

## PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2021

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 District 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: S&P Global Ratings

### WALWORTH COUNTY METROPOLITAN SEWERAGE DISTRICT, WISCONSIN (Walworth County)

#### \$2,165,000\* SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2021A

**BID OPENING:** January 13, 2021, 10:30 A.M., C.T.

**CONSIDERATION:** Not later than 11:59 P.M., C.T. on January 13, 2021 (PARAMETERS RESOLUTION)

**PURPOSE/AUTHORITY/SECURITY:** The \$2,165,000\* Sewerage System Revenue Refunding Bonds, Series 2021A (the "Bonds") of the Walworth County Metropolitan Sewerage District, Wisconsin (the "District") are being issued pursuant to Section 66.0621 of the Wisconsin Statutes, to provide funds for the public purpose of current refunding certain obligations of the District. The Bonds are not general obligations of the District but are payable only from and secured by a pledge of income and revenue of the Sewerage System. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF BONDS:** February 4, 2021

**MATURITY:** May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$255,000	2025	\$275,000	2028	\$275,000
2023	265,000	2026	280,000	2029	265,000
2024	265,000	2027	285,000		

**\*MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each, up to a maximum of \$50,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000. See "Term Bond Option" herein.

**TERM BONDS:** November 1, 2021 and semiannually thereafter.

**INTEREST:** Bonds maturing on May 1, 2028 and thereafter are subject to call for prior optional redemption on May 1, 2027 or any date thereafter, at a price of par plus accrued interest.

**OPTIONAL REDEMPTION:** \$2,143,350.

**MINIMUM BID:** \$2,294,900.

**MAXIMUM BID:** A good faith deposit in the amount of \$43,300 shall be made by the winning bidder by wire transfer of funds.

**GOOD FAITH DEPOSIT:** Bond Trust Services Corporation.

**PAYING AGENT:** Quarles & Brady LLP.

**BOND COUNSEL AND DISCLOSURE COUNSEL:** Ehlers and Associates, Inc.

**MUNICIPAL ADVISOR:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

**BOOK-ENTRY-ONLY:**

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

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District 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 District. ***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 District and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles & Brady LLP will serve as Disclosure Counsel to the District with respect to the Bonds. Compensation of Ehlers and Associates, Inc., payable entirely by the District, 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 District 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 District 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 District 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 District which indicates that the District 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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## **WALWORTH COUNTY METROPOLITAN SEWERAGE DISTRICT COMMISSION**

		<u>Term Expires</u>
Dean Logterman	President & Commissioner	February 2025
William Duncan	Assistant Secretary & Commissioner	February 2022
Ron Henriott	Secretary & Commissioner	February 2024
Douglas Snyder	Commissioner	February 2021
Sam Tapson	Commissioner	February 2023

## **ADMINISTRATION**

Neal Kolb, Administrator  
Cindy Moehling, Assistant Administrator/Accountant  
Alexis Oltendorf, Treasurer

## **PROFESSIONAL SERVICES**

Axley Brynson, LLP, Madison, Wisconsin, District Attorney  
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 Walworth County Metropolitan Sewerage District, Wisconsin (the "District") and the issuance of its \$2,165,000\* Sewerage System Revenue Refunding Bonds, Series 2021A (the "Bonds"). **The District Commission (the "Commission") adopted a resolution on December 8, 2020 (the "Parameters Resolution") which authorized the District Administrator or the Assistant Administrator to accept bids for the Bonds if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on January 13, 2021, neither the District Administrator nor the Assistant Administrator will have the authority to accept a bid for the Bonds, and all bids for the Bonds will be rejected.**

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the District'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 February 4, 2021. The Bonds will mature on May 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing November 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 Parameters Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

### OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after May 1, 2028 shall be subject to optional redemption prior to maturity on May 1, 2027 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 District.

\*Preliminary, subject to change

If only part of the Bonds having a common maturity date are called for redemption, then the District 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 66.0621 of the Wisconsin Statutes, to provide funds for the public purpose of current refunding certain obligations of the District as shown below:

<u>Issue Being Refunded</u>	<u>Date of Refunded Issue</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Maturities Being Refunded</u>	<u>Interest Rate</u>	<u>Principal to be Refunded</u>	<u>CUSIP base 933539</u>
Sewerage System Refunding Revenue Bonds, Series 2011 (the “2011 Bonds”)	3/3/11	5/1/21	100%	2021*	3.750%	\$225,000	AJ7
				2022	3.750%	235,000	AK4
				2023	3.850%	245,000	AL2
				2024	4.000%	255,000	AM0
				2025	4.100%	270,000	AN8
				2026	4.200%	285,000	AP3
				2027	4.300%	300,000	AQ1
				2028	4.400%	300,000	AR9
				2029	4.500%	<u>300,000</u>	AS7
<b>Total Principal Being Refunded</b>						<b>\$2,415,000</b>	

\*Will be paid with funds on hand in the Debt Service Fund for the 2011 Bonds

## ESTIMATED SOURCES AND USES\*

### Sources

Par Amount of Bonds	\$2,165,000
Transfers from 2011 Bonds Debt Service Fund	274,761
Transfers from 2011 Bonds Debt Service Reserve Fund	<u>333,150</u>
<b>Total Sources</b>	<b>\$2,772,911</b>

### Uses

Estimated Underwriter's Discount	\$21,650
Costs of Issuance	67,650
Deposit to Debt Service Reserve Fund	216,500
Deposit to Current Refunding Fund	2,464,761
Rounding Amount	<u>2,350</u>
<b>Total Uses</b>	<b>\$2,772,911</b>

\* Preliminary, subject to change

## SECURITY

This section is a summary of security provisions. A detailed explanation of the security provisions is contained in the Parameters Resolution, which is available upon request from Ehlers & Associates, Inc.

**Source of Payment:** THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT nor do they constitute a charge against its general credit or taxing power. The Bonds shall be payable only out of the Special Redemption Fund provided for in the Parameter Resolution (the "Special Redemption Fund"), and shall be a valid claim of the owners of the Bonds only against the Special Redemption Fund and the "Net Revenues" pledged to the Special Redemption Fund. Net Revenues are defined as all revenues of the Sewerage System derived from any source less current expenses, excluding depreciation, debt service, tax equivalents, and capital expenditures. In the Parameter Resolution, the District pledged sufficient Net Revenues to the Special Redemption Fund and covenanted to use such funds only for the purpose of paying principal of and interest on the Bonds.

**Rate Covenant:** In the Parameters Resolution, the District covenanted to maintain the Sewerage System in reasonably good condition and operate the Sewerage System, and to establish, charge and collect such lawfully established rates and charges for the service rendered by the Sewerage System, so that in each fiscal year Net Revenues shall not be less than 125% of the debt service due on all outstanding bonds payable from the revenues of the Sewerage System, including the Bonds and to meet the Reserve Requirement (defined below).

**Additional Bonds Test:** The District reserves the right to issue additional bonds payable from the Net Revenues of the Sewerage System on a parity with the outstanding bonds payable from the Net Revenues of the Sewerage System ("Parity Bonds"), including the Bonds. No bonds or obligations payable from the Net Revenues of the Sewerage System may be issued in such a manner as to enjoy priority over the Bonds. Before issuing Parity Bonds, the District must meet the conditions provided for in the Parameters Resolution including meeting one of the following tests with respect to Net Revenues of the Sewerage System:

(a) The Net Revenues for the last completed fiscal year preceding the issuance of such additional obligations must have been at least equal to 1.25 times the average combined annual interest and principal requirements on all Bonds and any Parity Bonds then outstanding payable from the revenues of the Sewerage System (other than Bonds and any Parity Bonds being refunded), and the obligations so proposed to be issued; provided, however, that if prior to the authorization of such additional obligations the District shall have adopted and put into effect a revised schedule of rates, then the Net Revenues of the Sewerage System for the last completed fiscal year which would, in the written opinion of an independent consulting engineer, financial advisor or independent certified public accountant employed for that purpose, have resulted from such rates had they been in effect for such period may be used in lieu of the actual Net Revenues for the last completed fiscal year; or

(b) A financial advisor, an independent certified public accountant or consulting professional engineer provides a certificate setting forth for each of the three fiscal years commencing with the fiscal year following that in which the projects financed by such additional obligations are to be completed, the projected Net Revenues and the maximum annual interest and principal requirements on all bonds outstanding payable from the revenues of the System and on the obligations then to be issued (the "Maximum Annual Debt Service Requirement"); and demonstrating that for each such fiscal year the projected Net Revenues will be in an amount not less than 125% of such Maximum Annual Debt Service Requirement

**Service to the District:** The reasonable cost and value of any service rendered to the District by the Sewerage System by furnishing Sewerage services for public purposes, including reasonable health protection charges, shall be charged against the District and shall be paid by it in monthly installments as the service accrues, out of the current revenues of the District collected or in the process of collection, exclusive of the revenues, and out of the tax levy of the District made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the District in each year shall be in an amount which, together with revenues of the Sewerage System, will produce Net Revenues equivalent to not less than 1.25 times the annual debt service due on all bonds payable from the Net

Revenues. Such compensation for such service rendered to the District shall, in the manner provided hereinabove, be paid into the separate and special funds described in the Parameters Resolution. However, such payment is subject to (a) annual appropriations by the Common Council therefor and (b) applicable levy limits, if any; and neither this covenant nor such payment shall be construed as constituting an obligation of the District to make any such appropriation over and above the reasonable cost and value of services rendered to the District and its inhabitants or to make any subsequent payment over and above such reasonable cost and value.

**Bond Reserve Account:** In the Parameters Resolution, the District covenanted and agreed that upon the issuance of the Bonds an amount equal to the "Reserve Requirement" will be on deposit in the Reserve Account and will be maintained therein as additional security for the payment of principal of and interest on the Bonds. Reserve Requirement is defined as an amount, determined as of the date of issuance of the Bonds, equal to the lesser of (a) 10% of the stated principal amount of the Bonds (to the extent permitted pursuant to Section 148(d)(1) of the Code and Regulations); (b) the maximum annual debt service on the Bonds in any bond year; or (c) 125% of average annual debt service on the Bonds. If Parity Bonds which are to be secured by the Reserve Account are issued, the Reserve Requirement shall mean an amount, determined as of the date of issuance of the Parity Bonds, equal to the least of (a) the amount required to be on deposit in the Reserve Account prior to the issuance of such Parity Bonds, plus the amount permitted to be deposited therein from proceeds of the Parity Bonds pursuant to Section 148(d)(1) of the Code and Regulations; (b) the maximum annual debt service on outstanding obligations secured by the Reserve Account and the Parity Bonds to be issued in any bond year; and (c) 125% of average annual debt service on the outstanding obligations secured by the Reserve Account and the Parity Bonds to be issued.

