stoughton Trailers | Manufacturer | 748 |
| Stoughton Area School District | Elementary and secondary education | 426 |
| Stoughton Hospital | Healthcare | 407 |
| Cummins Emissions Solutions | Manufacturing | 300 |
| Wal-Mart | Retail | 279 |
| Skaalen Nursing & Rehab Center | Nursing home | 250 |
| City of Stoughton | Municipal government and services | 247 |
| Uniroyal Engineered Products | Manufacturing | 130 |
| Pick 'n Save | Grocery | 100 |
| Zalk Josephs Fabricators, LLC | Manufacturing | 77 |

**Source:** *ReferenceUSA, client written and telephone survey (September 2019),2019 IB Greater Madison 100 Largest Employers in Dane County, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "RISK FACTORS - Impact of the Spread of COVID-19").

## BUILDING PERMITS

| | 2016 | 2017 | 2018 | 2019 | 2020[1] |
|---|---|---|---|---|---|
| New Single Family Homes | | | | | |
| No. of building permits | 20 | 29 | 21 | 14 | 3 |
| Valuation | $4,164,000 | $8,370,000 | $6,278,300 | $4,085,500 | $880,000 |
| New Multiple Family Buildings | | | | | |
| No. of building permits | 1 | 1 | 3 | 4 | 0 |
| Valuation | $800,000 | $230,000 | $4,095,000 | $4,385,000 | $0 |
| New Commercial/Industrial | | | | | |
| No. of building permits | 7 | 7 | 6 | 2 | 2 |
| Valuation | $12,837,491 | $12,796,428 | $16,112,348 | $3,774,106 | $1,329,060 |
| All Building Permits *(including additions and remodelings)* | | | | | |
| No. of building permits | 801 | 838 | 818 | 796 | 220 |
| Valuation | $25,583,606 | $31,518,317 | $35,764,463 | $23,879,923 | $6,020,195 |

**Source:** The City.

[1] As of April 30, 2020.

## U.S. CENSUS DATA

**Population Trend:** The City

| | |
|---|---|
| 2000 U.S. Census | 12,354 |
| 2010 U.S. Census | 12,611 |
| 2019 Estimated Population | 12,911 |
| Percent of Change 2000 - 2010 | 2.08% |

**Income and Age Statistics**

| | The City | Dane County | State of Wisconsin | United States |
|---|---|---|---|---|
| 2018 per capita income | $31,952 | $38,757 | $32,018 | $32,621 |
| 2018 median household income | $65,203 | $70,541 | $59,209 | $60,293 |
| 2018 median family income | $79,755 | $94,813 | $75,313 | $73,965 |
| 2018 median gross rent | $939 | $1,031 | $837 | $1,023 |
| 2018 median value owner occupied units | $202,000 | $252,300 | $173,600 | $204,900 |
| 2018 median age | 39.2 yrs. | 34.9 yrs. | 39.3 yrs. | 37.9 yrs. |

| | State of Wisconsin | United States |
|---|---|---|
| City % of 2018 per capita income | 99.79% | 97.95% |
| City % of 2018 median family income | 105.90% | 107.83% |

**Housing Statistics**

| | The City | | |
|---|---|---|---|
| | 2010 | 2018 | Percent of Change |
| All Housing Units | 5,403 | 5,352 | -0.94% |

**Source:** *2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

| | Average Employment | Average Unemployment | |
|---|---|---|---|
| Year | Dane County | Dane County | State of Wisconsin |
| 2016 | 309,163 | 2.8% | 4.0% |
| 2017 | 312,894 | 2.4% | 3.3% |
| 2018 | 312,787 | 2.2% | 3.0% |
| 2019 | 313,824 | 2.4% | 3.3% |
| 2020, March[1] | 314,498 | 2.2% | 3.5% |

**Source:** *Wisconsin Department of Workforce Development.*

[1] Preliminary.

# APPENDIX A

## FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

# CITY OF STOUGHTON

Stoughton, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

**CITY OF STOUGHTON**

TABLE OF CONTENTS
As of and for the Year Ended December 31, 2019


| | Page(s) |
|---|---|
| Independent Auditors' Report | i - ii |
| Required Supplementary Information | |
| Management's Discussion and Analysis | iii - xv |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 - 3 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 4 - 7 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 9 - 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 11 |
| Statement of Net Position - Proprietary Funds | 12 - 15 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 16 - 17 |
| Statement of Cash Flows - Proprietary Funds | 18 - 21 |
| Statement of Fiduciary Net Position - Custodial Fund | 22 |
| Statement of Changes in Fiduciary Net Position - Custodial Fund | 23 |
| Index to Notes to Financial Statements | 24 |
| Notes to Financial Statements | 25 - 78 |
| Required Supplementary Information | |
| Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 79 - 81 |
| Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System | 82 |
| Schedule of Employer Contributions - Wisconsin Retirement System | 83 |
| Notes to Required Supplementary Information | 84 |




**CITY OF STOUGHTON**

TABLE OF CONTENTS (cont.)
As of and for the Year Ended December 31, 2019


| | Page(s) |
|---|---|
| Supplementary Information | |
| Combining Balance Sheet - Nonmajor Governmental Funds | 85 - 91 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 92 - 97 |
| Combining Statement of Net Position - Nonmajor Enterprise Funds | 98 |
| Combining Statement of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds | 99 |
| Combining Statement of Cash Flows - Nonmajor Enterprise Funds | 100 - 101 |

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Stoughton
Stoughton, 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 Stoughton, Wisconsin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Stoughton'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. 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 relevant to the City of Stoughton'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 Stoughton'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.

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***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 Stoughton, Wisconsin, as of December 31, 2019 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.

***Emphasis of Matter***

As discussed in Note 1, the City of Stoughton, Wisconsin adopted the provisions of Governmental Accounting Standards Board No. 84, *Fiduciary Activities,* effective January 1, 2019. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 11, 2020

## CITY OF STOUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
As of and For the Year Ended December 31, 2019

Management of the City of Stoughton offer readers of the City of Stoughton's financial statements this narrative overview and analysis of the financial activities of the City of Stoughton for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the city's financial statements.

### FINANCIAL HIGHLIGHTS

A successful city manages its limited resources to provide the best goods and services to its residents. Prudent management of financial assets seeks to both maximize the value of current goods and services while also planning for future needs, wants and opportunities. Management presents this analysis with a view to the current period and the future.

- Net positon increased $ 2.7 million, or 3.0%, in 2019 to $91.0 million from $88.3 million in 2018. However, governmental activities accounted for only $0.03 million of the increase in net position with the remainder generated from business-type activities.
- Net investment in capital assets increased by $1.3 million, or 2.0%, in 2019.
- Unrestricted net position increased in 2019 by $2.4 million, or 14.9%, to $18.3 million. The increase is due in large part to borrowings in TID 6 and from cash and receivables generated from governmental activities.
- The city's governmental funds reported combined fund balances of $17.4 million at year-end. $3.1 million of the fund balance was unassigned and able to fund future city expenditures. The remainder of the fund balance was nonspendable, restricted, committed or assigned for various purposes.
- Long-term bonds and notes outstanding increased by $4.3 million to $50.5 million at the end of 2019. The additional debt was incurred to fund the city's capital fund projects and water projects.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the city:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.





### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

- The remaining statements are fund financial statements that focus on individual parts of city government, reporting the city's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the city's net position and how they have changed. Net position – the city's assets plus deferred outflows of resources less liabilities and deferred inflows of resources – is one way to measure the city's financial health, or position. Over time, increases or decreases in the city's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the city you need to consider additional nonfinancial factors such as changes in the city's property tax base, changes in the local, state and national economies, and the condition of the city's roads and other infrastructure.

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 the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

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, 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 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The city maintains thirty-eight 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, debt service fund, construction fund, outlay fund and TIF District #7 fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The city adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

*Proprietary Funds* – The city maintains five different proprietary funds, all of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

*Internal Service Fund* – The 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, on a cost-reimbursement basis.

*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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

*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.

*Other Information* – In addition to the basic financial statements and accompanying notes, required supplementary information presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget, followed by the city's pension related information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the city's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the city's net position and changes therein. It should be noted that the financial position could also be affected by nonfinancial factors, including economic conditions, population growth and new regulations.





## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

A summary of the city's Statement of Net Position is presented below.

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

| | Governmental Activities | | Business Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | $ 32,681,577 | $ 29,870,075 | $ 15,289,239 | $ 14,878,017 | $ 47,970,816 | $ 44,748,092 |
| Capital assets | 52,631,928 | 51,209,090 | 60,006,260 | 57,361,213 | 112,638,188 | 108,570,303 |
| Total Assets | 85,313,505 | 81,079,165 | 75,295,499 | 72,239,230 | 160,609,004 | 153,318,395 |
| Pension related amounts | 3,686,053 | 2,079,552 | 1,173,998 | 679,881 | 4,860,051 | 2,759,433 |
| Total Deferred Outflows of Resources | 3,686,053 | 2,079,552 | 1,173,998 | 679,881 | 4,860,051 | 2,759,433 |
| Long-term liabilities | 38,244,663 | 35,580,848 | 13,306,422 | 12,907,057 | 51,551,085 | 48,487,905 |
| Net pension liability | 2,200,216 | - | 443,159 | - | 2,643,375 | - |
| Other liabilities | 2,813,030 | 2,668,525 | 2,894,341 | 2,698,474 | 5,707,371 | 5,366,999 |
| Total Liabilities | 43,257,909 | 38,249,373 | 16,643,922 | 15,605,531 | 59,901,831 | 53,854,904 |
| Unearned revenue | 11,569,786 | 10,987,696 | - | - | 11,569,786 | 10,987,696 |
| Pension related amounts | 2,381,062 | 2,162,394 | 617,148 | 759,394 | 2,998,210 | 2,921,788 |
| Total Deferred Inflows of Resources | 13,950,848 | 13,150,090 | 617,148 | 759,394 | 14,567,996 | 13,909,484 |
| Net investment in capital assets | 19,667,802 | 21,358,159 | 46,473,103 | 43,606,545 | 65,787,595 | 64,491,804 |
| Restricted | 3,833,588 | 4,600,716 | 3,072,630 | 3,295,342 | 6,906,218 | 7,896,058 |
| Unrestricted | 8,289,411 | 5,800,379 | 9,662,694 | 9,652,299 | 18,305,415 | 15,925,578 |
| **Total Net Position** | $ 31,790,801 | $ 31,759,254 | $ 59,208,427 | $ 56,554,186 | $ 90,999,228 | $ 88,313,440 |

The largest portion of the city's net position (72.3%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that are still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city'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 as the capital assets themselves cannot generally be liquidated to pay these liabilities.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

An additional portion of the city's net position (7.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (20.1%) may be used to meet the government's ongoing obligation to citizens, customers and creditors. However, it is important to note that unrestricted balances can generally only be applied to the individual funds' obligations and cannot generally be transferred from one fund to another except under limited circumstances.

A summary of the city's Statement of Activities is presented below.

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

| | Governmental Activities | | Business Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **REVENUES** | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | $ 3,014,578 | $ 3,194,280 | $ 20,326,367 | $ 20,500,400 | $ 23,340,945 | $ 23,694,680 |
| Operating grants and contributions | 1,977,030 | 1,751,419 | 23,575 | 53,730 | 2,000,605 | 1,805,149 |
| Capital grants and contributions | 86,920 | 2,192,906 | 93,467 | 1,148,641 | 180,387 | 3,341,547 |
| General Revenues | | | | | | |
| Property taxes | 10,239,339 | 9,603,316 | - | - | 10,239,339 | 9,603,316 |
| Other taxes | 130,559 | 137,688 | - | - | 130,559 | 137,688 |
| Intergovernmental | 932,109 | 1,025,797 | - | - | 932,109 | 1,025,797 |
| Other | 940,077 | 986,150 | 454,244 | 189,176 | 1,394,321 | 1,175,326 |
| Total Revenues | 17,320,612 | 18,891,556 | 20,897,653 | 21,891,947 | 38,218,265 | 40,783,503 |
| **EXPENSES** | | | | | | |
| General government | 2,230,352 | 2,053,284 | - | - | 2,230,352 | 2,053,284 |
| Public safety | 4,756,181 | 4,677,585 | - | - | 4,756,181 | 4,677,585 |
| Public works | 3,933,341 | 4,110,559 | - | - | 3,933,341 | 4,110,559 |
| Culture, education and recreation | 4,061,644 | 3,527,824 | - | - | 4,061,644 | 3,527,824 |
| Conservation and development | 598,312 | 939,747 | - | - | 598,312 | 939,747 |
| Water | - | - | 1,664,278 | 1,478,914 | 1,664,278 | 1,478,914 |
| Wastewater | - | - | 1,992,498 | 1,902,959 | 1,992,498 | 1,902,959 |
| Electric | - | - | 14,070,250 | 14,278,273 | 14,070,250 | 14,278,273 |
| EMS | - | - | 653,890 | 602,256 | 653,890 | 602,256 |
| Storm sewer | - | - | 540,212 | 579,275 | 540,212 | 579,275 |
| Interest and fiscal charges | 1,031,519 | 907,723 | - | - | 1,031,519 | 907,723 |
| Total Expenses | 16,611,349 | 16,216,722 | 18,921,128 | 18,841,677 | 35,532,477 | 35,058,399 |
| Income Before Transfers | 709,263 | 2,674,834 | 1,976,525 | 3,050,270 | 2,685,788 | 5,725,104 |
| Transfers | (677,716) | 319,491 | 677,716 | (319,491) | - | - |
| Change in Net Position | 31,547 | 2,994,325 | 2,654,241 | 2,730,779 | 2,685,788 | 5,725,104 |
| Beginning Net Position | 31,759,254 | 28,764,929 | 56,554,186 | 53,823,407 | 88,313,440 | 82,588,336 |
| **ENDING NET POSITION** | $ 31,790,801 | $ 31,759,254 | $ 59,208,427 | $ 56,554,186 | $ 90,999,228 | $ 88,313,440 |



CITY OF STOUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
As of and For the Year Ended December 31, 2019

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

As previously noted, the Statement of Net Position shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Statement of Revenues, Expenses and Changes in Net Position as shown above in Table 2.

**Governmental Activities – Revenues**

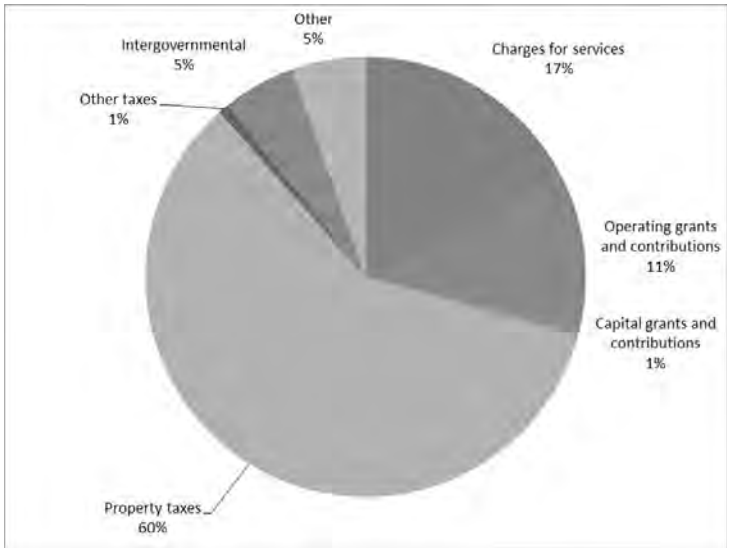
Governmental activities increased the city's net position by $31,547 in 2019. This is down sharply from an increase in the city's net position of $2,994,325 in 2018. However, most of the decrease is due to a one-time $1.6 million donation of a building to the City of Stoughton to serve as a city hall in 2018. There was also $0.5 million less developer donations of infrastructure in 2019 compared to 2018. The overall $31,547 increase in net position indicates that city's governmental activities neither significantly improved nor impaired the city's financial position in 2019.

Program revenues are those revenues that can be directly related to a particular activity, whereas general revenues represent revenues that are not directly related to one specific function. General revenues include property taxes, state aids and investment income. Charges for services are primarily made up of licenses, permits, public charges for services such as library, garbage, recycling, park, and recreation fees. Operating grants are mainly from state resources received for highway maintenance, taxi service and recycling programs. Capital grants fluctuate annually and are received to assist the city in capital asset purchases.

Property taxes are the largest revenue source for the governmental activities accounting for 60% of total revenues.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

**Governmental Activities by Revenue Source**






CITY OF STOUGHTON

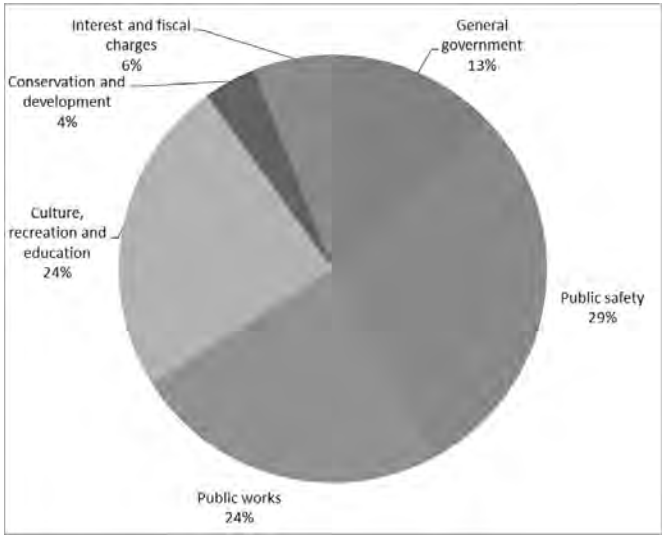
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
As of and For the Year Ended December 31, 2019

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

**Governmental Activities – Expenses**

Governmental activities expenses are broken down into various functions. General government includes administrative type costs including Council, Clerk, Human Resources, Finance, Legal and Assessment services. Costs associated with the city's Police Department and Fire services are shown within the public safety function. The public works function includes expenses for street and sidewalk maintenance, winter and forestry operations, and refuse and recycling efforts. Health and human services include the senior center, parks, recreation, cemetery and cable television. Conservation and development are the expenses of the planning department and TIF funds.

**Governmental Activities Expenses Shown by Function**



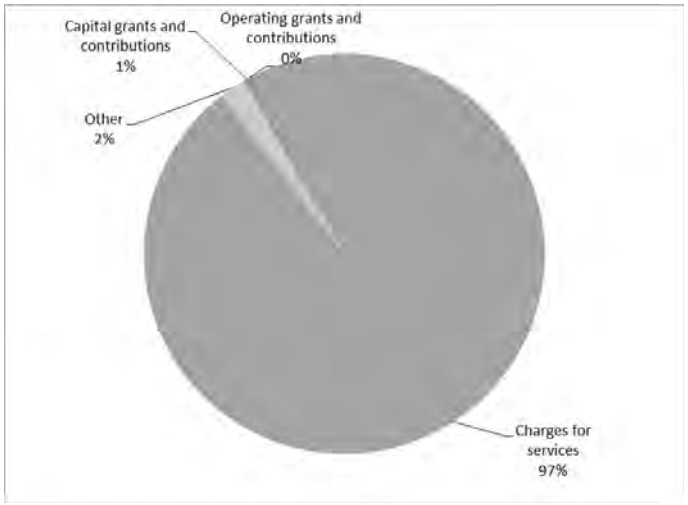
**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

**Business Type Activities**

Business-type activities increased the City of Stoughton's net position by $2,654,241. The electric utility accounted for 16.6%, the water utility accounted for 17.8%, the wastewater accounted for 14.0%, storm sewer accounted for 49.4% and EMS accounted for 2.2% of the net increase. Storm sewer accounted for an outsized portion of the net increase in 2019 due to a $1,181,861 capital contribution from the city.

