

# PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 3, 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 Bonds 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 Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The City will designate the Bonds 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 CEDARBURG, WISCONSIN (Ozaukee County)

### \$6,735,000\* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2020A

**BID OPENING:** September 14, 2020, 10:30 A.M., C.T.

**CONSIDERATION:** September 14, 2020, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$6,735,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the "Bonds") of the City of Cedarburg, Wisconsin (the "City") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City's Tax Incremental District No. 6 and swimming pool improvements. The Bonds 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 Bonds 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 BONDS:** October 7, 2020

**MATURITY:** March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$25,000	2028	\$245,000	2035	\$570,000
2022	25,000	2029	250,000	2036	580,000
2023	25,000	2030	255,000	2037	590,000
2024	30,000	2031	230,000	2038	605,000
2025	240,000	2032	230,000	2039	615,000
2026	240,000	2033	550,000	2040	625,000
2027	245,000	2034	560,000		

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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:** March 1, 2021 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on March 1, 2031 and thereafter are subject to call for prior optional redemption on March 1, 2030 or on any date thereafter, at a price of par plus accrued interest.

**MINIMUM BID:** \$6,650,813.

**MAXIMUM BID:** \$7,139,100.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$134,700 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND & DISCLOSURE**

**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).

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 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.



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## 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 Bonds 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. Quarles and Brady LLP will serve as Disclosure Counsel to the City with respect to the Bonds. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## 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 Bonds 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 Bonds, 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 Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, 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 Bonds; (3) a certificate evidencing the due execution of the Bonds, 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 Bonds, (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 Bonds 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 Bonds 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.

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## **CITY OF CEDARBURG COMMON COUNCIL**

		<u>Term Expires</u>
Michael O’Keefe	Mayor	April 2021
Jack Arnett	Council Member	April 2021
Sherry Bublitz	Council Member	April 2022
Kristin Burkart	Council Member	April 2022
Robert Simpson	Council Member	April 2021
Barbara Lythjohan	Council Member	April 2022
Patricia Thome	Council Member	April 2021
Rick Verhaalen	Council Member	April 2021

## **ADMINISTRATION**

Mikko Hilvo, City Administrator  
Christy Mertes, Finance Director/Treasurer  
Tracy Sette, City Clerk

## **PROFESSIONAL SERVICES**

Michael Herbrand, City Attorney, Grafton, Wisconsin  
Quarles & Brady LLP, Bond Counsel and Disclosure 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 Cedarburg, Wisconsin (the "City") and the issuance of its \$6,735,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds ("Award Resolution") to be adopted by the Common Council on September 14, 2020.

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](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds 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 October 7, 2020. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing March 1, 2021, to the registered owners of the Bonds 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"). All Bonds 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 Bonds 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 Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds 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 Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. 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 Bonds maturing on or after March 1, 2031 shall be subject to optional redemption prior to maturity on March 1, 2030 or 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 Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds 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 Bond to be redeemed at the address shown on the registration books.

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City’s Tax Incremental District No. 6 and swimming pool improvements.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	\$6,735,000	
Estimated Interest Earnings	<u>4,500</u>	
<b>Total Sources</b>		<b>\$6,739,500</b>
<b>Uses</b>		
Estimated Underwriter's Discount	\$84,188	
Costs of Issuance	72,175	
Deposit to Capitalized Interest Fund	305,623	
Deposit to Project Construction Fund	6,276,000	
Rounding Amount	<u>1,515</u>	
<b>Total Uses</b>		<b>\$6,739,500</b>

\*Preliminary, subject to change

**SECURITY**

For the prompt payment of the Bonds 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, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds 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 is currently rated "Aa2" by Moody’s Investors Service, Inc. ("Moody’s"). The City has requested a rating on the Bonds 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 Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, 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 Bonds 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 Bonds, 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. The Disclosure Undertaking includes the two new material events effective February 27, 2019 under the Rule.

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 the Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds 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, including the two new material events, to help ensure compliance in the future. Ehlers is currently engaged as dissemination agent for the City.

## **LEGAL MATTERS**

An opinion as to the validity of the Bonds 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 Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds 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). (See "FORM OF LEGAL OPINION" found in Appendix B).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility

whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

## **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 Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds 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 Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. 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 Bonds."

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

Prospective purchasers of the Bonds should be aware that ownership of the Bonds 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 Bonds 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 Bonds. 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 Bonds may be enacted. Prospective purchasers of the Bonds 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 Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") 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 Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond 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 Bond 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 Bond 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 Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined

by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond 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 Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond 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 Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond 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 Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. 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 Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds 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 Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

## **BOND PREMIUM**

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

Any Premium Bond 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 Bond is calculated on a daily basis from the issue date of such Premium Bond 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 Bond 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 Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Bonds 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 Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this 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.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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, Milwaukee, 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 Official Statement.

## **RISK FACTORS**

Following is a description of possible risks to holders of the Bonds 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. Potential investors should read this Official Statement, including the appendices, in its entirety.

**Taxes:** The Bonds 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 Bonds. 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 Bonds 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 Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds 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 Bonds. 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 Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds 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 Bonds.

**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 Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds 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 Bonds. 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 Bonds 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 (the "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 Order was extended from April 24, 2020 through May 26, 2020. Schools remained closed for the duration of the 2019-2020 school year, but certain non-essential businesses were 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 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 Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On May 27, 2020, Governor Tony Evers announced a program titled, "Routes to Recovery: Local Government Aid Grants," which will distribute \$190 million of the State's Coronavirus Relief Fund monies to all counties, cities, villages and towns across Wisconsin for unbudgeted eligible expenditures incurred due to COVID-19 between March 1 and October 31, 2020. The State allocated funds based on population with a guaranteed minimum allocation of \$5,000. The City's allocation is \$193,774. These funds will be disbursed up to the amount of the allocation after eligible expenditures are reported through the State's cost tracker application.

On July 30, 2020, Governor Evers issued Executive Order #82, declaring a public health emergency in Wisconsin to combat the spread of COVID-19. In conjunction with Executive Order #82, Governor Evers issued Emergency Order #1, requiring most people to wear face coverings when indoors, with certain exemptions in accordance with CDC guidelines. Executive Order #1 went into effect on August 1, 2020, and expires on September 28, 2020.

# 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

2020 Equalized Value	\$1,548,438,900
2020 Equalized Value Reduced by Tax Increment Valuation	\$1,535,709,900
2019 Assessed Value <sup>1</sup>	\$1,310,325,200

## 2020 EQUALIZED VALUE BY CLASSIFICATION

	<b>2020 Equalized Value<sup>2</sup></b>	<b>Percent of Total Equalized Value</b>
Residential	\$ 1,258,763,800	81.292%
Commercial	257,469,300	16.628%
Manufacturing	18,169,200	1.173%
Agricultural	32,600	0.002%
Undeveloped	17,500	0.001%
Ag Forest/Forest	28,800	0.002%
Other	452,100	0.029%
Personal Property	13,505,600	0.872%
Total	<u><u>\$ 1,548,438,900</u></u>	<u><u>100.000%</u></u>

## TREND OF VALUATIONS

<b>Year</b>	<b>Assessed Value</b>	<b>Equalized Value<sup>2</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2016	\$1,221,899,680	\$1,254,478,000	4.16%
2017	1,248,857,140	1,309,147,300	4.36%
2018	1,262,019,230	1,347,465,200	2.93%
2019	1,310,325,200	1,433,294,900	6.37%
2020	n/a <sup>1</sup>	1,548,438,900	8.03%

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

<sup>1</sup> 2020 Assessed Values are not available at this time.

<sup>2</sup> Includes tax increment valuation.

## LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2019 Equalized Value <sup>1</sup>	Percent of City's Total Equalized Value
Badger RE Holdings LLC	Senior Apartments/CBRF/Memory Unit	\$ 15,827,136	1.02%
Woodmere Townhomes LLC	Apartments	8,575,903	0.55%
Cedar Springs RE LLC	Nursing Home/Rehabilitation	5,960,362	0.38%
Cedar Place Apartments LLC	Apartments	5,042,719	0.33%
Cedar Gardens Aid Propco LLC	CBRF	5,019,638	0.32%
Tealco Group	Apartments	4,895,047	0.32%
Cedar View Apartments	Apartments	4,266,074	0.28%
Individual	Grocery Store	4,233,258	0.27%
Marshall & Ilsley Corporation	Commercial	4,101,994	0.26%
HSI Arrabelle LLC	Apartments	3,972,700	0.26%
<b>Total</b>		<b>\$ 61,894,831</b>	<b>4.00%</b>
City's Total 2019 Equalized Value <sup>2</sup>		\$1,548,438,900	

**Source:** The City.

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<sup>1</sup> Calculated by dividing the 2019 Assessed Values by the 2019 Aggregate Ratio of assessment for the City.

<sup>2</sup> Includes tax increment valuation. 2019 taxpayer information is the latest available.

## DEBT

### DIRECT DEBT<sup>1</sup>

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

Total General Obligation Debt (includes the Bonds)*	\$ 23,572,954
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\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

**City of Cedarburg, Wisconsin  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 10/07/2020)**

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City of Cedarburg, Wisconsin  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 10/07/2020)

Corporate Purpose Bonds  
Series 2020A

Dated Amount	Maturity	10/07/2020 \$6,735,000*	03/01				
				Principal	Estimated Interest	Total Principal	Total Interest
Calendar Year Ending				Principal Outstanding	% Paid	Calendar Year Ending	
2021		25,000	97,170	1,727,395	507,562	2,234,958	21,845,558
2022		25,000	107,833	1,748,354	484,625	2,232,979	20,097,204
2023		25,000	107,681	1,389,347	451,764	1,841,111	18,707,857
2024		30,000	107,492	1,420,358	420,975	1,841,333	17,287,499
2025		240,000	106,356	1,631,436	388,364	2,019,801	15,656,063
2026		240,000	104,163	1,297,537	357,570	1,655,107	14,358,526
2027		245,000	101,695	1,318,675	329,134	1,647,810	13,039,851
2028		245,000	98,979	1,064,851	302,704	1,367,555	11,975,000
2029		250,000	95,988	910,000	280,495	1,190,495	11,065,000
2030		255,000	92,699	935,000	260,703	1,195,703	10,130,000
2031		230,000	89,337	925,000	239,618	1,164,618	9,205,000
2032		230,000	85,953	940,000	216,668	1,156,668	8,265,000
2033		550,000	79,824	1,285,000	188,952	1,473,952	6,980,000
2034		560,000	70,748	1,325,000	155,999	1,480,999	5,655,000
2035		570,000	61,102	1,355,000	120,872	1,475,872	4,300,000
2036		580,000	50,923	1,395,000	84,273	1,479,273	2,905,000
2037		590,000	40,325	820,000	55,355	875,355	2,085,000
2038		605,000	29,306	845,000	34,406	879,406	1,240,000
2039		615,000	17,849	615,000	17,849	632,849	625,000
2040		625,000	6,013	625,000	6,013	631,013	0
		6,735,000	1,551,433	23,572,954	4,903,901	28,476,855	

\* Preliminary, subject to change.

## 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	\$ 1,548,438,900
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 77,421,945
Less: General Obligation Debt (includes the Bonds)*	<u>(23,572,954)</u>
Unused Debt Limit*	<u><u>\$ 53,848,991</u></u>

\*Preliminary, subject to change.

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2020 Equalized Value <sup>2</sup>	% In City	Total G.O. Debt <sup>3</sup>	City's Proportionate Share
Ozaukee County	\$ 13,599,803,300	11.3857%	\$ 22,550,000	\$ 2,567,475
Milwaukee Area Technical College <sup>4</sup>	83,891,800,999	1.7085%	80,890,000	1,382,006
School District of Cedarburg <sup>4</sup>	2,626,878,898	54.4382%	61,785,000	33,634,642
School District of Mequon-Thiensville <sup>4</sup>	5,403,481,258	0.0605%	57,545,000	<u>34,815</u>
City's Share of Total Overlapping Debt				<u><u>\$37,618,938</u></u>

<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

<sup>2</sup> Includes tax increment valuation.

<sup>3</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

<sup>4</sup> 2019 equalized values; 2020 equalized values will be certified in October 2020.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$1,548,438,900</b>	<b>Debt/ Per Capita 12,147<sup>1</sup></b>
Total General Obligation Debt*	\$ 23,572,954	1.52%	\$ 1,940.64
City's Share of Total Overlapping Debt	<u>37,618,938</u>	<u>2.43%</u>	<u>3,096.97</u>
Total*	\$ 61,191,892	3.95%	\$ 5,037.61

\*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

Within the next 12 months the City plans to issue general obligation bonds or notes in the approximate amount of \$2,300,000 to pay the cost of public improvements within the Tax Incremental District No. 6 Business Park. Aside from the preceding, the City does not have any plans for additional financing over the next 12 months.

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<sup>1</sup> Preliminary estimated 2020 population.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

<b>Tax Year</b>	<b>Levy for City Purposes Only</b>	<b>% Collected</b>	<b>Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000</b>
2015/16	\$8,430,459	100%	\$7.00
2016/17	9,118,860	100%	7.27
2017/18	9,342,107	100%	7.14
2018/19	9,796,036	100%	7.27
2019/20	10,259,674	100%	7.18

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 2019 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. The County and the City did not adopt such resolutions. The City cannot predict whether and how much payment of property taxes will be impacted by COVID-19 this year or in future years. 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 Bonds.

## 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:

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2015/16	\$11.09	\$1.84	\$7.00	\$0.17	\$20.10
2016/17	10.80	1.80	7.27	0.17	20.04
2017/18	10.35	1.80	7.14	0.00	19.29
2018/19	10.23	1.77	7.27	0.00	19.27
2019/20	10.19	1.70	7.18	0.00	19.07

**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 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

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<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

<sup>2</sup> 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.

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

# THE ISSUER

## CITY GOVERNMENT

The City was incorporated in 1885 and is governed by a Mayor and a seven-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed City Administrator, Finance Director/Treasurer and City Clerk are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The City employs a staff of 75 full-time, 23 part-time, and 140 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 \$508,899, \$537,092 and \$531,452, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for the fiscal year ended December 31, 2015.

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 \$100.29 billion and the fiduciary net position of the WRS was calculated as \$96.74 billion, resulting in a net pension liability of \$3.56 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 \$1,735,510 for its proportionate share of the net pension liability 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 0.04878200% of the aggregate WRS net pension liability 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 Note IV.A in "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 unit represents employees of the City:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Cedarburg Police Officer's Association	December 31, 2022

### **OTHER POST EMPLOYMENT BENEFITS**

The City does not provide any other post employment benefits.

### **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 Bonds or otherwise questioning the validity of the Bonds.

## **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 Bonds 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 Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds 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 Bonds.

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 Bonds would not occur.