## **SEWERAGE SYSTEM REVENUE DEBT OUTSTANDING**

All outstanding Sewerage System Revenue debt of the District is listed on the following page. The debt service coverage ratios included on this page are calculated using 2019 audited Net Revenues and 2020 projected Net Revenues as of October 31, 2020. No guarantee can be given that the District's projections for 2020 will be realized or that the Net Revenues in future years will be the same as the Net Revenues in 2019 or the 2020, and future Net Revenues may be materially different.

## **HISTORIC SEWERAGE SYSTEM DEBT SERVICE COVERAGES**

The exhibit on the Page 6 presents the three-year historic debt service coverages of the Sewerage System.



**Walworth County Metropolitan Sewerage District, Wisconsin**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Sewer Revenues**  
**(As of 02/04/2021)**

Sewerage System Revenue Refunding Bonds, Series 2021A				2019 Audited Net Revenue Available for Debt Service** \$4,424,397		2020 Projected Net Revenue Available for Debt Service** \$4,268,687			
Dated Amount	02/04/2021 \$2,165,000*								
Maturity	05/01								
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	Coverage
2021	0	16,336	0	16,336	16,336	2,165,000	.00%	2021	
2022	255,000	21,006	255,000	21,006	276,006	1,910,000	11.78%	2022	16.03
2023	265,000	18,859	265,000	18,859	283,859	1,645,000	24.02%	2023	15.59
2024	265,000	16,580	265,000	16,580	281,580	1,380,000	36.26%	2024	15.71
2025	275,000	14,190	275,000	14,190	289,190	1,105,000	48.96%	2025	15.30
2026	280,000	11,623	280,000	11,623	291,623	825,000	61.89%	2026	15.17
2027	285,000	8,654	285,000	8,654	293,654	540,000	75.06%	2027	15.07
2028	275,000	5,296	275,000	5,296	280,296	265,000	87.76%	2028	15.78
2029	265,000	1,789	265,000	1,789	266,789	0	100.00%	2029	16.58
	2,165,000	114,332	2,165,000	114,332	2,279,332				

\* Preliminary, subject to change.

\*\*The debt service coverage ratios included on this page are calculated using 2019 Net Revenues and 2020 projected Net Revenues as of October 31, 2020. No guarantee can be given that the Net Revenues in future years will be the same as the Net Revenues in 2019 or 2020, and future Net Revenues may be materially different.

## HISTORIC STATEMENT OF REVENUES AND EXPENSES

The following table shows the historic comparison of Net Revenues and debt service secured by revenues of the Sewerage System for the three year period ending December 31, 2020.

	Audited	Audited	Projected**
	2018	2019	2020
<b>Operating Revenues</b>			
Sewer Service Fees	\$ 6,352,053	\$ 6,826,985	\$ 6,348,541
Other Operating Revenues	438,967	594,011	756,654
<b>Total Operating Revenues</b>	6,791,020	7,420,996	7,105,195
<b>Operating Expenses</b>			
Operation and Maintenance	2,488,654	2,603,176	2,390,110
General and Administrative	514,375	688,429	535,978
Depreciation and Amortization	2,217,070	2,219,631	2,158,685
<b>Total Operating Expenses</b>	5,220,099	5,511,236	5,084,773
<b>Operating Income</b>	1,570,921	1,909,760	2,020,422
Depreciation and Amortization	2,217,070	2,219,631	2,158,685
Interest Income	196,547	295,006	89,580
<b>Net Revenues Available for Debt Service</b>	\$ 3,984,538	\$ 4,424,397	\$ 4,268,687
<b>Debt Service</b>			
2011 Bonds	\$ 311,473	\$ 310,298	\$ 318,285
<b>Total Debt Service</b>			
<b>Debt Service Coverage</b>	<b>12.79</b>	<b>14.26</b>	<b>13.41</b>

\*\*The debt service coverage ratios included on this page are calculated using 2019 Net Revenues and 2020 projected Net Revenues as of October 31, 2020. No guarantee can be given that the Net Revenues in future years will be the same as the Net Revenues in 2019 or 2020, and future Net Revenues may be materially different.

## **DESCRIPTION OF THE SEWERAGE SYSTEM**

The District was created on December 26, 1974 by the Department of Natural Resources ("DNR"), pursuant to Sections 66.20 through 66.26 (which have been renumbered as Sections 200.01 through 200.15), Wisconsin Statutes, to include all territory within the corporate limits of the City of Elkhorn and the area served by the Delavan Lake Sanitary District. On January 3, 1976, the District annexed land owned by Walworth County (the "County") at the request of the County; and on March 8, 1977, the District annexed all lands within the corporate limits of the City of Delavan, at its request. On December 23, 1986, all lands within the corporate boundaries of the Village of Williams Bay were annexed, at their request. On September 8, 1987, all lands within Utility District #1, Town of Walworth, better known as the Christian League for the Handicapped<sup>1</sup>, were annexed by the Town of Walworth by order of the DNR. On October 9, 1990, the annexation of all lands within the Geneva National Sanitary District was completed following the request of the property owners therein and a determination of public interest by the DNR. On November 8, 1994, the Village of Darien and Town of Darien were annexed, at their request. On December 9, 1997, Lake Como Sanitary District was annexed at its request.

The area serviced by the District generally includes the Cities of Delavan and Elkhorn, Villages of Darien and Williams Bay, and the Delavan Lake, Lake Como and Geneva National Sanitary Districts and surrounding recreational and residential developments. By special permit the Mallard Ridge Landfill in the Town of Darien is a permitted customer. The County is located in southeastern Wisconsin, approximately 50 miles southwest of Milwaukee and 100 miles north of Chicago. The County was incorporated in 1838 and covers an area of 576 square miles, consisting of five cities, seven villages and 16 towns. The District accounts for approximately 25% of the County's \$16,734,914,200 equalized value in 2020.

## **DISTRICT GOVERNMENT AND SERVICES**

The District is governed by a District Commission (the "Commission") which consists of the President, Secretary, and three other Commissioners, each appointed by the County Board of Supervisors of the County for five-year terms. The appointed Administrator is responsible for administrative details and the Assistant Administrator is responsible for the financial records. The treasurer of the city, village or town having the largest equalized valuation within the District serves as Treasurer of the District.

The District is a municipal body corporate with various powers granted under State Statutes, including the power to plan and construct sewerage facilities; to engage in solid waste management; and, to finance its projects by special assessments, general obligation bonds and notes, revenue bonds and tax levies.

Historically, the District has not collected an ad valorem tax, although it is empowered under State Statutes to do so, relying instead on payments charged to and collected from the Participants (the municipalities within the District and other contract users), under first the Service Agreement, and later the Sewer Use Ordinance described below.

The District is authorized under Wisconsin Statutes 200.13(3) to establish a service charge to meet all or part of the requirements of operating and maintaining the Sewerage System (the "System") and for the payment of all or part of the principal and interest of indebtedness incurred by the District. The District is also thereby authorized to charge the cost of providing service to the municipalities it serves.

Section 66.0821(4)(a),(b), and (d) Wisconsin Statutes require the municipalities to levy, collect and promptly remit to the District service charges from the individual sewer system users within their respective boundaries and that delinquent charges shall be collected, taxed and become a lien on the property served.

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<sup>1</sup> Now known as Inspiration Ministries.

Under the District's Sewer Use Ordinance, which regulates the use of public and private sewers and drains, disposal of holding tank wastes into the public sewers, and the discharge of waters and wastes into the public sewer systems within the District, the District: (1) annually estimates unit costs, numbers of units and units attributable to each municipality, and (2) bills each municipality for services rendered to it on a monthly basis, based on usage of the System and other factors. In addition to other remedies, the District specifically reserves the right to require municipalities with delinquent service charges to levy and collect such charges as provided for under Sections 66.0821(4) (d), Wisconsin Statutes.

The District is not subject to the regulation of the Wisconsin Public Service Commission ("PSC") in the normal establishing and collecting of charges to the Participants.

### History of Sewer Usage and Total Billings

<b>Year</b>	<b>Total Usage in Gallons (in 000's)</b>	<b>Total Revenues</b>
2015	1,379,000	\$5,294,522
2016	1,444,000	5,305,491
2017	1,573,000	5,773,096
2018	1,606,000	6,352,053
2019	2,068,000	6,826,986

### History of Residential Equivalent Sewer Connections by Municipality

<b>Participant</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
City of Elkhorn	4,513	4,572	4,619	4,700	4,730
City of Delavan	3,711	3,717	3,719	3,745	3,758
Delavan Lake Sanitary District	3,345	3,347	3,353	3,352	3,358
Village of Williams Bay	2,172	2,190	2,191	2,262	2,277
Walworth County Institutions	155	155	155	155	155
Village of Darien	708	708	708	710	713
Geneva National San. Dist.	1,027	1,028	1,038	1,038	1,061
Lake Como San. Dist.	1,210	1,210	1,210	1,219	1,227
Town of Walworth, UD#1	65	65	65	65	65
Town of Darien	<u>155</u>	<u>164</u>	<u>168</u>	<u>168</u>	<u>168</u>
Total	17,060	17,156	17,226	17,414	17,512

### Current Sewer Rates

The Commission establishes rates and charges for the System. Sewer rates are not subject to approval by the PSC. The District annually reviews rates as required under District sewer ordinances to determine if adjustments are required. The sewer service charges by the District are based on the number of Customer Units (defined below) and the quantity and quality of wastewater generated. The following sewer rates became effective for 2019:

## General Service - Metered

### Monthly Volume Charge

Volume	\$1.170 per 1,000 gallons
BOD	0.69 per lb
Suspended Solids	0.48 per lb
Nitrogen	2.94 per lb
Customer Units ("CU")	3.66 per CU
Connection Fee	\$4,256 per CU

A Customer Unit is based on a calculation of the wastewater estimated to be generated compared to a typical single family resident.