As shown on the following chart, the major source of revenues for the business-type activities is charges for services; other revenues include grants, contributions and investment income.

**Revenues by Source - Business Type Activities**



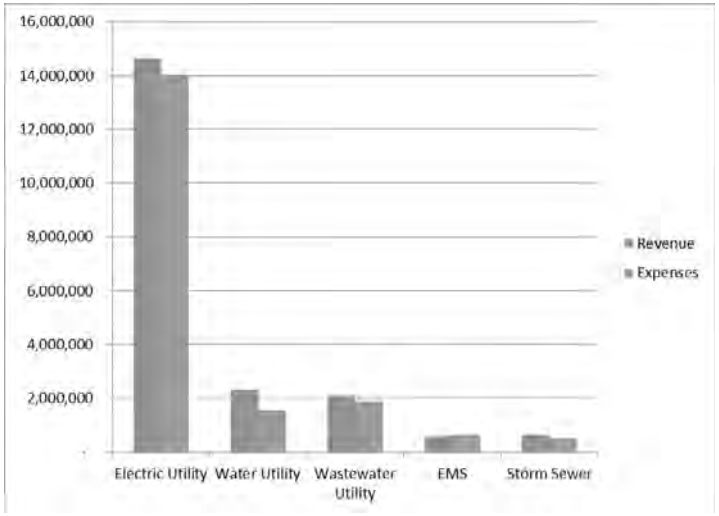



CITY OF STOUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
As of and For the Year Ended December 31, 2019

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE** (cont.)

**Operating Expenses and Revenues - Business-type Activities**




**Governmental Funds**

The focus of the City of Stoughton'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 the government's net resources available for spending at the end of the fiscal year.

At December 31, 2019, the city's governmental funds reported combined fund balances of $17,377,128, up from $14,196,336 at the end of 2018. Approximately 18% of this amount, $3,124,604, constitutes the unassigned fund balance, which is available to meet the city's current and future needs. An additional $12,775,591 is included in the restricted, committed, or assigned category, which has been designated for specific projects or expenditures. The remaining $1,476,933 is nonspendable for prepaid expenditures, noncurrent assets, delinquent items and other investments.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

### General Fund

The city's general fund is the chief operating fund of the city. Total fund balance in the general fund increased $552,812, or 8.8%, from the prior year. The increase is primarily due to investment income, miscellaneous revenues and transfers in exceeding budgeted amounts. See the following General Fund Budgetary Highlights section for further details.

The city has a formal minimum fund balance policy. That policy is to maintain an unassigned general fund balance within a range of 20% to 25% of general fund annual budgeted expenditures. The unassigned general fund balance at year-end including deficits in funds potentially funded by the General Fund was $3,903,588, or 27.9%, of 2019 general fund budgeted expenditures.

### Debt Service Fund

The city's debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The fund balance at the end of 2019 was $832,401, which is an increase of $270,399 from the prior year. The increase is due to premium on new debt issuance.

### Construction Capital Projects Fund

The city's construction capital projects fund accounts for the funds accumulated for the purpose of obtaining capital assets or for capital projects and other expenditures that are unique and are not normal operating or maintenance type expenditures reportable within the general fund or other governmental funds. The total fund balance as of December 31, 2019 is $2,403,116, all of which is restricted or assigned.

### Outlay – Capital Projects Fund

The city's outlay fund accounts for the funds accumulated for the purpose of obtaining capital equipment and other capital assets. The total fund balance as of December 31, 2019 is $1,307,532.

### TIF District No. 7 Fund

TID No. 7 was created in 2015. The entire fund balance of $438,407, which increased $247,712 in 2019, is restricted for future TID 7 projects.

### Nonmajor Governmental Funds

Fund balance of all other governmental funds is $5,592,091, an increase of $1,506,716 from the prior year. There are 33 different nonmajor governmental funds, each with a different purpose.

### Proprietary Funds

The City of Stoughton's proprietary fund financial statements provide the same type of information found in the government-wide financial statements but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the city's business-type activities.





CITY OF STOUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
As of and For the Year Ended December 31, 2019

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

### Internal Service Fund

In December 2011, the city paid off its Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The city borrowed money from the Electric Utility to pay off its portion of liability. This advance has been recorded in the Retirement Fund, which is an Internal Service Fund that the city created for this purpose. The internal service fund had a deficit of $252,442 as of December 31, 2019, which represents the amount to be paid to the Electric Utility and funded through future years' charges to governmental funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget had total appropriations, including those for transfers out, of $14,258,094. Actual expenditures and transfers out were $14,165,984, resulting in a $92,110 favorable variance. Total actual revenues and other sources were $14,718,796, $433,328 more than the budget. Further details can be found in the budget to actual section of this report and the city's year-end budget to actual report.

## CAPITAL ASSETS

At the end of 2019, the city had invested a total of $112.6 million in capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

| | Governmental Activities | | Business Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land and other assets not being depreciated | $ 11,424,738 | $ 20,168,555 | $ 2,112,866 | $ 1,319,233 | $ 13,537,604 | $ 21,487,788 |
| Buildings & improvements | 25,765,325 | 17,708,322 | 1,240,308 | 1,240,308 | 27,005,633 | 18,948,630 |
| Machinery & equipment | 9,809,162 | 11,373,741 | 941,588 | 941,588 | 10,750,750 | 12,315,329 |
| Infrastructure | 33,684,912 | 32,255,881 | - | - | 33,684,912 | 32,255,881 |
| Utility plant | - | - | 93,167,739 | 89,698,369 | 93,167,739 | 89,698,369 |
| Total Capital Assets | 80,684,137 | 81,506,499 | 97,462,501 | 93,199,498 | 178,146,638 | 174,705,997 |
| Less: Accumulated depreciation | (28,052,209) | (30,297,409) | (37,456,241) | (35,838,285) | (65,508,450) | (66,135,694) |
| **NET CAPITAL ASSETS** | $ 52,631,928 | $ 51,209,090 | $ 60,006,260 | $ 57,361,213 | $ 112,638,188 | $ 108,570,303 |

**CAPITAL ASSETS** (cont.)

Major capital asset events during the current fiscal year included the following:

**Governmental Activities**

- Infrastructure reconstruction projects of sidewalks throughout the city and street reconstruction.
- Construction of a new street in TIF District #6.
- Various equipment purchases.

**Business-type Activities**

- Business-type activities capital assets increased due to additions and replacements to utility infrastructure and equipment.
- $1.5 million due to contributions of infrastructure from city to water, wastewater and stormwater as part of general street construction projects and TIF-related projects.

## LONG-TERM DEBT

At December 31, 2019, the city had $50,517,044 of long-term bonds and notes outstanding, which is a $4,271,613 increase from 2018. $12,107,100 of this is revenue debt and the rest relates to general obligation issues. In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2019 was $61,686,215. Total general obligation debt outstanding at year end was $38,409,944. Therefore, the city was at 62% of the legal debt limit.

The city has a debt policy to maintain total outstanding general obligation debt at 4% or less of the equalized value. The city's outstanding general obligation debt was at 3.1%.

## CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2020 city budget, except for the COVID-19 pandemic beginning in March 2020. COVID-19 closures and cancellations will impact the Opera House fund. The Opera House fund had revenues of $867,000 in 2019. The City of Stoughton cannot at this time project how COVID-19 will impact the Opera House's revenues or how much associated expense can be reduced to cover loss revenues. The general fund has ample reserves to cover loss revenues, if necessary.

## REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the city's finances. If you have questions about this report or need any additional information, contact the City of Stoughton Finance Director

# CITY OF STOUGHTON

STATEMENT OF NET POSITION
As of December 31, 2019

| | Governmental Activities | Business-type Activities | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments | $ 16,924,643 | $ 9,317,759 | $ 26,242,402 |
| Receivables (net) | 12,418,028 | 2,445,943 | 14,863,971 |
| Due from other governmental units | 29,600 | - | 29,600 |
| Internal balances | 1,137,373 | (1,137,373) | - |
| Inventories and prepaid items | 788,331 | 255,054 | 1,043,385 |
| Investment in mutual insurance company | 257,805 | - | 257,805 |
| Restricted cash and investments | - | 3,882,549 | 3,882,549 |
| Other assets | - | 525,307 | 525,307 |
| Land held for resale | 1,125,797 | - | 1,125,797 |
| Capital Assets | | | |
| Capital assets not being depreciated | 11,424,738 | 2,112,866 | 13,537,604 |
| Capital assets net of depreciation | 41,207,190 | 57,893,394 | 99,100,584 |
| Total Assets | 85,313,505 | 75,295,499 | 160,609,004 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension related amounts | 3,686,053 | 1,173,998 | 4,860,051 |
| Total Deferred Outflows of Resources | 3,686,053 | 1,173,998 | 4,860,051 |
| **LIABILITIES** | | | |
| Accounts payable | 1,807,109 | 1,047,719 | 2,854,828 |
| Accrued liabilities and deposits | 698,007 | 264,729 | 962,736 |
| Other liabilities | 307,914 | 21,145 | 329,059 |
| Liabilities Payable from Restricted Assets | | | |
| Current portion of revenue bonds | - | 1,505,628 | 1,505,628 |
| Accrued interest | - | 55,120 | 55,120 |
| Noncurrent Liabilities | | | |
| Due within one year | 3,708,168 | 436,562 | 4,144,730 |
| Due in more than one year | 34,536,495 | 12,869,860 | 47,406,355 |
| Net pension liability | 2,200,216 | 443,159 | 2,643,375 |
| Total Liabilities | 43,257,909 | 16,643,922 | 59,901,831 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unearned revenue | 11,569,786 | - | 11,569,786 |
| Pension related amounts | 2,381,062 | 617,148 | 2,998,210 |
| Total Deferred Inflows of Resources | 13,950,848 | 617,148 | 14,567,996 |
| **NET POSITION** | | | |
| Net investment in capital assets | 19,667,802 | 46,473,103 | 65,787,595 |
| Restricted for | | | |
| Debt service | 415,871 | 1,908,740 | 2,324,611 |
| Firemen pension | 848,192 | - | 848,192 |
| Equipment replacement | - | 1,163,890 | 1,163,890 |
| TID activities | 1,849,891 | - | 1,849,891 |
| Library | 255,092 | - | 255,092 |
| Impact fees | 458,089 | - | 458,089 |
| Grants and loans | 6,453 | - | 6,453 |
| Unrestricted | 8,289,411 | 9,662,694 | 18,305,415 |
| **TOTAL NET POSITION** | $ 31,790,801 | $ 59,208,427 | $ 90,999,228 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Governmental Activities | | | | |
| General government | $ 2,230,352 | $ 219,204 | $ 148,285 | $ - |
| Public safety | 4,756,181 | 595,180 | 201,204 | 57,320 |
| Public works | 3,933,341 | 1,002,420 | 849,123 | 29,600 |
| Culture, recreation and education | 4,061,644 | 1,085,228 | 769,675 | - |
| Conservation and development | 598,312 | 112,546 | - | - |
| Interest and fiscal charges | 1,031,519 | - | 8,743 | - |
| Total Governmental Activities | 16,611,349 | 3,014,578 | 1,977,030 | 86,920 |
| Business-type Activities | | | | |
| Water | 1,664,278 | 2,316,517 | - | - |
| Wastewater | 1,992,498 | 2,128,425 | - | - |
| Electric | 14,070,250 | 14,624,571 | - | 93,467 |
| EMS | 653,890 | 602,173 | 23,575 | - |
| Storm sewer | 540,212 | 654,681 | - | - |
| Total Business-type Activities | 18,921,128 | 20,326,367 | 23,575 | 93,467 |
| Total | $ 35,532,477 | $ 23,340,945 | $ 2,000,605 | $ 180,387 |

General Revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for TIF districts
Other taxes
Intergovernmental revenues not restricted to specific programs
Gain on sale of assets
Investment income
Miscellaneous
Total General Revenues
Transfers

**Change in net position**

NET POSITION - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying notes to financial statements.

| Net (Expenses) Revenues and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Totals |
| $ (1,862,863) | $ - | $ (1,862,863) |
| (3,902,477) | - | (3,902,477) |
| (2,052,198) | - | (2,052,198) |
| (2,206,741) | - | (2,206,741) |
| (485,766) | - | (485,766) |
| (1,022,776) | - | (1,022,776) |
| (11,532,821) | - | (11,532,821) |
| - | 652,239 | 652,239 |
| - | 135,927 | 135,927 |
| - | 647,788 | 647,788 |
| - | (28,142) | (28,142) |
| - | 114,469 | 114,469 |
| - | 1,522,281 | 1,522,281 |
| (11,532,821) | 1,522,281 | (10,010,540) |
| 9,037,706 | - | 9,037,706 |
| 1,201,633 | - | 1,201,633 |
| 130,559 | - | 130,559 |
| 932,109 | - | 932,109 |
| - | 60,527 | 60,527 |
| 492,912 | 322,461 | 815,373 |
| 447,165 | 71,256 | 518,421 |
| 12,242,084 | 454,244 | 12,696,328 |
| (677,716) | 677,716 | - |
| 31,547 | 2,654,241 | 2,685,788 |
| 31,759,254 | 56,554,186 | 88,313,440 |
| $ 31,790,801 | $ 59,208,427 | $ 90,999,228 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

| | General | Debt Service | Construction Capital Projects | Outlay |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 4,956,245 | $ 525,806 | $ 2,771,020 | $ 668,606 |
| Receivables (net) | | | | |
| Taxes | 9,405,623 | - | - | - |
| Delinquent personal property taxes | 6,958 | - | - | - |
| Accounts | 71,990 | - | - | 270 |
| Accrued interest | 5,429 | - | - | - |
| Special assessments | - | - | - | - |
| Delinquent special assessments | 11,068 | - | - | - |
| Loans | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | 954,740 | 306,745 | 260,834 | - |
| Advances to other funds | 1,046,023 | - | - | - |
| Other investments | 257,805 | - | - | - |
| Prepaid items | 5,630 | - | - | 699,826 |
| **TOTAL ASSETS** | $ 16,721,511 | $ 832,551 | $ 3,031,854 | $ 1,368,702 |

See accompanying notes to financial statements.

| TIF District No. 7 Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|
| $ 426,599 | $ 7,576,367 | $ 16,924,643 |
| 546,395 | 1,661,455 | 11,613,473 |
| - | - | 6,958 |
| 58,125 | 72,844 | 203,229 |
| - | 2,091 | 7,520 |
| - | 464,808 | 464,808 |
| - | - | 11,068 |
| - | 110,972 | 110,972 |
| - | 29,600 | 29,600 |
| - | - | 1,522,319 |
| - | - | 1,046,023 |
| - | - | 257,805 |
| - | 82,875 | 788,331 |
| $ 1,031,119 | $ 10,001,012 | $ 32,986,749 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

| | General | Debt Service | Construction Capital Projects | Outlay |
|---|---|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts payable | $ 228,890 | $ 150 | $ 628,738 | $ 61,170 |
| Accrued liabilities | 238,251 | - | - | - |
| Deposits | 16,574 | - | - | - |
| Other liabilities | 27,244 | - | - | - |
| Due to other funds | 16,998 | - | - | - |
| Due to other governments | 6,259 | - | - | - |
| Advances from other funds | - | - | - | - |
| Total Liabilities | 534,216 | 150 | 628,738 | 61,170 |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | 9,383,714 | - | - | - |
| Unavailable revenues | - | - | - | - |
| Total Deferred Inflows of Resources | 9,383,714 | - | - | - |
| Fund Balances | | | | |
| Nonspendable for prepaid items | 5,630 | - | - | - |
| Nonspendable for non-current interfunds | 1,112,597 | - | - | - |
| Nonspendable for delinquent items | 18,026 | - | - | - |
| Nonspendable for other investments | 257,805 | - | - | - |
| Restricted | - | 832,401 | 443,834 | - |
| Committed | - | - | - | - |
| Assigned | 1,160,595 | - | 1,959,282 | 1,307,532 |
| Unassigned (deficit) | 4,248,928 | - | - | - |
| Total Fund Balances | 6,803,581 | 832,401 | 2,403,116 | 1,307,532 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 16,721,511 | $ 832,551 | $ 3,031,854 | $ 1,368,702 |

See accompanying notes to financial statements.

| TIF District No. 7 Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|
| $ 12,819 | $ 875,342 | $ 1,807,109 |
| - | 19,809 | 258,060 |
| 584 | - | 17,158 |
| - | 280,670 | 307,914 |
| - | 115,506 | 132,504 |
| - | - | 6,259 |
| - | 1,046,023 | 1,046,023 |
| 13,403 | 2,337,350 | 3,575,027 |
| 579,309 | 1,606,763 | 11,569,786 |
| - | 464,808 | 464,808 |
| 579,309 | 2,071,571 | 12,034,594 |
| - | 82,875 | 88,505 |
| - | - | 1,112,597 |
| - | - | 18,026 |
| - | - | 257,805 |
| 438,407 | 4,045,820 | 5,760,462 |
| - | 1,371,062 | 1,371,062 |
| - | 1,216,658 | 5,644,067 |
| - | (1,124,324) | 3,124,604 |
| 438,407 | 5,592,091 | 17,377,128 |
| $ 1,031,119 | $ 10,001,012 | $ 32,986,749 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of December 31, 2019

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | $ | 17,377,128 |
| 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. See Note II. A. | | 52,631,928 |
| Land held for resale. | | 1,125,797 |
| Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. | | 464,808 |
| The net pension liabilities do not relate to current financial resources and are not reported in the governmental funds. | | (2,200,216) |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | | 3,686,053 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | | (2,381,062) |
| Internal service funds are reported in the statement of net position as governmental activities. | | (252,442) |
| Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A. | | (38,661,193) |
| **NET POSITION OF GOVERNMENTAL ACTIVITIES** | $ | 31,790,801 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | General | Debt Service | Construction Capital Projects | Outlay |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 9,090,775 | $ - | $ - | $ - |
| Intergovernmental | 1,919,896 | 8,743 | - | 55,323 |
| Licenses and permits | 223,924 | - | - | - |
| Fines, forfeitures and penalties | 149,398 | - | - | - |
| Public charges for services | 1,449,026 | - | - | - |
| Intergovernmental charges for services | 62,202 | 48,783 | - | - |
| Special assessments | 12,678 | - | - | - |
| Investment income | 236,249 | 6,083 | 84,386 | 19,975 |
| Miscellaneous revenues | 475,983 | - | - | - |
| Total Revenues | 13,620,131 | 63,609 | 84,386 | 75,298 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General government | 1,724,843 | - | - | - |
| Public safety | 4,060,432 | - | - | - |
| Public works | 2,288,436 | - | - | - |
| Culture, recreation and education | 1,609,975 | - | - | - |
| Conservation and development | - | - | - | - |
| Capital Outlay | - | - | 2,675,844 | 1,049,707 |
| Debt Service | | | | |
| Principal | - | 3,215,601 | - | - |
| Interest and fiscal charges | - | 1,015,259 | 36,098 | 20,389 |
| Total Expenditures | 9,683,686 | 4,230,860 | 2,711,942 | 1,070,096 |
| Excess (deficiency) of revenues over expenditures | 3,936,445 | (4,167,251) | (2,627,556) | (994,798) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Debt issued | - | - | 2,431,577 | 1,627,555 |
| Premium on debt | - | 272,604 | 15,500 | 8,755 |
| Sales of fixed assets | - | - | - | 12,120 |
| Transfers in | 1,098,665 | 4,165,046 | - | 200,000 |
| Transfers out | (4,482,298) | - | (70,000) | - |
| Total Other Financing Sources (Uses) | (3,383,633) | 4,437,650 | 2,377,077 | 1,848,430 |
| **Net Change in Fund Balances** | 552,812 | 270,399 | (250,479) | 853,632 |
| FUND BALANCES - Beginning of Year | 6,250,769 | 562,002 | 2,653,595 | 453,900 |
| **FUND BALANCES - END OF YEAR** | $ 6,803,581 | $ 832,401 | $ 2,403,116 | $ 1,307,532 |