**FUNDS ON HAND** (as of August 14, 2020)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 5,778,220
Cemetery	303,982
Room Tax	3,196
Community Development Block Grant	1,045,145
Parks Impact Fee	410,986
Library	416,203
Debt Service	243,387
TID #4	1,476,046
Capital Improvements	1,729,333
Water Recycling Center	6,002,554
Risk Management	1,130,411
Total Funds on Hand	<u><u>\$ 18,539,463</u></u>

## 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
<b>Light &amp; Water</b>			
Total Operating Revenues	\$ 13,901,981	\$ 13,746,566	\$ 13,410,627
Less: Operating Expenses	<u>(12,259,046)</u>	<u>(12,018,252)</u>	<u>(11,960,723)</u>
Operating Income	\$ 1,642,935	\$ 1,728,314	\$ 1,449,904
Plus: Depreciation	1,437,566	1,519,596	1,546,527
Interest Income	<u>63,696</u>	<u>141,237</u>	<u>222,227</u>
Revenues Available for Debt Service	<u><u>\$ 3,144,197</u></u>	<u><u>\$ 3,389,147</u></u>	<u><u>\$ 3,218,658</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 2,574,525	\$ 2,638,738	\$ 2,664,199
Less: Operating Expenses	<u>(2,576,323)</u>	<u>(2,784,438)</u>	<u>(2,849,900)</u>
Operating Income	\$ (1,798)	\$ (145,700)	\$ (185,701)
Plus: Depreciation	1,124,400	1,191,268	1,216,134
Interest Income	<u>34,017</u>	<u>96,836</u>	<u>153,254</u>
Revenues Available for Debt Service	<u><u>\$ 1,156,619</u></u>	<u><u>\$ 1,142,404</u></u>	<u><u>\$ 1,183,687</u></u>

## 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 <sup>1</sup>
Revenues					
Taxes and special assessments	\$ 5,812,613	\$ 5,869,661	\$ 6,137,384	\$ 5,960,500	\$ 6,964,991
Intergovernmental	1,033,858	1,056,400	952,889	1,271,271	1,327,656
Licenses and permits	412,981	372,141	646,064	624,308	378,775
Penalties and forfeitures	58,292	52,233	56,853	66,082	70,000
Public charges for services	122,202	210,805	169,123	164,541	123,060
Intergovernmental charges for services	215,020	215,824	228,454	260,928	257,944
Interest	21,151	54,616	94,696	195,231	0
Miscellaneous general revenues	198,074	179,472	212,424	394,133	351,140
Total Revenues	<u>\$ 7,874,191</u>	<u>\$ 8,011,152</u>	<u>\$ 8,497,887</u>	<u>\$ 8,936,994</u>	<u>\$ 9,473,566</u>
Expenditures					
Current:					
General government	\$ 1,125,772	\$ 1,053,802	\$ 1,047,784	\$ 1,057,471	\$ 1,314,181
Public safety	3,885,255	3,849,834	4,026,517	4,355,129	4,362,593
Public works	2,387,735	2,448,754	2,457,524	2,589,977	2,758,608
Health and social services	0	0	0	0	0
Conservation and development	92,919	86,451	113,612	100,255	104,501
Culture and recreation	871,005	975,614	1,031,583	1,010,325	925,703
Capital outlay	94,692	221,368	172,636	196,019	0
Total Expenditures	<u>\$ 8,457,378</u>	<u>\$ 8,635,823</u>	<u>\$ 8,849,656</u>	<u>\$ 9,309,176</u>	<u>\$ 9,465,586</u>
Excess of revenues over (under) expenditures	\$ (583,187)	\$ (624,671)	\$ (351,769)	\$ (372,182)	\$ 7,980
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	3,424	2,122	1,920	54,633	
Proceeds of long-term debt	0	0	0	0	
Transfers in	791,671	772,814	815,431	1,113,964	
Transfers out	(14,503)	(138,175)	(87,500)	(276,359)	
Total Other Financing Sources (Uses)	<u>\$ 780,592</u>	<u>\$ 636,761</u>	<u>\$ 729,851</u>	<u>\$ 892,238</u>	<u>\$ 0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 197,405	\$ 12,090	\$ 378,082	\$ 520,056	\$ 7,980
General Fund Balance January 1	2,248,575	2,445,980	2,458,070	2,836,152	3,356,208
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund Balance December 31	\$ 2,445,980	\$ 2,458,070	\$ 2,836,152	\$ 3,356,208	\$ 3,364,188
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	82,041	142,753	258,492	480,532	
Assigned	298,371	627,008	340,222	133,949	
Unassigned	2,065,568	1,688,309	2,237,438	2,741,727	
Total	<u>\$ 2,445,980</u>	<u>\$ 2,458,070</u>	<u>\$ 2,836,152</u>	<u>\$ 3,356,208</u>	

<sup>1</sup> The 2020 budget was adopted on November 25, 2019.

## GENERAL INFORMATION

### LOCATION

The City, with a 2010 U.S. Census population of 11,412 and a current estimated population of 12,147 comprises an area of 4.83 square miles and is located approximately 20 miles north of Milwaukee.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Cedarburg School District	Elementary and secondary education	397
Wilo USA	Pump manufacturer	200
Lasata Care Center	Nursing home and senior apartments	200
The City	Municipal government and services	238
Olsen's Piggly Wiggly	Grocery store	160
Carlson Tool and Manufacturing Corp.	Tool and die manufacturer	150
Cedar Springs Health & Rehabilitation	Long-term nursing care and short-term rehabilitation	93
Norstar Aluminum Molds, Inc.	Rotational molding tooling supplier	70
Kemps LLC	Specialty foods	70
LaRosa Landscape	Landscape company	51

**Source:** *ReferenceUSA, written and telephone survey (July 2020), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

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<sup>1</sup> 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 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	38	33	39	41	17
Valuation	\$11,129,136	\$10,663,225	\$13,498,497	\$16,179,763	\$7,919,518
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	8	4	17
Valuation	\$0	\$0	\$2,600,000	\$6,400,000	\$8,480,000
<u>New Commercial/Industrial</u>					
No. of building permits	4	0	4	4	0
Valuation	\$9,180,000	\$0	\$17,738,822	\$3,285,254	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	218	261	262	295	204
Valuation	\$26,967,035	\$33,683,178	\$66,602,018	\$127,285,870	\$21,917,345

**Source:** The City.

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<sup>1</sup> As of August 3, 2020.

## U.S. CENSUS DATA

### Population Trend: The City

2000 U.S. Census	11,102
2010 U.S. Census	11,412
2020 Estimated Population	12,147
Percent of Change 2000 - 2010	2.79%

### Income and Age Statistics

	<b>The City</b>	<b>Ozaukee County</b>	<b>State of Wisconsin</b>	<b>United States</b>
2018 per capita income	\$45,134	\$47,980	\$32,018	\$32,621
2018 median household income	\$85,077	\$82,807	\$59,209	\$60,293
2018 median family income	\$112,253	\$102,749	\$75,313	\$73,965
2018 median gross rent	\$840	\$903	\$837	\$1,023
2018 median value owner occupied units	\$296,200	\$273,000	\$173,600	\$204,900
2018 median age	44.4 yrs.	43.9 yrs.	39.3 yrs.	37.9 yrs.

	<b>State of Wisconsin</b>	<b>United States</b>
City % of 2018 per capita income	140.96%	138.36%
City % of 2018 median family income	149.05%	151.77%

### Housing Statistics

	<b><u>The City</u></b>		
	<b>2010</b>	<b>2018</b>	<b>Percent of Change</b>
All Housing Units	4,916	5,082	3.38%

**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.

<b>Year</b>	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
	<b>Ozaukee County</b>	<b>Ozaukee County</b>	<b>State of Wisconsin</b>
2016	47,484	3.3%	4.0%
2017	47,823	2.7%	3.3%
2018	48,012	2.5%	3.0%
2019	47,625	2.9%	3.3%
2020, July	45,143 <sup>1</sup>	6.3% <sup>1</sup>	7.0%

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

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<sup>1</sup> Preliminary.

**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 Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this 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 Bonds, 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 CEDARBURG**

Cedarburg, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2019

# **CITY OF CEDARBURG**

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# **CITY OF CEDARBURG**

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## INDEPENDENT AUDITORS' REPORT

To the Common Council  
City of Cedarburg  
Cedarburg, 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 Cedarburg, 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 Cedarburg'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 Cedarburg'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 Cedarburg's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

To the Common Council  
City of Cedarburg

### ***Emphasis of Matters***

As discussed in Note I, City of Cedarburg adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note I, City of Cedarburg adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, 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 Cedarburg'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*

Milwaukee, Wisconsin  
May 5, 2020

As management of the City of Cedarburg, we offer readers of the City of Cedarburg's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. We encourage the reader to consider the information presented here in conjunction with the City's financial statements, which begin on page 19 of this report.

#### THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses reflects the City's operating results. The City's net position as shown in the statement of net position is used to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position, as measured in the statement of activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, parks, etc., in assessing the overall health of our City.

- The assets and deferred outflows of resources of the City of Cedarburg exceeded liabilities and deferred inflows of resources as of December 31, 2019, by \$120,479,148 (net position). Of this amount, \$15,260,988 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position includes all infrastructure and other capital assets of the City as a whole.
- The City of Cedarburg's total net position increased by \$3,060,000. Of this amount, \$1,725,980 was from the governmental activities; the balance \$1,334,020 was from business-type activities. Sewer Utility net position increased by \$42,564 and the Light & Water Utility net position increased by \$1,291,456.
- As of December 31, 2019, the City of Cedarburg's governmental funds reported a combined ending fund balance of \$8,538,016, a decrease of \$591,887 from the prior year. The TID #4 project alone had a decrease of \$1,002,711 due to project costs from the 2018 borrowing proceeds. As of December 31, 2019, the unassigned fund balance for the General Fund was \$2,741,727. The City policy states that unassigned General Fund fund balance should be between two and three months of General Fund expenditures, or approximately \$1.6 million and \$2.4 million.
- There were no borrowings in 2019 compared to three in 2018. The City paid \$1,691,407 of principal on outstanding debt this year compared to \$1,327,102 in 2018. The City's outstanding General Obligation debt totaled \$18,524,050.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cedarburg's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

#### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

##### Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Cedarburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cedarburg include general government, public safety, health and human services, public works, culture, recreation and education, and conservation and development. Other funds included are Capital Improvements, TID No. 4, Debt Service, and Internal Service. Non-major governmental funds include Cemetery, Room Tax, Recreation Programs, Fuel System, CDBG Fund, Swimming Pool, Park Impact Fees, Library, Rescue/EMS, and TIF Nos. 3 and 5. The business-type of activities of the City of Cedarburg include the Cedarburg Light & Water Utility and Sewer Utility.

The government-wide financial statements can be found on pages 19-21 of this report.

##### Fund financial statements

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

##### Governmental funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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 City's near-term financing decisions.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund financial statements (continued)

#### Governmental funds (continued)

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cedarburg maintains fifteen 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, Capital Improvements Fund, TID No. 4 and Debt Service Fund. Data from the remaining eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in the section titled Supplementary Information at the end of the report.

The City of Cedarburg 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. The basic governmental fund financial statements can be found on pages 22-27 of this report.

#### Proprietary funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Light and Water Utility), the Sewer Utility, and the Internal Service Fund which are considered major funds of the City of Cedarburg. The basic proprietary fund financial statements can be found on pages 28-32 of this report.

#### Custodial funds

Custodial funds are used to account for resources held for the benefit of parties outside the government. Custodial funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Cedarburg's programs. The custodial fund maintained by the City of Cedarburg is for the year-end tax collections for other taxing jurisdictions. The basic custodial fund financial statements can be found on pages 33-34.

#### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-80 of this report.

#### Other information

The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 84-87 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedarburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$120,479,148 at the end of 2019.

Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) of the governmental activities of the City of Cedarburg less outstanding debt equal \$50,788,112. The majority of the outstanding debt of the governmental activities funds was incurred for the construction of the Library building in 2013 and the construction of the Public Works garage in 2016.

The largest portion of the City of Cedarburg's net position (82 percent) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, equipment, infrastructure and construction in progress), less any related debt used to acquire those assets that are still outstanding. The City of Cedarburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cedarburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF CEDARBURG'S NET POSITION

	Governmental Activities		Business-type Activities		Total
	2019	2018	2019	2018	2019
Current and other assets	\$ 20,982,235	\$ 21,998,729	\$ 17,548,704	\$ 16,873,740	\$ 38,530,939
Capital assets	65,509,161	64,277,691	48,739,986	48,145,865	114,249,147
Deferred outflows of resources	3,410,395	1,991,556	1,359,381	722,081	4,769,776
Total assets and deferred outflows	89,901,791	88,267,976	67,648,071	65,741,686	157,549,862
Long-term debt outstanding	18,451,153	20,562,742	1,704,509	1,339,712	20,155,662
Other liabilities	2,793,834	916,320	1,290,678	1,038,290	4,084,512
Deferred inflows of resources	12,137,440	11,995,530	693,100	737,920	12,830,540
Total liabilities and deferred inflows	33,382,427	33,474,592	3,688,287	3,115,922	37,070,714
Net position:					
Net investment in capital assets	50,788,112	47,763,281	47,852,158	47,211,694	98,640,270
Restricted	3,134,915	2,439,568	3,423,330	3,423,188	6,578,245
Unrestricted	2,596,337	4,590,535	12,664,296	11,990,882	15,260,633
Total net position	56,519,364	54,793,384	63,939,784	62,625,764	120,479,148
Total liabilities and net position	\$ 89,901,791	\$ 88,267,976	\$ 67,648,071	\$ 65,741,686	\$ 157,549,862

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

An additional portion of the City of Cedarburg's net position (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted fund balance or \$15,260,988 may be used to meet the government's ongoing obligations to citizens or creditors. Of this unrestricted amount, funds are designated for the Revolving Loan Fund, capital improvement projects, cemetery maintenance, and other special revenue fund projects.

The City's net position increased \$3,060,000 during the year. The Governmental activities' net position increased by \$1,725,980 while the business-type activities' net position increased by \$1,334,020.