The District bills its participants monthly for operational, equipment replacement and debt service costs. With the exception of one debt issue which is billed to the two municipalities using the Darien lift station and force main, all other costs are billed based on actual use and the number of Customer Units. The historical and projected revenues from its participants are as follows:

Participants	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
City of Elkhorn	\$1,716,538	\$1,711,153	\$1,916,733	\$2,213,036	\$2,354,890
City of Delavan	1,416,753	1,348,549	1,387,789	1,505,505	1,523,467
Delavan Lake Sanitary District	722,288	752,107	831,540	849,154	956,377
Village of Williams Bay	610,785	618,221	672,513	741,515	820,521
Walworth County Institutions	129,188	133,688	143,521	144,921	132,757
Village of Darien	213,854	215,849	225,668	249,176	303,821
Geneva National San. Dist.	222,387	229,565	259,896	287,868	315,294
Lake Como San. Dist.	198,240	230,353	261,304	282,795	338,266
Town of Walworth, UD#1	18,821	18,800	21,580	23,535	24,175
Town of Darien	<u>45,668</u>	<u>47,206</u>	<u>52,552</u>	<u>54,548</u>	<u>57,418</u>
Total	\$5,294,522	\$5,305,491	\$5,773,096	\$6,352,053	\$6,826,986

## RATING

Outstanding revenue debt of the District is currently rated "A+" (stable outlook) by S&P Global Ratings ("S&P").

The District has requested a rating on the Bonds from S&P, 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 S&P. 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 District 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 District 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 District shall execute and deliver a Continuing Disclosure Certificate, under which the District 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 District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District 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 District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District 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 District.

## **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 District, 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 special obligations of the District; 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 District to serve as Disclosure Counsel to the District with respect to the Bonds. Although, as Disclosure Counsel to the District, Quarles & Brady LLP has assisted the District 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 District 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 District 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 District 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 District 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 District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

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

**System Revenues:** Should rates set be inadequate to cover expenses, an unusual number of delinquencies occur, or a major breakdown or other disaster cause the Sewerage System to be inoperable, a shortfall of revenues could result in a delay of debt payments.

**Larger Users:** Should larger users increase or decrease usage of the sewer service currently provided, the revenues of the Sewerage System will be affected proportionately.

**Ratings; Interest Rates:** In the future, the District'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 District with the covenants in the Parameters Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the 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 District 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 District 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 District, 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 District 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 District 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 District 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 District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, 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.

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. On September 22, 2020, Emergency Order #1 was extended through November 21, 2020. On November 20, 2020, the public health emergency was continued and Emergency Order #1 was extended through January 19, 2021.

On October 6, 2020, Emergency Order #3 was issued, which limited public gatherings to no more than 25% of the total occupancy limits for the room or building (or no more than 10 people for indoor spaces without occupancy limits), with certain exceptions. Emergency Order #3 expired November 6, 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 District. The District cannot predict the extent of any such changes, but a material decrease in the equalized valuations of property in the District may materially adversely affect the financial condition of the District (see "RISK FACTORS - Impact of the Spread of COVID-19" herein).

## CURRENT PROPERTY VALUATIONS

2020 Equalized Value	\$4,184,444,077
2020 Equalized Value Reduced by Tax Increment Valuation	\$4,115,403,377

## 2020 EQUALIZED VALUE BY COMMUNITY

	<b>2020 Equalized Value<sup>1</sup></b>	<b>Percent of Total Equalized Value</b>
Town of Darien	\$ 2,759,276	0.066%
Town of Delavan	931,158,854	22.253%
Town of Geneva	619,577,405	14.807%
Town of Walworth	13,481,442	0.322%
Village of Darien	128,954,200	3.082%
Village of Williams Bay	877,475,100	20.970%
City of Delavan	720,720,900	17.224%
City of Elkhorn	<u>890,316,900</u>	<u>21.277%</u>
Total	<u>\$ 4,184,444,077</u>	<u>100.000%</u>

## TREND OF VALUATIONS

<b>Year</b>	<b>Equalized Value<sup>1</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2016	\$3,368,079,804	1.79%
2017	3,491,398,433	3.66%
2018	3,662,102,412	4.89%
2019	3,911,032,243	6.80%
2020	4,184,444,077	6.99%

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

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<sup>1</sup> Includes tax increment valuation.

## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2020 Equalized Value<sup>1</sup></b>	<b>Percent of District's Total Equalized Value</b>
Store SPE Mills Fleet II 2017-7 LLC	Retail (Fleet Farm)	\$ 17,976,964	0.43%
Delavan Lake Lawn, LLC	Commercial (Resort)	16,324,627	0.39%
MCKMAK V LLC	Manufacturing	13,323,602	0.32%
Sci-Rise II LLC	Manufacturing	12,797,620	0.31%
Walmart Real Estate Business Trust	Retail	12,535,054	0.30%
Meadow Blossom LLC	Commercial	10,625,674	0.25%
Lowe's Home Center	Retail	9,789,683	0.23%
Ten Patels Delavan LLC	Retail	9,467,042	0.23%
Individual	Residential	8,017,599	0.19%
Toneridge Partnership LLC	Commercial	7,625,493	0.18%
<b>Total</b>		<b>\$ 118,483,358</b>	<b>2.83%</b>

District's Total 2020 Equalized Value<sup>2</sup> \$4,184,444,077

**Source:** City of Elkhorn, City of Delavan, Village of Williams Bay.

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<sup>1</sup> Calculated by dividing the 2020 Assessed Values by the 2020 Aggregate Ratio of assessment for the municipality where the taxpayer is located.

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

## DEBT

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

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

Total General Obligation Debt	<u><u>\$13,535,871</u></u>
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#### Revenue Debt (see schedules following)

Total revenue debt secured by sewer revenues* (Includes the Bonds, see Page 5)	<u><u>\$2,165,000</u></u>
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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 and excludes the obligations being refunded by the Bonds.



**Walworth County Metropolitan Sewerage District, Wisconsin**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 02/04/2021)**

Sewerage System Promissory Notes (CWFL)			Sewerage System Promissory Notes (CWFL)			Taxable Sewerage Bonds Series 2019A						
Series 2007			Series 2009									
Dated	10/24/2007	02/25/2009	06/27/2019									
Amount	\$2,811,265	\$22,258,742	\$1,690,000									
Maturity	05/01	05/01	05/01									
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	151,610	26,423	1,222,935	270,429	65,000	51,630	1,439,545	348,482	1,788,026	12,096,327	10.64%	2021
2022	155,362	22,624	1,255,563	237,365	65,000	49,680	1,475,925	309,670	1,785,595	10,620,402	21.54%	2022
2023	159,207	18,731	1,289,061	203,420	70,000	47,655	1,518,269	269,807	1,788,075	9,102,133	32.76%	2023
2024	163,148	14,742	1,323,454	168,569	70,000	45,555	1,556,601	228,866	1,785,468	7,545,531	44.26%	2024
2025	167,186	10,654	1,358,763	132,788	75,000	43,380	1,600,949	186,823	1,787,772	5,944,583	56.08%	2025
2026	171,324	6,465	1,395,015	96,053	80,000	41,130	1,641,339	143,648	1,784,987	4,303,244	68.21%	2026
2027	175,564	2,173	1,432,234	58,338	80,000	38,805	1,687,798	99,315	1,787,113	2,615,446	80.68%	2027
2028			1,470,446	19,616	80,000	36,405	1,550,446	56,021	1,606,467	1,065,000	92.13%	2028
2029					80,000	34,005	80,000	34,005	114,005	985,000	92.72%	2029
2030					85,000	31,509	85,000	31,509	116,509	900,000	93.35%	2030
2031					85,000	28,916	85,000	28,916	113,916	815,000	93.98%	2031
2032					90,000	26,158	90,000	26,158	116,158	725,000	94.64%	2032
2033					95,000	23,151	95,000	23,151	118,151	630,000	95.35%	2033
2034					95,000	20,064	95,000	20,064	115,064	535,000	96.05%	2034
2035					100,000	16,820	100,000	16,820	116,820	435,000	96.79%	2035
2036					105,000	13,335	105,000	13,335	118,335	330,000	97.56%	2036
2037					105,000	9,713	105,000	9,713	114,713	225,000	98.34%	2037
2038					110,000	5,950	110,000	5,950	115,950	115,000	99.15%	2038
2039					115,000	2,013	115,000	2,013	117,013	0	100.00%	2039
	1,143,400	101,813	10,747,471	1,186,578	1,645,000	565,873	13,535,871	1,854,264	15,390,135			

## 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	\$ 4,184,444,077
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 209,222,204
Less: General Obligation Debt	<u>(13,535,871)</u>
Unused Debt Limit	<u><u>\$ 195,686,333</u></u>

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

Taxing District	2020 Equalized Value <sup>2</sup>	% In District	Total G.O. Debt <sup>3</sup>	District's Proportionate Share
Town of Delavan	\$1,093,408,300	85.1611%	\$14,135,000	12,037,521
Village of Darien	128,954,200	100.0000%	3,136,415	3,136,415
Village of Williams Bay	877,475,100	100.0000%	6,355,001	6,355,001
City of Delavan	720,720,900	100.0000%	15,134,807	15,134,807
City of Elkhorn	890,316,900	100.0000%	29,370,000	29,370,000
Gateway Technical College	52,083,834,750	8.0341%	74,705,000	6,001,841
School District of Delavan-Darien	2,069,530,162	83.5839%	23,835,000	19,922,224
Elkhorn Area School District	2,316,615,825	43.0591%	45,943,140	19,782,703
Williams Bay School District	1,230,320,636	89.3241%	17,640,000	15,756,771
Lake Geneva J1 School District	2,868,568,334	21.5988%	13,865,000	2,994,679
Lake Geneva-Genoa City Union High School	4,557,581,500	13.5944%	2,465,000	335,102
Lake Como Sanitary District	223,783,825	100.0000%	4,820,000	<u>4,820,000</u>
District's Share of Total Overlapping Debt				<u><u>\$135,647,063</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. Walworth County has no outstanding general obligation debt.