See accompanying notes to financial statements.

| TIF District No. 7 Capital Projects | Nonmajor Governmental Funds | Totals |
|---|---|---|
| $ 526,673 | $ 747,106 | $ 10,364,554 |
| 1,959 | 312,272 | 2,298,193 |
| - | - | 223,924 |
| - | - | 149,398 |
| - | 970,487 | 2,419,513 |
| - | - | 110,985 |
| - | 178,328 | 191,006 |
| 4,445 | 141,774 | 492,912 |
| 48,784 | 556,962 | 1,081,729 |
| 581,861 | 2,906,929 | 17,332,214 |
| | | |
| - | 154,730 | 1,879,573 |
| - | 40,763 | 4,101,195 |
| - | - | 2,288,436 |
| - | 2,199,899 | 3,809,874 |
| 1,000 | 29,007 | 30,007 |
| - | 2,158,488 | 5,884,039 |
| | | |
| - | - | 3,215,601 |
| - | 36,572 | 1,108,318 |
| 1,000 | 4,619,459 | 22,317,043 |
| | | |
| 580,861 | (1,712,530) | (4,984,829) |
| | | |
| - | 2,920,868 | 6,980,000 |
| - | 15,705 | 312,564 |
| - | 29,061 | 41,181 |
| - | 1,233,181 | 6,696,892 |
| (333,149) | (979,569) | (5,865,016) |
| (333,149) | 3,219,246 | 8,165,621 |
| | | |
| 247,712 | 1,506,716 | 3,180,792 |
| | | |
| 190,695 | 4,085,375 | 14,196,336 |
| | | |
| $ 438,407 | $ 5,592,091 | $ 17,377,128 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 3,180,792 |
| 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 as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements | | 5,884,039 |
| Some items reported as capital outlay were not capitalized | | (593,361) |
| Depreciation is reported in the government-wide financial statements | | (2,128,449) |
| Net book value of assets retired | | (229,800) |
| Capital assets contributed to business-type activities are reported as capital outlay in the fund financial statements. | | (1,509,591) |
| 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. | | |
| Special assessments | | (4,076) |
| Guaranteed increment revenue | | (33,510) |
| Revolving loan | | (50,000) |
| 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 | | (6,980,000) |
| Principal repaid | | 3,215,601 |
| Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense. | | |
| Premium on debt issued | | (312,564) |
| Amortization | | 56,694 |
| 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 | | (35,707) |
| Net pension liability / (asset) | | (1,880,105) |
| Deferred outflows of resources related to pensions | | 1,606,501 |
| Deferred inflows of resources related to pensions | | (218,668) |
| Accrued interest on debt | | 20,105 |
| Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities. | $ | 43,646 |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | $ | 31,547 |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Wastewater | Electric |
| **ASSETS** | | | |
| Current Assets | | | |
| Cash and investments | $ 911,764 | $ 916,787 | $ 5,526,863 |
| Receivables (net) | | | |
| Other receivables | 241,326 | 231,553 | 1,500,690 |
| Interest receivable | 9,349 | 15,605 | 15,560 |
| Current portion of special assessments | 29,026 | 19,905 | - |
| Due from other funds | 30,537 | 21,300 | 14,093 |
| Current portion of advance to other funds | - | - | 46,007 |
| Inventories | 39,599 | - | 187,211 |
| Prepaid items | 7,184 | 6,656 | 14,404 |
| Restricted Assets | | | |
| Redemption account - current | 266,613 | 289,365 | 523,167 |
| Total Current Assets | 1,535,398 | 1,501,171 | 7,827,995 |
| Noncurrent Assets | | | |
| Restricted Assets | | | |
| Reserve account | 340,710 | - | 460,722 |
| Depreciation account | 25,000 | 33,283 | 25,000 |
| Equipment replacement | - | 1,163,890 | - |
| Construction account | 754,799 | - | - |
| Capital Assets | | | |
| Land and land rights | 430,131 | - | 344,364 |
| Construction in progress | 30 | - | 123,908 |
| Plant in service | 24,204,156 | 31,553,338 | 33,374,525 |
| Property held for future use | - | - | 229,097 |
| Less: Accumulated depreciation | (7,731,158) | (12,237,929) | (16,096,771) |
| Other Assets | | | |
| Special assessments | 145,129 | 99,526 | - |
| Other prepaid asset | - | 53,479 | - |
| Preliminary survey and investigation | 2,462 | 2,462 | - |
| Plant and maintenance reserve account | 279,746 | - | 530,449 |
| Sick leave reserve account | 85,562 | 97,342 | 145,213 |
| Advance to other funds | - | - | 206,435 |
| Investment in ATC | - | - | 445,792 |
| Non-utility property (net of amortization) | 17,798 | - | 3,314 |
| Total Noncurrent Assets | 18,554,365 | 20,765,391 | 19,792,048 |
| Total Assets | 20,089,763 | 22,266,562 | 27,620,043 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension related amounts | 220,335 | 239,859 | 648,285 |
| Total Deferred Outflows of Resources | 220,335 | 239,859 | 648,285 |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | Governmental Activities - Internal Service Fund |
|---|---|---|
| Nonmajor Enterprise Funds | Totals | |
| $ 824,033 | $ 8,179,447 | $ - |
| 138,274 | 2,111,843 | - |
| - | 40,514 | - |
| - | 48,931 | - |
| 47,202 | 113,132 | - |
| - | 46,007 | - |
| - | 226,810 | - |
| - | 28,244 | - |
| - | 1,079,145 | - |
| 1,009,509 | 11,874,073 | - |
| - | 801,432 | - |
| - | 83,283 | - |
| - | 1,163,890 | - |
| - | 754,799 | - |
| 9,986 | 784,481 | - |
| 975,350 | 1,099,288 | - |
| 6,217,616 | 95,349,635 | - |
| - | 229,097 | - |
| (1,390,383) | (37,456,241) | - |
| - | 244,655 | - |
| - | 53,479 | - |
| - | 4,924 | - |
| - | 810,195 | - |
| - | 328,117 | - |
| - | 206,435 | - |
| - | 445,792 | - |
| - | 21,112 | - |
| 5,812,569 | 64,924,373 | - |
| 6,822,078 | 76,798,446 | - |
| 65,519 | 1,173,998 | - |
| 65,519 | 1,173,998 | - |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Wastewater | Electric |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable | $ 37,909 | $ 42,147 | $ 809,979 |
| Accrued liabilities | 14,509 | 14,436 | 81,968 |
| Public benefits | - | - | 21,145 |
| Deposits | - | - | 120,972 |
| Due to other funds | 529,946 | 163,710 | 502,546 |
| Current portion of general obligation debt | 51,000 | 34,000 | - |
| Current portion of advance | - | - | - |
| Liabilities Payable from Restricted Assets | | | |
| Current portion of revenue bonds | 439,952 | 405,676 | 660,000 |
| Accrued interest | 12,392 | 16,950 | 25,778 |
| Total Current Liabilities | 1,085,708 | 676,919 | 2,222,388 |
| Noncurrent Liabilities | | | |
| Long-Term Debt | | | |
| Customer advances for construction | - | - | 27,416 |
| Revenue bonds payable | 3,373,206 | 3,478,266 | 3,750,000 |
| Unamortized debt premium | 73,096 | - | 76,286 |
| General obligation debt payable | 270,000 | 180,000 | - |
| Compensated absences | 85,562 | 97,342 | 145,213 |
| Net pension liability | 83,659 | 85,837 | 248,334 |
| Advances from other funds | - | - | - |
| Total Noncurrent Liabilities | 3,885,523 | 3,841,445 | 4,247,249 |
| Total Liabilities | 4,971,231 | 4,518,364 | 6,469,637 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension related amounts | 115,727 | 126,301 | 340,290 |
| Total Deferred Inflows of Resources | 115,727 | 126,301 | 340,290 |
| **NET POSITION (DEFICIT)** | | | |
| Net investment in capital assets | 13,450,704 | 15,217,467 | 13,488,837 |
| Restricted for | | | |
| Debt service | 619,931 | 305,698 | 983,111 |
| Equipment replacement | - | 1,163,890 | - |
| Unrestricted (deficit) | 1,152,505 | 1,174,701 | 6,986,453 |
| **TOTAL NET POSITION (DEFICIT)** | $ 15,223,140 | $ 17,861,756 | $ 21,458,401 |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds |
|---|---|---|
| Nonmajor Enterprise Funds | Totals | |
| $ 157,684 | $ 1,047,719 | $ - |
| 32,844 | 143,757 | - |
| - | 21,145 | - |
| - | 120,972 | - |
| 306,745 | 1,502,947 | - |
| 351,562 | 436,562 | - |
| - | - | 46,007 |
| - | 1,505,628 | - |
| - | 55,120 | - |
| 848,835 | 4,833,850 | 46,007 |
| - | 27,416 | - |
| - | 10,601,472 | - |
| - | 149,382 | - |
| 1,275,530 | 1,725,530 | - |
| 37,943 | 366,060 | - |
| 25,329 | 443,159 | - |
| - | - | 206,435 |
| 1,338,802 | 13,313,019 | 206,435 |
| 2,187,637 | 18,146,869 | 252,442 |
| 34,830 | 617,148 | - |
| 34,830 | 617,148 | - |
| 4,316,095 | 46,473,103 | - |
| - | 1,908,740 | - |
| - | 1,163,890 | - |
| 349,035 | 9,662,694 | (252,442) |
| $ 4,665,130 | $ 59,208,427 | $ (252,442) |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Wastewater | Electric |
| **OPERATING REVENUES** | $ 2,316,517 | $ 2,128,425 | $ 14,624,571 |
| **OPERATING EXPENSES** | | | |
| Operation and maintenance | 1,066,072 | 1,025,314 | 12,774,906 |
| Depreciation | 484,888 | 856,914 | 1,194,203 |
| Total Operating Expenses | 1,550,960 | 1,882,228 | 13,969,109 |
| Operating Income | 765,557 | 246,197 | 655,462 |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Investment income | 38,171 | 61,695 | 202,391 |
| Interest and fiscal charges | (52,141) | (110,270) | (109,620) |
| Miscellaneous expenses | (4,280) | - | (6,787) |
| Debt issuance costs | (62,380) | - | - |
| Interest subsidy | - | - | - |
| Amortization of premium | 5,483 | - | 15,266 |
| Miscellaneous revenue | - | - | 71,256 |
| Intergovernmental grants | - | - | - |
| Gain on sale of asset | - | 60,527 | - |
| Total Nonoperating Revenues (Expenses) | (75,147) | 11,952 | 172,506 |
| Income Before Contributions and Transfers | 690,410 | 258,149 | 827,968 |
| **CONTRIBUTIONS AND TRANSFERS** | | | |
| Contributions in aid of construction | - | - | 93,467 |
| Capital contributions - city | 213,240 | 114,491 | - |
| Transfers in | - | - | - |
| Transfers out | (431,034) | - | (480,842) |
| Total Contributions and Transfers | (217,794) | 114,491 | (387,375) |
| **Change in Net Position** | 472,616 | 372,640 | 440,593 |
| NET POSITION (DEFICIT) - Beginning of Year | 14,750,524 | 17,489,116 | 21,017,808 |
| **NET POSITION (DEFICIT) - END OF YEAR** | $ 15,223,140 | $ 17,861,756 | $ 21,458,401 |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | |
|---|---|---|
| Nonmajor Enterprise Funds | Totals | Governmental Activities - Internal Service Fund |
| $ 1,256,854 | $ 20,326,367 | $ 52,529 |
| 918,257 | 15,784,549 | - |
| 236,619 | 2,772,624 | - |
| 1,154,876 | 18,557,173 | - |
| 101,978 | 1,769,194 | 52,529 |
| 20,204 | 322,461 | - |
| (39,226) | (311,257) | (8,883) |
| - | (11,067) | - |
| - | (62,380) | - |
| 3,035 | 3,035 | - |
| - | 20,749 | - |
| - | 71,256 | - |
| 20,540 | 20,540 | - |
| - | 60,527 | - |
| 4,553 | 113,864 | (8,883) |
| 106,531 | 1,883,058 | 43,646 |
| - | 93,467 | - |
| 1,181,861 | 1,509,592 | - |
| 80,000 | 80,000 | - |
| - | (911,876) | - |
| 1,261,861 | 771,183 | - |
| 1,368,392 | 2,654,241 | 43,646 |
| 3,296,738 | 56,554,186 | (296,088) |
| $ 4,665,130 | $ 59,208,427 | $ (252,442) |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Wastewater | Electric |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Received from customers | $ 2,337,794 | $ 2,115,815 | $ 14,591,766 |
| Received from municipality for services | - | - | - |
| Received for street lighting | - | - | 105,839 |
| Paid to suppliers for goods and services | (622,082) | (671,666) | (11,936,109) |
| Paid to employees for services | (368,527) | (363,748) | (732,275) |
| Net Cash Flows From Operating Activities | 1,347,185 | 1,080,401 | 2,029,221 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investments sold and matured | 7,773 | 1,688 | 1,391,115 |
| Investment income | 39,331 | 67,313 | 92,885 |
| Investments purchased | (8,224) | (13,133) | (540,126) |
| Dividends from ATC | - | - | 18,292 |
| Net Cash Flows From Investing Activities | 38,880 | 55,868 | 962,166 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Paid to municipality for tax equivalent | (423,351) | - | (432,589) |
| Received from municipality principal on Wisconsin Retirement UAAL advance | - | - | 43,646 |
| Received from municipality interest on Wisconsin Retirement UAAL advance | - | - | 8,883 |
| Transfers to/from other funds | - | - | (27,902) |
| Paid to utilities principal on Wisconsin Retirement UAAL advance | - | - | - |
| Paid to utilities interest on Wisconsin Retirement UAAL advance | - | - | - |
| Repayment of due to other funds | - | - | - |
| Net Cash Flows From Noncapital Financing Activities | (423,351) | - | (407,962) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Debt issued | 1,825,000 | - | - |
| Debt retired | (365,174) | (470,323) | (620,000) |
| Interest paid | (47,010) | (112,429) | (110,153) |
| Debt issuance costs | (62,380) | - | - |
| Premium received | 55,598 | - | - |
| Special assessments received | 38,314 | 26,275 | - |
| Acquisition and construction of capital assets | (844,708) | (1,231,517) | (1,137,346) |
| Capital contributions received | - | - | 50,478 |
| Net Cash Flows From Capital and Related Financing Activities | 599,640 | (1,787,994) | (1,817,021) |
| **Net Change in Cash and Cash Equivalents** | 1,562,354 | (651,725) | 766,404 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 653,399 | 2,305,311 | 3,727,279 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 2,215,753 | $ 1,653,586 | $ 4,493,683 |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | Governmental Activities - Internal Service Fund |
|---|---|---|
| Nonmajor Enterprise Funds | Totals | |
| $ 1,307,338 | $ 20,352,713 | $ - |
| - | - | 52,529 |
| - | 105,839 | - |
| (268,321) | (13,498,178) | - |
| (508,108) | (1,972,658) | - |
| 530,909 | 4,987,716 | 52,529 |
| | | |
| - | 1,400,576 | - |
| 20,204 | 219,733 | - |
| - | (561,483) | - |
| - | 18,292 | - |
| 20,204 | 1,077,118 | - |
| | | |
| - | (855,940) | - |
| | | |
| - | 43,646 | - |
| | | |
| - | 8,883 | - |
| 80,000 | 52,098 | - |
| - | - | (43,646) |
| - | - | (8,883) |
| (3,035) | (3,035) | - |
| 76,965 | (754,348) | (52,529) |
| | | |
| 450,000 | 2,275,000 | - |
| (312,289) | (1,767,786) | - |
| (34,243) | (303,835) | - |
| - | (62,380) | - |
| - | 55,598 | - |
| - | 64,589 | - |
| (454,000) | (3,667,571) | - |
| - | 50,478 | - |
| (350,532) | (3,355,907) | - |
| 277,546 | 1,954,579 | - |
| 546,487 | 7,232,476 | - |
| $ 824,033 | $ 9,187,055 | $ - |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Wastewater | Electric |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating income | $ 765,557 | $ 246,197 | $ 655,462 |
| Nonoperating revenue (expense) | 41 | - | 68,129 |
| Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities | | | |
| Depreciation | 484,888 | 856,914 | 1,194,203 |
| Depreciation charged to other funds | 29,585 | - | 70,200 |
| Changes in assets, deferred outflows, liabilities and deferred inflows | | | |
| Customer accounts receivable | (1,901) | (11,810) | 81,733 |
| Other accounts receivable | (289) | (890) | (65,546) |
| Due from other funds | 41 | 90 | (6,819) |
| Due to other funds | (937) | (923) | (14,122) |
| Inventories | (396) | - | 19,089 |
| Prepaid items | 661 | (3,084) | (5,543) |
| Accounts payable | 23,677 | 3,469 | (60,790) |
| Accrued wages | 3,709 | - | - |
| Compensated absences | 9,316 | 6,004 | 12,350 |
| Customer deposits | - | - | (4,463) |
| Other current liabilities | - | 1,297 | (15,939) |
| Commitment to community | - | - | (941) |
| Pension related deferrals and liabilities | 33,233 | 36,616 | 102,218 |
| Other prepaid asset | - | (53,479) | - |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | $ 1,347,185 | $ 1,080,401 | $ 2,029,221 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS** | | | |
| Cash and investments | $ 911,764 | $ 916,787 | $ 5,526,863 |
| Restricted cash and investments | | | |
| Redemption account | 266,613 | 289,365 | 523,167 |
| Reserve account | 340,710 | - | 460,722 |
| Depreciation account | 25,000 | 33,283 | 25,000 |
| Construction account | 754,799 | - | - |
| Plant and maintenance reserve account | 279,746 | - | 530,449 |
| Sick leave reserve account | 85,562 | 97,342 | 145,213 |
| Replacement account | - | 1,163,890 | - |
| Total Cash and Investments | 2,664,194 | 2,500,667 | 7,211,414 |
| Less: Noncash equivalents | (448,441) | (847,081) | (2,717,731) |
| **CASH AND CASH EQUIVALENTS** | $ 2,215,753 | $ 1,653,586 | $ 4,493,683 |
| **NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Unrealized gain (loss) on investments | $ (9,262) | $ (15,347) | $ 47,623 |
| Contributed capital assets | $ 213,240 | $ 114,491 | $ 8,022 |
| ATC earnings allocated | $ - | $ - | $ 11,206 |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | Governmental Activities - Internal Service Fund |
|---|---|---|
| Nonmajor Enterprise Funds | Totals | |
| $ 101,978 | $ 1,769,194 | $ 52,529 |
| 23,575 | 91,745 | - |
| 236,619 | 2,772,624 | - |
| - | 99,785 | - |
| (13,782) | 54,240 | - |
| 40,691 | (26,034) | - |
| - | (6,688) | - |
| - | (15,982) | - |
| - | 18,693 | - |
| - | (7,966) | - |
| 125,420 | 91,776 | - |
| - | 3,709 | - |
| (267) | 27,403 | - |
| - | (4,463) | - |
| 6,928 | (7,714) | - |
| - | (941) | - |
| 9,747 | 181,814 | - |
| - | (53,479) | - |
| $ 530,909 | $ 4,987,716 | $ 52,529 |
| $ 824,033 | $ 8,179,447 | $ - |
| - | 1,079,145 | - |
| - | 801,432 | - |
| - | 83,283 | - |
| - | 754,799 | - |
| - | 810,195 | - |
| - | 328,117 | - |
| - | 1,163,890 | - |
| 824,033 | 13,200,308 | - |
| - | (4,013,253) | - |
| $ 824,033 | $ 9,187,055 | $ - |
| $ - | | $ - |
| $ 1,181,861 | | $ - |
| $ - | | $ - |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
As of December 31, 2019

| | Tax Collection Fund |
|---|---|
| **ASSETS** | |
| Cash and Investments | $ 14,270,944 |
| Tax roll receivable | 2,907,742 |
| Total Assets | 17,178,686 |
| **LIABILITIES** | |
| Due to other taxing units | 17,178,686 |
| Total Liabilities | 17,178,686 |
| **NET POSITION** | |
| **TOTAL NET POSITION** | $ - |

See accompanying notes to financial statements.