**CITY OF CEDARBURG'S CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total
	2019	2018	2019	2018	2019
<b>Revenues:</b>					
Program Revenues:					
Charges for Services	\$ 2,882,141	\$ 3,019,666	\$16,074,826	\$16,385,304	\$ 18,956,967
Operating Grants & Contributions	1,415,147	1,179,585			1,415,147
Capital Grants & Contributions	477,000	908,858	513,992	2,070,679	990,992
General Revenues:					
Property Taxes	9,796,788	9,342,396			9,796,788
Other Taxes	87,925	87,560			87,925
Grants & Contributions Not Restricted to Specific Programs	534,500	273,622			534,500
Other	893,966	291,599	434,901	264,892	1,328,867
Transfers	852,556	815,431	(852,556)	(815,431)	
Total Revenues	16,940,023	15,918,717	16,171,163	17,905,444	33,111,186
					33,824,161
<b>Expenses:</b>					
General Government	1,698,689	1,544,698			1,698,689
Public Protection	5,357,307	4,830,952			5,357,307
Health & Sanitation	46,423	38,179			46,423
Engineering and Public Works	3,549,348	3,731,914			3,549,348
Culture, Recreation and Education	3,090,096	3,069,802			3,090,096
Conservation and Development	985,325	703,359			985,325
Interest and Fiscal Charges	486,855	477,349			486,855
Sewer			2,874,524	2,803,399	2,874,524
Light & Water			11,962,619	12,019,118	11,962,619
Total Expenses	15,214,043	14,396,253	14,837,143	14,822,517	30,051,186
Increase/(Decrease) in Net Position	1,725,980	1,522,464	1,334,020	3,082,927	3,060,000
					4,605,391
Net Position - Beginning	54,793,384	53,270,920	62,625,764	59,542,837	117,419,148
Net Position - Ending	\$56,519,364	\$54,793,384	\$63,959,784	\$62,625,764	\$117,419,148

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

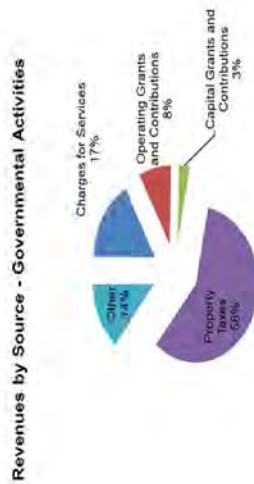
**Governmental activities**

Governmental activities increased the City of Cedarburg's net position by \$1,725,980 compared to an increase of \$1,522,464 in 2018. Some of the significant changes in revenues and expenditures from 2018 were as follows:

**Revenues:**

- ◊ Property taxes, the largest revenue source for governmental activities, increased \$454,757 or 4.8 percent. The Capital Improvement levy increased by \$320,000 and the Debt Service levy increased \$314,973 from 2018. To lessen the impact on the City's tax rate, the General Fund levy decreased \$178,978. Property taxes have increased to approximately 66 percent of total revenues, reflecting the declining revenues from the State of Wisconsin.
- ◊ Charges for services decreased \$137,525 or 4.5 percent. The housing market in Cedarburg improved in 2018 and continued into 2019, however at a slower rate. Building permits alone were \$16,372 below 2018 due to new developments in 2018 from Arrabelle and The Glen. The Cedar Place Apartments construction continued into 2019. Due to the new development, impact fees were higher in 2018 than 2019. Park impact fees decreased \$69,122, police impact fees decreased \$46,282, and library impact fees decreased \$42,817 from 2018.
- ◊ Operating grant and contribution revenues increased from 2018 to 2019 by \$235,552; 20 percent. State transportation aids increased from 2018 by \$90,977 due to the increased street improvement spending by the City and increased funding from the State. There was a \$48,217 local road improvement grant in 2019 that is only received every three years. The State grant for EMS increased \$9,471 over 2018.
- ◊ Capital grants and contributions decreased \$431,858; 48 percent, as a result of a rescue squad donated by the Cedarburg Fire Department Inc. in 2018. There was a fire truck donation in 2019 from the Fire Department at a lesser value.
- ◊ Other revenues increased from 2018 by \$1,318,002; 13.2 percent. Interest income increased \$158,880; 55.1 percent over 2018, after a 78.0 percent increase in 2018. Intergovernmental revenues not restricted to specific programs increased \$260,878 due to receipt of expenditure restraint revenues in 2019 and not in 2018; an increase of \$181,615. A new State aid payment was added in 2019 to offset the loss of personal property, adding \$39,213 in revenues over 2018.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)  
Governmental activities (Continued)



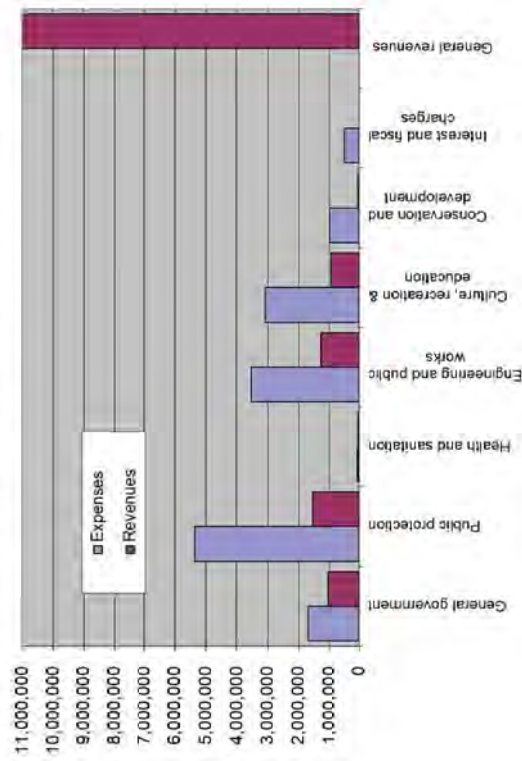
Expenditures:

- Governmental activities expenditures increased by \$817,790 from 2018.
- The General Government increased by \$153,991 from 2018. The Clerk's Office had a payout for a retirement and the new employee took health insurance and a part time employee became full time adding benefit expenditures; \$95,751 over 2018. There was a one-time expenditure for the update of the City website for \$12,500 in 2019. In the Assessor's Office work on the revaluation started in the amount of \$6,500; there were no expenditures in 2018 for the revaluation.
- Public Safety expenditures increased \$526,355 over 2018. The Fire Department expenditures increased \$262,181 due in part to the fire truck purchase.
- Engineering and Public Works expenditures decreased \$182,566 from 2018. Street projects decreased \$382,985 from 2018.
- Health and Human Services increased from 2018 by \$8,244.
- Culture, Recreation and Education increased \$20,294 from 2018.
- Conservation and Development increased \$281,966 from 2018 due to the expenditures for the dam. Expenditures for the dams increased by \$326,020. Expenditures for the Prochnow Landfill decreased by \$20,383 from 2018.
- Interest and Fiscal Charges decreased \$9,506 from 2018 due to the three new borrowings in 2018 and none in 2019.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following graph is based on the statement of activities found on pages 20-21, property taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities.

Expenses and Program Revenues - Governmental Activities



#### Business-type activities

Business-type activities increased the City of Cedarburg's net position by \$1,334,020. Light & Water and Sewer Utilities amounts increased by \$1,291,456 and \$42,564 respectively. The Light & Water and Sewer Utilities are supported by user charges. The Sewer Utility charge is based on water usage for residential and commercial customers, and effluent volume and strength for our industrial customers. Other revenues include capital contributions of \$513,992 and total interest income of \$375,481. The charges for services accounted for 94.6 percent of total revenues for the business-type activities in 2019, compared to 87.5 percent in 2018 due to the capital contributions in 2018.

Operating revenues for business-type activities decreased by \$310,478 from 2018. Light & Water Utility electric and water revenues decreased \$335,939 and the Sewer Utility charges increased by \$25,461.

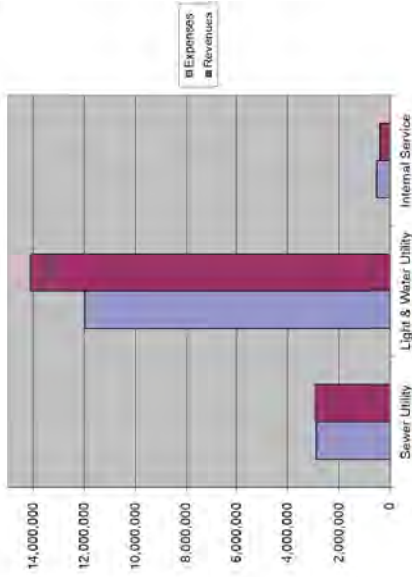
- ◊ Sewer Utility operating revenues totaled \$2,652,209; an increase of \$13,471 from 2018. The increase was due to the 40% rate increase and the new residential customers. Sewer connection fees and reserve capacity fees decreased \$53,918 and \$26,423 respectively due to new construction slowing down slightly from 2018.
- ◊ Light and Water Utility operating revenues totaled \$13,227,642 for 2019, a decrease of \$518,924 from 2018. The electric operating revenues decreased from 2018 by \$367,692 because of the decrease in the average cost per kWh in 2019 of 3.3 percent. Water sales increased \$24,741 due to the increase in gallons sold from 2018.
- ◊ Interest revenue increased from 2018 by \$80,990 due to the rising interest rates.

Operating expenses for business-type activities, excluding depreciation, decreased by \$43,864 from 2018. Depreciation expenses increased \$51,797 from 2018.

- ◊ Sewer Utility operating expenses, excluding depreciation, increased by \$40,596 from 2018. Sludge hauling increased \$33,371 from 2018 due to the new vendor agreement in 2019. Lab supplies increased \$13,093 due to more in-house testing done in 2019.
- ◊ Light & Water expenses, excluding depreciation, decreased \$84,460 from 2018. Electric operating expenses decreased \$192,454 due to less electricity purchased (\$70,000 less) and the reduced average cost of electricity (\$263,000 less). Water expenditures increased from 2018 by \$192,454 due to well 6 rehab and no similar work in 2018. There also was an increase in pensions and benefits due to leave accrual and an increase in taxes and deferred expenses related to regulatory pension liability.

#### Business-type activities (Continued)

The following chart compares the total revenues and expenses by utility for the year.



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### Governmental Funds

The focus of the City of Cedarburg's governmental funds is to provide information on the flow of resources into and out of the organization in providing services. Most of the functions of the City are financed through these funds. The reported fund balance of a governmental fund represents a measure of the available spendable resources.

As of December 31, 2019, the City of Cedarburg's governmental funds reported combined ending fund balances of \$8,538,016, a decrease of \$591,887 from 2018. The General Fund and Capital Improvement Fund increased \$520,056 and decreased \$82,585 from 2018 respectively. TID No. 4 fund balance decreased \$1,002,711 due to the borrowing of \$3.4 million for the project in 2018 and only expenditures in 2019 of \$1,045,406. Debt Service Fund decreased by \$74,120 due to the use of the 2018 impact fees. The non-major governmental funds increased \$47,474 due to the CDBG Fund which increased \$64,132; due to interest income and loan repayments.

Approximately 31.7 percent of the total fund balance or \$2,705,619 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned or restricted to indicate that it is not available for new spending because it has already been reserved or restricted for other items such as contracts and purchase orders of the prior year, debt service, legally restricted assets, impact fees, and non-current loans and notes receivable.

### General Fund

The General Fund is the chief operating fund of the City of Cedarburg. As of December 31, 2019, the total fund balance of the General Fund was \$3,356,208 of which \$2,741,727 was unassigned. This unassigned fund balance represents approximately 29 percent of the total 2020 General Fund budgeted expenditures. Of the assigned fund balance, \$17,000 was appropriated for 2020 General Fund budgeted expenditures for recodification and an executive search for the administrator position. City policy requires a minimum of 17 percent and a maximum of 25 percent of General Fund expenditures of the ensuing year in unassigned funds.

The General Fund fund balance increased by \$520,056 during 2019. The 2019 original adopted budget for the City of Cedarburg's General Fund identified \$200,000 of expenditures over revenues or usage of fund balance. Actual operating expenditures were over budget by \$196,721 after the budget amendments were made for the year. Actual operating revenues were over budget by \$694,592 which was due to the increase in building permit related fees and investment income.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

### Governmental Funds

General Fund operating revenues increased by \$439,107 (5.2 percent) from 2018. Some of the significant changes in General Fund revenues from the prior year were as follows:

- ◇ Property Tax revenues decreased by \$178,978 (2.9 percent) from prior year due to the tax levy decrease.
- ◇ Intergovernmental Revenues increased \$318,382 (33.4 percent) from prior year due to the Expenditure Restraint revenues and the new personal property tax aid in 2019. In 2018 the City did not qualify for the expenditure restraint revenues.
- ◇ Licenses, Permits and Fees increased \$21,756 (3.4 percent) from 2018.
- ◇ Fines, Forfeitures and Penalties increased \$9,229 (16.2 percent) from 2018. The change was due to the increase in the court penalties and costs received of \$10,111.
- ◇ Public Charges for Services decreased \$4,582 (2.7 percent) over prior year.
- ◇ Intergovernmental Charges for Services increased \$32,474 (14.2 percent) over 2018.
- ◇ Investment Income and Miscellaneous Revenues increased a total \$100,535 (106 percent) from 2018 due to the rising interest rates.

General Fund operating expenditures increased by \$459,520 from 2018. Some of the significant changes in General Fund expenditures from the prior year were as follows:

- ◇ General Government expenditures increased \$9,687 (0.9 percent) in part due to the Clerk's Office staffing changes and the new website in 2019.
- ◇ Public Safety increased by \$328,612 from 2018 (8.2 percent). The Police Department hired an additional officer for the Cedarburg School District of which the City is responsible for one-third of the position in 2019. There were also additional Patrol expenditures for the new hires' training and uniforms in 2019.
- ◇ Public Works expenditures increased \$132,453 (5.4 percent) from 2018. More time was spent on storm sewer work than in 2018; a total increase of \$26,528. Solid waste and recycling collection increased \$22,021 due to the contracted rate increase and increase in residential units. Snow and ice control increased \$26,969 from 2018 due to more salt being purchased in 2019.
- ◇ Culture, Recreation and Education decreased \$21,258 from 2018. Parks, Recreation and Forestry spending decreased \$33,859. Salaries and benefits were less due to time spent on trees and there was no budget for tree replacements in 2019.
- ◇ Conservation and Development decreased \$13,357 due to the City participating in a branding initiative in the amount of \$15,000 in 2018.

As identified earlier, actual operating revenues were over budgeted revenues by \$694,592 due to the Building Inspection Department fees. The final budget outcome for 2019 was a decrease in fund balance of \$372,182, compared to the amended budgeted use of fund balance of \$870,053.

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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)**

**Governmental Funds (Continued)**

**Capital Improvements Fund**

The Capital Improvement expenditures for 2019 included street and stormwater improvements, environmental remediation, equipment purchases and park improvements. Total expenditures were \$2,085,422 and \$2,650,266 in 2019 and 2018 respectively. Street improvements were \$382,985 more in 2018 than 2019 because of the number of projects being reduced for 2019. In 2018 there was also an expenditure of \$327,057 for the construction of a monopole.

The Police Department purchased two vehicles for \$73,194 in 2018 and only one in 2019 for \$42,017.

The Fire Department concrete work and parking lot maintenance was completed in 2018 in the amount of \$118,714 and \$61,045 in 2019 for roof replacement.

Emergency Management replaced a vehicle in 2018 of \$48,557 and only completed the purchase in 2019 for \$5,062.

Public Works equipment purchased in 2019 totaled \$298,672 and \$227,039 in 2018; \$71,633 increase.

Storm Water improvements were \$27,369 less than 2018.