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

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

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$4,184,444,077</b>	<b>Debt/ Per Capita 30,065<sup>1</sup></b>
Total General Obligation Debt	\$ 13,535,871	0.32%	\$ 450.22
District's Share of Total Overlapping Debt	<u>135,647,063</u>	<u>3.24%</u>	<u>4,511.79</u>
Total	\$149,182,934	3.57%	\$ 4,962.01

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

The District anticipates borrowing approximately \$3.75 million on a general obligation basis for the County O Forcemain Project in 2021 through the State's Clean Water Fund Loan program. Aside from the preceding, the District has no current plans for additional financing in the next 12 months.

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<sup>1</sup> Estimated 2020 population.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES

The District has historically abated its levies for debt service with funds on hand. The Debt Service Fund is replenished monthly through sewer service charges collected from the municipalities within the District. Under State law, the District is required to levy an amount sufficient to meet the debt service on its outstanding general obligation debt, but such levy may be abated by the use of such offsetting revenues, if and to the extent available. The Bonds are not a general obligation of the District.

### 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, by the larger underlying municipalities in the District, have been as follows:

#### City of Elkhorn

Year Levied/ Year Collected	Schools <sup>1</sup>	County	Local	Other <sup>2</sup>	Total
2016/17	\$11.19	\$4.49	\$7.75	\$0.18	\$23.61
2017/18	10.70	4.23	7.32	0.00	22.25
2018/19	10.31	3.99	7.18	0.00	21.48
2019/20	10.24	3.77	7.04	0.00	21.05
2020/21	9.78	3.60	7.91	0.00	21.29

#### City of Delavan

Year Levied/ Year Collected	Schools <sup>3</sup>	County	Local	Other	Total
2016/17	\$10.26	\$4.49	\$10.61	\$0.18	\$25.54
2017/18	9.47	4.23	9.99	0.00	23.69
2018/19	9.34	3.91	9.63	0.00	23.69
2019/20	10.08	3.77	9.46	0.00	23.31
2020/21	9.60	3.60	8.99	0.00	22.19

**Source:** Wisconsin Department of Revenue, Division of State and Local Finance.

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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.

<sup>3</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

## 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 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 ISSUER**

### **EMPLOYEES; PENSIONS**

The District employs a staff of 19 full-time employees. All eligible employees in the District 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.

District employees are generally required to contribute half of the actuarially determined contributions, and the District 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 District's portion of contributions to WRS (not including any employee contributions) totaled \$65,856, \$75,015 and 79,838, respectively.

The District 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 District reported a liability of \$248,687 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2018 based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. The District's proportion was 0.0070% of the aggregate WRS net pension liability as of December 31, 2018.

The calculation of the total pension asset 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 asset 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 8 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

### **Recognized and Certified Bargaining Units**

All eligible District 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 District 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 District 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 District were to seek approval for a higher increase through a referendum). Ultimately, the District 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 District, 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 District has no active collective bargaining units.

### **OTHER POST EMPLOYMENT BENEFITS**

The District does not provide any other post employment benefits.

# LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District 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 District 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 District to file for relief under Chapter 9. If, in the future, the District were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the District could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the District is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the District 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 District; (b) to any particular assets of the District, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the District 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 December 31, 2019)

<b>Fund</b>	<b>Total Cash and Investments</b>
EPA replacement funds	\$ 1,835,119
Debt service reserve funds	<u>333,150</u>
Total Funds on Hand	<u><u>\$ 2,168,269</u></u>



## SUMMARY GENERAL FUND INFORMATION

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

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT					
	2017 Audited	2018 Audited	2019 Audited	2020 Projected 1)	2021 Budget 2)
Operating Revenues					
User Charges	\$5,773,096	\$6,352,053	\$6,826,985	\$6,348,541	\$6,537,330
Other	757,144	438,967	594,011	756,654	442,371
Total Operating Revenues	\$6,530,240	\$6,791,020	\$7,420,996	\$7,105,195	\$6,979,701
Operating Expenditures					
Current:					
Operating & Maintenance - WWTP	\$1,896,909	\$2,125,061	\$2,262,504	\$2,136,965	\$2,246,500
Operating & Maintenance - Lift stations, etc	332,230	363,593	340,672	253,145	365,240
General and administrative	487,939	514,375	688,429	535,978	542,402
Depreciation	2,221,324	2,217,070	2,219,631	2,158,685	2,240,000
Total Expenditures	\$4,938,402	\$5,220,099	\$5,511,236	\$5,084,773	\$5,394,142
Operating Income	\$1,591,838	\$1,570,921	\$1,909,760	\$2,020,422	\$1,585,559
Other Financing Sources (Uses)					
Interest Income	\$88,323	\$196,547	\$295,006	\$89,580	\$68,492
Interest Expense	(\$581,342)	(\$511,721)	(\$486,394)	(\$552,912)	(\$364,818)
Loss on disposal of capital assets	(\$26,027)	(\$3,016)	0	0	0
Amortization	(\$45,833)	(\$31,167)	(\$80,567)	(\$31,988)	(\$31,988)
Total Nonoperating expenses, net	(\$564,879)	(\$349,357)	(\$271,955)	(\$495,320)	(\$328,314)
Profit before capital contributions	\$1,026,959	\$1,221,564	\$1,637,805	\$1,525,102	\$1,257,245
Capital Contributions	\$507,647	\$669,649	\$417,990	\$376,300	\$120,000
Increase in Net Position	\$1,534,606	\$1,891,213	\$2,055,795	\$1,901,401	\$1,377,245
Net Position, Beginning of Year	30,647,707	32,182,313	34,073,526	\$36,129,321	\$38,030,722
Prior Period Adjustment	0	0	0	0	0
Net Position, End of Year	\$32,182,313	\$34,073,526	\$36,129,321	\$38,030,722	\$39,407,967

1) 2020 data is projected through December 31, 2020, as of October 31, 2020.

2) 2021 budget was adopted on November 10, 2020.

## GENERAL INFORMATION

### LOCATION

The District is located in Walworth County, Wisconsin, and includes all territory within the corporate limits of the Villages of Darien and Williams Bay and the Cities of Delavan and Elkhorn as well as portions of the Towns of Darien, Delavan, Geneva and Walworth. The District comprises land area of approximately 16 square miles and is approximately 50 miles southwest of Milwaukee and 100 miles northwest of Chicago.

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

Larger employers in and around the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Grand Geneva Resort & Spa	Resort	1,200 <sup>2</sup>
Pentair	Water solutions and technical products	900
Walworth County	County government	842
Bird's Eye Foods Inc.	Frozen food processing	800
The Abby Resort	Resort	490
Elkhorn Area School District	Elementary and secondary education	442
Miniature Precision Components	Auto parts & supplies	420
SPX Flow Technology	Supplier of pumps, valves, fittings and heat exchangers	340
Aurora Lakeland Medical Center	Hospital	338
School District of Delavan-Darien	Elementary and secondary education	261

**Source:** *ReferenceUSA, written and telephone survey (December 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.

<sup>2</sup> Includes part-time employees.

## U.S. CENSUS DATA

### Population Trend:

2000 Census Population	26,340
2010 Census Population	27,049
2020 Population Estimate	26,814
Percent of Change 2000 - 2010	2.69%

### Population by Municipality

	<b>2020*</b>	<b>2010 Census</b>	<b>2000 Census</b>
City of Delavan	8,270	8,463	7,956
City of Elkhorn	9,968	10,084	7,305
Village of Darien	1,574	1,580	1,572
Village of Williams Bay	2,614	2,564	2,415
Town of Darien**	1,722	1,693	1,747
Town of Delavan**	5,168	5,285	4,559
Town of Geneva**	5,085	4,993	4,099
Town of Walworth**	<u>1,685</u>	<u>1,702</u>	<u>1,676</u>
Total Population	36,086	36,364	31,329
Walworth County	104,086	102,228	92,013

\* State of Wisconsin Estimate

\*\* Only portions of these municipalities are in the District

### Income and Age Statistics

	<b>City of Delavan</b>	<b>City of Elkhorn</b>	<b>Walworth County</b>	<b>State of Wisconsin</b>	<b>United States</b>
2019 per capita income	\$24,494	\$26,804	\$32,302	\$33,375	\$34,103
2019 median household income	\$53,487	\$54,475	\$63,776	\$61,747	\$62,843
2019 median family income	\$66,955	\$69,339	\$79,681	\$78,679	\$77,263
2019 median gross rent	\$851	\$834	\$880	\$856	\$1,062
2019 median value owner occupied housing	\$144,900	\$176,700	\$203,400	\$180,600	\$217,500
2019 median age	36.1 yrs.	37.3 yrs.	40.0 yrs.	39.5 yrs.	38.1 yrs.

	<b>State of Wisconsin</b>	<b>United States</b>
Delavan % of per capita income	73.39%	71.82%
Delavan % of median family income	85.10%	86.66%
Elkhorn % of per capita income	80.31%	78.60%
Elkhorn % of median family income	88.13%	89.74%

### Housing Statistics

	<b><u>City of Delavan</u></b>			<b><u>City of Elkhorn</u></b>		
	<b>2010</b>	<b>2019</b>	<b>Percent of Change</b>	<b>2010</b>	<b>2019</b>	<b>Percent of Change</b>
All Housing Units	3,500	3,444	-1.60%	4,043	4,179	3.36%

Source: 2010 and 2019 Census of Population and Housing.

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for special districts.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Walworth County	Walworth County	State of Wisconsin
2016	55,490	4.0%	4.0%
2017	56,062	3.3%	3.3%
2018	56,532	2.9%	3.0%
2019	55,975	3.3%	3.3%
2020, October	52,914 <sup>1</sup>	4.6% <sup>1</sup>	5.2%

<sup>1</sup> Preliminary

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

## **APPENDIX A**

### **FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District 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 District 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 District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District 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.