# CITY OF STOUGHTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
For the Year Ended December 31, 2019

| | Tax Collection Fund |
|---|---|
| **ADDITIONS** | |
| Property taxes collected for other governments | $ 4,115,795 |
| Total Additions | 4,115,795 |
| **DEDUCTIONS** | |
| Property taxes distributed to other governments | 4,115,795 |
| Total Deductions | 4,115,795 |
| **Change in Fiduciary Net Position** | - |
| NET POSITION - Beginning of Year | - |
| **NET POSITION - END OF YEAR** | $ - |

See accompanying notes to financial statements.

| NOTE | | Page |
|---|---|---|
| I | Summary of Significant Accounting Policies | 25 |
| | A. Reporting Entity | 25 |
| | B. Government-Wide and Fund Financial Statements | 26 |
| | C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation | 29 |
| | D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity | 30 |
| | 1. Deposits and Investments | 30 |
| | 2. Receivables | 32 |
| | 3. Inventories and Prepaid Items | 33 |
| | 4. Restricted Assets | 33 |
| | 5. Capital Assets | 33 |
| | 6. Land Held for Resale | 34 |
| | 7. Other Assets | 34 |
| | 8. Deferred Outflows of Resources | 35 |
| | 9. Compensated Absences | 35 |
| | 10. Long-Term Obligations | 36 |
| | 11. Deferred Inflows of Resources | 36 |
| | 12. Equity Classifications | 36 |
| | 13. Pension | 38 |
| | 14. Basis for Existing Rates | 38 |
| II | Reconciliation of Government-Wide and Fund Financial Statements | 39 |
| | A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position | 39 |
| III | Stewardship, Compliance, and Accountability | 39 |
| | A. Budgetary Information | 39 |
| | B. Excess Expenditures and Other Financing Uses Over Appropriations | 40 |
| | C. Deficit Balances | 40 |
| | D. Limitations on the City's Tax Levy | 41 |
| IV | Detailed Notes on All Funds | 42 |
| | A. Deposits and Investments | 42 |
| | B. Receivables | 45 |
| | C. Restricted Assets | 46 |
| | D. Capital Assets | 47 |
| | E. Interfund Receivables/Payables, Advances and Transfers | 54 |
| | F. Long-Term Obligations | 57 |
| | G. Net Position/Fund Balances | 64 |
| V | Other Information | 67 |
| | A. Employees' Retirement System | 67 |
| | B. Risk Management | 73 |
| | C. Commitments and Contingencies | 74 |
| | D. Effect of New Accounting Standards on Current-Period Financial Statements | 75 |
| | E. Firemen's Pension Plan | 76 |






## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Stoughton, Wisconsin (the "city") 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).

### *A. 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 unit. 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.

#### *Blended Component Units*

The Stoughton Redevelopment Authority (RDA) serves all the citizens of the government and is governed by a board of seven Commissioners. The rates for user charges and bond issuance authorizations are approved by the government's council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The Authority is reported as a special revenue fund. The Authority does not issue separate financial statements.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

In January 2017, the GASB issued statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

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

***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 except for fiduciary funds. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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% of the corresponding total for all funds of that category or type, and





CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*** (cont.)

***Fund Financial Statements*** (cont.)

b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

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.
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.
Construction capital project fund - 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.
Outlay capital project fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital equipment and other capital assets.
Tax Incremental District (TID) No. 7 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The city reports the following major enterprise funds:

Water Utility - accounts for operations of the water system
Wastewater Utility - accounts for operations of the wastewater system
Electric Utility - accounts for operations of the electric system

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*** (cont.)

***Fund Financial Statements*** (cont.)

The city reports the following nonmajor governmental and enterprise 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 | Food Pantry |
| Ambulance | Landmarks |
| Opera House | Fire Department Special |
| Opera House Repair | Senior Center Wood Shop |
| Township Outreach | Senior Center Special |
| Tourism | Economic Development |
| Seniors in Need | Redevelopment Authority |
| CDBG | Special Assessments |
| Cemetery | K9 Unit |
| Revolving loan fund | Tree Commission |
| Firemen's Pension Fund | Refuse fund |

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.

| | |
|---|---|
| Fire Equipment | TIF District No. 3 |
| Park Acquisition | TIF District No. 4 |
| River Trail | TIF District No. 5 |
| Building Maintenance | TIF District No. 6 |
| Equipment Replacement | TIF District No. 8 |
| Technology | |

Enterprise Funds - used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

| | |
|---|---|
| EMS | Storm Sewer |

In addition, the city reports the following fund types:

Internal Service Fund - 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.

Retirement fund





CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*** (cont.)

***Fund Financial Statements*** (cont.)

Custodial Fund - used to account for and report assets controlled by the city and the assets are for the benefit of individuals, private organizations, and/or other governmental units.

Tax Collections Fund

***C. 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, wastewater, and electric 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.

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 in advance of meeting time requirements are recorded as deferred inflows.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*** (cont.)

***Fund Financial Statements*** (cont.)

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. Delinquent special assessments being held by the county are reported 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 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, wastewater, storm sewer, electric utility funds and EMS fund 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.

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

***1. 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.



CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

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

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.

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. That policy follows the state statute for allowable investments, and does not address the risks disclosed in Note IV.A.

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 IV.A. 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, 2019, the fair value of the city 's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

PMA Financial Network, Inc. is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network, Inc. The WISC is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in WISC are valued at WISC's share price, the price for which the investments could be sold. At December 31, 2019 the city's share of the WISC's assets was substantially equal to the amount reported in these statements.

See Note IV. A. for further information.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***2. 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 - 2019 tax roll:

| | |
|---|---|
| Lien date and levy date | December 2019 |
| Tax bills mailed | December 2019 |
| Payment in full, or | January 31, 2020 |
| First installment due | January 31, 2020 |
| Second installment due | July 31, 2020 |
| Personal property taxes in full | January 31, 2020 |
| Tax sale - 2019 delinquent real estate taxes | October 2022 |

Accounts receivable have been shown net of an allowance for uncollectible accounts. 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, wastewater, and electric 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.

It is the city's policy to record a receivable when the initial loan is made. The net amount of the loan receivable balance is included in restricted fund balance. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.



CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***3. 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.

***4. 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.

***5. 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 $5,000 for general capital assets and $15,000 for infrastructure assets, and an estimated useful life in excess of one 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. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. 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.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***5. Capital Assets*** (cont.)

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

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. The range of estimated useful lives by type of asset is as follows:

| | |
|---|---|
| Buildings | 15-75 Years |
| Land Improvements | 15-30 Years |
| Machinery and Equipment | 3-15 Years |
| Utility System | 5-100 Years |
| Infrastructure | 30-75 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.

***6. Land Held for Resale***

Land held for resale consists of land and improvements and is valued at cost of acquisition, demolition, and site improvement.

***7. Other Assets***

These accounts include costs related to the utility's investment in American Transmission Company ("ATC") and non-utility property.

The electric utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The utility owns less than 1/2 of 1 percent of ATC. The investment earns dividends quarterly, some of which is paid in cash and some of which is required to be reinvested. From time to time, the utility has the option to contribute additional funds to maintain their proportionate share of ownership. The asset is valued at net asset value per share which is equal to original cost plus additional contributions and reinvested dividends and approximates fair value.



CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***7. Other Assets*** (cont.)

The water and electric utilities have plant and maintenance reserve accounts. Monthly deposits are made into this account and made available for routine capital projects and other large operating expenses.

The water, wastewater, and electric utilities have sick leave reserve accounts. Upon retirement, these funds are used for insurance coverage for utility employees.

*Nonutility Property*

Electric utility nonutility property consists of the city dam with a balance of $84,212 and leasehold rental property with a balance of $91,458 at December 31, 2019. Water utility nonutility property consists of a park shelter with a balance of $107,000 at December 31, 2019. The costs are being amortized on a straight-line basis over their useful life.

***8. 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.

***9. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave balances at December 31, 2019 are determined on the basis of current salary rates and include salary related payments.

The city provides post-employment health insurance benefits for all eligible employees who chose to convert accumulated sick leave benefits to post-employment health insurance. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 100% of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the general fund. Total expenditures for premiums during the year were $10,556. One participant was eligible during 2019 to receive benefits. There is no amount outstanding at year end to be paid in the future. The city does not incur an implicit rate subsidy on these benefits.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***10. 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 (plus any premiums) are reported as other financing sources 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.

The city has a debt policy to maintain total outstanding general obligation debt of 4% or less of the equalized value of taxable property within the city's jurisdiction. The city's total outstanding general obligation debt was at 3.11%.

***11. 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.

***12. 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) aw 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."





CITY OF STOUGHTON

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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***12. Equity Classifications*** (cont.)

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

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

| | Governmental Activities | Business-type Activities | Adjustment | Total |
|---|---|---|---|---|
| Net investment in capital assets | $ 19,667,802 | $ 46,473,103 | $ (353,310) | $ 65,787,595 |
| Unrestricted | 8,289,411 | 9,662,694 | 353,310 | 18,305,415 |

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 Council. 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 Council 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. The City Council has, by resolution, adopted a financial policy authorizing the finance director to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*** (cont.)

***12. Equity Classifications*** (cont.)

***Fund Statements*** (cont.)

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.

The city has a formal minimum fund balance policy. That policy is to maintain an unassigned general fund balance within a range of 20% to 25% of general fund annual budgeted expenditures. The unassigned general fund balance at year end was $3,903,588 or 27.91% of 2019 general fund budgeted expenditures. The unassigned balance for this calculation includes deficit fund balances for Opera House ($278,424), and Redevelopment Authority ($66,916).

See Note IV. G. for further information.

***13. 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.

***14. Basis for Existing Rates***

***Example Util Fund***

Current water rates were approved by the PSCW effective October 1, 2018.

Current electric rates were approved by the PSCW on April 1, 2017.

Current wastewater rates were approved by the utilities committee effective January 1, 2015.





CITY OF STOUGHTON

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

**NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position***

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

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

| | |
|---|---|
| Capital assets not being depreciated | $ 11,424,738 |
| Capital assets, net of depreciation | 41,207,190 |
| Combined Adjustment for Capital Assets | $ 52,631,928 |

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 | $ 36,247,852 |
| Compensated absences | 1,250,500 |
| Accrued interest | 416,530 |
| Unamortized debt premium | 746,311 |
| Combined Adjustment for Long-Term Liabilities | $ 38,661,193 |

**NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***A. Budgetary Information***

A budget has been adopted for the all funds except revolving loan fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

**NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (cont.)

***B. Excess Expenditures and Other Financing Uses Over Appropriations***

| Funds | Budgeted Expenditures | Actual Expenditures | Excess Expenditures Over Budget |
|---|---|---|---|
| Opera House | $ 907,820 | $ 1,070,409 | $ 162,589 |
| Township Outreach Fund | 5,260 | 7,473 | 2,213 |
| Library | 858,808 | 922,158 | 63,350 |
| EMS | 10,650 | 21,745 | 11,095 |
| TIF District No. 4 | 109,800 | 219,668 | 109,868 |
| K9 Unit | 6,125 | 8,344 | 2,219 |
| Landmarks | 14,000 | 16,467 | 2,467 |
| Seniors in Need | - | 22,099 | 22,099 |
| Senior Center Special | - | 8,948 | 8,948 |
| Redevelopment Authority | 7,040 | 7,325 | 285 |
| Tree Commission | 550 | 1,346 | 796 |
| Cemetery | 200 | 5,904 | 5,704 |
| Park Acquisition | - | 7,303 | 7,303 |
| TIF District No. 3 | 450,229 | 619,988 | 169,759 |
| TIF District No. 5 | 119,215 | 130,414 | 11,199 |

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

***C. Deficit Balances***

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of December 31, 2019, the following individual funds held a deficit balance:

| Fund | Amount | Reason |
|---|---|---|
| Special revenue - Opera House | $ 278,424 | Expenditures in excess of revenues |
| Special revenue - Redevelopment Authority | 66,916 | Expenditures in excess of revenues |
| Special revenue - Landmarks | 1,834 | Expenditures in excess of revenues |
| Capital projects - TIF District No. 5 | 677,594 | Expenditures in excess of revenues |
| Capital projects - TIF District No. 8 | 16,681 | Expenditures in excess of revenues |

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.





CITY OF STOUGHTON

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

**NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (cont.)

***D. 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.

## NOTE IV - DETAILED NOTES ON ALL FUNDS

### *A. DEPOSITS AND INVESTMENTS*

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

| | Carrying Value | Statement Balances | Associated Risks |
|---|---|---|---|
| Deposits | $ 6,630,302 | $ 6,218,211 | Custodial credit |
| U.S. agencies - explicitly guaranteed | 181,806 | 181,806 | Custodial credit, interest rate |
| U.S. agencies - implicitly guaranteed | 642,287 | 642,287 | Credit, custodial credit, concentration of credit, interest rate |
| LGIP | 2,137,604 | 2,137,604 | Credit |
| Certificates of deposit - non-negotiable | 916,653 | 916,653 | Custodial credit |
| State and local bonds | 1,267,552 | 1,294,637 | Credit, custodial credit, concentration of credit, interest rate |
| Wisconsin Investment Series Cooperative | 18,101,684 | 18,735,662 | Credit |
| Mutual funds - other than bonds | 48,601 | 48,601 | N/A |
| Certificates of deposit - negotiable | 2,965,766 | 2,939,630 | Credit, custodial credit, concentration of credit, interest rate |
| Cash on hand | 11,503,640 | - | N/A |
| Total Deposits and Investments | $ 44,395,895 | $ 33,115,091 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | $ 26,242,402 | | |
| Restricted cash and investments | 3,882,549 | | |
| Per statement of net position - fiduciary fund | | | |
| | 14,270,944 | | |
| Total Deposits and Investments | $ 44,395,895 | | |

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.Deposits in the credit union are insured by the National Credit Union Administration in the amount of $250,000 for all share draft accounts and $250,000 for all share certificate and regular share accounts.



CITY OF STOUGHTON

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

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

### *A. DEPOSITS AND INVESTMENTS* (cont.)

Bank accounts and credit unions 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.

The city maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of $5,601,383 to secure the city's deposits.

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 approach

| | December 31, 2019 | | | |
|---|---|---|---|---|
| Investment Type | Level 1 | Level 2 | Level 3 | Total |
| U.S. agencies | $ - | $ 824,093 | $ - | $ 824,093 |
| State and local bonds | - | 1,294,637 | - | 1,294,637 |
| Certificates of deposit - negotiable | - | 2,939,630 | - | 2,939,630 |
| Total | $ - | $ 5,058,360 | $ - | $ 5,058,360 |

***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, 2019, $562,333 of the city's total bank balances were exposed to custodial credit risk as follows:

| | |
|---|---|
| Uninsured and uncollateralized | $ 562,333 |
| Total | $ 562,333 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***A. DEPOSITS AND INVESTMENTS*** (cont.)

***Custodial Credit Risk*** (cont.)

**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.

| | |
|---|---|
| U.S. Agencies | |
| Neither insured nor registered and held by counterparty | $ 824,093 |
| State and local bonds | |
| Neither insured nor registered and held by counterparty | $ 1,294,637 |
| Certificates of deposit - negotiable | |
| Neither insured nor registered and held by counterparty | $ 1,432,946 |

***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, 2019, the city's investments were rated as follows:

| Investment Type | Standard & Poors | Moody's Investors Services |
|---|---|---|
| U.S. Agencies implicitly guaranteed | AAA | Aaa |
| Certificates of deposit - negotiable | AAA - A+ | Aa1 |
| State and local bonds | AA | Aa1 |
| Wisconsin Investment Series Cooperative | AAAm | |

The city also held investments in the following external pool which is not rated:

Local Government Investment Pool

There are also negotiable certificates of deposit in the amount of $1,506,684 that are not rated.



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***A. DEPOSITS AND INVESTMENTS*** (cont.)

***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, 2019, the city's investments were as follows:

| | | Maturity (In Years) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1-3 | 3 or more |
| U.S. agencies explicitly guaranteed | $ 181,806 | $ - | $ - | $ 181,806 |
| U.S. agencies implicitly guaranteed | 642,287 | - | 400,033 | 242,254 |
| State and local bonds | 1,294,637 | - | 1,294,637 | - |
| Certificates of deposit - negotiable | 2,939,630 | 2,687,386 | 252,244 | - |
| Totals | $ 5,058,360 | $ 2,687,386 | $ 1,946,914 | $ 424,060 |

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

***B. RECEIVABLES***

All receivables, except $18,026 in general fund, $145,129 in water utility, $99,526 in wastewater utility and $575,780 in nonmajor funds are expected to be collected within one year.

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|---|---|
| Uncollectibles related to ambulance receivables (nonmajor enterprise fund - EMS) | $ 128,354 |
| Total Uncollectibles of the Current Fiscal Year | $ 128,354 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***B. RECEIVABLES*** (cont.)

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:

| | Unearned | Unavailable |
|---|---|---|
| Property taxes receivable for subsequent year | $ 11,569,786 | $ - |
| Special assessments not yet due | - | 464,808 |
| Total Unearned/Unavailable Revenue for Governmental Funds | $ 11,569,786 | $ 464,808 |

***C. RESTRICTED ASSETS***

The following represent the balances of the restricted assets:

***Long-Term Debt Accounts***

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

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

Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

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

***Equipment Replacement Account***

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



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***C. RESTRICTED ASSETS*** (cont.)