Environmental expenditures included the continuing legal and monitoring fees for Prochnow Landfill along with dam engineering costs. Prochnow expenditures decreased \$20,383 from 2018; however, expenditures on dams due to DNR mandated modifications expenditures increased \$326,020.

Parks, Recreation and Forestry expenditures were up \$58,970 from 2018. The Senior Van was replaced in 2018 in the amount of \$26,751. The Parks' equipment purchases increased by \$123,996 but the park improvements decreased by \$107,479. Prairie View Park shelter and restrooms were constructed in 2018. In 2019 Willowbrooke Park equipment was replaced and a roof on the bathroom at Cedar Creek Park.

TID #4 expenditures increased \$483,295 due to a full year of expenditures in 2019 and a partial year in 2018.

Debt service expenditures increased in 2019 by \$232,049 due to the three borrowings for street improvements and TID #4 in 2018.

There was \$58,741 transferred out of the Library reserve account to Debt Service to offset the principal and interest payments on the building debt in 2018 and \$100,000 in 2019 for the same purpose. The amount varies from year to year depending on the amount of impact fees collected.

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget are from purchase orders carried over from 2018 into 2019 and any appropriations made during the year. In 2019, there were appropriations to balance the budget due to the overages in the Parks, Recreation and Forestry Department for the Public Works crew work on tree maintenance and for the Senior Center tours revenues and expenditures.

The 2020 adopted budget included the use of fund balance to fund an executive search for a City administrator and reclassification of the City's Municipal Code. The net change in the fund balance for 2019 was an increase of \$520,056. Actual operating revenues were over budget by \$694,592 which was due the increase in building permit related fees and investment income.

Operating expenditures were \$196,721 over budget for the year due to Public Safety; the EMS spending of the donated funds for a new fire truck.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Cedarburg's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$114,249,147 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and construction in progress. The City of Cedarburg implemented the infrastructure component of GASB Statement No. 34 for the year ended December 31, 2003.

Major capital asset events that occurred during the year included the following:

- Dam improvements; \$355,864
- Last siren replacement for Emergency Management; \$20,892
- Police Patrol vehicle; \$42,017
- Public works dump trucks; \$298,672
- Street improvements; \$635,490
- Park Improvements; \$336,365
- Operating transfers to Debt Service; \$100,000

**City of Cedarburg's Capital Assets**

	Governmental Activities			Business-type Activities			Total
	2019	2018	2019	2018	2019	2018	
Land	\$ 8,508,524	\$ 8,331,524	\$ 2,230,641	\$ 2,215,918	\$ 10,739,165	\$ 10,547,442	
Buildings and improvements	25,305,923	25,198,297	88,153,256	87,871,082	114,459,179	113,069,379	
Infrastructure	48,840,698	47,608,609			48,840,698	47,608,609	
Vehicles	7,617,894	7,116,021			7,617,894	7,116,021	
Machinery and equipment	4,123,586	4,063,443			4,123,586	4,063,443	
Construction in progress	539,577	304,156	1,579,376	70,206	2,118,953	374,362	
Accumulated depreciation	(29,427,041)	(26,344,359)	(44,223,287)	(42,011,341)	(73,650,328)	(70,355,700)	
Total Capital Assets	\$65,509,161	\$64,277,691	\$48,739,966	\$48,145,865	\$114,249,147	\$112,423,556	

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At the end of the fiscal year, the City of Cedarburg had a total general obligation debt outstanding of \$18,254,050 entirely backed by the full faith, credit, and resources of the City. There were three borrowings in 2018: one for capital projects, one for TID No. 4 and one for the monopole construction and no borrowings in 2019. Principal payments for 2019 totaled \$1,691,407.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total equalized valuation. The current debt limitation for the City of Cedarburg is \$71,664,745, which significantly exceeds the City's current outstanding general obligation debt. The City has established a policy whereby the City will not issue debt in excess of 4 percent of its total equalized valuation and the total annual debt service for general obligation debt shall not exceed 50 percent of the City's total annual general operating revenues (inclusive of all property tax levies and exclusive of revenues from proprietary entities). As of December 31, 2019, the City of Cedarburg's outstanding debt equaled 25.8 percent of the State authorized debt.

**City of Cedarburg's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total
	2019	2018	2019	2018	
General obligation long-term bonds and notes payable	\$ 17,659,050	\$ 19,305,457	\$ 865,000	\$ 910,000	\$ 18,524,050
Total	<u>\$ 17,659,050</u>	<u>\$ 19,305,457</u>	<u>\$ 865,000</u>	<u>\$ 910,000</u>	<u>\$ 20,215,457</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, the State legislative changes, general economic conditions, and public sentiments toward taxation. The City increased the assessed tax rate from \$7.76/\$1,000 in 2018 to \$7.86/\$1,000 in 2019; a 1.3 percent increase.

The City's total equalized value for 2019 was \$1,433,294,900; 6.4 percent more than 2018.

The Ozaukee County unemployment rate remained at 2.5 percent for 2019. The State unemployment rate for 2019 was 3.5 percent and 3.5 percent nationally. The County is doing well compared to the rest of the State and nation.

Funds were appropriated in the 2020 General Fund budget for the funding of the updating of the municipal code and an executive search for a City administrator.

Sewer flow rate increased from \$5.40/1,000 gallons in 2019 to \$7.55/1,000 in 2020. The monthly connection fee remained at \$15/month for 2020. Holding tank septage haulers' fees increased from the rate of \$8.70/1,000 gallons to \$9.14/1,000 gallons. The septage tank haulers' rate also increased from \$44.91/1,000 gallons to \$49.50/1,000 gallons.

The Common Council prioritized streets and public safety for 2020. To fund these projects there was a need for the tax rate increase. Street projects were brought back to their normal level in an attempt to stay on schedule with the City's seven-year plan. As development continues to grow the City's assessed value, pre-funding of street and storm water capital projects should remain a priority.

With increasing costs, State revenue cuts, and State legislative changes it will be another difficult budget preparation year. The new development the City is currently seeing will hopefully help fund future expenditure increases and lost revenues. The State levy limit legislation makes it difficult to fund operations as necessary and causes the City to borrow for capital projects which was not a common practice in prior years.

In 2020 the City is seeing added expenditures due to the COVID-19 pandemic. Businesses are shut down and citizens were ordered to stay home by the Governor. In early 2020 the City has seen added expenditures in dealing with this issue for its employees and the citizens; specifically, the April election.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Treasurer's Office at the City of Cedarburg, P.O. Box 49, Cedarburg, WI 53012. Other City contact information may be found on our website at [www.ci.cedarburg.wi.us](http://www.ci.cedarburg.wi.us).

# CITY OF CEDARBURG

## STATEMENT OF NET POSITION As of December 31, 2019

	Governmental Activities	Business - type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 8,337,202	\$ 12,209,015	\$ 20,546,217
Receivables:			
Taxes	10,362,137	-	10,362,137
Delinquent personal property taxes	54,989	-	54,989
Accounts	465,065	1,467,601	1,932,666
Interest	-	16,025	16,025
Internal balances	342,248	(342,248)	-
Materials and supplies	11,701	659,998	671,699
Prepaid items	13,269	5,052	18,321
Restricted Assets:			
Cash and investments	1,327,000	3,443,330	4,770,330
Loans	68,624	-	68,624
Other assets	-	89,931	89,931
Capital Assets:			
Land	8,508,524	2,230,641	10,739,165
Construction in progress	539,577	1,579,376	2,118,953
Other capital assets, net of depreciation	56,461,060	44,929,969	101,391,029
Total Assets	<u>86,491,396</u>	<u>66,288,690</u>	<u>152,780,086</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding	59,487	-	59,487
Pension related items	3,350,908	1,359,381	4,710,289
Total Deferred Outflows of Resources	<u>3,410,395</u>	<u>1,359,381</u>	<u>4,769,776</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	825,499	1,028,271	1,853,770
Deposits	85,581	76,636	162,217
Due to other governments	4,112	-	4,112
Accrued interest payable	111,631	17,134	128,765
Noncurrent Liabilities			
Due within one year	1,767,011	168,637	1,935,648
Due in more than one year	18,451,153	1,704,509	20,155,662
Total Liabilities	<u>21,244,987</u>	<u>2,995,187</u>	<u>24,240,174</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	10,426,431	2,477	10,428,908
Pension related items	1,711,009	690,623	2,401,632
Total Deferred Inflows of Resources	<u>12,137,440</u>	<u>693,100</u>	<u>12,830,540</u>
<b>NET POSITION</b>			
Net investment in capital assets	50,788,112	47,852,158	98,640,270
Restricted	3,134,560	3,443,330	6,577,890
Unrestricted	2,596,692	12,664,296	15,260,988
<b>TOTAL NET POSITION</b>	<u>\$ 56,519,364</u>	<u>\$ 63,959,784</u>	<u>\$ 120,479,148</u>

See accompanying notes to the financial statements.

# CITY OF CEDARBURG

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,698,689	\$ 795,053	\$ 230,595	\$ -
Public safety	5,357,307	1,342,830	201,125	-
Public works	3,549,348	50,419	735,399	477,000
Health and human services	46,423	12,935	-	-
Culture, recreation and education	3,090,096	680,674	248,028	-
Conservation and development	985,325	230	-	-
Interest and fiscal charges	486,855	-	-	-
Total Governmental Activities	15,214,043	2,882,141	1,415,147	477,000
<b>Business-type Activities</b>				
Light and Water Utility	11,962,619	13,410,627	-	461,237
Sewer Utility	2,874,524	2,664,199	-	52,755
Total Business-type Activities	14,837,143	16,074,826	-	513,992
<b>Total</b>	<b>\$ 30,051,186</b>	<b>\$ 18,956,967</b>	<b>\$ 1,415,147</b>	<b>\$ 990,992</b>

### General revenues

#### Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Property taxes, levied for library

Property taxes, levied for other purposes

Other taxes

Intergovernmental revenues not restricted to specific programs

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 the financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business - type Activities	Totals
\$ (673,041)	\$ -	\$ (673,041)
(3,813,352)	-	(3,813,352)
(2,286,530)	-	(2,286,530)
(33,488)	-	(33,488)
(2,161,394)	-	(2,161,394)
(985,095)	-	(985,095)
(486,855)	-	(486,855)
(10,439,755)	-	(10,439,755)
-	1,909,245	1,909,245
-	(157,570)	(157,570)
-	1,751,675	1,751,675
(10,439,755)	1,751,675	(8,688,080)
5,954,591	-	5,954,591
1,817,184	-	1,817,184
1,235,000	-	1,235,000
722,194	-	722,194
67,819	-	67,819
87,925	-	87,925
534,500	-	534,500
446,805	375,481	822,286
447,161	59,420	506,581
11,313,179	434,901	11,748,080
852,556	(852,556)	-
1,725,980	1,334,020	3,060,000
54,793,384	62,625,764	117,419,148
<u>\$ 56,519,364</u>	<u>\$ 63,959,784</u>	<u>\$ 120,479,148</u>

See accompanying notes to the financial statements.

# CITY OF CEDARBURG

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2019

		Capital Project Funds	
	General Fund	Capital Improvements Fund	TIF District No. 4
ASSETS			
Unrestricted cash and investments	\$ 3,000,548	\$ 825,312	\$ 2,029,990
Restricted cash and investments	-	-	-
Receivables:			
Taxes	6,118,819	1,680,000	2
Delinquent personal property taxes	54,989	-	-
Accounts	132,938	210,140	-
Loans	-	-	-
Due from other funds	650,358	73,630	212,314
Materials and supplies	3,702	-	-
Prepaid expenditures	8,766	3,608	-
Advances to other funds	413,075	-	-
TOTAL ASSETS	10,383,195	2,792,690	2,242,306
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 73,900	\$ 17,112	\$ 60,576
Accrued liabilities	322,283	-	-
Deposits	85,581	-	-
Due to other funds	356,807	186,800	-
Due to other governments	4,054	-	-
Advance from other fund	-	-	388,212
Total Liabilities	842,625	203,912	448,788
Deferred Inflows of Resources			
Unavailable revenues	2,244	183,702	-
Unearned revenues	6,182,118	1,680,000	2
Total Deferred Inflows of Resources	6,184,362	1,863,702	2
Fund Balances			
Nonspendable	480,532	3,608	-
Restricted	-	-	1,793,516
Assigned	133,949	721,468	-
Unassigned (deficit)	2,741,727	-	-
Total Fund Balances	3,356,208	725,076	1,793,516
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,383,195	\$ 2,792,690	\$ 2,242,306

See accompanying notes to the financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 138,777	\$ 1,218,880	\$ 7,213,507
-	1,327,000	1,327,000
1,664,669	898,647	10,362,137
-	-	54,989
-	121,987	465,065
-	68,624	68,624
58,741	120,982	1,116,025
-	7,999	11,701
-	895	13,269
-	-	413,075
<u>1,862,187</u>	<u>3,765,014</u>	<u>21,045,392</u>
\$ -	\$ 59,477	\$ 211,065
-	40,746	363,029
-	-	85,581
95,183	110,723	749,513
-	58	4,112
-	24,863	413,075
<u>95,183</u>	<u>235,867</u>	<u>1,826,375</u>
-	68,624	254,570
<u>1,664,669</u>	<u>899,642</u>	<u>10,426,431</u>
<u>1,664,669</u>	<u>968,266</u>	<u>10,681,001</u>
-	895	485,035
102,335	1,377,152	3,273,003
-	1,218,942	2,074,359
-	(36,108)	2,705,619
<u>102,335</u>	<u>2,560,881</u>	<u>8,538,016</u>
<u>\$ 1,862,187</u>	<u>\$ 3,765,014</u>	<u>\$ 21,045,392</u>

See accompanying notes to the financial statements.