# **Walworth County Metropolitan Sewerage District**

Financial Report  
December 31, 2019

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## Independent Auditor's Report

Board of Commissioners  
Walworth County Metropolitan  
Sewerage District

### Report on the Financial Statements

We have audited the accompanying financial statements of Walworth County Metropolitan Sewerage District (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements which collectively comprise the District'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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walworth County Metropolitan Sewerage District as of December 31, 2019 and 2018, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matter**

Accounting principles generally accepted in the United States of America require that the schedules of net pension (asset) liability, employer contributions, and the related notes on page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 evidence sufficient to express an opinion or provide any assurance.

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

*RSM VS LLP*

Madison, Wisconsin  
April 13, 2020

# Walworth County Metropolitan Sewerage District

## Statements of Net Position December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 10,260,319	\$ 7,841,553
Cash - equipment replacement fund	1,164,881	1,089,815
Short-term investments	2,592,483	2,633,411
Accounts receivable and other	624,032	614,225
Note receivable	29,500	29,500
Accrued interest receivable	15,963	2,636
Restricted assets:		
Cash	2,168,269	2,243,335
<b>Total current assets</b>	<b>16,855,447</b>	<b>14,454,475</b>
Noncurrent assets:		
Investments	-	199,718
Net pension asset	-	203,170
Note receivable, net of current portion	29,500	59,000
	<b>29,500</b>	<b>461,888</b>
Capital assets not being depreciated	2,837,822	1,034,186
Capitalized assets being depreciated, net	34,416,349	35,925,506
<b>Net capital assets</b>	<b>37,254,171</b>	<b>36,959,692</b>
<b>Total noncurrent assets</b>	<b>37,283,671</b>	<b>37,421,580</b>
Deferred outflow of resources:		
Deferred amount on pension	1,058,739	596,136
Deferred amount on refunding	7,435	37,187
Deferred amount on asset retirement obligation, net	646,527	-
	<b>1,712,701</b>	<b>633,323</b>
<b>Total assets and deferred outflow of resources</b>	<b>\$ 55,851,819</b>	<b>\$ 52,509,378</b>

(Continued)

**Walworth County Metropolitan Sewerage District**

**Statements of Net Position (Continued)**

**December 31, 2019 and 2018**

	2019	2018
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>		
Current liabilities:		
Current portion of long-term liabilities	\$ 1,599,103	\$ 1,504,575
Accounts payable and accrued liabilities	356,776	328,164
Accrued interest payable	91,442	83,093
Deferred revenue	56,295	56,295
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>2,103,616</b>	<b>1,972,127</b>
	<hr/>	<hr/>
Long-term liabilities, less current portion:		
General obligation bonds, net of unamortized premium	13,552,184	13,230,283
Revenue bonds, net of unamortized bond discount	2,402,028	2,615,613
Asset retirement obligation	696,337	-
Net pension liability	248,687	-
	<hr/>	<hr/>
<b>Total long-term liabilities</b>	<b>16,899,236</b>	<b>15,845,896</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>19,002,852</b>	<b>17,818,023</b>
	<hr/>	<hr/>
<b>Deferred inflow of resources:</b>		
Deferred amount on pension	719,646	617,829
	<hr/>	<hr/>
<b>Net position:</b>		
Net investment in capital assets	19,708,291	19,646,408
Restricted for:		
Plant replacement	1,835,119	1,910,185
Debt service	333,150	333,150
Unrestricted	14,252,761	12,183,783
	<hr/>	<hr/>
<b>Total net position</b>	<b>36,129,321</b>	<b>34,073,526</b>
	<hr/>	<hr/>
<b>Total liabilities, deferred inflow of resources and net position</b>	<b>\$ 55,851,819</b>	<b>\$ 52,509,378</b>
	<hr/>	<hr/>

See notes to financial statements.

# Walworth County Metropolitan Sewerage District

## Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
User charges	\$ 6,826,985	\$ 6,352,053
Other	594,011	438,967
<b>Total operating revenues</b>	<b>7,420,996</b>	<b>6,791,020</b>
Operating expenses:		
Operation and maintenance - Sewage treatment plant	2,262,504	2,125,061
Operation and maintenance - Lift stations and interceptor sewer system	340,672	363,593
General and administrative	688,429	514,375
Depreciation	2,219,631	2,217,070
<b>Total operating expenses</b>	<b>5,511,236</b>	<b>5,220,099</b>
<b>Operating income</b>	<b>1,909,760</b>	<b>1,570,921</b>
Nonoperating revenues (expenses), net:		
Interest income	295,006	196,547
Interest expense	(486,394)	(511,721)
Loss on disposal of capital assets	-	(3,016)
Amortization	(80,567)	(31,167)
<b>Total nonoperating expenses, net</b>	<b>(271,955)</b>	<b>(349,357)</b>
<b>Profit before capital contributions</b>	<b>1,637,805</b>	<b>1,221,564</b>
Capital contributions	417,990	669,649
<b>Increase in net position</b>	<b>2,055,795</b>	<b>1,891,213</b>
Net position, beginning of year	34,073,526	32,182,313
Net position, end of year	<b>\$ 36,129,321</b>	<b>\$ 34,073,526</b>

See notes to financial statements.

**Walworth County Metropolitan Sewerage District**

**Statements of Cash Flows**

**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 7,410,937	\$ 6,659,069
Payments to suppliers for goods and services	(1,404,903)	(1,576,635)
Payments to employees	(1,776,302)	(1,585,108)
<b>Net cash provided by operating activities</b>	<b>4,229,732</b>	<b>3,497,326</b>
Cash flows from capital and related financing activities:		
Payments on long-term debt	(1,504,575)	(1,468,810)
Receipts from bonds	1,706,414	-
Interest payments on long-term debt	(478,045)	(518,302)
Capital contributions	417,990	669,649
Payments for capital assets	(2,504,575)	(208,259)
<b>Net cash used in capital and related financing activities</b>	<b>(2,362,791)</b>	<b>(1,525,722)</b>
Cash flows from investing activities:		
Interest received on investments and notes receivable	281,679	196,333
Payments received on notes receivable	29,500	29,500
Purchases of investments	(2,137,410)	(1,153,035)
Proceeds from sale of investments	2,378,056	1,161,377
<b>Net cash provided by investing activities</b>	<b>551,825</b>	<b>234,175</b>
<b>Net increase in cash</b>	<b>2,418,766</b>	<b>2,205,779</b>
Cash:		
Beginning	11,174,703	8,968,924
Ending	<b>\$ 13,593,469</b>	<b>\$ 11,174,703</b>
Statements of net position classification of cash is as follows:		
Cash	\$ 10,260,319	\$ 7,841,553
Cash - equipment replacement fund	1,164,881	1,089,815
Cash - restricted	2,168,269	2,243,335
	<b>\$ 13,593,469</b>	<b>\$ 11,174,703</b>

(Continued)

**Walworth County Metropolitan Sewerage District**

**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ 1,909,760	\$ 1,570,921
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation	2,219,631	2,217,070
Net pension (asset) liability	451,857	(261,027)
Deferred amount on pension	(360,786)	284,367
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	19,077	(190,675)
Accounts receivable and other current assets	(9,807)	(123,330)
<b>Net cash provided by operating activities</b>	<b>\$ 4,229,732</b>	<b>\$ 3,497,326</b>
Supplemental schedules of noncash capital, pension and		
related financing and investing activities:		
Amortization of debt discount	\$ 1,415	\$ 1,415
Amortization of debt premium	(410)	-
Amortization of deferred amount on refunding	29,752	29,752
Amortization of asset retirement obligation	49,810	-
Accounts payable incurred for construction of capital assets	-	9,535
Loss on disposal of capital assets	-	3,016
Change in net pension (asset) liability	451,857	(261,027)
Change in deferred amount on pension	(360,786)	284,367

See notes to financial statements.

**Note 1. Nature of Business and Summary of Significant Accounting Policies**

**Nature of operations:** The Walworth County Metropolitan Sewerage District (the District) is a municipal corporation established under the Wisconsin Statutes. The District is comprised of the City of Elkhorn, the City of Delavan, the Village of Williams Bay, the Village of Darien, the Delavan Lake Sanitary District, the Institutional Complex of Walworth County, the Utility District No. 1 Town of Walworth, the Geneva National Sanitary District, the Town of Darien Utility District, and the Lake Como Sanitary District. The District is empowered to finance, construct and operate interceptor lines for the collection and transmission of sewage and facilities necessary to treat and dispose of sewage.

**Reporting entity.** As defined by generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Financial benefit or financial burden is created if any one of the following relationships exists:

- (1) The primary government is legally entitled to or has access to the component unit's resources.
- (2) The primary government is legally required or has assumed the obligation to finance the deficits of, or provide support to, the component unit.
- (3) The primary government is obligated in some manner for the other component unit's debt.

The District has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District's being considered a component unit of that entity.

A summary of the District's significant accounting policies follows:

**Basis of accounting:** The accounts of the District are reported as a Proprietary Fund. Proprietary funds are accounted for on the economic resources measurement focus and use the accrual basis of accounting which report all assets, deferred outflow of resources, liabilities, and deferred inflow of resources, revenues, expenses, gains and losses. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating 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 District are charges for services. Operating expenses for the District include costs directly related to administration, operation and maintenance of the sewage treatment plant, lift station, and interceptor sewer system, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Budget:** The administrator of the District prepares and submits to the Commissioners, prior to the beginning of the new fiscal year, a tentative budget which includes all operations and maintenance expenses for the ensuing year. The budget is adopted by the Commissioners subject to any revisions or amendments. In accordance with Sec. 65.90 (5) (a) of the Wisconsin Statutes budget, amendments require two-thirds approval of the Commissioners. No expenditures in excess of the budget can be made during the fiscal year unless unanimously authorized and directed by the Commissioners. There were no budget amendments during the years ended December 31, 2019 and 2018.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash – equipment replacement fund:** The District has set aside additional cash to fund future equipment replacements that are necessary and which are in excess of the legally restricted minimum required reserve established by the Wisconsin Department of Natural Resources (Note 6).

**Receivables:** Receivables are amounts due from private individuals, organizations, or other governments which pertain to charges for services rendered by the District. Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of the various accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The District considers all receivables to be fully collectible at December 31, 2019 and 2018.

Per the Sewer Use Ordinance, an account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on past due balances at the rate of twelve (12) percent per annum.