Following is a list of restricted assets at December 31, 2019:

| | Restricted Assets | Liabilities Payable from Restricted Assets | Restricted Net Position |
|---|---|---|---|
| Bond redemption account | $ 1,079,145 | $ 55,120 | $ 1,024,025 |
| Bond reserve account | 801,432 | - | 801,432 |
| Bond depreciation account | 83,283 | - | 83,283 |
| Construction account | 754,799 | - | n/a |
| Equipment replacement account | 1,163,890 | - | 1,163,890 |
| Total | $ 3,882,549 | $ 55,120 | $ 3,072,630 |

***D. CAPITAL ASSETS***

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 9,298,987 | $ - | $ - | $ 9,298,987 |
| Construction in progress | 9,493,149 | 327,742 | 9,150,033 | 670,858 |
| Inexhaustible portion of streets | 1,376,419 | 78,474 | - | 1,454,893 |
| Total Capital Assets Not Being Depreciated | 20,168,555 | 406,216 | 9,150,033 | 11,424,738 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 17,708,322 | 8,696,598 | 639,595 | 25,765,325 |
| Machinery and equipment | 11,373,741 | 1,047,821 | 2,612,400 | 9,809,162 |
| Streets | 19,465,696 | 2,667,543 | 1,142,107 | 20,991,132 |
| Sidewalks | 5,486,557 | 112,942 | 16,178 | 5,583,321 |
| Street lighting | 227,551 | - | - | 227,551 |
| Bridges | 845,989 | - | - | 845,989 |
| Storm sewers | 5,225,117 | - | 193,169 | 5,031,948 |
| Traffic signals | 411,974 | - | - | 411,974 |
| Dams | 592,997 | - | - | 592,997 |
| Total Capital Assets Being Depreciated | 61,337,944 | 12,524,904 | 4,603,449 | 69,259,399 |
| Total Capital Assets | 81,506,499 | 12,931,120 | 13,753,482 | 80,684,137 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** (cont.) | | | | |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | $ (7,434,421) | $ (508,152) | $ 489,232 | $ (7,453,341) |
| Machinery and equipment | (7,325,446) | (611,519) | 2,532,963 | (5,404,002) |
| Streets | (9,447,917) | (699,005) | 1,142,107 | (9,004,815) |
| Sidewalks | (2,866,857) | (167,564) | 16,178 | (3,018,243) |
| Street lighting | (50,261) | (3,034) | - | (53,295) |
| Bridges | (221,886) | (11,280) | - | (233,166) |
| Storm sewers | (2,701,845) | (111,666) | 193,169 | (2,620,342) |
| Traffic signals | (189,476) | (10,299) | - | (199,775) |
| Dams | (59,300) | (5,930) | - | (65,230) |
| Total Accumulated Depreciation | (30,297,409) | (2,128,449) | 4,373,649 | (28,052,209) |
| Net Capital Assets Being Depreciated | 31,040,535 | 10,396,455 | 229,800 | 41,207,190 |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | $ 51,209,090 | $10,802,671 | $ 9,379,833 | $ 52,631,928 |

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| **Governmental Activities** | |
| General government | $ 142,411 |
| Public safety | 387,959 |
| Public works, which includes the depreciation of infrastructure | 1,336,544 |
| Culture, recreation and education | 261,535 |
| Total Governmental Activities Depreciation Expense | $ 2,128,449 |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

**Business-type Activities**

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Water | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | $ 430,131 | $ - | $ - | $ 430,131 |
| Construction in progress | 28,458 | - | 28,428 | 30 |
| Total Capital Assets Not Being Depreciated | 458,589 | - | 28,428 | 430,161 |
| Capital assets being depreciated | | | | |
| Source of supply | 595,730 | - | - | 595,730 |
| Pumping | 1,513,266 | 94,479 | 9,000 | 1,598,745 |
| Treatment | 90,763 | - | - | 90,763 |
| Transmission and distribution | 20,240,541 | 1,092,239 | 24,226 | 21,308,554 |
| General | 840,190 | 9,051 | 238,877 | 610,364 |
| Total Capital Assets Being Depreciated | 23,280,490 | 1,195,769 | 272,103 | 24,204,156 |
| Total Capital Assets | 23,739,079 | 1,195,769 | 300,531 | 24,634,317 |
| Less: Accumulated depreciation for | | | | |
| Source of supply | (404,265) | (17,276) | - | (421,541) |
| Pumping | (1,305,406) | (60,729) | 9,000 | (1,357,135) |
| Treatment | (89,514) | (437) | - | (89,951) |
| Transmission and distribution | (4,715,970) | (383,055) | 35,225 | (5,063,800) |
| General | (984,591) | (53,017) | 238,877 | (798,731) |
| Total Accumulated Depreciation | (7,499,746) | (514,514) | 283,102 | (7,731,158) |
| Net Capital Assets Being Depreciated | 15,780,744 | 681,255 | (10,999) | 16,472,998 |
| Net Water Capital Assets | $ 16,239,333 | $ 681,255 | $ 17,429 | $ 16,903,159 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

**Business-type Activities** (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Wastewater | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | $ 59,171 | $ - | $ 59,171 | $ - |
| Total Capital Assets Not Being Depreciated | 59,171 | - | 59,171 | - |
| Capital assets being depreciated | | | | |
| Collection system | 12,545,494 | 1,148,496 | 26,597 | 13,667,393 |
| Collection system pumping | 751,496 | 4,113 | 1,925 | 753,684 |
| Treatment and disposal | 15,631,555 | 60,399 | 27,300 | 15,664,654 |
| Administrative and general assets | 1,409,532 | 428,001 | 369,926 | 1,467,607 |
| Total Capital Assets Being Depreciated | 30,338,077 | 1,641,009 | 425,748 | 31,553,338 |
| Total Capital Assets | 30,397,248 | 1,641,009 | 484,919 | 31,553,338 |
| Less: Accumulated depreciation for | | | | |
| Wastewater | (11,793,102) | (856,914) | 412,087 | (12,237,929) |
| Total Accumulated Depreciation | (11,793,102) | (856,914) | 412,087 | (12,237,929) |
| Net Capital Assets Being Depreciated | 18,544,975 | 784,095 | 13,661 | 19,315,409 |
| Net Wastewater Capital Assets | $ 18,604,146 | $ 784,095 | $ 72,832 | $ 19,315,409 |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

**Business-type Activities** (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Electric | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | $ 344,364 | $ - | $ - | $ 344,364 |
| Construction in progress | 208,793 | - | 84,885 | 123,908 |
| Property held for future use | 229,097 | - | - | 229,097 |
| Total Capital Assets Not Being Depreciated | 782,254 | - | 84,885 | 697,369 |
| Capital assets being depreciated | | | | |
| Transmission | 15,019 | - | - | 15,019 |
| Distribution | 28,463,179 | 1,169,631 | 262,530 | 29,370,280 |
| Administrative and general assets | 4,235,628 | 32,120 | 278,522 | 3,989,226 |
| Total Capital Assets Being Depreciated | 32,713,826 | 1,201,751 | 541,052 | 33,374,525 |
| Total Capital Assets | 33,496,080 | 1,201,751 | 625,937 | 34,071,894 |
| Less: Accumulated depreciation for | | | | |
| Transmission | (19,366) | - | - | (19,366) |
| Distribution | (12,890,043) | (1,040,771) | 284,279 | (13,646,535) |
| Administrative and general assets | (2,482,264) | (223,634) | 275,028 | (2,430,870) |
| Total Accumulated Depreciation | (15,391,673) | (1,264,405) | 559,307 | (16,096,771) |
| Net Capital Assets Being Depreciated | 17,322,153 | (62,654) | (18,255) | 17,277,754 |
| Net Electric Capital Assets | $ 18,104,407 | $ (62,654) | $ 66,630 | $ 17,975,123 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

**Business-type Activities** (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Stormwater | | | | |
| Capital assets not being depreciated/amortized | | | | |
| Land | $ 9,986 | $ - | $ - | $ 9,986 |
| Construction in progress | 9,233 | 975,350 | 9,233 | 975,350 |
| Total Capital Assets Not Being Depreciated/Amortized | 19,219 | 975,350 | 9,233 | 985,336 |
| Capital assets being depreciated | | | | |
| Storm Sewer | 3,365,976 | 669,744 | - | 4,035,720 |
| Total Capital Assets Being depreciated | 3,365,976 | 669,744 | - | 4,035,720 |
| Total Capital Assets | 3,385,195 | 1,645,094 | 9,233 | 5,021,056 |
| Less: Accumulated depreciation for | | | | |
| Storm Sewer | (307,093) | (134,524) | - | (441,617) |
| Total Accumulated Depreciation | (307,093) | (134,524) | - | (441,617) |
| Net Capital Assets Being depreciated | 3,058,883 | 535,220 | - | 3,594,103 |
| Net Stormwater Capital Assets | $ 3,078,102 | $ 1,510,570 | $ 9,233 | $ 4,579,439 |

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| EMS | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | $ 1,240,308 | $ - | $ - | $ 1,240,308 |
| Equipment | 941,588 | - | - | 941,588 |
| Total Capital Assets Being Depreciated | 2,181,896 | - | - | 2,181,896 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | (330,238) | (25,225) | - | (355,463) |
| Equipment | (516,433) | (76,870) | - | (593,303) |
| Total Accumulated Depreciation | (846,671) | (102,095) | - | (948,766) |
| Net Capital Assets Being Depreciated | 1,335,225 | (102,095) | - | 1,233,130 |
| Net Other Enterprise Capital Assets | $ 1,335,225 | $ (102,095) | $ - | $ 1,233,130 |
| Business-type Capital Assets, Net of Accumulated Depreciation | $57,361,213 | $ 2,811,171 | $ 166,124 | $60,006,260 |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***D. CAPITAL ASSETS*** (cont.)

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| **Business-type Activities** | |
| Water | $ 484,888 |
| Wastewater | 856,914 |
| Electric | 1,194,203 |
| Storm sewer | 134,524 |
| EMS | 102,095 |
| Total Business-type Activities Depreciation Expense | $ 2,772,624 |

Depreciation expense may be different from business-type activity capital asset additions because of joint metering, salvage, cost of removal, internal allocations, or cost associated with the disposal of assets.

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

***Interfund Receivables/Payables***

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

| Receivable Fund | Payable Fund | Amount | Amount Not Due Within One Year |
|---|---|---|---|
| General | Redevelopment authority | $ 66,574 | $ 66,574 |
| General | Electric Utility | 452,940 | - |
| General | Water Utility | 431,034 | - |
| General | Water Utility | 790 | - |
| General | Wastewater Utility | 998 | - |
| General | Electric Utility | 2,404 | - |
| Construction | Water Utility | 98,122 | - |
| Construction | Wastewater Utility | 162,712 | - |
| Debt Service | EMS | 306,745 | - |
| Storm sewer | Electric Utility | 47,202 | - |
| Electric Utility | General | 14,093 | - |
| Water Utility | General | 1,511 | - |
| Wastewater Utility | General | 1,394 | - |
| Water Utility | Special Assessments | 29,026 | - |
| Wastewater Utility | Special Assessments | 19,906 | - |
| Total - Fund Financial Statements | | 1,635,451 | |
| Less: Fund eliminations | | (113,774) | |
| Less: Government-wide eliminations | | (131,862) | |
| Less: Interfund advances | | (252,442) | |
| Total Internal Balances - Government-Wide Statement of Net Position | | $ 1,137,373 | |

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Governmental Activities | Business-type Activities | $ 1,455,746 |
| Business-type Activities | Governmental Activities | (318,373) |
| Total Government-Wide Financial Statements | | $ 1,137,373 |

The principal purpose of these interfunds is to fund ongoing operations. All remaining balances resulted from the 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.





CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS*** (cont.)

***Advances***

The general fund is advancing funds to the TIF District Nos. 5, 6 and 8 capital project funds. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. A repayment schedule has not been established.

In December 2011, the Electric Utility provided an advance to the Internal Service Fund for the purpose of full payment of the Wisconsin Retirement System Unfunded Actuarial Accrued Liability. The Internal Service Fund will repay the Electric Utility over a period of fourteen years at 3%. A repayment schedule has been established.

The following is a schedule of interfund advances:

| Receivable Fund | Payable Fund | Amount | Amount Not Due Within One Year |
|---|---|---|---|
| General Fund | TIF District No. 5 | $ 761,320 | $ 761,320 |
| General Fund | TIF District No. 6 | 140,399 | 140,399 |
| Electric Utility | Internal service fund | 252,442 | 206,435 |
| General Fund | TIF District No. 8 | 144,304 | 144,304 |
| Total - Fund Financial Statements | | 1,298,465 | |
| Less: Fund eliminations | | (1,046,023) | |
| Total - Interfund Advances | | $ 252,442 | |

| Years | Internal Service Fund Advance Principal | Interest |
|---|---|---|
| 2020 | $ 46,007 | $ 7,573 |
| 2021 | 48,459 | 6,193 |
| 2022 | 51,006 | 4,739 |
| 2023 | 53,651 | 3,209 |
| 2024 | 47,388 | 1,600 |
| 2025 | 5,931 | 178 |
| Totals | $ 252,442 | $ 23,492 |

For the statement of net position, interfund advances which are owed within the governmental activities or business-type activities are netted and eliminated.

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS*** (cont.)

***Transfers***

The following is a schedule of interfund transfers:

| Fund Transferred To | Fund Transferred From | Amount | Principal Purpose |
|---|---|---|---|
| General | Tourism | $ 5,485 | Room tax revenue |
| Debt service | TIF District No. 5 | 107,661 | Payments on TIF District debt |
| Debt service | TIF District No. 6 | 55,162 | Payments on TIF District debt |
| General | Water utility | 431,034 | Payment in lieu of taxes and dividend |
| General | Electric utility | 480,842 | Payment in lieu of taxes and dividend |
| Debt service | General | 3,104,117 | Payments on non-TID debt |
| Debt service | TIF District No. 3 | 437,229 | Payments on TIF District debt |
| Debt service | TIF District No. 4 | 104,800 | Payments on TIF District debt |
| Debt Service | TIF District No. 7 | 333,149 | Payments on TIF District debt |
| Redevelopment authority | General | 8,150 | Fund operations |
| Park Acquisition | Construction | 70,000 | Fund capital projects |
| EMS | General | 80,000 | Fund operations |
| Library | General | 421,813 | Fund annual operations |
| Landmarks | General | 11,207 | Fund operations |
| Opera house | General | 165,000 | Fund operations |
| Outlay | General | 200,000 | Fund capital projects |
| Economic Development | General | 11 | Fund Operations |
| Debt service | TIF District No. 8 | 22,928 | Payments on TIF District debt |
| Revolving loan | TIF District No. 4 | 65,000 | Revolving loan program |
| General | TIF District No. 3 | 181,304 | Repayment of funds advanced in prior years |
| Library | General | 172,000 | Fund operations |
| Equipment replacement | General | 220,000 | Fund capital projects |
| Technology | General | 100,000 | Fund capital projects |
| Total - Fund Financial Statements | | 6,776,892 | |
| Less: Fund eliminations | | (5,395,016) | |
| Less: Government-wide eliminations | | (550,000) | |
| Capital assets contributions from governmental activities to business-type activities | | (1,509,592) | |
| Total Transfers - Government-Wide Statement of Activities | | $ (677,716) | |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS*** (cont.)

***Transfers*** (cont.)

| Fund Transferred To | Fund Transferred From | Amount |
|---|---|---|
| Governmental Activities | Business-type Activities | $ 911,876 |
| Business-type Activities | Governmental Activities | (1,589,592) |
| Total Government-wide Financial Statements | | $ (677,716) |

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.

***F. LONG-TERM OBLIGATIONS***

Long-term obligations activity for the year ended December 31, 2019, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | $ 31,235,619 | $ 6,980,000 | $ 2,972,711 | $ 35,242,908 | $ 3,458,438 |
| General obligation debt from direct borrowings and direct placements | 1,247,834 | - | 242,890 | 1,004,944 | 249,730 |
| (Discounts)/Premiums | 490,441 | 312,564 | 56,694 | 746,311 | - |
| Sub-totals | 32,973,894 | 7,292,564 | 3,272,295 | 36,994,163 | 3,708,168 |
| Other Liabilities | | | | | |
| Compensated absences (Note I.D.9) | 1,214,793 | 35,707 | - | 1,250,500 | - |
| Fire pension liability (Note V. F.) | 1,392,161 | 96,090 | 620,074 | 868,177 | - |
| Total Other Liabilities | 2,606,954 | 131,797 | 620,074 | 2,118,677 | - |
| Total Governmental Activities Long-Term Liabilities | $ 35,580,848 | $ 7,424,361 | $ 3,892,369 | $ 39,112,840 | $ 3,708,168 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities** | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | $ 2,109,381 | $ 450,000 | $ 397,289 | $ 2,162,092 | $ 436,562 |
| Revenue bonds | 11,285,265 | 1,825,000 | 1,341,323 | 11,768,942 | 1,475,676 |
| Revenue debt from direct borrowings and direct placements | 367,332 | - | 29,174 | 338,158 | 29,952 |
| Unamortized premium on bonds | 114,533 | 55,598 | 20,749 | 149,382 | - |
| Sub-totals | 13,876,511 | 2,330,598 | 1,788,535 | 14,418,574 | 1,942,190 |
| Other Liabilities | | | | | |
| Vested compensated absences | 338,657 | 84,389 | 56,986 | 366,060 | - |
| Customer advances for construction | 62,383 | 43,915 | 78,882 | 27,416 | - |
| Total Other Liabilities | 401,040 | 128,304 | 135,868 | 393,476 | - |
| Total Business-type Activities Long-Term Liabilities | $ 14,277,551 | $ 2,458,902 | $ 1,924,403 | $ 14,812,050 | $ 1,942,190 |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2019, was $61,686,215. Total general obligation debt outstanding at year end was $38,409,944.

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note V.A.



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

***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.

**Governmental Activities**

| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2019 |
|---|---|---|---|---|---|
| 2010 General Obligation Notes | 4/13/10 | 3/1/20 | 1.25 - 4.40% | $ 3,000,000 | $ 425,000 |
| 2010 General Obligation Refunding Bonds | 4/13/10 | 3/1/20 | 1.00 - 3.25 | 3,095,000 | 360,000 |
| 2012 General Obligation Notes | 4/15/12 | 3/1/22 | 0.40 - 2.00 | 2,759,000 | 737,908 |
| 2013 State Trust Fund Loan* | 6/23/13 | 3/15/20 | 2.75 | 1,400,000 | 215,000 |
| 2014 General Obligation Notes | 6/1/14 | 4/1/24 | 2.00 - 2.25 | 2,755,000 | 1,245,000 |
| 2015 General Obligation Notes | 7/9/15 | 4/1/25 | 2.00 - 2.25 | 1,545,000 | 1,060,000 |
| 2016 General Obligation Notes | 5/26/16 | 4/1/26 | 3.25 - 3.75 | 5,830,000 | 4,945,000 |
| 2016 State Trust Fund Loan* | 12/28/16 | 3/15/36 | 3.5 | 850,000 | 789,944 |
| 2017 General Obligation Notes | 6/8/17 | 4/1/27 | 2.00 - 3.00 | 7,085,000 | 6,420,000 |
| 2018 General Obligation Bonds | 4/26/18 | 4/1/38 | 2.00 - 4.00 | 12,585,000 | 12,295,000 |
| 2018 General Obligation Notes | 4/26/18 | 4/1/28 | 3.20 - 4.00 | 775,000 | 775,000 |
| 2019 General Obligation Notes | 4/24/19 | 4/1/29 | 2.13 - 4.00 | 6,980,000 | 6,980,000 |
| Total Governmental Activities - General Obligation Debt | | | | | $ 36,247,852 |

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

***General Obligation Debt*** (cont.)

**Business-type Activities**

| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2019 |
|---|---|---|---|---|---|
| 2010 General Obligation Notes | 4/13/10 | 3/1/20 | 1.25 - 4.40% | $ 1,015,000 | $ 135,000 |
| 2012 General Obligation Notes | 4/15/12 | 3/1/22 | 0.40 - 2.00 | 661,000 | 232,092 |
| 2014 General Obligation Notes | 6/1/14 | 4/1/24 | 2.00 - 2.25 | 280,000 | 150,000 |
| 2015 General Obligation Notes | 7/9/15 | 4/1/25 | 2.00 - 2.25 | 1,180,000 | 725,000 |
| 2017 General Obligation Notes | 6/8/17 | 4/1/27 | 2.00 - 3.00 | 575,000 | 470,000 |
| 2019 General Obligation Notes | 4/24/19 | 4/1/29 | 2.13 - 4.00 | 450,000 | 450,000 |
| Total Business-type Activities - General Obligation Debt | | | | | $ 2,162,092 |

* Direct borrowing or direct placement.