## CITY OF CEDARBURG

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

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Total Fund Balances - Governmental Funds	\$ 8,538,016
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Amounts reported for governmental activities in the statement of net position are different because different because:

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

Land	8,508,524
Construction in progress	539,577
Other capital assets, net of depreciation	56,461,060

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds

Grant receivable	183,702
Loan receivables	68,624
Interest on advance to TIF District No. 4	2,244

Internal service funds are used by the City to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

848,026

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

3,350,908

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

(1,711,009)

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds, notes payable and unamortized premium/(discount)	(18,050,536)
Net pension liability	(1,260,272)
Compensated absences	(497,756)
Unamortized loss on refunding	59,487
Pollution remediation liability	(409,600)
Accrued interest	(111,631)

#### NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 56,519,364

# CITY OF CEDARBURG

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

		Capital Project Funds	
	General Fund	Capital Improvements Fund	TIF District No. 4
<b>REVENUES</b>			
Taxes	\$ 5,958,406	\$ 1,235,000	\$ -
Special assessments	2,094	29,333	-
Intergovernmental	1,271,271	67,132	-
Licenses and permits	624,308	-	-
Fines, forfeitures and penalties	66,082	-	-
Public charges for services	164,541	67,162	-
Intergovernmental charges for services	260,928	-	-
Investment income	195,231	23,573	42,695
Miscellaneous	394,133	100,586	-
Total Revenues	<u>8,936,994</u>	<u>1,522,786</u>	<u>42,695</u>
<b>EXPENDITURES</b>			
Current			
General government	1,057,471	-	-
Public safety	4,355,129	-	-
Public works	2,589,977	-	-
Health and human services	-	-	-
Culture, recreation and education	1,010,325	-	-
Conservation and development	100,255	-	798,765
Capital Outlay	196,019	2,042,968	-
Debt Service			-
Principal	-	34,121	145,000
Interest and fees	-	8,333	101,641
Total Expenditures	<u>9,309,176</u>	<u>2,085,422</u>	<u>1,045,406</u>
Excess (deficiency) of revenues over expenditures	<u>(372,182)</u>	<u>(562,636)</u>	<u>(1,002,711)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,113,964	338,056	-
Transfers out	(276,359)	(100,000)	-
Proceeds from sale of capital assets	54,633	51,994	-
Proceeds of capital leases	-	190,000	-
Total Other Financing Sources (Uses)	<u>892,238</u>	<u>480,050</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	520,056	(82,586)	(1,002,711)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>2,836,152</u>	<u>807,662</u>	<u>2,796,227</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,356,208</u>	<u>\$ 725,076</u>	<u>\$ 1,793,516</u>

See accompanying notes to the financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,817,184	\$ 874,123	\$ 9,884,713
-	-	31,427
2,588	227,318	1,568,309
-	-	624,308
-	20,317	86,399
79,533	1,246,826	1,558,062
-	-	260,928
11,046	63,193	335,738
-	113,379	608,098
<u>1,910,351</u>	<u>2,545,156</u>	<u>14,957,982</u>
-	-	1,057,471
-	393,988	4,749,117
-	263	2,590,240
-	46,100	46,100
-	1,593,033	2,603,358
-	86,305	985,325
-	299,853	2,538,840
1,501,407	-	1,680,528
<u>338,099</u>	-	<u>448,073</u>
<u>1,839,506</u>	<u>2,419,542</u>	<u>16,699,052</u>
<u>70,845</u>	<u>125,614</u>	<u>(1,741,070)</u>
100,000	24,359	1,576,379
(244,965)	(102,499)	(723,823)
-	-	106,627
-	-	190,000
<u>(144,965)</u>	<u>(78,140)</u>	<u>1,149,183</u>
(74,120)	47,474	(591,887)
<u>176,455</u>	<u>2,513,407</u>	<u>9,129,903</u>
<u>\$ 102,335</u>	<u>\$ 2,560,881</u>	<u>\$ 8,538,016</u>

See accompanying notes to the financial statements.

## CITY OF CEDARBURG

### 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

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Net change in fund balances - total governmental funds	\$ (591,887)
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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 statements	2,538,840
Some items reported as outlay were not capitalized	(291,613)
Contributed capital assets	477,000
Depreciation is reported in the government-wide statements	(1,492,757)

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.

Capital lease issued	(190,000)
Capital lease payments	34,121
Principal repaid	1,646,407

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	18,421
Accrued interest on debt	(35,450)
Pollution remediation liability	77,600
Net pension liability	(2,304,725)
Deferred outflows of resources related to pensions	1,440,470
Deferred inflows of resources related to pensions	380,890

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 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

Amortization of debt premiums	20,869
Amortization of loss on refunding	(21,632)
Amortization of debt discount	(2,568)

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

148,787
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Internal service funds are used by the City to charge the cost of insurance to individual funds. The net revenue of the internal service fund is reported in the governmental activities.

(126,793)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

<u>\$ 1,725,980</u>
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See accompanying notes to the financial statements.

# CITY OF CEDARBURG

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

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 9,600,639	\$ 2,608,376	\$ 12,209,015	\$ 1,123,695
Receivables:				
Accounts	1,442,498	25,103	1,467,601	-
Interest	16,025	-	16,025	-
Due from other funds	-	303,224	303,224	10,362
Materials and supplies	659,998	-	659,998	-
Prepayments	5,052	-	5,052	-
Other Assets - Commitment to community	12,693	-	12,693	-
Total Current Assets	<u>11,736,905</u>	<u>2,936,703</u>	<u>14,673,608</u>	<u>1,134,057</u>
<b>NON-CURRENT ASSETS</b>				
Restricted Assets - cash and investments	425,678	3,017,652	3,443,330	-
Preliminary survey and investigation	37,890	-	37,890	-
Non-utility property	39,348	-	39,348	-
Capital Assets				
Land	393,560	1,837,081	2,230,641	-
Construction in progress	79,481	1,499,895	1,579,376	-
Property, plant, and equipment	54,867,970	34,285,286	89,153,256	-
Less: Accumulated depreciation	(19,140,842)	(25,082,445)	(44,223,287)	-
Total Noncurrent Assets	<u>36,703,085</u>	<u>15,557,469</u>	<u>52,260,554</u>	<u>-</u>
 Total Assets	 <u>48,439,990</u>	 <u>18,494,172</u>	 <u>66,934,162</u>	 <u>1,134,057</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	<u>984,517</u>	<u>374,864</u>	<u>1,359,381</u>	<u>-</u>

See accompanying notes to the financial statements.

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 741,966	\$ 221,568	\$ 963,534	\$ 251,405
Accrued payroll	-	30,342	30,342	-
Accrued interest payable	4,375	12,759	17,134	-
Deposits	76,636	-	76,636	-
Due to other funds	621,577	23,895	645,472	34,626
Current portion of general obligation debt	-	45,000	45,000	-
Current portion of compensated absences	112,873	10,764	123,637	-
Other current liability	34,395	-	34,395	-
Total Current Liabilities	1,591,822	344,328	1,936,150	286,031
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	304,674	39,791	344,465	-
Customer advances for construction	21,955	-	21,955	-
Deferred compensation	20,023	-	20,023	-
Net pension liability	347,301	127,937	475,238	-
General obligation debt	-	842,828	842,828	-
Total Noncurrent Liabilities	693,953	1,010,556	1,704,509	-
Total Liabilities	2,285,775	1,354,884	3,640,659	286,031
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	2,477	-	2,477	-
Pension related items	502,657	187,966	690,623	-
Total Deferred Inflows of Resources	505,134	187,966	693,100	-
<b>NET POSITION</b>				
Net investment in capital assets	36,200,169	11,651,989	47,852,158	-
Restricted	425,678	3,017,652	3,443,330	-
Unrestricted	10,007,751	2,656,545	12,664,296	848,026
<b>TOTAL NET POSITION</b>	<b>\$ 46,633,598</b>	<b>\$ 17,326,186</b>	<b>\$ 63,959,784</b>	<b>\$ 848,026</b>

See accompanying notes to the financial statements.

# CITY OF CEDARBURG

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

	Business-type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
<b>OPERATING REVENUES</b>				
Charges for services	\$ 13,227,642	\$ 2,652,209	\$ 15,879,851	\$ 308,899
Other operating revenues	182,985	11,990	194,975	13,686
Total Operating Revenues	<u>13,410,627</u>	<u>2,664,199</u>	<u>16,074,826</u>	<u>322,585</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	10,414,196	1,633,766	12,047,962	523,863
Depreciation	<u>1,546,527</u>	<u>1,216,134</u>	<u>2,762,661</u>	-
Total Operating Expenses	<u>11,960,723</u>	<u>2,849,900</u>	<u>14,810,623</u>	<u>523,863</u>
Operating Income (Loss)	<u>1,449,904</u>	<u>(185,701)</u>	<u>1,264,203</u>	<u>(201,278)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	222,227	153,254	375,481	74,485
Amortization expense	-	(1,342)	(1,342)	-
Interest expense	(1,896)	(23,282)	(25,178)	-
Miscellaneous revenues	<u>12,540</u>	<u>46,880</u>	<u>59,420</u>	-
Total Nonoperating Revenues (Expense)	<u>232,871</u>	<u>175,510</u>	<u>408,381</u>	<u>74,485</u>
Income (Loss) Before Capital Contributions and Transfers	<u>1,682,775</u>	<u>(10,191)</u>	<u>1,672,584</u>	<u>(126,793)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Capital contribution	461,237	52,755	513,992	-
Transfers	<u>(852,556)</u>	-	<u>(852,556)</u>	-
Total Capital Contributions and Transfers	<u>(391,319)</u>	<u>52,755</u>	<u>(338,564)</u>	-
<b>Change in Net Position</b>	<u>1,291,456</u>	<u>42,564</u>	<u>1,334,020</u>	<u>(126,793)</u>
NET POSITION - Beginning of Year	<u>45,342,142</u>	<u>17,283,622</u>	<u>62,625,764</u>	<u>974,819</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 46,633,598</u>	<u>\$ 17,326,186</u>	<u>\$ 63,959,784</u>	<u>\$ 848,026</u>

See accompanying notes to the financial statements.

# CITY OF CEDARBURG

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

	Business - type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewer Utility	Totals	Internal Service Fund - Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 13,041,467	\$ 2,767,968	\$ 15,809,435	\$ -
Paid to suppliers for goods and services	(8,924,010)	(873,366)	(9,797,376)	(326,998)
Paid to employees for services	(1,297,764)	(574,099)	(1,871,863)	-
Receipts from municipality	278,123	-	278,123	312,223
Net Cash Flows From Operating Activities	3,097,816	1,320,503	4,418,319	(14,775)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(1,626,965)	(1,007,846)	(2,634,811)	(275,693)
Proceeds from sale and maturities of investment securities	1,603,222	943,397	2,546,619	243,342
Investment income	219,270	153,254	372,524	74,485
Net Cash Flows From Investing Activities	195,527	88,805	284,332	42,134
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent	(795,000)	-	(795,000)	-
Transfers in (out)	(12,395)	-	(12,395)	-
Net Cash Flows From Noncapital Financing Activities	(807,395)	-	(807,395)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retired	-	(45,000)	(45,000)	-
Interest paid	-	(19,811)	(19,811)	-
Acquisition and contraction of capital assets	(1,327,968)	(1,940,283)	(3,268,251)	-
Salvage on retirement of plant	43,883	-	43,883	-
Cost of removal of property retired	(56,204)	-	(56,204)	-
Impact fees received	254,574	-	254,574	-
Contributions in-aid-of construction	89,924	52,755	142,679	-
Net Cash Flows From Capital and Related Financing Activities	(995,791)	(1,952,339)	(2,948,130)	-
Net Change in Cash and Cash Equivalents	1,490,157	(543,031)	947,126	27,359
CASH AND CASH EQUIVALENTS - Beginning of Year	6,909,195	4,283,997	11,193,192	259,080
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,399,352</b>	<b>\$ 3,740,966</b>	<b>\$ 12,140,318</b>	<b>\$ 286,439</b>

See accompanying notes to the financial statements.

	Business - Type Activities - Enterprise Funds			Governmental Activities
	Light and Water Utility	Sewerage Department	Totals	Internal Service Fund - Risk Management
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,449,904	\$ (185,701)	\$ 1,264,203	\$ (201,278)
Miscellaneous nonoperating activities	10,644	46,880	57,524	-
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	1,546,527	1,357,819	2,904,346	-
Depreciation charged to clearing accounts	141,685	(141,685)	-	-
Changes in assets and liabilities:				
Accounts receivable	(201,445)	(13,742)	(215,187)	-
Due from other funds	6,774	70,631	77,405	(10,362)
Prepayments	(174)	1,000	826	-
Materials and supplies	(656)	-	(656)	-
Accounts payable	(56,005)	137,401	81,396	199,181
Accrued payroll and related benefits	12,227	(54)	12,173	-
Due to other funds	21,445	4,319	25,764	(2,316)
Deposits	21,644	-	21,644	-
Accrued interest on deposit	1,715	-	1,715	-
Pension related deferrals	133,704	43,745	177,449	-
Other current liabilities	9,827	(110)	9,717	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 3,097,816</b>	<b>\$ 1,320,503</b>	<b>\$ 4,418,319</b>	<b>\$ (14,775)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>				
Current - cash and investments - unrestricted	\$ 9,600,639	\$ 2,608,376	\$ 12,209,015	\$ 1,123,695
Non-current - cash and investments - restricted	425,678	3,017,652	3,443,330	-
Non-cash equivalents	(1,626,965)	(1,885,062)	(3,512,027)	(837,256)
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 8,399,352</b>	<b>\$ 3,740,966</b>	<b>\$ 12,140,318</b>	<b>\$ 286,439</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Amortization	\$ -	\$ 1,342	\$ 1,342	\$ -
Developer financed additions to utility plant	\$ 125,739	\$ 52,755	\$ 178,494	\$ -
Construction related accounts payable	\$ -	\$ 42,175	\$ 42,175	\$ -

See accompanying notes to the financial statements.

## CITY OF CEDARBURG

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

---

	<u>Custodial Fund</u>
	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 15,474,174
Taxes receivable	<u>1,517,324</u>
Total Assets	<u>16,991,498</u>
<b>LIABILITIES</b>	
Due to other governments	<u>16,991,498</u>
<b>NET POSITION</b>	
Total Net Position	<u>\$ -</u>

See accompanying notes to the financial statements.

## CITY OF CEDARBURG

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND As of December 31, 2019

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	<u>Custodial Fund</u>
	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>	
Tax collections	<u>\$ 12,489,066</u>
<b>DEDUCTIONS</b>	
Payments to overlying districts	<u>12,489,066</u>
Change in Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

## CITY OF CEDARBURG

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## CITY OF CEDARBURG

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

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

CITY OF CEDARBURG

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Community Development Authority of the City

The government-wide financial statements include the Community Development Authority of the City ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the Mayor and confirmed by the Common Council. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the CDA, and also create a potential financial benefit to or burden on the City. The Community Development Authority of the City is part of the reporting entity of the City of Cedarburg. However, the CDA had no financial transactions during 2019 which are material to these financial statements. Also, the CDA does not own any assets nor is it liable for any debt. Therefore, no financial statements are presented in this report. The CDA does not issue separate financial statements.

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.

CITY OF CEDARBURG

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.)

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

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

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

- 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
- 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.
- 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.

## CITY OF CEDARBURG

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.)

The city reports the following major governmental funds: (cont.)

Capital Improvements 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.  
Tax Incremental District (TID) No. 4 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:

Light and Water Utility - accounts for operations of the electrical and water system.  
Sewer Utility - accounts for operations of the sewer system.

The City reports the following nonmajor governmental 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).

Cemetery	Room Tax
Recreation Programs	Swimming Pool
Community Development Block Grant (CDBG)	Library
Park Impact Fee	Fuel System
Rescue/EMS	

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.

Tax Incremental Finance (TIF) District No. 3  
Tax Incremental Finance (TIF) District No. 5

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.