**Investments:** Investments consist primarily of money market deposits, certificates of deposit, U.S. Treasury securities, State of Wisconsin pooled funds, and mortgage-backed securities. The District reports all money market and other deposits and certificates of deposit, with remaining maturities at the date of purchase of one year or less at amortized cost. Certificates of deposit with remaining maturities at the date of purchase greater than one year are reported at amortized cost which approximates fair value. All other investments are reported at fair value based on quoted market prices for the same or similar investment securities.

Wisconsin Statutes restrict the investments of the District to:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal Government.
- Bonds or securities of any county, city, drainage district, vocational, technical and adult education district, village, town or school district of the State of Wisconsin.
- State of Wisconsin Local Government Pooled Investment Fund.
- Wisconsin Investment Trust.
- Repurchase agreements which are secured by securities issued or guaranteed as to principal and interest by the Federal Government.

**Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date in which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard and Poor's Corporation, Moody's Investor Service, or other similar nationally recognized rating agency or if that security is senior to, or in a parity with, a security of the same issuer which has such a rating.

**Capital assets:** Capital assets are defined as assets with an initial cost of \$2,000 or greater with an estimated useful life of greater than one year. Capital assets purchased by the District are recorded at cost. Such costs consist principally of engineering, labor and materials under contracts in connection with construction of the sewerage treatment plant, lift stations, and interceptor sewer system. Certain construction-related administrative costs incurred by the District during construction have also been capitalized. Interest incurred during construction is capitalized.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line half-year method. Amortization of assets under capital lease is included with depreciation on assets owned and is recognized using the straight-line method. The estimated useful lives used for depreciation purposes are generally as follows:

Assets	Life
Interceptor sewer system	50 years
Sewage treatment plant	5 to 50 years
Lift stations	7 to 50 years
Service vehicles and other equipment	3 to 10 years
Buildings	20 years

Maintenance and repairs are charged to expense in the year incurred. Significant betterments and improvements are capitalized. Amortization of assets recorded under capital leases is included with depreciation on assets owned.

**Revenue recognition:** Revenues primarily consist of user charges which are recognized when services are rendered. Connection charges are recognized as revenue, on the accrual basis of accounting, when the District has sufficient information to conclude the connection has been provided.

The District has the authority under Wisconsin Statutes to levy taxes on all taxable properties in the District to pay interest and principal on general obligation debt of the District. The tax levy may be reduced by the amount of surplus debt service funds. The District abated in full the tax levy for 2019 and 2018 as the debt service funds had sufficient surplus cash to pay the interest and principal obligations.

**Capital contributions:** Capital contributions consist of fees for connection charges.

**Vacation and sick leave:** District employees are granted vacation and sick leave in varying amounts. In the event of termination or resignation, vacation earned in the year of termination is paid at varying percentages, depending upon the time of the year termination is effective. Sick leave may accumulate up to 120 days; however, unused sick leave is not paid upon termination or resignation. Upon an employee's retirement from employment with the District under the Wisconsin Retirement System accrued, unused sick leave, not to exceed 75 days, will be converted into a dollar amount at the employee's hourly rate of pay at retirement to be used for purchase of health and/or dental insurance.

**Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Deferred outflow of resources:** Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Unamortized deferred amount on refunding is recorded as a deferred outflow of resources on the statements of net position and are amortized using a method which approximates the effective interest method over the term of the related bonds.

**Unamortized bond discount and premium:** Unamortized debt discounts are recorded as a reduction of long-term liabilities and are being amortized using a method which approximates the effective interest method over the life of the respective long-term liabilities. Unamortized debt premiums are recorded as an increase in long-term liabilities and are being accreted using a method which approximates the effective interest method over the life of the respective long-term liabilities.

**Net position:** Net position is classified in three separate categories. The categories, and their general descriptions, are as follows:

*Net investment in capital assets* – Indicates the District's total investment in capital assets, net of accumulated depreciation and the outstanding debt used to purchase capital assets.

*Restricted net position* – Indicates the portion of the net position which has been placed under external constraints imposed by creditors (such as through debt covenants) or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

*Unrestricted net position* – Indicates the portion of the net position which is available for appropriation and expenditure in future periods.

**Risk financing:** The District purchases commercial insurance coverage for the various risks the District may encounter in its operations, such as losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has had no settlements in the past four years exceeding the insurance coverage purchased. The District has not had any significant reductions in insurance coverage over the prior year.

**Pensions:** For purposes of measuring the net pension (asset) liability, deferred outflow of resources and deferred inflow 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 the 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.

The net pension (asset) liability is the difference between the total pension (asset) liability and the plan's fiduciary net position. The pension expense recognized each fiscal year is equal to the change in the net pension (asset) from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 19-17 for 2019 and report number 18-10 for 2018.



**Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)***Recent accounting pronouncements:*

During the year ending December 31, 2019, the District adopted the following GASB statements:

- GASB Statement 83, *Certain Asset Retirement Obligations* (ARO), which enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The effect of adopting this standard is that a new liability, asset retirement obligation, and a new deferred outflow of resources for the deferred amount on asset retirement obligation of \$696,337 was added to the statement of net position as of December 31, 2019.

- GASB Statement 84, *Fiduciary Activities*, enhances consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement had no significant impact on the District's basic financial statements.

- GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The statement had no significant impact on the District's basic financial statements.

- GASB Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, which improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, it requires reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The statement had no significant impact on the District's basic financial statements.

*Future accounting pronouncements:*

Effective for the year ending December 31, 2020, the District will adopt the following GASB statements:

- GASB Statement 87, *Leases*, which will better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflow of resources or outflow of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

- GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

Effective for the year ending December 31, 2021, the District will adopt the following GASB statement:

- GASB Statement 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability to the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The District has not yet determined the impact on the District's financial statements as a result of adopting these statements.

**Subsequent events:** The District has evaluated subsequent events for potential recognition and/or disclosure through April 13, 2020, the date the financial statements were available to be issued.

These financial statements do not include any adjustments related to the economic impact of COVID-19 (novel coronavirus). The District anticipates there will be an impact on the valuation of investments. The extent of the impact is currently being monitored and evaluated by the District.

**Note 2. Cash and Investments**

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per financial institution. In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per financial institution above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

The carrying amount of the District's deposits, consisting of cash, certificates of deposit and money market deposits, totaled \$15,947,181 and \$13,409,782, with bank balances of \$15,959,053 and \$13,464,620 for the years ended December 31, 2019 and 2018, respectively. Of the bank balances, \$5,496,109 and \$4,981,838 were covered by FDIC insurance for each of the years ended December 31, 2019 and 2018, respectively, and \$719,632 and \$1,079,730 were covered by the State Guarantee Fund for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, \$9,273,411 and \$7,559,739 of the deposits were collateralized with securities held by the District or its agent in the District's name leaving \$469,901 and \$0 uninsured and uncollateralized deposits for the years ended December 31, 2019 and 2018.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of changes in net position.

Walworth County Metropolitan Sewerage District

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2019, the District had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in Years)			
		<1	1-5	6-10	>10
Local Government Investment Pool **	\$ 238,771	\$ 238,771	\$ -	\$ -	\$ -

As of December 31, 2018, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		<1	1-5	6-10	>10
Local Government Investment Pool **	\$ 233,511	\$ 233,511	\$ -	\$ -	\$ -
U.S. Treasury bond	99,538	-	99,538	-	-
Government National Mortgage Association	1	-	1	-	-
Federal Home Loan Mortgage Corporation bonds	265,000	265,000	-	-	-
	\$ 598,050	\$ 498,511	\$ 99,539	\$ -	\$ -

\*\* Because the Pool had a weighted average maturity of less than one year as of December 31, 2019 and 2018, it has been presented as an investment with a maturity of less than one year.

*Credit risk* - The District follows the Wisconsin State Statutes for policies governing the exposure of its investments to credit risk. They restrict the District to securities that have a rating which is the highest or second highest rating category assigned by Standard and Poor's Corporation or Moody's Investor Service. The investments requiring credit ratings are municipal bonds, rated AA3 by Moody's, and Federal Home Loan Mortgage Corporation bonds which are rated AAA by Moody's and AA+ by Standard and Poor's for years ending December 31, 2019 and 2018.

*Concentration of credit risk* - Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. Investments are not limited as to amount and are held at several banks. The District's policy does not limit the amount of each security that can be held at one time.

The District has concentration of credit risk in the following investment securities at December 31:

Investment Security	Percent of Total Investments	
	2019	2018
Federal Home Loan Mortgage Corporation bonds	0%	44%

Walworth County Metropolitan Sewerage District

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

*Custodial credit risk* - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's U.S. Government obligations are uninsured and unregistered investments for which the investments are held by the counterparty's trust department or agent in the District's name. The Local Government Investment Pool is not exposed to the custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Fair Value Measurements

GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input 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 which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs.

The District has the following investments as of December 31, 2019 and 2018 measured at fair value:

	December 31, 2019			December 31, 2018		
	Total	Level 1	Level 2	Total	Level 1	Level 3
Investments:						
U.S. Treasury bond	\$ -	\$ -	\$ -	\$ 99,538	\$ -	\$ 99,538
Government National Mortgage Association	-	-	-	1	1	-
Federal Home Loan Mortgage Corporation Bonds	-	-	-	265,000	-	265,000
	-	\$ -	\$ -	364,539	\$ -	364,539
Local Government Investment Pool **	238,771			233,511		
	\$ 238,771			\$ 598,050		

\*\*The District has investments in the Wisconsin local government investment pool of \$238,771 and \$233,511 as of December 31, 2019 and 2018, respectively. 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 and 2018, the fair value of the District's share of the LGIP's assets were substantially equal to the carrying value.