Debt service requirements to maturity are as follows:

| Years | Governmental Activities General Obligation Debt Principal | Governmental Activities General Obligation Debt Interest | Business-type Activities General Obligation Debt Principal | Business-type Activities General Obligation Debt Interest |
|---|---|---|---|---|
| 2020 | $ 3,458,438 | $ 1,010,219 | $ 436,562 | $ 50,830 |
| 2021 | 2,974,084 | 846,757 | 310,916 | 36,333 |
| 2022 | 3,364,643 | 775,175 | 302,813 | 29,557 |
| 2023 | 3,211,596 | 694,456 | 290,948 | 22,604 |
| 2024 | 3,320,100 | 615,674 | 259,900 | 15,820 |
| 2025-2029 | 12,664,047 | 1,788,482 | 560,953 | 20,683 |
| 2030-2034 | 3,970,000 | 697,100 | - | - |
| 2035-2038 | 2,280,000 | 154,075 | - | - |
| Totals | $ 35,242,908 | $ 6,581,938 | $ 2,162,092 | $ 175,827 |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

| Years | Governmental Activities Notes from Direct Borrowings and Direct Placements Principal | Interest |
|---|---|---|
| 2020 | $ 249,730 | $ 33,653 |
| 2021 | 36,021 | 26,432 |
| 2022 | 37,282 | 25,172 |
| 2023 | 38,587 | 23,867 |
| 2024 | 39,876 | 22,578 |
| 2025-2029 | 221,600 | 90,670 |
| 2030-2034 | 263,209 | 49,059 |
| 2035-2036 | 118,639 | 6,268 |
| Totals | $ 1,004,944 | $ 277,699 |

The city's outstanding debt from direct borrowings and placements related to governmental activities of $1,004,944 contain a provision that in an event of default, any delinquent payment amount is subject to a penalty of one percent per month.

***Revenue Debt***

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water, wastewater and electric utilities.

The utilities has pledged future revenues to repay revenue bonds issued in between 1999-2019. Proceeds from the bonds provided financing for the utility construction, improvements, and additions. The bonds are payable solely from utility revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 2%, 12%, and 14% respectively of electric, water, and wastewater gross revenues. The total principal and interest remaining to be paid on the bonds is $13,920,355. Principal and interest paid for the current year and total customer gross revenues were $1,625,356 and $19,371,770, respectively.

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

***Revenue Debt*** (cont.)

Revenue debt payable at December 31, 2019, consists of the following:

***Business-type Activities Revenue Debt***

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2019 |
|---|---|---|---|---|---|
| Water Utility | | | | | |
| 2010 Water Utility Revenue Bonds* | 1/27/10 | 5/1/29 | 2.67% | $ 575,018 | $ 338,158 |
| 2016 Water Utility Revenue Bonds | 5/26/16 | 5/1/26 | 1.00 - 2.75 | 2,520,000 | 1,650,000 |
| 2019 Water Utility Revenue Bonds | 11/14/19 | 5/1/34 | 2.00 - 3.00 | 1,825,000 | 1,825,000 |
| | | | | Total Water Utility | 3,813,158 |

* Direct borrowing or direct placement.

| | | | | | |
|---|---|---|---|---|---|
| Wastewater Utility | | | | | |
| 1999 Wastewater Utility Clean Water Fund Loan | 12/22/99 | 5/1/19 | 3.049% | 623,465 | - |
| 2000 Wastewater Utility Clean Water Fund Loan | 7/12/00 | 5/1/20 | 3.049 | 1,116,259 | 73,435 |
| 2003 Wastewater Utility Clean Water Fund Loan | 9/10/03 | 5/1/23 | 2.766 | 1,670,624 | 413,378 |
| 2007 Wastewater Utility Clean Water Fund Loan | 6/27/07 | 5/1/27 | 2.475 | 1,539,762 | 764,797 |
| 2014 Wastewater Utility Clean Water Fund Loan | 11/1/14 | 5/1/34 | 2.625 | 3,305,713 | 2,632,332 |
| | | | | Total Wastewater Utility | 3,883,942 |
| Electric Utility | | | | | |
| 2013 Electric Utility Revenue Bonds | 4/1/13 | 4/1/23 | 2.00 - 2.25% | 3,170,000 | 1,315,000 |
| 2016 Electric Utility Revenue Bonds | 5/26/16 | 4/1/36 | 2.00 - 3.00 | 4,005,000 | 3,095,000 |
| | | | | Total Electric Utility | 4,410,000 |
| Total Business-type Activities - Revenue Debt | | | | | $ 12,107,100 |





**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

***Revenue Debt*** (cont.)

Debt service requirements to maturity are as follows:

| Years | Business-type Activities Revenue Debt Principal | Interest |
|---|---|---|
| 2020 | $ 1,475,676 | $ 264,510 |
| 2021 | 1,415,971 | 235,365 |
| 2022 | 1,429,930 | 204,413 |
| 2023 | 1,469,126 | 172,502 |
| 2024 | 612,975 | 148,932 |
| 2025-2029 | 2,672,014 | 521,432 |
| 2030-2034 | 2,388,250 | 209,808 |
| 2035-2036 | 305,000 | 9,225 |
| Totals | $ 11,768,942 | $ 1,766,187 |

| Years | Business-type Activities Revenue Debt from Direct Borrowings and Direct Placements Principal | Interest |
|---|---|---|
| 2020 | $ 29,952 | $ 8,623 |
| 2021 | 30,751 | 7,813 |
| 2022 | 31,571 | 6,981 |
| 2023 | 32,414 | 6,128 |
| 2024 | 33,278 | 5,251 |
| 2025-2029 | 180,192 | 12,272 |
| Totals | $ 338,158 | $ 47,068 |

The city's outstanding debt from direct borrowings and placements related to business-type activities of $338,158 contain a provision that in an event of default, outstanding amounts become immediately due and payable.

***Other Debt Information***

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***F. LONG-TERM OBLIGATIONS*** (cont.)

***Other Debt Information*** (cont.)

A statutory mortgage lien upon the city's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The city's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

The water and electric mortgage revenue bond ordinances require segregation of the proceeds of the bond issues and the creation and continual funding of several funds from operating revenues. The city was in compliance with funding requirements in all material respects at December 31, 2019.

***G. NET POSITION/FUND BALANCES***

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

***Governmental Activities***

| | |
|---|---|
| Net Investment in Capital Assets | |
| Land | $ 9,298,987 |
| Construction in progress | 670,858 |
| Inexhaustible portion of streets | 1,454,893 |
| Other capital assets, net of accumulated depreciation | 41,207,190 |
| Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds) | (32,217,815) |
| Less: Unamortized debt premium | (746,311) |
| Total Net Investment in Capital Assets | $ 19,667,802 |



CITY OF STOUGHTON

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

**NOTE IV - DETAILED NOTES ON ALL FUNDS** (cont.)

***G. NET POSITION/FUND BALANCES*** (cont.)

***Governmental Funds***

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

| | General Fund | Debt Service | Construction | Outlay | TIF District No. 7 | Nonmajor Funds | Totals |
|---|---|---|---|---|---|---|---|
| **Fund Balances** | | | | | | | |
| **Nonspendable**: | | | | | | | |
| Delinquent items | $ 18,026 | $ - | $ - | $ - | $ - | $ - | $ 18,026 |
| Prepaid items | 5,630 | - | - | - | - | 82,875 | 88,505 |
| Noncurrent interfunds | 1,112,597 | - | - | - | - | - | 1,112,597 |
| CMVIC equity | 257,805 | - | - | - | - | - | 257,805 |
| Sub-total | 1,394,058 | - | - | - | - | 82,875 | 1,476,933 |
| **Restricted for:** | | | | | | | |
| Debt service | - | 832,401 | - | - | - | - | 832,401 |
| Library | - | - | - | - | - | 255,092 | 255,092 |
| Parks | - | - | - | - | - | 458,089 | 458,089 |
| TID activities | - | - | - | - | 438,407 | 2,477,994 | 2,916,401 |
| CDBG | - | - | - | - | - | 6,453 | 6,453 |
| Capital projects | - | - | 443,834 | - | - | - | 443,834 |
| Firemen pension | - | - | - | - | - | 848,192 | 848,192 |
| Sub-total | - | 832,401 | 443,834 | - | 438,407 | 4,045,820 | 5,760,462 |
| **Committed to:** | | | | | | | |
| Senior center wood shop | - | - | - | - | - | 6,668 | 6,668 |
| Food pantry | - | - | - | - | - | 172,113 | 172,113 |
| Fire department special | - | - | - | - | - | 63,406 | 63,406 |
| Ambulance | - | - | - | - | - | 17,821 | 17,821 |
| Opera house repair | - | - | - | - | - | 6,745 | 6,745 |
| Township outreach | - | - | - | - | - | 10,587 | 10,587 |
| Tourism | - | - | - | - | - | 25,862 | 25,862 |
| Seniors in need | - | - | - | - | - | 57,891 | 57,891 |
| Senior center special | - | - | - | - | - | 477,042 | 477,042 |
| Capital projects | - | - | - | - | - | 362,128 | 362,128 |
| K9 unit | - | - | - | - | - | 17,732 | 17,732 |
| Tree commission | - | - | - | - | - | 4,466 | 4,466 |
| Cemetery | - | - | - | - | - | 28,243 | 28,243 |
| Revolving loans | - | - | - | - | - | 120,358 | 120,358 |
| Sub-total | - | - | - | - | - | 1,371,062 | 1,371,062 |

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

### *G. NET POSITION/FUND BALANCES* (cont.)

| | General Fund | Debt Service | Construction | Outlay | TIF District No. 7 | Nonmajor Funds | Totals |
|---|---|---|---|---|---|---|---|
| **Assigned to**: | | | | | | | |
| Safety camp | $ 28,336 | $ - | $ - | $ - | $ - | $ - | $ 28,336 |
| Youth gift | 19,421 | - | - | - | - | - | 19,421 |
| Bryant grant | 101,049 | - | - | - | - | - | 101,049 |
| Pool sinking fund | 19,659 | - | - | - | - | - | 19,659 |
| Shop with a cop | 6,146 | - | - | - | - | - | 6,146 |
| Tree plantings developer | 24,180 | - | - | - | - | - | 24,180 |
| Police federal grants | 4,299 | - | - | - | - | - | 4,299 |
| Paul Kraby memorial | 652 | - | - | - | - | - | 652 |
| Utility payment in lieu of taxes | 883,974 | - | - | - | - | - | 883,974 |
| Liability insurance loss | 70,000 | - | - | - | - | - | 70,000 |
| Virgin lake boardwalk | 409 | - | - | - | - | - | 409 |
| Buddy bags | 46 | - | - | - | - | - | 46 |
| Arts council | 1,799 | - | - | - | - | - | 1,799 |
| Buddy benches | 625 | - | - | - | - | - | 625 |
| Fire equipment | - | - | - | - | - | 20,783 | 20,783 |
| Equipment replacement | - | - | - | - | - | 527,768 | 527,768 |
| Building replacement | - | - | - | - | - | 567,713 | 567,713 |
| Capital Projects | - | - | 1,959,282 | - | - | - | 1,959,282 |
| Outlay | - | - | - | 1,307,532 | - | - | 1,307,532 |
| Technology | - | - | - | - | - | 100,394 | 100,394 |
| Sub-total | 1,160,595 | - | 1,959,282 | 1,307,532 | - | 1,216,658 | 5,644,067 |
| **Unassigned (deficit)**: | 4,248,928 | - | - | - | - | (1,124,324) | 3,124,604 |
| **Total Fund Balances (Deficit)** | $ 6,803,581 | $ 832,401 | $ 2,403,116 | $ 1,307,532 | $ 438,407 | $ 5,592,091 | $ 17,377,128 |





## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

### *G. NET POSITION/FUND BALANCES* (cont.)

***Business-type Activities***

| | |
|---|---|
| Net Investment in Capital Assets | |
| Land | $ 784,480 |
| Construction in progress | 1,099,288 |
| Other capital assets, net of depreciation | 58,122,492 |
| Less: Long-term capital related debt outstanding | (14,164,192) |
| Plus: Unspent capital related debt proceeds | 780,417 |
| Less: Unamortized debt premium | (149,382) |
| Total Net Investment in Capital Assets | $ 46,473,103 |

## NOTE V - OTHER INFORMATION

### *A. 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 (CAFR), which can be found at http://etf.wi.gov/publications/cafr.htm.

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

***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 December 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.

**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

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 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:

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|---|---|---|
| 2009 | (2.1)% | (42.0)% |
| 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 |



CITY OF STOUGHTON

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

**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

***Contributions.*** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and 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 $529,035 in contributions from the city.

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

| Employee Category | Employee | Employer |
|---|---|---|
| General (Executives & Elected Officials) | 6.7% | 6.7% |
| Protective with Social Security | 6.7% | 10.7% |
| Protective without Social Security | 6.7% | 14.9% |

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

At December 31, 2019, the city reported a liability of $1,775,198 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the city's proportion was 0.04989755%, which was an increase of 0.00116035% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the city recognized pension expense of $1,185,275.

**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 1,382,610 | $ 2,443,958 |
| Changes in assumptions | 299,233 | - |
| Net differences between projected and actual earnings on pension plan investments | 2,592,555 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 28,190 |
| Employer contributions subsequent to the measurement date | 533,847 | - |
| Totals | $ 4,808,245 | $ 2,472,148 |

$533,847 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resourcesrelated to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources and Deferred Inflows of Resources (net) |
|---|---|
| 2020 | $ 647,623 |
| 2021 | 157,722 |
| 2022 | 286,797 |
| 2023 | 710,108 |





**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

***Actuarial assumptions.*** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

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

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|---|---|---|---|
| Global Equities | 49% | 8.1% | 5.5% |
| Fixed Income | 24.5 | 4.0 | 1.5 |
| Inflation Sensitive Assets | 15.5 | 3.8 | 1.3 |
| Real Estate | 9 | 6.5 | 3.9 |
| Private Equity/Debt | 8 | 9.4 | 6.7 |
| Multi-Asset | 4 | 6.7 | 4.1 |
| Total Core Fund | 110 | 7.3 | 4.7 |
| Variable Fund Asset Class | | | |
| U.S Equities | 70 | 7.6 | 5.0 |
| International Equities | 30 | 8.5 | 5.9 |
| Total Variable Fund | 100 | 8.0 | 5.4 |

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

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





CITY OF STOUGHTON

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

**NOTE V - OTHER INFORMATION** (cont.)

***A. EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

***Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate.*** The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase to Discount Rate (8.00%) |
|---|---|---|---|
| City's proportionate share of the net pension liability | $7,054,824 | $1,775,198 | $(2,150,613) |

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

At December 31, 2019, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

***B. 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. The city participates in a public entity risk pool called CVMIC to provide coverage for losses from theft of, damage to, or destruction of assets and workers compensation. However, other risks, such as (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the city in the general fund.

***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. The city's share of such losses is approximately 1%.

**NOTE V - OTHER INFORMATION** (cont.)

***B. Risk Management*** (cont.)

***Public Entity Risk Pool*** (cont.)

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

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.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of $257,805 in the general fund.

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 $25,000 per occurrence and an annual aggregate limit of $100,000. An actuarially determined estimate for outstanding losses and incurred but not reported losses is recorded in CVMIC's balance sheet in liability reserves.

***C. Commitments and Contingencies***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and 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.

The city has active construction projects as of December 31, 2019. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.



CITY OF STOUGHTON

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

**NOTE V - OTHER INFORMATION** (cont.)

***C. Commitments and Contingencies*** (cont.)

***Long-Term Contracts - WPPI Energy***

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was $324 million as of December 31, 2019.

***D. 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*

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

**NOTE V - OTHER INFORMATION** (cont.)

***E. FIREMEN'S PENSION PLAN***

***Plan description.*** The city reports a single-employer defined benefit pension plan for fire department employees (the "Plan"). Management of the Plan is vested in the Firemen's Pension Board. No assets have been accumulated in a trust for payment of these benefits.

***Benefits provided.*** The plan is administered by the Firemen's Pension Board and provides pension benefits to fire department employees. The amount paid to retirees each year is based on the years of service at the time of retirement and the position the retiree held while a member of the department.