Risk Management

## CITY OF CEDARBURG

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 Collection 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 light and water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### Fund Financial Statements

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

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

## CITY OF CEDARBURG

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

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

#### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

##### Fund Financial Statements (cont.)

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.

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. At December 31, 2019, there were \$425,649 and \$183,245 of City and Sewer Utility, respectively, unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

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 Light and Water and Sewer Utilities 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.

## CITY OF CEDARBURG

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

##### 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:

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

The City has adopted an investment policy. That policy follows the state statute for allowable investments. The policy addresses custodial credit risk by stating that deposits shall not exceed federal and/or state insurance coverage unless (a) they are collateralized by federal government securities at a rate of 110% of the investment; (b) they are collateralized by local mortgages at a rate of 135% of the investments; or (c) collateralization has been waived by the Common Council.

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 III. 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.

# CITY OF CEDARBURG

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.)

See Note III. A. for further information.

### 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 districts 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

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 light and water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

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

The City has received state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has not been reduced by an allowance for uncollectible accounts.

# CITY OF CEDARBURG

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.)**

### 2. Receivables (cont.)

It is the City's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. 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.

### 3. Material and Supplies and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting. 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 \$500 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.

CITY OF CEDARBURG

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.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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.

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	25-99 Years
Land improvements	15 Years
Equipment	7-15 Years
Computer equipment	5-10 Years
Infrastructure - traffic signals	15 Years
Infrastructure - all other	60 Years
Vehicles	4-10 Years
Electric plant in service	5-40 Years
Water plant in service	4-77 Years
Sewer plant in service	10-80 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.

CITY OF CEDARBURG

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.)

6. Other Assets

Designated investments - the Light and Water Commission has internally designated \$2,345,547 of cash and investments for future construction projects and monthly operating reserves.

Commitment to community - the Light and Water Utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The Utility is acting as an agent administering the program so net collections and expenses associated with the program are recorded as a current liability or asset on the statement of net position.

Preliminary survey and investigation - the balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

Non-Utility property - the Light and Water Utility in 2006, 2008, and 2015 transferred infrastructure and land no longer in utility use; specifically, the SW, Layton, and Lincoln Substations land, building and equipment and land from a well on Fair Street that was abandoned long ago. These assets, excluding land, are fully depreciated at December 31, 2019. Costs to construct a fitness area and the cost of fitness equipment and flooring was recorded as nonutility property in 2011. Costs were partially offset in 2011 and will continue to be so in future years through fees collected from users of the fitness room. During 2019, land was moved to utility property for a new substation.

7. Deferred Outflows of Resources

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

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

CITY OF CEDARBURG

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.)*

**8. 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. Sick leave pay earned and not taken is cumulative. Sick leave is earned at the rate of 1.25 working days for each month of service up to a maximum of 15 days for police department employees and 12 days for all other employees per year and a total of 120 days. Upon death, the employee or their estate shall be paid, at the current wage rate, 50% of the accumulated unused sick leave pay benefits. 100% will be paid upon retirement or disability. All employees who have reached the maximum allotment of 120 sick days shall be compensated 30% of any sick days accumulated over 120. This compensation shall be paid in the first check of the following year at the previous year's rate. At December 31, 2019, 50% of the accumulated sick leave pay benefits estimated to be paid out for all employees is recorded as a liability in the government-wide financial 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. Employees earn vacation in varying amounts based on length of service. Generally, City employees are not allowed to accumulate vacation pay. Light and Water Utility employees are allowed to accumulate unused vacation pay, which is recorded as an expense of the Light and Water Utility Enterprise Fund when earned.

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

**9. 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, accrued compensated absences, net pension liability and pollution remediation liability.

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.

**10. 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.

CITY OF CEDARBURG

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.)*

**11. Equity Classifications**

**Government-Wide Statements**

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

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

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

**Fund Statements**

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Common 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 Common Council that originally created the commitment.

CITY OF CEDARBURG

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.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- 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 Common Council has, by resolution, adopted a financial policy authorizing the Administrator/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

See Note III. I. for further information.

12. 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.

CITY OF CEDARBURG

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.)

13. Basis for Existing Rates

Sewer Utility

Sewer rates are changed on January 1 of each year. The rates as of January 1, 2019 were \$5.40 per 1,000 gallons of flow with a \$15 connection fee. For January 1, 2020, the sewer use charge will increase to \$7.55 per 1,000 gallons with a \$15 monthly connection fee.

Electric Utility

Current electric rates were approved by the PSCW effective May 1, 2016. The rates are designed to provide a 5.0% return on rate base.

Water Utility

Current water rates were approved by the PSCW effective January 1, 2015 designed to provide a 5.5% return on rate base.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the General Fund, Capital Improvement Fund, Debt Service Fund, Special Revenue Fund - Cemetery, Special Revenue Fund - Room Tax, Special Revenue Fund - Recreation Programs, Special Revenue Fund - Swimming Pool, Special Revenue Fund - Park Impact Fee and Special Revenue Fund - Library. A budget has not been formally adopted for Special Revenue Fund - Community Development Block Grant, Special Revenue Fund - Rescue/EMS, Special Revenue Fund - Fuel System, Capital Project Fund - TIF No. 3 Fund, Capital Project Fund - TIF No. 4 Fund and Capital Project Fund - TIF No. 5. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF CEDARBURG

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Room Tax Fund	\$ 70,000	\$ 82,590	\$ 12,590
Recreation Programs Fund	265,083	316,553	51,470
Library Fund	963,933	974,070	10,137

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

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
TIF District No. 3 Fund	\$ 25,742	Expenditures exceeded revenues
TIF District No. 5 Fund	10,366	Expenditures exceeded 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. TIF District No. 3 and TIF District No. 5 fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

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.

CITY OF CEDARBURG

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

NOTE III - 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	\$ 31,976,754	\$ 32,203,686	Custodial credit, interest rate and investments highly sensitive to interest rate changes
US agencies	5,111,527	5,111,527	Credit, custodial credit, interest rate and investments highly sensitive to interest rate changes
State and local bonds	277,237	277,237	Credit, custodial credit, interest rate and investments highly sensitive to interest rate changes
Corporate bonds	398,941	398,941	Credit, custodial credit, interest rate, concentration of credit and investments highly sensitive to interest rate changes
LGIP	2,784,344	2,784,344	Credit
US treasuries	241,067	241,067	Custodial credit, interest rate and investments highly sensitive to interest rate changes
Petty cash	851	-	N/A
Total Deposits and Investments	\$ 40,790,721	\$ 41,016,802	

Reconciliation to financial statements

Per statement of net position	
Unrestricted cash and investments	\$ 20,546,217
Restricted cash and investments	4,770,330
Per statement of net position - custodial fund	
Tax Collection Fund	15,474,174
Total Deposits and Investments	\$ 40,790,721

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.

# CITY OF CEDARBURG

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

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

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

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

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the City's investments are covered by SIPC.

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

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

- Market Value

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 5,111,527	\$ -	\$ 5,111,527
US treasuries	241,067	-	-	241,067
State and local bonds	-	277,237	-	277,237
Corporate bonds	-	398,941	-	398,941
Total	\$ 241,067	\$ 5,787,705	\$ -	\$ 6,028,772

### 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, \$31,351,641 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 5,505,120
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the City's name	25,846,521
Total	\$ 31,351,641

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# CITY OF CEDARBURG

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

## NOTE III - 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.

The City does not have any investments exposed to custodial credit risk.

#### 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	Moody's Investors Services
State and local bonds	A1 through AAA

The City also held investments in the following which are not rated:

LGIP  
Corporate bonds

#### 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:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	4
US agencies	\$ 5,111,527	\$ 1,550,209	\$ 2,828,068	\$ 733,250
US treasuries	241,067	-	139,211	101,856
State and local bonds	277,237	-	277,237	-
Corporate bonds	398,941	199,457	199,484	-
Totals	\$ 6,028,772	\$ 1,749,666	\$ 3,444,000	\$ 835,106

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CITY OF CEDARBURG

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

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2019, the City held \$5,111,527, \$241,067, \$277,237 and \$398,941 in US agencies, US treasuries, state and local bonds and corporate bonds respectively. With all fixed income securities, as interest rates rise, the values will fall. The longer the time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is 4 years maturing October 15, 2024.

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year, except for delinquent personal property taxes of \$54,989.

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	\$ 10,426,431	\$ -
Loan receivables	-	68,624
Interest on advance to TIF District No. 4	-	2,244
Grant receivable	-	183,702
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 10,426,431	\$ 254,570

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

CITY OF CEDARBURG

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

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Impact Fee Account

The light and water utility and sewer utility has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Community Development Block Grant

Restricted assets have been reported in connection with monies from the Community Development Block Grant (CDBG) federal program. These monies have been used to fund local community development activities in the City providing loans to local businesses. Outstanding loans have an interest rate of 2.00% and repayment goes through June 1, 2022.

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

	Restricted Assets
Equipment replacement account	\$ 2,306,281
Light and Water impact fee account	425,678
Sewer impact fee account	711,371
CDBG account	1,012,560
CDBG receivables	68,624
Park impact fee account	314,440
Total	\$ 4,838,954

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated	\$ 8,331,524	\$ 177,000	\$ -	\$ 8,508,524
Land	304,156	674,606	439,185	539,577
Construction in progress				
Total Capital Assets Not Being Depreciated	8,635,680	851,606	439,185	9,048,101

**CITY OF CEDARBURG**

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

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

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

**Governmental Activities (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated	\$ 25,198,297	\$ 107,626	\$ -	\$ 25,305,923
Buildings and Improvements	47,608,609	1,232,089	-	48,840,698
Infrastructure	7,116,021	876,512	374,639	7,617,894
Vehicles	4,063,443	95,579	35,436	4,123,586
Machinery and Equipment				
Total Capital Assets Being Depreciated	83,986,370	2,311,806	410,075	85,888,101
Total Capital Assets	92,622,050	3,163,412	849,260	94,936,202
Less: Accumulated depreciation for				
Buildings and Improvements	(4,353,289)	(639,877)	-	(4,993,166)
Infrastructure	(16,655,023)	(453,920)	-	(17,108,943)
Vehicles	(4,581,728)	(341,296)	374,639	(4,548,385)
Machinery and Equipment	(2,754,319)	(57,664)	35,436	(2,776,547)
Total Accumulated Depreciation	(28,344,359)	(1,492,757)	410,075	(29,427,041)
Net Capital Assets Being Depreciated	55,642,011	819,049	-	56,461,060
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 64,277,691	\$ 1,670,655	\$ 439,185	\$ 65,509,161

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General government	\$ 46,435
Public safety	224,334
Public works	853,258
Health and human services	323
Culture, recreation and education	368,407
Total Governmental Activities Depreciation Expense	\$ 1,492,757

**CITY OF CEDARBURG**

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

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

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

**Business-type Activities**

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated	\$ 1,837,081	\$ -	\$ -	\$ 1,837,081
Land	58,660	1,441,235	-	1,499,895
Construction in progress				
Total Capital Assets Not Being Depreciated	1,895,741	1,441,235	-	3,336,976
Capital assets being depreciated				
Plant in service	33,877,376	541,223	133,313	34,285,286
Total Capital Assets Being Depreciated	33,877,376	541,223	133,313	34,285,286
Total Capital Assets	35,773,117	1,982,458	133,313	37,622,262
Less: Accumulated depreciation for				
Plant in service	(23,999,624)	(1,216,134)	133,313	(25,082,445)
Total Accumulated Depreciation	(23,999,624)	(1,216,134)	133,313	(25,082,445)
Net Capital Assets Being Depreciated	9,877,752	(674,911)	-	9,202,841
Net Sewer Capital Assets	\$ 11,773,493	\$ 766,324	\$ -	\$ 12,539,817

**CITY OF CEDARBURG**

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

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

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

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Light and Water</u>				
Capital assets not being depreciated				
Land	\$ 378,837	\$ 14,723	\$ -	\$ 393,560
Construction in progress	11,546	67,935	-	79,481
Total Capital Assets Not Being Depreciated	390,383	82,658	-	473,041
Capital assets being depreciated				
Plant in service	53,993,706	1,432,158	557,894	54,867,970
Total Capital Assets Being Depreciated	53,993,706	1,432,158	557,894	54,867,970
Total Capital Assets	54,384,089	1,514,816	557,894	55,341,011
Less: Accumulated depreciation for				
Plant in service	(18,011,717)	(1,743,224)	614,099	(19,140,842)
Total Accumulated Depreciation	(18,011,717)	(1,743,224)	614,099	(19,140,842)
Net Capital Assets Being Depreciated	35,981,989	(311,066)	(56,205)	35,727,128
Net Light and Water Capital Assets	\$ 36,372,372	\$ (228,408)	\$ (56,205)	\$ 36,200,169
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 48,145,865	\$ 537,916	\$ (56,205)	\$ 48,739,986

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Sewer		\$ 1,216,134
Light and Water		1,546,527
Total Business-type Activities Depreciation Expense		\$ 2,762,661

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

**CITY OF CEDARBURG**

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

**NOTE III - 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
General Fund	Recreation Programs Fund	\$ 1,462
Capital Improvement Fund	Risk Management Fund	34,626
General Fund	Debt Service Fund	95,183
Debt Service Fund	Capital Improvement Fund	58,741
Fuel System Fund	General Fund	22,481
General Fund	TIF District No. 3 Fund	840
Fuel System Fund	Cemetery Fund	742
Fuel System Fund	Sewer Fund	14,469
Swimming Pool Fund	General Fund	24,901
General Fund	Room Tax Fund	1,191
General Fund	Sewer Fund	9,426
General Fund	Library Fund	213
General Fund	Fuel System Fund	47,646
General Fund	Swimming Pool Fund	23,079
Library Fund	General Fund	55,798
General Fund	TIF District No. 5 Fund	10,366
General Fund	Light and Water Utility	441,824
General Fund	Cemetery Fund	19,129
Capital Improvement Fund	General Fund	32,948
Capital Improvement Fund	Park Impact Fee Fund	6,056
TIF District No. 4 Fund	General Fund	212,314
TIF District No. 3 Fund	General Fund	1
Sewer Fund	General Fund	929
Sewer Fund	Capital Improvement Fund	128,059
Risk Management Fund	General Fund	7,434
Risk Management Fund	Light and Water Utility	2,928
Fuel System Fund	Light and Water Utility	2,590
Sewer Fund	Light and Water Utility	174,235

Total - Fund Financial Statements	1,429,611
Less: Fund eliminations	(1,087,363)

Total Internal Balances - Government-Wide Statement of Net Position

\$ 342,248
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**CITY OF CEDARBURG**

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

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

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

**Interfund Receivables/Payables (cont.)**

Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 471,236
Business-type Activities	Governmental Activities	(128,988)
Total Government-Wide Financial Statements		<u>\$ 342,248</u>

All amounts are due within one year.

The principal purpose of these interfunds is collecting items placed on tax roll. 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.