**Walworth County Metropolitan Sewerage District**

**Notes to Financial Statements**

**Note 3. Capital Assets**

During the year ended December 31, 2019, the changes in capital assets were as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,034,186	\$ 1,803,636	\$ -	\$ 2,837,822
<b>Capital assets being depreciated:</b>				
Sewage treatment plant	52,887,362	329,885	(27,653)	53,189,594
Lift stations and interceptor sewer system	30,220,026	78,443	(19,543)	30,278,926
Service vehicles and other equipment	1,970,334	302,146	(122,097)	2,150,383
Capitalized leased asset	16,363	-	-	16,363
Buildings	369,870	-	-	369,870
	<u>85,463,955</u>	<u>710,474</u>	<u>(169,293)</u>	<u>86,005,136</u>
<b>Less accumulated depreciation for:</b>				
Sewage treatment plant	29,676,926	1,480,815	(27,655)	31,130,086
Lift stations and interceptor sewer system	17,785,796	646,928	(19,542)	18,413,182
Service vehicles and other equipment	1,689,890	91,888	(122,096)	1,659,682
Capitalized leased asset	16,363	-	-	16,363
Buildings	369,474	-	-	369,474
	<u>49,538,449</u>	<u>2,219,631</u>	<u>(169,293)</u>	<u>51,588,787</u>
Total capital assets being depreciated, net	35,925,506	(1,509,157)	-	34,416,349
Total capital assets, net	<u>\$ 36,959,692</u>	<u>\$ 294,479</u>	<u>\$ -</u>	<u>\$ 37,254,171</u>

**Walworth County Metropolitan Sewerage District**

**Notes to Financial Statements**

**Note 3. Capital Assets (Continued)**

During the year ended December 31, 2018, the changes in capital assets were as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,034,186	\$ -	\$ -	\$ 1,034,186
<b>Capital assets being depreciated:</b>				
Sewage treatment plant	52,806,806	94,803	(14,247)	52,887,362
Lift stations and interceptor sewer system	30,243,764	65,482	(89,220)	30,220,026
Service vehicles and other equipment	1,842,540	158,359	(30,565)	1,970,334
Capitalized leased asset	16,363	-	-	16,363
Buildings	369,870	-	-	369,870
	<u>85,279,343</u>	<u>318,644</u>	<u>(134,032)</u>	<u>85,463,955</u>
<b>Less accumulated depreciation for:</b>				
Sewage treatment plant	28,205,467	1,485,707	(14,248)	29,676,926
Lift stations and interceptor sewer system	17,218,083	653,915	(86,204)	17,785,794
Service vehicles and other equipment	1,645,996	74,458	(30,564)	1,689,890
Capitalized leased asset	13,638	2,727	-	16,365
Buildings	369,211	263	-	369,474
	<u>47,452,395</u>	<u>2,217,070</u>	<u>(131,016)</u>	<u>49,538,449</u>
Total capital assets being depreciated, net	37,826,948	(1,898,426)	(3,016)	35,925,506
Total capital assets, net	<u>\$ 36,861,134</u>	<u>\$ (1,898,426)</u>	<u>\$ (3,016)</u>	<u>\$ 36,959,692</u>

**Walworth County Metropolitan Sewerage District**

**Notes to Financial Statements**

**Note 4. Long-term Liabilities**

Long-term liabilities consisted of the following at December 31:

	2019	2018
Environmental Improvement Fund general obligation notes with stated maturities through May 2028 at 2.5% to 2.7%. Proceeds were used to construct a plant expansion.	\$ 13,230,283	\$ 14,534,858
Sewerage System Revenue Bonds, Series 2011 with stated maturities through May 2029 at 3.5% to 4.5%. Proceeds were used to refinance part of the Environmental Improvement Fund general obligation notes.	2,630,000	2,830,000
Taxable General Obligation Sewerage Bonds, Series 2019A with stated maturities through May 2039 at 3.0% to 3.5%. Proceeds were used to acquire land.	1,690,000	-
Unamortized bond premium	16,004	-
Unamortized bond discount	(12,972)	(14,387)
Less current maturities	17,553,315	17,350,471
Long-term portion	<u>\$ 1,599,103</u>	<u>\$ 1,504,575</u>
	<u>\$ 15,954,212</u>	<u>\$ 15,845,896</u>

A summary of the changes in long-term obligations (excluding unamortized premium and unamortized discounts) of the District for the year ended December 31, 2019 follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amounts Due in One Year
Environmental Improvement Fund general obligation notes	\$ 14,534,858	\$ -	\$ 1,304,575	\$ 13,230,283	\$ 1,339,103
Sewerage System Revenue Bonds, Series 2011	2,830,000	-	200,000	2,630,000	215,000
Taxable General Obligation Sewerage bond	-	1,690,000	-	1,690,000	45,000
Total	<u>\$ 17,364,858</u>	<u>\$ 1,690,000</u>	<u>\$ 1,504,575</u>	<u>\$ 17,550,283</u>	<u>\$ 1,599,103</u>

**Walworth County Metropolitan Sewerage District**

**Notes to Financial Statements**

**Note 4. Long-Term Liabilities (Continued)**

A summary of the changes in long-term obligations (excluding unamortized premium and unamortized discounts) of the District for the year ended December 31, 2018 follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amounts Due in One Year
Environmental Improvement Fund general obligation notes	\$ 15,805,798	\$ -	\$ 1,270,940	\$ 14,534,858	\$ 1,304,575
Sewerage System Revenue Bonds, Series 2011	3,025,000	-	195,000	2,830,000	200,000
Total	<u>\$ 18,830,798</u>	<u>\$ -</u>	<u>\$ 1,465,940</u>	<u>\$ 17,364,858</u>	<u>\$ 1,504,575</u>

**General obligation debt:** All general obligation debt has been issued under the full faith and credit and unlimited taxing powers of the District. The bonds issues have certain restrictive covenants with which the District must comply. In the event of default the holder of security may take actions as may be necessary and appropriate, including mandate or specific performance by court order, for the District to comply with its obligations.

**Sewerage system revenue bonds:** The bonds are payable from and secured by a pledge on the net revenues of the sewerage system and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. In the event of default, the State reserves the right to appoint a receiver to collect user fees for the operation of the District's sewerage system or to bill the users of the District's sewerage system directly. The total principal and interest remaining to be paid on the bonds is \$3,223,254 and \$3,533,551 for the years ended December 31, 2019 and 2018, respectively. Principal and interest amounted to \$310,297 and \$311,473 for the years ended December 31, 2019 and 2018, respectively. Total net revenues amounted to \$4,547,381 and \$4,457,640 for the years ended December 31, 2019 and 2018, respectively.

Principal and interest payments of long-term debt, excluding the unamortized discount, due in future years, are as follows:

Years	Principal	Interest	Amount
2020	\$ 1,599,103	\$ 507,912	\$ 2,107,015
2021	1,664,545	443,785	2,108,330
2022	1,710,925	396,348	2,107,273
2023	1,763,269	347,363	2,110,632
2024	1,811,601	301,706	2,113,307
2025-2029	8,015,840	713,822	8,729,662
Thereafter	985,000	177,628	1,162,628
Total	<u>\$ 17,550,283</u>	<u>\$ 2,888,564</u>	<u>\$ 20,438,847</u>

# Walworth County Metropolitan Sewerage District

## Notes to Financial Statements

### Note 4. Long-Term Liabilities (Continued)

The equalized valuation of the District, as certified by the Wisconsin Department of Revenue, was \$3,911,032,243 for 2019 and \$3,662,102,412 for 2018. The legal debt limit and margin of indebtedness as of December 31, 2019 and 2018, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes, follows:

	2019	2018
Debt limit (5 percent of the equalization value)	\$ 195,551,612	\$ 183,105,121
Deduct long-term debt applicable to debt margin	17,550,283	17,364,858
Margin of indebtedness	<u>\$ 178,001,329</u>	<u>\$ 165,740,263</u>

### Note 5. Asset Retirement Obligation

The District operates interceptor lines for the collection and transmission of sewage and facilities necessary to treat and dispose of sewage. When the facilities are decommissioned and abandoned, the District will incur costs associated with legally required disposal of sludge wastes in order to prevent safety, environmental and aesthetic problems from occurring. The asset retirement obligation is the estimated costs for cleaning, vacuum excavation, hauling and disposal of the sludge and is measured at the estimated costs to be incurred at December 31, 2019. The remaining estimated life of the associated tangible capital assets is 14 years. The District is not legally required to restrict funds for this cost.

### Note 6. Restricted Net Position

A municipality receiving a loan from the Clean Water Fund Program (CWFP) is required by the State of Wisconsin Department of Natural Resources and Department of Administration to establish an equipment replacement fund (ERF) to be used only for expenses incurred for equipment related to the municipality's wastewater treatment works or urban runoff treatment works or structural urban best management practice (BMP). The EPA replacement fund has been set aside in accordance with this requirement. The Wisconsin Department of Natural Resources allows for two different methods for a District to compute their restricted EPA replacement funds. The District has elected to calculate their restricted EPA replacement funds using the allowed "percentage schedule" method. The equipment replacement fund as of December 31, 2019 and 2018 is \$1,164,881 and \$1,089,815, respectively.

In accordance with the bond agreement, the District is also required to set aside certain funds necessary to fund the debt service requirements of the bonds.

Restricted net position as of December 31, 2019 and 2018 are as follows:

	2019	2018
EPA replacement funds	\$ 1,835,119	\$ 1,910,185
Debt service reserve funds	<u>333,150</u>	<u>333,150</u>
	<u>\$ 2,168,269</u>	<u>\$ 2,243,335</u>

# Walworth County Metropolitan Sewerage District

## Notes to Financial Statements

### Note 7. User Charges and Major Municipal Customers

The District collects user charges from its participants (identified in Note 1) under authority of Wisconsin Statutes. The user charges are based on the District's cost of operating and maintaining the sewage treatment plant, lift stations, and interceptor sewer system, and to provide funds for debt service. Under Wisconsin Statutes, user charges are established by the District subject to review by the Public Service Commission of Wisconsin upon complaint.

Revenues (user charges) from participants were as follows:

Participants	2019	2018
City of Elkhorn	\$ 2,354,895	\$ 2,213,036
City of Delavan	1,523,467	1,505,505
Delavan Lake Sanitary District	956,376	849,154
Village of Williams Bay	820,520	741,515
Lake Como Sanitary District	338,265	282,795
Geneva National Sanitary District	315,293	287,868
Village of Darien	303,820	249,176
Institutional Complex of Walworth County	132,756	144,921
Town of Darien	57,418	54,548
Utility District No. 1, Town of Walworth	<u>24,175</u>	<u>23,535</u>
	<u>\$ 6,826,985</u>	<u>\$ 6,352,053</u>

### Note 8. Employees' Retirement System

#### General Information about the Pension Plan

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

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at

<http://etf.wi.gov/publications/cafr.htm>

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

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



# Walworth County Metropolitan Sewerage District

## Notes to Financial Statements

### Note 8. Employees' Retirement System (Continued)

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

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

The WRS also provides death and disability benefits for employees.