***Plan membership.*** At December 31, 2018, the plan's membership consisted of:

| | |
|---|---|
| Retirees and beneficiaries | 26 |
| Inactive, nonretired members | - |
| Active members | 30 |
| Total | 56 |

The city paid $40,282 for pension benefits as they came due during the reporting period. The city has accumulated assets to pay for these benefits; however, the arrangement does not meet the definition of a trust under GASB Statement No. 73. The specific criteria that are not met include:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the pension plan administrator and plan members

***Changes in total pension liability.*** The city's change in total pension liability for the year ended December 31, 2019 was as follows:

| | Total Pension Liability |
|---|---|
| Beginning of Year Balance | $ 1,392,181 |
| Service cost | 47,261 |
| Interest on total pension liability | 48,829 |
| Changes of assumptions | (579,792) |
| Benefit payments | (40,282) |
| End of Year Balance | $ 868,177 |



CITY OF STOUGHTON

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

**NOTE V - OTHER INFORMATION** (cont.)

***E. FIREMEN'S PENSION PLAN*** (cont.)

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

| | |
|---|---|
| Measurement Date: | December 31, 2019 |
| Actuarial Valuation Date: | December 31, 2018 |
| Inflation: | 2.3% |
| Salary Changes: | 2.3% |
| Discount Rate: | 4.10% |
| Source of Discount Rate: | Bond Buyer GO 20-Year Municipal Bond Index |
| Source of Mortality Assumptions: | Wisconsin 2018 Mortality table |
| Dates of Experience Studies: | Experience study conducted using WRS experience from 2015-2017 |

***Sensitivity of the total pension liability to changes in the discount rate.*** The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 4.10% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) that the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Total pension liability | $ 992,434 | $ 868,177 | $ 767,385 |

***Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions***. For the year ended December 31, 2019, the city recognized pension expense of $21,820.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 297,240 |
| Changes in assumptions | 51,806 | 228,822 |
| Totals | $ 51,806 | $ 526,062 |

**NOTE V - OTHER INFORMATION** (cont.)

***E. FIREMEN'S PENSION PLAN*** (cont.)

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

| Year Ended December 31: | Deferred Outflows and Deferred Inflows of Resources (net) |
|---|---|
| 2020 | $ (74,270) |
| 2021 | (74,270) |
| 2022 | (74,270) |
| 2023 | (74,270) |
| 2024 | (69,855) |
| Thereafter | (107,321) |





**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF STOUGHTON

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance with Final Budget |
| **REVENUES** | | | | |
| **TAXES** | | | | |
| Taxes | $ 9,089,362 | $ 9,089,362 | $ 9,090,775 | $ 1,413 |
| **INTERGOVERNMENTAL REVENUES** | | | | |
| Intergovernmental | 1,971,980 | 1,971,980 | 1,919,896 | (52,084) |
| **LICENSES AND PERMITS** | | | | |
| Business and occupational licenses | 37,400 | 37,400 | 59,607 | 22,207 |
| Dog and cat licenses | 2,500 | 2,500 | 3,440 | 940 |
| Building permits | 178,000 | 178,000 | 160,877 | (17,123) |
| Total Licenses and Permits | 217,900 | 217,900 | 223,924 | 6,024 |
| **FINES, FORFEITURES AND PENALTIES** | | | | |
| Fines, forfeitures and penalties | 127,500 | 127,500 | 149,398 | 21,898 |
| **PUBLIC CHARGES FOR SERVICES** | | | | |
| Public charges for services | 1,410,730 | 1,410,730 | 1,449,026 | 38,296 |
| **INTERGOVERNMENTAL CHARGES** | | | | |
| Intergovernmental charges for services | 60,000 | 60,000 | 62,202 | 2,202 |
| **SPECIAL ASSESSMENTS** | | | | |
| Special assessments | 11,500 | 11,500 | 12,678 | 1,178 |
| **INVESTMENT INCOME** | | | | |
| Investment income | 95,000 | 95,000 | 236,249 | 141,249 |
| **MISCELLANEOUS** | | | | |
| Miscellaneous revenues | 365,496 | 365,496 | 475,983 | 110,487 |
| Total Revenues | 13,349,468 | 13,349,468 | 13,620,131 | 270,663 |



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



CITY OF STOUGHTON

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

| | Original | Final | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **EXPENDITURES** | | | | |
| **GENERAL GOVERNMENT** | | | | |
| Council/Board | $ 47,005 | $ 47,005 | $ 47,926 | $ (921) |
| Legislative support | 99,723 | 99,723 | 97,402 | 2,321 |
| Judicial | 58,202 | 58,202 | 54,937 | 3,265 |
| Administrator | 229,762 | 229,762 | 202,226 | 27,536 |
| Treasury | 962,498 | 962,498 | 833,176 | 129,322 |
| Legal | 130,000 | 130,000 | 137,278 | (7,278) |
| Personnel | 187,586 | 187,586 | 167,001 | 20,585 |
| General buildings/plant/hall | 65,879 | 65,879 | 55,510 | 10,369 |
| Assessment of property | 47,500 | 47,500 | 47,809 | (309) |
| Other general government | 53,210 | 53,210 | 81,578 | (28,368) |
| Total General Government | 1,881,365 | 1,881,365 | 1,724,843 | 156,522 |
| **PUBLIC SAFETY** | | | | |
| Police | 3,210,785 | 3,210,785 | 3,164,572 | 46,213 |
| Fire protection | 543,563 | 543,563 | 520,564 | 22,999 |
| Inspection | 347,258 | 347,258 | 375,296 | (28,038) |
| Total Public Safety | 4,101,606 | 4,101,606 | 4,060,432 | 41,174 |
| **PUBLIC WORKS** | | | | |
| Highway and street maintenance and construction | 110,609 | 110,609 | 123,359 | (12,750) |
| Highway and street maintenance for local | 1,179,554 | 1,179,554 | 1,253,545 | (73,991) |
| Snow and ice control | 68,000 | 68,000 | 59,527 | 8,473 |
| Other sanitation | 715,000 | 715,000 | 716,530 | (1,530) |
| Buildings and grounds operations | 125,329 | 125,329 | 135,475 | (10,146) |
| Total Public Works | 2,198,492 | 2,198,492 | 2,288,436 | (89,944) |
| **CULTURE, RECREATION AND EDUCATION** | | | | |
| Parks | 230,296 | 230,296 | 197,206 | 33,090 |
| Recreation facilities | 522,951 | 522,951 | 568,694 | (45,743) |
| Community center | 468,352 | 468,352 | 460,711 | 7,641 |
| Other culture | 320,792 | 320,792 | 323,037 | (2,245) |
| School year recreation | 35,000 | 35,000 | 37,421 | (2,421) |
| Cable television | 39,810 | 39,810 | 22,906 | 16,904 |
| Total Culture, Recreation and Education | 1,617,201 | 1,617,201 | 1,609,975 | 7,226 |
| Total Expenditures | 9,798,664 | 9,798,664 | 9,683,686 | 114,978 |

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

## CITY OF STOUGHTON

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

| | Original | Final | Actual | Variance with Final Budget |
|---|---|---|---|---|
| Excess of revenues over expenditures | $ 3,550,804 | $ 3,550,804 | 3,936,445 | $ 385,641 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 615,000 | 947,000 | 1,098,665 | 151,665 |
| Transfers out | (4,185,430) | (4,459,430) | (4,482,298) | (22,868) |
| Total Other Financing Sources (Uses) | (3,570,430) | (3,512,430) | (3,383,633) | 128,797 |
| **Net Change in Fund Balance** | (19,626) | 38,374 | 552,812 | 514,438 |
| FUND BALANCE - Beginning of Year | 6,250,769 | 6,250,769 | 6,250,769 | - |
| **FUND BALANCE - END OF YEAR** | $ 6,231,143 | $ 6,289,143 | $ 6,803,581 | $ 514,438 |



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



## CITY OF STOUGHTON

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

| Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 12/31/19 | 0.04989755% | $ 1,775,198 | $ 6,864,771 | 25.86% | 96.45% |
| 12/31/18 | 0.04873732% | (1,447,068) | 6,542,867 | 22.12% | 102.93% |
| 12/31/17 | 0.04705035% | 387,807 | 6,226,372 | 6.23% | 99.12% |
| 12/31/16 | 0.04597674% | 747,113 | 6,169,077 | 12.11% | 98.20% |
| 12/31/15 | 0.04486493% | (1,102,005) | 5,696,627 | 19.34% | 102.74% |

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

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 12/31/19 | $ 533,847 | $ 533,847 | $ - | $ 7,034,407 | 7.59% |
| 12/31/18 | 533,009 | 533,009 | - | 6,864,764 | 7.76% |
| 12/31/17 | 511,909 | 511,909 | - | 7,308,112 | 7.00% |
| 12/31/16 | 461,771 | 461,771 | - | 7,032,737 | 6.57% |
| 12/31/15 | 465,913 | 465,913 | - | 6,169,077 | 7.55% |

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

**CITY OF STOUGHTON**

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY
FIREMEN'S PENSION PLAN
For the Year Ended December 31, 2019

| Fiscal Year Ending | Beginning Balance | Service Cost | Interest on Total Pension Liability | Changes in Benefit Terms | Difference Between Expected and Actual Experience | Changes of Assumptions | Benefit Payments | Ending Balance |
|---|---|---|---|---|---|---|---|---|
| 12/31/19 | $ 1,392,161 | $ 47,261 | $ 48,829 | $ - | $ - | $ (579,792) | $ (40,282) | 868,177 |
| 12/31/18 | 1,268,731 | 41,400 | 48,805 | - | - | 71,580 | (38,355) | 1,392,161 |
| 12/31/17 | 1,259,717 | 42,477 | 45,829 | - | - | (42,041) | (37,251) | 1,268,731 |

SCHEDULE OF COVERED PAYROLL
FIREMEN'S PENSION PLAN
For the Year Ended December 31, 2019

| Fiscal Year Ending | Total Pension Liability | Covered Payroll | Total Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|
| 12/31/19 | $ 868,177 | $ 92,307 | 941% |
| 12/31/18 | 1,392,161 | 102,773 | 1355% |
| 12/31/17 | 1,268,731 | 93,830 | 1352% |



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



**CITY OF STOUGHTON**

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

***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 I. C.

Department heads submit budget requests by mid-August. The mayor and finance director produce the executive budget, which is reviewed with the finance committee in mid-September. The city council then reviews the budget and holds a public hearing. Council adoption of the budget follows the public hearing, usually in November. Department heads have the authority to make budget transfers within their own department, except for wage accounts and capital outlay items. Council action is required for adjustments to wage and outlay accounts, and to change a department's total budget.

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

***WISCONSIN RETIREMENT SYSTEM***

The amounts determined for each fiscal year were determined as of the calendar year-end and 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 the Wisconsin Retirement System.

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

***FIREMEN'S PENSION PLAN***

The amounts determined for each fiscal year were determined as of the calendar year-end and 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

*Changes in assumptions*. Actuarial assumptions are based upon an experience study conducted in 2019 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

See independent auditors' report.

SUPPLEMENTARY INFORMATION



## CITY OF STOUGHTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Library | Ambulance | Opera House | Opera House Repair |
| **ASSETS** | | | | |
| Cash and investments | $ 272,412 | $ 17,821 | $ 1,023 | $ 6,745 |
| Receivables (net) | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Special assessments | - | - | - | - |
| Loans | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | 82,875 | - |
| **TOTAL ASSETS** | $ 272,412 | $ 17,821 | $ 83,898 | $ 6,745 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts payable | $ 3,114 | $ - | $ 76,247 | $ - |
| Accrued liabilities | 14,206 | - | 5,405 | - |
| Other liabilities | - | - | 280,670 | - |
| Due to other funds | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Total Liabilities | 17,320 | - | 362,322 | - |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | - | - | - | - |
| Unavailable revenues | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | 82,875 | - |
| Restricted | 255,092 | - | - | - |
| Committed | - | 17,821 | - | 6,745 |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | (361,299) | - |
| Total Fund Balances (deficit) | 255,092 | 17,821 | (278,424) | 6,745 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 272,412 | $ 17,821 | $ 83,898 | $ 6,745 |

## CITY OF STOUGHTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Township Outreach | Tourism | Seniors in Need | Food Pantry | Landmarks | Fire Department Special |
| **ASSETS** | | | | | | |
| Cash and investments | $ 10,785 | $ 24,132 | $ 58,700 | $ 179,245 | $ - | $ 63,406 |
| Receivables (net) | | | | | | |
| Taxes | - | - | - | - | - | - |
| Accounts | - | 17,296 | - | - | - | - |
| Accrued interest | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Loans | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - |
| **TOTAL ASSETS** | $ 10,785 | $ 41,428 | $ 58,700 | $ 179,245 | $ - | $ 63,406 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | $ - | $ 15,566 | $ 809 | $ 7,132 | $ 1,834 | $ - |
| Accrued liabilities | 198 | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Advances from other funds | - | - | - | - | - | - |
| Total Liabilities | 198 | 15,566 | 809 | 7,132 | 1,834 | - |
| Deferred Inflows of Resources | | | | | | |
| Unearned revenues | - | - | - | - | - | - |
| Unavailable revenues | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - | - | - |
| Fund Balances (Deficit) | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Committed | 10,587 | 25,862 | 57,891 | 172,113 | - | 63,406 |
| Assigned | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | (1,834) | - |
| Total Fund Balances (deficit) | 10,587 | 25,862 | 57,891 | 172,113 | (1,834) | 63,406 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 10,785 | $ 41,428 | $ 58,700 | $ 179,245 | $ - | $ 63,406 |



| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Senior Center Wood Shop | Senior Center Special | Economic Development | Redevelop-ment Authority |
| **ASSETS** | | | | |
| Cash and investments | $ 6,702 | $ 477,147 | $ - | $ - |
| Receivables (net) | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Special assessments | - | - | - | - |
| Loans | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| **TOTAL ASSETS** | $ 6,702 | $ 477,147 | $ - | $ - |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts payable | $ 34 | $ 105 | $ - | $ 342 |
| Accrued liabilities | - | - | - | - |
| Other liabilities | - | - | - | - |
| Due to other funds | - | - | - | 66,574 |
| Advances from other funds | - | - | - | - |
| Total Liabilities | 34 | 105 | - | 66,916 |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | - | - | - | - |
| Unavailable revenues | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | 6,668 | 477,042 | - | - |
| Assigned | - | - | - | - |
| Unassigned (deficit) | - | - | - | (66,916) |
| Total Fund Balances (deficit) | 6,668 | 477,042 | - | (66,916) |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 6,702 | $ 477,147 | $ - | $ - |

## CITY OF STOUGHTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Special Assessments | CDBG | K9 Unit | Tree Commission | Cemetery | Revolving Loan Fund | Firemen's Pension Fund |
| **ASSETS** | | | | | | | |
| Cash and investments | $ 318,354 | $ 6,453 | $ 17,731 | $ 4,466 | $ 28,243 | $ 5,569 | $ 846,101 |
| Receivables (net) | | | | | | | |
| Taxes | 118,784 | - | - | - | - | - | - |
| Accounts | - | - | 1 | - | - | 3,817 | - |
| Accrued interest | - | - | - | - | - | - | 2,091 |
| Special assessments | 464,808 | - | - | - | - | - | - |
| Loans | - | - | - | - | - | 110,972 | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| **TOTAL ASSETS** | $ 901,946 | $ 6,453 | $ 17,732 | $ 4,466 | $ 28,243 | $ 120,358 | $ 848,192 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | $ 13,700 | $ - | $ - | $ - | $ - | $ - | $ - |
| Accrued liabilities | - | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - | - |
| Due to other funds | 48,932 | - | - | - | - | - | - |
| Advances from other funds | - | - | - | - | - | - | - |
| Total Liabilities | 62,632 | - | - | - | - | - | - |
| Deferred Inflows of Resources | | | | | | | |
| Unearned revenues | 12,378 | - | - | - | - | - | - |
| Unavailable revenues | 464,808 | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | 477,186 | - | - | - | - | - | - |
| Fund Balances (Deficit) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | 6,453 | - | - | - | - | 848,192 |
| Committed | 362,128 | - | 17,732 | 4,466 | 28,243 | 120,358 | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | - | - | - |
| Total Fund Balances (deficit) | 362,128 | 6,453 | 17,732 | 4,466 | 28,243 | 120,358 | 848,192 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 901,946 | $ 6,453 | $ 17,732 | $ 4,466 | $ 28,243 | $ 120,358 | $ 848,192 |

| | Special Revenue Fund | Capital Projects Funds | | |
|---|---|---|---|---|
| | Refuse Fund | Fire Equipment | Park Acquisition | River Trail |
| **ASSETS** | | | | |
| Cash and investments | $ - | $ 20,783 | $ 463,222 | $ - |
| Receivables (net) | | | | |
| Taxes | 791,950 | - | - | - |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Special assessments | - | - | - | - |
| Loans | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| **TOTAL ASSETS** | $ 791,950 | $ 20,783 | $ 463,222 | $ - |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts payable | $ - | $ - | $ 5,133 | $ - |
| Accrued liabilities | - | - | - | - |
| Other liabilities | - | - | - | - |
| Due to other funds | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Total Liabilities | - | - | 5,133 | - |
| Deferred Inflows of Resources | | | | |
| Unearned revenues | 791,950 | - | - | - |
| Unavailable revenues | - | - | - | - |
| Total Deferred Inflows of Resources | 791,950 | - | - | - |
| Fund Balances (Deficit) | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | 458,089 | - |
| Committed | - | - | - | - |
| Assigned | - | 20,783 | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total Fund Balances (deficit) | - | 20,783 | 458,089 | - |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 791,950 | $ 20,783 | $ 463,222 | $ - |

## CITY OF STOUGHTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

| | Capital Projects Funds | | | | | | | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|---|---|---|
| | TIF District No. 3 | TIF District No. 4 | TIF District No. 5 | TIF District No. 6 | TIF District No. 8 | Equipment Replacement | Building Maintenance | Technology | |
| **ASSETS** | | | | | | | | | |
| Cash and investments | $ 292,736 | $ 1,118,938 | $ 83,726 | $ 1,830,548 | $ 253,420 | $ 499,774 | $ 567,791 | $ 100,394 | $ 7,576,367 |
| Receivables (net) | | | | | | | | | |
| Taxes | 494,843 | 180,369 | 50,678 | 24,831 | - | - | - | - | 1,661,455 |
| Accounts | - | - | - | 51,714 | - | - | 16 | - | 72,844 |
| Accrued interest | - | - | - | - | - | - | - | - | 2,091 |
| Special assessments | - | - | - | - | - | - | - | - | 464,808 |
| Loans | - | - | - | - | - | - | - | - | 110,972 |
| Due from other governments | - | - | - | - | - | 29,600 | - | - | 29,600 |
| Prepaid items | - | - | - | - | - | - | - | - | 82,875 |
| **TOTAL ASSETS** | $ 787,579 | $ 1,299,307 | $ 134,404 | $ 1,907,093 | $ 253,420 | $ 529,374 | $ 567,807 | $ 100,394 | $ 10,001,012 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | $ - | $ 190 | $ - | $ 623,639 | $ 125,797 | $ 1,606 | $ 94 | $ - | $ 875,342 |
| Accrued liabilities | - | - | - | - | - | - | - | - | 19,809 |
| Other liabilities | - | - | - | - | - | - | - | - | 280,670 |
| Due to other funds | - | - | - | - | - | - | - | - | 115,506 |
| Advances from other funds | - | - | 761,320 | 140,399 | 144,304 | - | - | - | 1,046,023 |
| Total Liabilities | - | 190 | 761,320 | 764,038 | 270,101 | 1,606 | 94 | - | 2,337,350 |
| Deferred Inflows of Resources | | | | | | | | | |
| Unearned revenues | 494,843 | 180,369 | 50,678 | 76,545 | - | - | - | - | 1,606,763 |
| Unavailable revenues | - | - | - | - | - | - | - | - | 464,808 |
| Total Deferred Inflows of Resources | 494,843 | 180,369 | 50,678 | 76,545 | - | - | - | - | 2,071,571 |
| Fund Balances (Deficit) | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | 82,875 |
| Restricted | 292,736 | 1,118,748 | - | 1,066,510 | - | - | - | - | 4,045,820 |
| Committed | - | - | - | - | - | - | - | - | 1,371,062 |
| Assigned | - | - | - | - | - | 527,768 | 567,713 | 100,394 | 1,216,658 |
| Unassigned (deficit) | - | - | (677,594) | - | (16,681) | - | - | - | (1,124,324) |
| Total Fund Balances (deficit) | 292,736 | 1,118,748 | (677,594) | 1,066,510 | (16,681) | 527,768 | 567,713 | 100,394 | 5,592,091 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 787,579 | $ 1,299,307 | $ 134,404 | $ 1,907,093 | $ 253,420 | $ 529,374 | $ 567,807 | $ 100,394 | $ 10,001,012 |