**Advances**

The General Fund is advancing funds to TIF District No. 3 Fund and the TIF District No. 4 Fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The General Fund is charging the interest on the advance based on the average outstanding advance balance during the year at a rate of 1%. No repayment schedule has been established.

As of December 31, 2019, the General Fund has advanced \$24,863 to the TIF District No. 3 Fund and \$388,212 to the TIF District No. 4 Fund.

**CITY OF CEDARBURG**

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

**NOTE III - 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 Fund	Light and Water Utility	\$ 852,556	Property tax equivalent
Debt Service Fund	Capital Improvement Fund	100,000	Debt service
Capital Improvement Fund	General Fund	252,000	Fund capital purchases
Capital Improvement Fund	Park Impact Fee Fund	86,056	To fund operations
Swimming Pool Fund	General Fund	24,359	To fund operations
General Fund	Debt Service Fund	244,965	To fund operations
General Fund	Recreation Program Fund	13,500	To fund operations
General Fund	Room Tax Fund	2,943	To fund operations

Total - Fund Financial Statements 1,576,379

Less: Fund eliminations (723,823)

Total Transfers - Government-Wide Statement of Activities \$ 852,556

Fund Transferred To	Fund Transferred From	Amount
Governmental Activities	Business-type Activities	\$ 852,556
Business-type Activities	Governmental Activities	-

Total Government-wide Financial Statements \$ 852,556

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

# CITY OF CEDARBURG

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

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

### 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
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 18,820,000	\$ -	\$ 1,530,000	\$ 17,290,000	\$ 1,520,000
Other long-term liabilities					
General obligation notes from other fundings and direct placements	485,457	-	116,407	369,050	121,096
(Discounts)/Premiums	253,908	-	18,301	235,607	-
Sub-totals	19,559,365	-	1,664,708	17,894,657	1,641,096
Other Liabilities					
Pollution remediation liability	487,200	-	77,600	409,600	-
Capital leases	-	190,000	34,121	155,879	35,959
Net pension liability	-	1,260,272	-	1,260,272	-
Compensated absences	516,177	-	18,421	497,756	89,956
Total Other Liabilities	1,003,377	1,450,272	130,142	2,323,507	125,915
Total Governmental Activities Long-Term Liabilities	\$ 20,562,742	\$ 1,450,272	\$ 1,794,850	\$ 20,218,164	\$ 1,767,011
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 910,000	\$ -	\$ 45,000	\$ 865,000	\$ 45,000
(Discounts)/Premiums	24,171	-	1,343	22,828	-
Sub-totals	934,171	-	46,343	887,828	45,000
Other Liabilities					
Compensated absences	388,623	192,406	112,927	468,102	123,637
Other long-term liabilities	16,918	25,060	-	41,978	-
Net pension liability	-	475,238	-	475,238	-
Total Other Liabilities	405,541	692,704	112,927	985,318	123,637
Total Business-type Activities Long-Term Liabilities	\$ 1,339,712	\$ 692,704	\$ 159,270	\$ 1,873,146	\$ 188,637

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 \$71,664,745. Total general obligation debt outstanding at year end was \$18,524,050.

# CITY OF CEDARBURG

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

## NOTE III - 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
GO Notes	6/3/2015	3/1/2015	2.00%	\$ 3,470,000	\$ 2,280,000
GO Notes	9/5/2012	3/1/2027	0.50 - 2.20%	5,565,000	3,125,000
Build America Bonds - direct	6/3/2010	3/15/2020	4.25%	800,000	94,653
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	8,700,000	7,495,000
2018A GO Note	6/28/2018	3/1/2028	3.00%	1,230,000	1,120,000
2018B GO Note	11/14/2018	3/1/2038	3.0-4.25%	3,415,000	3,270,000
2018 State Trust Fund Loan - direct	3/16/2018	3/15/2028	3.50%	300,000	274,397
Total Governmental Activities - General Obligation Debt					\$ 17,659,050

#### Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
GO Notes	5/18/2016	3/1/2036	1.50 - 3.00%	\$ 1,005,000	\$ 865,000
Total Business-type Activities - General Obligation Debt					\$ 865,000

Debt service requirements to maturity are as follows:

Years	Principal	Interest	Governmental Activities General Obligation Debt	Business-type Activities General Obligation Debt
2020	\$ 1,520,000	\$ 412,020	\$ 45,000	\$ 19,138
2021	1,630,000	329,251	45,000	18,462
2022	1,650,000	351,398	45,000	17,675
2023	1,290,000	320,581	45,000	16,775
2024	1,315,000	291,893	45,000	15,875
2025-2029	4,625,000	1,074,218	245,000	65,075
2030-2034	3,310,000	606,191	275,000	37,188
2035-2038	1,950,000	109,650	120,000	3,600
Totals	\$ 17,290,000	\$ 3,495,202	\$ 865,000	\$ 193,788

**CITY OF CEDARBURG**

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

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

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

Years	Governmental Activities	
	Principal	Interest
2020	\$ 121,096	\$ 13,664
2021	27,395	8,678
2022	28,354	7,720
2023	29,347	6,727
2024	30,358	5,716
2025-2028	132,500	11,796
Totals	\$ 369,050	\$ 54,301

**Other Debt Information**

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

**G. LEASE DISCLOSURES**

**Lessor - Operating Leases**

The City of Cedarburg entered into various legal agreements to use a portion of the City's water tower to attach antennae. For the year ended December 31, 2019, the City received \$168,774. The terms of the leases are for five years, with a right to extend for four additional five-year terms. The following is a summary of projected revenues for the next five years.

Years	Governmental Activities Principal
2020	\$ 221,386
2021	230,714
2022	240,457
2023	215,076
2024	223,928
Totals	\$ 1,131,561

**CITY OF CEDARBURG**

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

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

**H. POLLUTION REMEDIATION OBLIGATIONS**

At year end December 31, 2019, the City was obligated to address the future pollution cleanup activities at Prochnow Landfill, due to federal or state laws and regulations. The City's obligation is to address the pollution remediation because the pollution created an imminent endangerment to public health or welfare or the environment. Examples of expected future remediation activity costs include legal services, site investigation, and required post-remediation monitoring costs. The amount reported as a pollution remediation obligation represents the current value of the cash flows expected to be paid for these activities. Any expected recoveries would be treated separately as a receivable when such reimbursements become measurable. As of December 31, 2019, the obligation was \$409,600. The City will recognize these liabilities and related expenses as an operating expense in the government-wide financial statements only when such costs become measurable. Because of this, the liability is subject to change as the City becomes aware of new information which may affect its estimate. Only when actual outlays are made are they recognized in the governmental fund financial statements as expenditures. This will also reduce the amount of the liability on the government-wide financial statements. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**I. 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	\$ 8,508,524
Construction in progress	539,577
Other capital assets, net of accumulated depreciation	56,461,060
Less: Long-term debt outstanding	(17,659,050)
Plus: Noncapital debt proceeds	3,270,000
Plus: Unamortized refunding loss	59,487
Less: Unamortized debt premium	(235,607)
Less: Capital leases	(155,879)
Total Net Investment in Capital Assets	50,788,112
Restricted	
Community development	1,011,440
Park impact fees	308,384
Library	57,328
TID purposes	1,757,408
Total Restricted	3,134,560
Unrestricted	2,596,692
Total Governmental Activities Net Position	\$ 56,519,364

**CITY OF CEDARBURG**

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

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

**I. 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	Capital Project Funds Capital Improvement Fund	TIF District No. 4	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>Fund Balances</b>						
<b>Nonspendable:</b>						
Noncurrent receivables	\$ 54,989	\$ -	\$ -	\$ -	\$ -	\$ 54,989
Prepaid and materials and supplies	12,468	3,608	-	-	895	16,971
Advance to other fund	413,075	-	-	-	-	413,075
<b>Restricted for:</b>						
Debt service	-	-	-	102,335	-	102,335
Park impact fees	-	-	-	-	308,384	308,384
Community development	-	-	-	-	1,011,440	1,011,440
Library	-	-	-	-	57,328	57,328
TIF District No. 4	-	-	1,793,516	-	-	1,793,516
<b>Assigned to:</b>						
Revaluations	116,949	-	-	-	-	116,949
Subsequent year purchases	17,000	-	-	-	-	17,000
Capital improvements	-	721,468	-	-	-	721,468
Cemetery	-	-	-	-	262,634	262,634
Room tax	-	-	-	-	2,004	2,004
Recreation programs	-	-	-	-	93,971	93,971
Fuel system	-	-	-	-	5,307	5,307
Rescue/EMS	-	-	-	-	855,026	855,026
<b>Unassigned (deficit):</b>	<b>2,741,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,108)</b>	<b>2,705,619</b>
<b>Total Fund Balances</b>	<b>\$ 3,356,208</b>	<b>\$ 725,076</b>	<b>\$ 1,793,516</b>	<b>\$ 102,335</b>	<b>\$ 2,560,881</b>	<b>\$8,538,016</b>

**CITY OF CEDARBURG**

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

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

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

**Business-type Activities**

Net Investment in Capital Assets	\$	2,230,641
Land		1,579,376
Construction in progress		44,929,969
Other capital assets, net of accumulated depreciation		(865,000)
Less: Long-term debt outstanding		(22,828)
Less: Unamortized debt premium		47,852,158
Total Net Investment in Capital Assets		
Restricted		
Light and Water impact fees		425,678
Equipment replacement		2,306,281
Sewer impact fees		711,371
Total Restricted		3,443,330
Unrestricted		12,664,296
Total Business-type Activities Net Position	\$	63,959,784

# CITY OF CEDARBURG

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

## NOTE IV - 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 (64 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

# CITY OF CEDARBURG

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

## NOTE IV - OTHER INFORMATION (cont.)

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

**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 CEDARBURG

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

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

During the reporting period, the WRS recognized \$509,390 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 \$1,735,510 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 0.04878200%, which was an increase of 0.00071048% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$1,197,906.

# CITY OF CEDARBURG

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

## NOTE IV - 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	\$ 1,351,700	\$ 2,389,320
Changes in assumptions	292,543	-
Net differences between projected and actual earnings on pension plan investments	2,534,594	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	12,312
Employer contributions subsequent to the measurement date	531,452	-
Totals	<u>\$ 4,710,289</u>	<u>\$ 2,401,632</u>

\$531,452 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 resources related 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	\$ 641,596
2021	159,390
2022	282,261
2023	693,958

# CITY OF CEDARBURG

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

## NOTE IV - OTHER INFORMATION (cont.)

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

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

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

\* 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.

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# CITY OF CEDARBURG

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

## NOTE IV - 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 WPS, 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.

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# CITY OF CEDARBURG

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

## NOTE IV - OTHER INFORMATION (cont.)

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

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	\$6,897,101	\$1,735,510	\$(2,102,532)

**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://efw.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 "to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. 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 not material.

# CITY OF CEDARBURG

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

## NOTE IV - 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 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 \$17,500 per occurrence and an annual aggregate limit of \$70,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2019. A total liability of approximately \$247,138 at December 31, 2019, was recorded as claims payable in the insurance internal service fund. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2018	\$ 92,170	\$ 658,171	\$ 660,976	\$ 89,365
2019	89,365	830,221	672,448	247,138

### 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.

CITY OF CEDARBURG

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

NOTE IV - 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.

Claims and Other Legal Procedures

During 2011, the light and water utility added an aeration system at Well #4 due to contamination by vinyl chloride. Parties believed to be responsible for the contamination were notified of the problem and the utility is seeking reimbursement from the potentially responsible parties for costs associated with the aeration system at Well #4 which the utility believes were necessitated because of contamination originating at the closed landfill. This process of seeking and obtaining reimbursement is expected to take several years. During 2014, as part of a water rate application with the PSCW, the costs associated with the aeration system at Well #4 were reclassified as utility financed plant and the related contribution reversed allowing these costs to be recovered from rate payers until such time as reimbursement is received from the potentially responsible parties. Although the utility has financed all costs to date of the aeration system at Well #4, cost recovery is expected from the potentially responsible parties. Additional legal and consulting fees incurred after this date may be recoverable in the future.

CITY OF CEDARBURG

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Municipal Revenue Obligation - HSI Arabelle, LLC

In 2018, the City issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,925,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 5.

Payments are scheduled through the year 2046, and carry an interest rate of 0%. The obligation does not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the City. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$1,925,000.

D. SUBSEQUENT EVENTS

On November 25, 2019, the City authorized an increase in the sewer use charge of 40% effective January 1, 2020.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the City. As of the May XX, 2020, the City's evaluation of the effects of these events is ongoing; however, based on current information we believe this situation will impact investment valuation and decreased investment income and possible declines in revenues such as recreation programs and building inspection fees.

The extent of the impact of COVID-19 on the City's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

E. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

## CITY OF CEDARBURG

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

### NOTE IV - OTHER INFORMATION (cont.)

#### E. TAX ABATEMENT (cont.)

##### Developer Incentive - Cedarburg Land and Cattle, LLC

In 2014, the city provided a developer incentive as part of TIF District No. 3. The incentive is based on the completed project value or value at January 1, 2020, whichever occurs first, less the base value multiplied by 25%. The developer has committed to creating a total real property tax increment in the project area with an equalized value of at least \$950,000. There were no payments made for the year ended December 31, 2019. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements.

##### Developer Incentive - Oliver Frontier, LLC

In 2017, the city entered into a development agreement as part of TIF District No. 4. The agreement relates to a property that is at an economic disadvantage to other available sites due to its blighted condition. The City has provided an incentive to the developer for the difference in costs compared to other available sites in an amount not to exceed \$3,053,000. Once the funding has been spent the developer is responsible to cover the remaining costs.

In return for the overall minimum equalized property valuation of the development of \$10,025,000 for buildings to be constructed or rehabilitated on the sites, the CDA will contribute an amount not to exceed \$275,000 toward the redevelopment as developer assistance. This amount shall be based upon the final development plan, expected valuation of same and completion dates for occupancy of all buildings to be constructed. In no event shall any developer assistance payment be due and payable if the developer is in default. This payment will be allocated, prorated and paid pursuant to the following schedule, terms and conditions:

1. \$70,000 upon the later of execution of the agreement and final acquisition of the property
2. \$70,000 upon proof of razing and removal of all existing buildings on the property; except commercial office building
3. \$70,000 upon developer receiving building permits from the City and commencing construction for at least \$1,000,000 of new construction
4. \$65,000 upon developer showing proof of remediation of the property to the point in time that building occupancy has been granted and reaches a new construction combined equalized value of \$4,775,000

In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. As of December 31, 2019, the City balances of these commitments are \$1,815,892 and \$275,000.

## CITY OF CEDARBURG

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

### NOTE IV - OTHER INFORMATION (cont.)

#### F. 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.

#### G. MID-MORAINES MUNICIPAL COURT

During 2002, the City became a member of the Mid-Moraine Municipal Court. The Court handles collection of fines, fees and penalties and then distributes them to the originating municipality. The City's share of court expenses is determined based on the number of citations and complaints filed on behalf of the City compared to that of the other participating municipalities. This agreement will terminate on April 30, 2021.