## CITY OF STOUGHTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Library | Ambulance | Opera House | Opera House Repair |
| **REVENUES** | | | | |
| Taxes | $ - | $ - | $ - | $ - |
| Intergovernmental | 228,305 | - | - | - |
| Public charges for services | 26,673 | - | 847,869 | - |
| Special assessments | - | - | - | - |
| Investment income | 6,857 | 215 | 473 | 137 |
| Miscellaneous revenues | 70,840 | 22,428 | 19,072 | - |
| Total Revenues | 332,675 | 22,643 | 867,414 | 137 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | 21,745 | - | - |
| Culture, recreation and education | 922,158 | - | 1,070,409 | - |
| Conservation and development | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service | | | | |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | 922,158 | 21,745 | 1,070,409 | - |
| Excess (deficiency) of revenues over expenditures | (589,483) | 898 | (202,995) | 137 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Debt issued | - | - | - | - |
| Premium on debt | - | - | - | - |
| Sales of fixed assets | - | - | - | - |
| Transfers in | 593,813 | - | 165,000 | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | 593,813 | - | 165,000 | - |
| **Net Change in Fund Balances** | 4,330 | 898 | (37,995) | 137 |
| FUND BALANCES (DEFICIT) - Beginning of Year | 250,762 | 16,923 | (240,429) | 6,608 |
| **FUND BALANCES (DEFICIT) - END OF YEAR** | $ 255,092 | $ 17,821 | $ (278,424) | $ 6,745 |



| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Township Outreach | Tourism | Seniors in Need | Food Pantry | Landmarks | Fire Department Special | Senior Center Wood Shop |
| **REVENUES** | | | | | | | |
| Taxes | $ - | $ 72,146 | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental | 6,443 | - | - | - | - | - | - |
| Public charges for services | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - |
| Investment income | 109 | 309 | 870 | 2,481 | 104 | 629 | 76 |
| Miscellaneous revenues | 2,500 | - | 25,012 | 72,395 | - | 45,089 | 2,334 |
| Total Revenues | 9,052 | 72,455 | 25,882 | 74,876 | 104 | 45,718 | 2,410 |
| **EXPENDITURES** | | | | | | | |
| Current | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | 10,674 | - |
| Culture, recreation and education | 7,473 | 64,932 | 22,099 | 73,374 | 16,467 | - | 832 |
| Conservation and development | - | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | 4,339 | - |
| Debt Service | | | | | | | |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total Expenditures | 7,473 | 64,932 | 22,099 | 73,374 | 16,467 | 15,013 | 832 |
| Excess (deficiency) of revenues over expenditures | 1,579 | 7,523 | 3,783 | 1,502 | (16,363) | 30,705 | 1,578 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Debt issued | - | - | - | - | - | - | - |
| Premium on debt | - | - | - | - | - | - | - |
| Sales of fixed assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 11,207 | - | - |
| Transfers out | - | (5,485) | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | (5,485) | - | - | 11,207 | - | - |
| **Net Change in Fund Balances** | 1,579 | 2,038 | 3,783 | 1,502 | (5,156) | 30,705 | 1,578 |
| FUND BALANCES (DEFICIT) - Beginning of Year | 9,008 | 23,824 | 54,108 | 170,611 | 3,322 | 32,701 | 5,090 |
| **FUND BALANCES (DEFICIT) - END OF YEAR** | $ 10,587 | $ 25,862 | $ 57,891 | $ 172,113 | $ (1,834) | $ 63,406 | $ 6,668 |

## CITY OF STOUGHTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | Special Revenue Funds | | | | Special Revenue Funds | | | | | | | Capital Projects Fund |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior Center Special | Economic Develop-ment | Redevelop-ment Authority | Special Assessments | CDBG | K9 Unit | Tree Commission | Cemetery | Revolving Loan Fund | Firemen's Pension Fund | Refuse Fund | Fire Equipment |
| **REVENUES** | | | | | | | | | | | | |
| Taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - | - | - |
| Public charges for services | - | - | - | - | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | 178,328 | - | - | - | - | - | - | - | - |
| Investment income | 7,572 | 377 | 108 | 13,258 | 79 | 217 | 42 | 695 | 9,358 | 19,772 | - | 330 |
| Miscellaneous revenues | 20,177 | 7,796 | - | - | - | 8,537 | 2,975 | - | 50,000 | 19,460 | - | - |
| Total Revenues | 27,749 | 8,173 | 108 | 191,586 | 79 | 8,754 | 3,017 | 695 | 59,358 | 39,232 | - | 330 |
| **EXPENDITURES** | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | 8,344 | - | - | - | - | - | - |
| Culture, recreation and education | 8,948 | - | - | - | - | - | - | 5,904 | - | - | - | - |
| Conservation and development | - | 75 | 7,325 | - | - | - | 1,346 | - | 4,000 | - | - | - |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Service | | | | | | | | | | | | |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 8,948 | 75 | 7,325 | - | - | 8,344 | 1,346 | 5,904 | 4,000 | - | - | - |
| Excess (deficiency) of revenues over expenditures | 18,801 | 8,098 | (7,217) | 191,586 | 79 | 410 | 1,671 | (5,209) | 55,358 | 39,232 | - | 330 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | | | | |
| Debt issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Premium on debt | - | - | - | - | - | - | - | - | - | - | - | - |
| Sales of fixed assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers in | - | 11 | 8,150 | - | - | - | - | - | 65,000 | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 11 | 8,150 | - | - | - | - | - | 65,000 | - | - | - |
| **Net Change in Fund Balances** | 18,801 | 8,109 | 933 | 191,586 | 79 | 410 | 1,671 | (5,209) | 120,358 | 39,232 | - | 330 |
| FUND BALANCES (DEFICIT) - Beginning of Year | 458,241 | (8,109) | (67,849) | 170,542 | 6,374 | 17,322 | 2,795 | 33,452 | - | 808,960 | - | 20,453 |
| **FUND BALANCES (DEFICIT) - END OF YEAR** | $ 477,042 | $ - | $ (66,916) | $ 362,128 | $ 6,453 | $ 17,732 | $ 4,466 | $ 28,243 | $ 120,358 | $ 848,192 | $ - | $ 20,783 |

## CITY OF STOUGHTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

| | Capital Projects Funds | | | | Capital Projects Funds | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Park Acquisition | River Trail | TIF District No. 3 | TIF District No. 4 | TIF District No. 5 | TIF District No. 6 | TIF District No. 8 | Equipment Replacement | Building Maintenance | Technology | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | | | | | | | | |
| Taxes | $ - | $ - | $ 475,729 | $ 174,694 | $ - | $ 24,537 | $ - | $ - | $ - | $ - | $ 747,106 |
| Intergovernmental | - | - | 5,698 | 2,634 | 39,592 | - | - | 29,600 | - | - | 312,272 |
| Public charges for services | 95,945 | - | - | - | - | - | - | - | - | - | 970,487 |
| Special assessments | - | - | - | - | - | - | - | - | - | - | 178,328 |
| Investment income | 7,006 | - | 6,466 | 23,264 | 1,311 | 30,468 | 4,669 | 2,811 | 1,317 | 394 | 141,774 |
| Miscellaneous revenues | 6,396 | 809 | - | - | - | 465 | - | - | 180,677 | - | 556,962 |
| Total Revenues | 109,347 | 809 | 487,893 | 200,592 | 40,903 | 55,470 | 4,669 | 32,411 | 181,994 | 394 | 2,906,929 |
| **EXPENDITURES** | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | 154,730 | - | 154,730 |
| Public safety | - | - | - | - | - | - | - | - | - | - | 40,763 |
| Culture, recreation and education | 7,303 | - | - | - | - | - | - | - | - | - | 2,199,899 |
| Conservation and development | - | - | - | - | 75 | 6,538 | 9,648 | - | - | - | 29,007 |
| Capital Outlay | - | - | 1,455 | 49,868 | 22,678 | 1,396,216 | 508,073 | 175,859 | - | - | 2,158,488 |
| Debt Service | | | | | | | | | | | |
| Interest and fiscal charges | - | - | - | - | - | 32,789 | 3,783 | - | - | - | 36,572 |
| Total Expenditures | 7,303 | - | 1,455 | 49,868 | 22,753 | 1,435,543 | 521,504 | 175,859 | 154,730 | - | 4,619,459 |
| Excess (deficiency) of revenues over expenditures | 102,044 | 809 | 486,438 | 150,724 | 18,150 | (1,380,073) | (516,835) | (143,448) | 27,264 | 394 | (1,712,530) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | | | |
| Debt issued | - | - | - | - | - | 2,618,709 | 302,159 | - | - | - | 2,920,868 |
| Premium on debt | - | - | - | - | - | 14,080 | 1,625 | - | - | - | 15,705 |
| Sales of fixed assets | - | - | - | 5,000 | - | - | - | 24,061 | - | - | 29,061 |
| Transfers in | 70,000 | - | - | - | - | - | - | 220,000 | - | 100,000 | 1,233,181 |
| Transfers out | - | - | (618,533) | (169,800) | (107,661) | (55,162) | (22,928) | - | - | - | (979,569) |
| Total Other Financing Sources (Uses) | 70,000 | - | (618,533) | (164,800) | (107,661) | 2,577,627 | 280,856 | 244,061 | - | 100,000 | 3,219,246 |
| **Net Change in Fund Balances** | 172,044 | 809 | (132,095) | (14,076) | (89,511) | 1,197,554 | (235,979) | 100,613 | 27,264 | 100,394 | 1,506,716 |
| FUND BALANCES (DEFICIT) - Beginning of Year | 286,045 | (809) | 424,831 | 1,132,824 | (588,083) | (131,044) | 219,298 | 427,155 | 540,449 | - | 4,085,375 |
| **FUND BALANCES (DEFICIT) - END OF YEAR** | $ 458,089 | $ - | $ 292,736 | $1,118,748 | $ (677,594) | $ 1,066,510 | $ (16,681) | $ 527,768 | $ 567,713 | $ 100,394 | $ 5,592,091 |

## CITY OF STOUGHTON

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2019

| | Storm Sewer | EMS | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash and investments | $ 467,402 | $ 356,631 | $ 824,033 |
| Receivables | 5,346 | 132,928 | 138,274 |
| Due from other funds | 47,202 | - | 47,202 |
| Total Current Assets | 519,950 | 489,559 | 1,009,509 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Land | 9,986 | - | 9,986 |
| Construction in progress | 975,350 | - | 975,350 |
| Property and equipment | 4,035,720 | 2,181,896 | 6,217,616 |
| Less: Accumulated depreciation | (441,617) | (948,766) | (1,390,383) |
| Total Noncurrent Assets | 4,579,439 | 1,233,130 | 5,812,569 |
| Total Assets | 5,099,389 | 1,722,689 | 6,822,078 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension related amounts | - | 65,519 | 65,519 |
| Total Deferred Outflows of Resources | - | 65,519 | 65,519 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable | 148,271 | 9,413 | 157,684 |
| Accrued liabilities | 18,327 | 14,517 | 32,844 |
| Due to other funds | - | 306,745 | 306,745 |
| Current portion of general obligation debt | 216,562 | 135,000 | 351,562 |
| Total Current Liabilities | 383,160 | 465,675 | 848,835 |
| Noncurrent Liabilities | | | |
| Long-Term Debt | | | |
| General obligation debt payable | 1,275,530 | - | 1,275,530 |
| Net pension liability | - | 25,329 | 25,329 |
| Compensated absences | - | 37,943 | 37,943 |
| Total Liabilities | 1,658,690 | 528,947 | 2,187,637 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension related amounts | - | 34,830 | 34,830 |
| Total Deferred Inflows of Resources | - | 34,830 | 34,830 |
| **NET POSITION** | | | |
| Net investment in capital assets | 3,217,965 | 1,098,130 | 4,316,095 |
| Unrestricted | 222,734 | 126,301 | 349,035 |
| **TOTAL NET POSITION** | $ 3,440,699 | $ 1,224,431 | $ 4,665,130 |





## CITY OF STOUGHTON

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2019

| | Storm Sewer | EMS | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Charges for services | $ 654,681 | $ 602,173 | $ 1,256,854 |
| Total Operating Revenues | 654,681 | 602,173 | 1,256,854 |
| **OPERATING EXPENSES** | | | |
| Operation and maintenance | 373,312 | 544,945 | 918,257 |
| Depreciation expense | 134,524 | 102,095 | 236,619 |
| Total Operating Expenses | 507,836 | 647,040 | 1,154,876 |
| Operating Income (Loss) | 146,845 | (44,867) | 101,978 |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Investment income | 14,993 | 5,211 | 20,204 |
| Interest and fiscal charges | (32,376) | (6,850) | (39,226) |
| Interest subsidy | - | 3,035 | 3,035 |
| Intergovernmental grants | - | 20,540 | 20,540 |
| Total Nonoperating Revenues (Expenses) | (17,383) | 21,936 | 4,553 |
| Net Income (Loss) Before Contributions and Transfers | 129,462 | (22,931) | 106,531 |
| **CONTRIBUTIONS AND TRANSFERS** | | | |
| Capital contributions - city | 1,181,861 | - | 1,181,861 |
| Transfers in | - | 80,000 | 80,000 |
| Total Contributions and Transfers | 1,181,861 | 80,000 | 1,261,861 |
| **Change in Net Position** | 1,311,323 | 57,069 | 1,368,392 |
| NET POSITION - Beginning of Year | 2,129,376 | 1,167,362 | 3,296,738 |
| **NET POSITION - END OF YEAR** | $ 3,440,699 | $ 1,224,431 | $ 4,665,130 |

## CITY OF STOUGHTON

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2019

| | Storm Sewer | EMS | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Received from customers | $ 690,564 | $ 616,774 | $ 1,307,338 |
| Paid to suppliers for goods and services | (58,666) | (209,655) | (268,321) |
| Paid to employees for services | (190,870) | (317,238) | (508,108) |
| Net Cash Flows From Operating Activities | 441,028 | 89,881 | 530,909 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment income | 14,993 | 5,211 | 20,204 |
| Net Cash Flows From Investing Activities | 14,993 | 5,211 | 20,204 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Transfers | - | 80,000 | 80,000 |
| Repayment of due to other funds | - | (3,035) | (3,035) |
| Net Cash Flows From Noncapital Financing Activities | - | 76,965 | 76,965 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Debt issued | 450,000 | - | 450,000 |
| Debt retired | (182,289) | (130,000) | (312,289) |
| Interest paid | (25,573) | (8,670) | (34,243) |
| Acquisition and construction of capital assets | (454,000) | - | (454,000) |
| Net Cash Flows From Capital and Related Financing Activities | (211,862) | (138,670) | (350,532) |
| **Net Change in Cash and Cash Equivalents** | 244,159 | 33,387 | 277,546 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 223,243 | 323,244 | 546,487 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 467,402 | $ 356,631 | $ 824,033 |



| | Storm Sewer | EMS | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating income (loss) | $ 146,845 | $ (44,867) | $ 101,978 |
| Nonoperating revenue | - | 23,575 | 23,575 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities | | | |
| Depreciation | 134,524 | 102,095 | 236,619 |
| Changes in assets, deferred outflows, liabilities and deferred inflows | | | |
| Customer accounts receivable | (4,808) | (8,974) | (13,782) |
| Other accounts receivable | 40,691 | - | 40,691 |
| Compensated absences | - | (267) | (267) |
| Accounts payable | 122,019 | 3,401 | 125,420 |
| Other current liabilities | 1,757 | 5,171 | 6,928 |
| Pension related deferrals and liabilities | - | 9,747 | 9,747 |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | $ 441,028 | $ 89,881 | $ 530,909 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION** | | | |
| Cash and investments | $ 467,402 | $ 356,631 | $ 824,033 |
| **CASH AND CASH EQUIVALENTS** | $ 467,402 | $ 356,631 | $ 824,033 |
| **NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| City contributed assets | $ 1,181,861 | $ - | $ 1,181,861 |

# APPENDIX B

## FORM OF LEGAL OPINION

(See following pages.)

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202

June 18, 2020

Re: City of Stoughton, Wisconsin ("Issuer")
$2,440,000 General Obligation Promissory Notes, Series 2020A,
dated June 18, 2020 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on April 1 of each year, in the years and principal amounts as follows:

| Year | Principal Amount | Interest Rate |
|---|---|---|
| 2021 | $110,000 | ___% |
| 2022 | 120,000 | ___ |
| 2023 | 250,000 | ___ |
| 2024 | 200,000 | ___ |
| 2025 | 200,000 | ___ |
| 2026 | 210,000 | ___ |
| 2027 | 400,000 | ___ |
| 2028 | 480,000 | ___ |
| 2029 | 225,000 | ___ |
| 2030 | 245,000 | ___ |

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2021.

The Notes maturing on April 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2027 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Notes maturing in the years _____ are subject to mandatory redemption by lot as provided in the Notes, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

# APPENDIX C

## BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

# APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages.)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Stoughton, Dane County, Wisconsin (the "Issuer") in connection with the issuance of $2,440,000 General Obligation Promissory Notes, Series 2020A, dated June 18, 2020 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on May 12, 2020, as supplemented by a Certificate Approving the Details of General Obligation Promissory Notes, Series 2020A (the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated June 5, 2020 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Stoughton, Dane County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Director of Finance/Comptroller of the Issuer who can be contacted at 207 South Forrest Street, Stoughton, Wisconsin 53589, phone (608) 873-6677, fax (608) 873-5519.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2020, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - Direct Debt
2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

7. Modification to rights of holders of the Securities, if material;

8. Securities calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 18th day of June, 2020.

_____
Tim B. Swadley
Mayor

(SEAL)

_____
Holly Licht
City Clerk

# APPENDIX E

# NOTICE OF SALE

## $2,440,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020A
## CITY OF STOUGHTON, WISCONSIN

Bids for the purchase of $2,440,000* General Obligation Promissory Notes, Series 2020A (the "Notes") of the City of Stoughton, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on June 4, 2020, at which time they will be opened, read and tabulated. **The Common Council adopted a resolution on May 12, 2020 (the "Parameters Resolution"), which authorized the Mayor or Director of Finance/Comptroller to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on June 4, 2020, neither the Mayor or Director of Finance/Comptroller will have the authority to accept a bid for the Notes, and all bids for the Notes will be rejected.**

### PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including paying the cost of equipment purchases, park improvements, street improvements, parking lot repairs, stormwater improvements and other capital projects. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

### DATES AND MATURITIES

The Notes will be dated June 18, 2020, will be issued as fully registered Notes in the denomination of $5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2021 | $110,000 | 2025 | $200,000 | 2029 | $225,000 |
| 2022 | 120,000 | 2026 | 210,000 | 2030 | 245,000 |
| 2023 | 250,000 | 2027 | 400,000 | | |
| 2024 | 200,000 | 2028 | 480,000 | | |

### ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of $5,000 each, up to a maximum of $40,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

### TERM BOND OPTION

Bids for the Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2021, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Notes will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Notes. So long as Cede & Co. is the registered owner of the Notes, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Notes.

## PAYING AGENT

The City has selected Associated Trust Company, N.A., Green Bay, Wisconsin, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2028 shall be subject to optional redemption prior to maturity on April 1, 2027 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

## DELIVERY

On or about June 18, 2020, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

## STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

## SUBMISSION OF BIDS

Bids must not be for less than $2,415,600 nor more than $2,586,400 plus accrued interest on the principal sum of $2,440,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of $48,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

## AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid. **The Notes will not be awarded if the TIC (taking the purchaser's compensation into account) exceeds 3.00% or if the other conditions set forth in the Parameters Resolution are not satisfied.**

## BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

## CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Notes as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Official Statement.

## NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

(1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth ($5^{th}$) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth ($5^{th}$) business day after the sale whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public),

(iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

## PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Holly Licht, City Clerk
City of Stoughton, Wisconsin

# BID FORM

**The Common Council** **June 4, 2020**
**City of Stoughton, Wisconsin**

**RE: $2,440,000* General Obligation Promissory Notes, Series 2020A (the "Notes")**
**DATED: June 18, 2020**

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $2,415,600 nor more than $2,586,400) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| _____ | % due | 2021 | _____ | % due | 2025 | _____ | % due | 2029 |
| _____ | % due | 2022 | _____ | % due | 2026 | _____ | % due | 2030 |
| _____ | % due | 2023 | _____ | % due | 2027 | | | |
| _____ | % due | 2024 | _____ | % due | 2028 | | | |

* The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of $5,000 each, up to a maximum of $40,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of $48,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids.** The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about June 18, 2020.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: _____ By: _____

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 18, 2020 of the above bid is $_____and the true interest cost (TIC) is _____%.

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The foregoing offer is hereby accepted by the City of Stoughton, Wisconsin, on June 4, 2020.

By: _____

Title: _____