Municipality	% Expenses Paid
City of Cedarburg	3.72 %
Village of Grifton	6.83
Village of Thiensville	2.22
City of West Bend	25.94
Village of Germantown	13.03
City of Hartford	9.73
Village of Kewaskum	2.36
Village of Slinger	6.18
Village of Jackson	4.33
City of Port Washington	5.76
Village of Saukville	4.41
Town of Hartford	0.33
City of Mequon	12.73
Town of Trenton	1.53
Village of Newburg	0.47
Village of Fredonia	0.43
Total	100.00 %

# CITY OF CEDARBURG

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,954,081	\$ 5,954,081	\$ 5,958,406	\$ 4,325
Special assessments	-	-	2,094	2,094
Intergovernmental	1,184,366	1,184,366	1,271,271	86,905
Licenses and permits	402,130	381,835	624,308	242,473
Fines, forfeitures and penalties	67,500	67,500	66,082	(1,418)
Public charges for services	119,780	145,875	164,541	18,666
Intergovernmental charges for services	252,979	239,479	260,928	21,449
Investment income	76,328	76,328	195,231	118,903
Miscellaneous	185,738	192,938	394,133	201,195
Total Revenues	8,242,902	8,242,402	8,936,994	694,592
<b>EXPENDITURES</b>				
Current				
General government	1,108,025	1,080,505	1,057,471	3,034
Public safety	4,202,115	4,170,615	4,355,129	(184,514)
Public works	2,677,756	2,669,269	2,589,977	79,292
Culture, recreation and education	985,793	1,012,793	1,010,325	2,468
Conservation and development	102,493	101,493	100,255	1,238
Capital Outlay	200,000	97,780	196,019	(98,239)
Total Expenditures	9,276,182	9,112,455	9,309,176	(196,721)
Excess (deficiency) of revenues over (under) expenditures	(1,033,280)	(870,053)	(372,182)	497,871
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	833,280	846,780	1,113,964	267,184
Proceeds from sale of capital assets	-	(276,359)	(276,359)	-
Total Other Financing Sources (Uses)	833,280	570,421	882,238	54,633
<b>Net Change in Fund Balance</b>	<b>\$ (200,000)</b>	<b>\$ (299,632)</b>	<b>\$ 520,056</b>	<b>\$ 819,688</b>
FUND BALANCE - Beginning of Year			2,836,152	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 3,356,208</b>	

## REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
As of and for the Year Ended December 31, 2019

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

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

Appropriations lapse at year end unless specifically carried over. There was \$17,000 carried over to the following year. Budgets are adopted at the function level of expenditure for the general fund and total expenditures for the all other funds.

WISCONSIN RETIREMENT SYSTEM PENSION

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

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

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

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

CITY OF CEDARBURG

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

WRS Fiscal Year End	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	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
12/31/14	0.046698590%	\$ (1,146,730)	\$ 5,899,895 19.44%	102.74%
12/31/15	0.046968390%	\$ 763,227	\$ 6,094,159 12.52%	98.20%
12/31/16	0.047476720%	\$ 391,322	\$ 6,246,295 6.26%	99.12%
12/31/17	0.048071520%	\$ (1,427,300)	\$ 6,313,813 22.61%	102.93%
12/31/18	0.048782000%	\$ 1,735,510	\$ 6,587,856 26.34%	96.45%

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

City's Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 463,416	\$ 463,416	\$ -	\$ 6,094,159	7.60%
12/31/16	\$ 463,871	\$ 463,871	\$ -	\$ 6,246,295	7.43%
12/31/17	\$ 508,899	\$ 508,899	\$ -	\$ 6,313,813	8.06%
12/31/18	\$ 537,092	\$ 537,092	\$ -	\$ 6,587,856	8.15%
12/31/19	\$ 531,452	\$ 531,452	\$ -	\$ 6,724,870	7.90%

See independent auditors' report.

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

**CITY OF CEDARBURG**

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

**SUPPLEMENTARY INFORMATION**

	Special Revenue Funds				
	Cemetery Fund	Room Tax Fund	Recreation Programs Fund	Fuel System Fund	
<b>ASSETS</b>					
Unrestricted cash and investments	\$ 286,514	\$ 2,004	\$ 110,709	\$ -	-
Restricted cash and investments	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	23,829	275	-	4,672
Loans	-	-	-	-	-
Materials and supplies	-	-	-	-	7,999
Prepaid expenses	-	-	540	-	-
Due from other funds	-	-	-	-	40,282
Total Assets	\$ 286,514	\$ 25,833	\$ 111,524	\$ -	\$ 52,953
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICITS)</b>					
Liabilities					
Accounts payable	\$ 2,823	\$ 22,638	\$ 13,167	\$ -	-
Accrued liabilities	192	-	2,384	-	-
Due to other funds	19,870	1,191	1,462	-	47,646
Due to other governments	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total Liabilities	22,885	23,829	17,013	-	47,646
Deferred Inflows of Resources					
Unavailable revenues	-	-	-	-	-
Unearned revenues	995	-	-	-	-
Total Deferred Inflows of Resources	995	-	-	-	-
Fund Balances (Deficit)					
Nonspendable	-	-	540	-	-
Restricted	-	-	-	-	-
Assigned	262,634	2,004	93,971	-	5,307
Unassigned (deficit)	-	-	-	-	-
Total Fund Balances (Deficit)	262,634	2,004	94,511	-	5,307
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	\$ 286,514	\$ 25,833	\$ 111,524	\$ -	\$ 52,953

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

		Special Revenue Funds				Capital Project Funds		
Community Development Block Grant Fund		Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS	TIF District No. 3	TIF District No. 5	Total Nonmajor Governmental Funds
\$	-	\$	-	\$	\$	-	\$	\$
1,012,560	-	-	314,440	-	-	-	-	1,327,000
-	69,216	-	-	738,194	-	527	90,710	898,647
68,624	-	-	-	963	92,228	-	-	121,987
-	-	-	-	-	-	-	-	68,624
-	-	-	-	-	-	-	-	7,999
-	-	-	-	355	-	-	-	895
-	24,901	-	-	55,798	-	1	-	120,982
\$ 1,081,184	\$ 94,117	\$ 314,440	\$ 843,479	\$ 863,732	\$ 528	\$ 90,710	\$ 3,765,014	
\$	1,120	\$ 388	-	\$ 19,301	\$	40	\$	\$ 59,477
-	1,376	-	-	28,088	8,706	-	-	40,746
-	23,079	6,056	213	-	-	840	10,366	110,723
-	58	-	-	-	-	-	-	58
-	-	-	-	-	-	24,863	-	24,863
1,120	24,901	6,056	47,602	8,706	25,743	10,366	235,867	
68,624	-	-	-	-	-	-	-	68,624
68,624	69,216	-	-	738,194	-	527	90,710	899,642
-	69,216	-	-	738,194	-	527	90,710	968,266
-	-	-	-	355	-	-	-	895
1,011,440	-	308,384	57,328	-	-	-	-	1,377,152
-	-	-	-	855,026	-	-	-	1,218,942
-	-	-	-	-	(25,742)	(10,366)	(36,108)	(36,108)
1,011,440	-	308,384	57,683	855,026	(25,742)	(10,366)	2,560,881	
\$ 1,081,184	\$ 94,117	\$ 314,440	\$ 843,479	\$ 863,732	\$ 528	\$ 90,710	\$ 3,765,014	

Special Revenue Funds					Capital Project Funds			
Community Development Block Grant Fund	Swimming Pool Fund	Park Impact Fee Fund	Library Fund	Rescue/EMS Fund	TIF District No. 3	TIF District No. 5	Total Nonmajor Governmental Funds	
\$ -	\$ 67,429	\$ -	\$ 722,194	\$ -	\$ 390	\$ -	\$ 874,123	
-	-	-	212,192	15,125	1	-	227,318	
-	-	-	20,317	-	-	-	20,317	
-	227,749	101,467	2,099	601,346	-	-	1,246,826	
32,506	-	5,854	-	13,500	4,551	-	63,193	
36,590	8,145	-	14,538	350	-	-	113,379	
69,096	303,323	107,321	971,340	630,321	4,942	-	2,545,156	
-	-	-	-	-	-	-	-	
-	-	-	-	393,988	-	-	393,988	
-	-	-	-	-	-	-	263	
-	-	-	-	-	-	-	46,100	
-	317,395	-	972,585	-	-	-	1,593,033	
4,964	-	-	-	-	1,196	498	86,305	
-	17,568	-	1,485	280,800	-	-	299,853	
4,964	334,963	-	974,070	674,788	1,196	498	2,419,542	
-	-	-	-	-	-	-	-	
64,132	(31,640)	107,321	(2,730)	(44,467)	3,746	(498)	125,614	
-	-	-	-	-	-	-	-	
-	24,359	(86,056)	-	-	-	-	24,359	
-	-	(86,056)	-	-	-	-	(102,499)	
-	24,359	(86,056)	-	-	-	-	(78,140)	
64,132	(7,281)	21,265	(2,730)	(44,467)	3,746	(498)	47,474	
-	-	-	-	-	-	-	-	
947,308	7,281	287,119	60,413	899,493	(29,488)	(9,868)	2,513,407	
\$ 1,011,440	\$ -	\$ 308,384	\$ 57,683	\$ 855,026	\$ (25,742)	\$ (10,366)	\$ 2,560,881	

**FORM OF LEGAL OPINION**

(See following pages)

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

October 7, 2020

Re: City of Cedarburg, Wisconsin ("Issuer")  
\$6,735,000 General Obligation Corporate Purpose Bonds, Series 2020A,  
dated October 7, 2020 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. 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 Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$25,000	____%
2022	25,000	____
2023	25,000	____
2024	30,000	____
2025	240,000	____
2026	240,000	____
2027	245,000	____
2028	245,000	____
2029	250,000	____
2030	255,000	____
2031	230,000	____
2032	230,000	____
2033	550,000	____
2034	560,000	____
2035	570,000	____
2036	580,000	____
2037	590,000	____
2038	605,000	____
2039	615,000	____
2040	625,000	____

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

The Bonds maturing on March 1, 2031 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2030 or on any date thereafter. Said Bonds 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 Bonds maturing in the years \_\_\_\_\_ are subject to mandatory redemption by lot as provided in the Bonds, 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 Bonds 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 Bonds 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 Bonds, 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 Bonds 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 Bonds.
3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds 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 Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. 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 Bonds.

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

The rights of the owners of the Bonds 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

## 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](http://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.

**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 Cedarburg, Ozaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$6,735,000 General Obligation Corporate Purpose Bonds, Series 2020A, dated October 7, 2020 (the "Securities"). The Securities are being issued pursuant to resolutions adopted on August 10, 2020 and September 14, 2020 (collectively, 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](http://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 September 15, 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 Cedarburg, Ozaukee County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Finance Director/Treasurer of the Issuer who can be contacted at W63 N645 Washington Avenue, Cedarburg, Wisconsin 53012, phone (262) 375-7606, fax (262) 375-7906.

"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 7th day of October, 2020.

(SEAL)

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Michael O'Keefe  
Mayor

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Tracie Sette  
City Clerk

## NOTICE OF SALE

### \$6,735,000\* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2020A CITY OF CEDARBURG, WISCONSIN

Bids for the purchase of \$6,735,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the "Bonds") of the City of Cedarburg, 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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on September 14, 2020, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

### PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City's Tax Incremental District No. 6 and swimming pool improvements. The Bonds 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 Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

### DATES AND MATURITIES

The Bonds will be dated October 7, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$25,000	2028	\$245,000	2035	\$570,000
2022	25,000	2029	250,000	2036	580,000
2023	25,000	2030	255,000	2037	590,000
2024	30,000	2031	230,000	2038	605,000
2025	240,000	2032	230,000	2039	615,000
2026	240,000	2033	550,000	2040	625,000
2027	245,000	2034	560,000		

### ADJUSTMENT OPTION

\* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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 Bonds 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 March 1 and September 1 of each year, commencing March 1, 2021, to the registered owners of the Bonds 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. All Bonds 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 Bonds 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 Bonds, 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 Bonds. So long as Cede & Co. is the registered owner of the Bonds, 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 Bonds.

## **PAYING AGENT**

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. 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 Bonds maturing on or after March 1, 2031 shall be subject to optional redemption prior to maturity on March 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds 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 Bond to be redeemed at the address shown on the registration books.

## **DELIVERY**

On or about October 7, 2020, the Bonds 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 Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL MATTERS

An opinion as to the validity of the Bonds 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 Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds 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). (See "FORM OF LEGAL OPINION" found in Appendix B of the Preliminary Official Statement).

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

## SUBMISSION OF BIDS

Bids must not be for less than \$6,650,813, nor more than \$7,139,100, plus accrued interest on the principal sum of \$6,735,000 from date of original issue of the Bonds 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](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 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, 2<sup>nd</sup> 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 \$134,700 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 Bonds 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 Bonds 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 Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds 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 Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

### **BOND INSURANCE**

If the Bonds 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 Bonds 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 Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

### **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds 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 Bonds 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 Bonds. 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 Bonds 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 Bonds 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 Bonds, 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 Bonds 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 Bonds) will apply to the initial sale of the Bonds (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 Bonds to the bidder who submits a firm offer to purchase the Bonds 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 Bonds, 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 Bonds 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 Bonds. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (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 Bonds (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 Bonds 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 Bonds, that the underwriters will neither offer nor sell unsold Bonds 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<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds 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<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, 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 Bonds 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(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 Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds 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 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds 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 Bonds 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 Bonds 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 Bonds to the public),
- (iii) a purchaser of any of the Bonds 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 Bonds 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 Bonds prior to the bid opening by request from Ehlers at [www.ehlers-inc.com](http://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

Christy Mertes, Finance Director/Treasurer  
City of Cedarburg, Wisconsin

# BID FORM

The Common Council  
City of Cedarburg, Wisconsin

September 14, 2020

RE: \$6,735,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the "Bonds")  
DATED: October 7, 2020

For all or none of the above Bonds, 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 \$6,650,813, nor more than \$7,139,100) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2021	_____ % due 2028	_____ % due 2035
_____ % due 2022	_____ % due 2029	_____ % due 2036
_____ % due 2023	_____ % due 2030	_____ % due 2037
_____ % due 2024	_____ % due 2031	_____ % due 2038
_____ % due 2025	_____ % due 2032	_____ % due 2039
_____ % due 2026	_____ % due 2033	_____ % due 2040
_____ % due 2027	_____ % due 2034	

\* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. 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.

All Bonds 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 \$134,700 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 Bonds 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 Bonds 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 Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about October 7, 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 Bonds.

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 Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds 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 Bonds.

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 October 7, 2020 of the above bid is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Cedarburg, Wisconsin, on September 14, 2020.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_