**Post-retirement adjustments:** The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with S. 40.27, Wisconsin Statute. 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:

Years	Core Fund Adjustment	Variable Fund Adjustment
	%	%
2008	6.6	0.0
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

**Contributions:** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employees 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.

# Walworth County Metropolitan Sewerage District

## Notes to Financial Statements

### Note 8. Employees' Retirement System (Continued)

For the years ended December 31, 2019 and 2018, the District contributed \$79,838 and \$75,015, respectively.

Contribution rates as of December 31, 2019 were:

Employee Category	Employee	Employer
General	6.7%	6.7%
Executives and elected officials	6.7%	6.7%

Contribution rates as of December 31, 2018 were:

Employee Category	Employee	Employer
General	6.8%	6.8%
Executives and elected officials	6.8%	6.8%

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

At December 31, 2019 and 2018, the District reported an (asset) liability of \$248,687 and (\$203,170), respectively, for its proportionate share of the net pension (asset) liability. The net pension (asset) liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of December 31, 2017 and 2016 rolled forward to December 31, 2018 and 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension (asset) liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was .0070 percent, which was an increase of .0002 from its proportion measured as of December 31, 2017. At December 31, 2017, the District's proportion was .0068 percent, which was a decrease of .0002 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2019 and 2018, the District recognized pension expense of \$171,057 and \$91,052, respectively.

## Notes to Financial Statements

## Note 8. Employees' Retirement System (Continued)

At December 31, 2019 and 2018, the District reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 193,691	\$ (342,375)	\$ 288,135	\$ (120,747)
Changes in assumptions	41,919	-	40,142	-
Net differences between projected and actual earnings on pension plan investments	740,180	(376,989)	217,451	(496,691)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,111	(282)	5,393	(391)
Employer contributions subsequent to the measurement date	79,838	-	75,015	-
Total	\$ 1,058,739	\$ (719,646)	\$ 586,138	\$ (617,829)

\$79,838 and \$75,015 was reported as deferred outflow of resources related to pension resulting from the WRS Employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension (asset) liability in the years ended December 31, 2019 and 2018, respectively. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

Years Ended December 31	Deferred Outflow of Resources	Deferred Inflow of Resources
2019	\$ 353,761	\$ (258,770)
2020	232,272	(208,569)
2021	227,538	(186,672)
2022	165,330	(65,635)
Thereafter	-	-
Total	\$ 978,901	\$ (719,646)

**Actuarial assumptions:** The total pension liability in the December 31, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2017	December 31, 2016
Measurement date of net pension (asset) liability	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.0%	7.2%
Discount rate	7.0%	7.2%
Salary increases:		
Inflation	3.0%	3.2%
Seniority/merit	0.1% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	1.9%	2.1%

## Notes to Financial Statements

## Note 8. Employees' Retirement System (Continued)

\* 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 and 2017 is based upon a roll-forward of the liability calculated from the December 31, 2017 and 2016 actuarial valuations.

**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:

**Retirement Funds**  
**Asset Allocation Targets and Expected Returns**  
As of December 31, 2018

Core Fund Asset Class	Current Asset Allocation %	Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global equities	49.0%	8.1%	5.5%
Fixed income	24.5	4.0	1.5
Inflation sensitive assets	15.5	3.8	1.3
Real estate	9.0	6.5	3.9
Private equity/debt	8.0	9.4	6.7
Multi-asset	4.0	6.7	4.1
Total core fund	110.0%	7.3%	4.7%
Variable Fund Asset Class			
U.S. equities	70.0%	7.6%	5.0%
International equities	30.0	8.5	5.9
Total variable fund	100.0%	8.0%	5.4%

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

Notes to Financial Statements

Note 8. Employees' Retirement System (Continued)

**Single discount rate:** A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.0%)		Current Discount Rate (7.0%)		1% Increase To Discount Rate (8.0%)	
The District's proportionate share of the net pension (asset) liability	\$	988,310	\$	248,687	\$	(301,279)

**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://efit.wi.gov/publications/cafr.htm> and reference report number 19-17.



**Schedule of Walworth County Metropolitan Sewerage District's  
Proportionate Share of Net Pension (Asset) Liability**

**Wisconsin Retirement System**

**December 31, 2018, 2017, 2016, 2015 and 2014**

	2018	2017	2016	2015	2014
The District's proportion of net pension (asset) liability	0.0070%	0.0068%	0.0070%	0.0070%	0.0072%
The District's proportionate share of the net pension (asset) liability	\$ 248,687	\$ (203,170)	\$ 57,857	\$ 113,158	\$ (176,770)
The District's covered-employee payroll	1,119,633	968,474	1,036,523	973,920	984,582
Plan fiduciary net position as a percentage of the total pension (asset) liability	96.45%	102.93%	99.12%	98.20%	102.74%

\*The amounts presented for each fiscal year were determined as of the previous calendar year-end. Certain information prior to 2014 is not available.

**Schedule of Walworth County Metropolitan Sewerage District  
Employer Contributions**

**Wisconsin Retirement System**

**December 31, 2019, 2018, 2017, 2016, 2015 and 2014**

	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 79,838	\$ 75,015	\$ 65,856	\$ 68,410	\$ 66,227	\$ 68,921
Contributions in relation to the contractually required contributions	79,838	75,015	65,856	68,410	66,227	68,921
Contributions deficiency (excess)	-	-	-	-	-	-
The District's covered-employee payroll	1,218,896	1,119,634	968,475	1,036,523	973,920	984,582
Contributions as a percentage of covered-employee payroll	6.55%	6.70%	6.80%	6.60%	6.80%	7.00%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Certain information prior to 2014 is not available.

**Notes to Required Supplementary Information  
for the Years Ended December 31, 2018, 2017, 2016, 2015 and 2014**

*Changes of benefit terms:* There were no changes of benefit term for any participating employer in WRS.

*Changes 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.

## **APPENDIX B**

### **FORM OF LEGAL OPINION**

*(See following pages)*

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

February 4, 2021

Re: Walworth County Metropolitan Sewerage District, Wisconsin ("Issuer")  
\$2,165,000 Sewerage System Revenue Refunding Bonds, Series 2021A,  
dated February 4, 2021 ("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 issued pursuant to Section 66.0621, Wisconsin Statutes, and a resolution adopted by the District Commission of the Issuer on December 8, 2020 (the "Bond Resolution"). The Issuer covenanted in the Bond Resolution that revenues of the Sewerage System (the "System") of the Issuer which are deposited in the Special Redemption Fund provided by the Bond Resolution (the "Revenues") shall at all times be sufficient to pay the principal of and interest on the Bonds as the same falls due.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$255,000	____%
2023	265,000	____
2024	265,000	____
2025	275,000	____
2026	280,000	____
2027	285,000	____
2028	275,000	____
2029	265,000	____

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

The Bonds maturing on May 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2027 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 Issuer is duly created and validly existing under the Constitution and laws of the State of Wisconsin with the power to adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Bond Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Bonds have been lawfully authorized and issued by the Issuer pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms payable solely from the Revenues of the System. The Bonds, together with interest thereon, do not constitute an indebtedness of the Issuer nor a charge against its general credit or taxing power.

4. 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.

We express no opinion regarding the creation, perfection or priority of any security interest in the Revenues or other funds created by the Bond Resolution or on the sufficiency of the Revenues.

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 District 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 District 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 District, 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 District 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 District 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 District 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

*(See following pages)*



## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Walworth County Metropolitan Sewerage District, Walworth County, Wisconsin (the "Issuer") in connection with the issuance of \$2,165,000 Sewerage System Revenue Refunding Bonds, Series 2021A, dated February 4, 2021 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on December 8, 2020, as supplemented by a Certificate Approving the Details of Sewerage System Revenue Refunding Bonds, Series 2021A (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 annually 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). The Issuer is an obligated person with respect to not more than \$10,000,000 in aggregate amount of outstanding municipal securities (including the Securities but excluding obligations exempt from the Rule). 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 January 14, 2021 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 District Commission of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the Walworth County Metropolitan Sewerage District, Walworth County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the Administrator of the Issuer who can be contacted at 975 West Walworth Avenue, Delavan, Wisconsin 53115, phone (262) 728-4140, fax (262) 728-4142.

"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 ended 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.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference financial information and operating data that is customarily prepared and publicly available, to wit:

1. Audited Financial Statements; and
2. The Issuer's adopted annual budget.

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 4th day of February, 2021.

(SEAL)

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Dean Logterman  
President

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Ron Henriott  
Secretary

## APPENDIX E

### NOTICE OF SALE

#### **\$2,165,000\* SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2021A WALWORTH COUNTY METROPOLITAN SEWERAGE DISTRICT, WISCONSIN**

Bids for the purchase of \$2,165,000\* Sewerage System Revenue Refunding Bonds, Series 2021A (the "Bonds") of the Walworth County Metropolitan Sewerage District, Wisconsin (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, 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 January 13, 2021, at which time they will be opened, read and tabulated. **The District Commission adopted a resolution on December 8, 2020 (the "Parameters Resolution") which authorized the District Administrator or the Assistant Administrator to accept bids for the Bonds if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on January 13, 2021, neither the District Administrator nor the Assistant Administrator will have the authority to accept a bid for the Bonds, and all bids for the Bonds will be rejected.**

#### **PURPOSE**

The Bonds are being issued pursuant to Section 66.0621 of the Wisconsin Statutes, to provide funds for the public purpose of current refunding certain obligations of the District. The Bonds are not general obligations of the District but are payable only from and secured by a pledge of income and revenue of the Sewerage System.

#### **DATES AND MATURITIES**

The Bonds will be dated February 4, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$255,000	2025	\$275,000	2028	\$275,000
2023	265,000	2026	280,000	2029	265,000
2024	265,000	2027	285,000		

#### **ADJUSTMENT OPTION**

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each, up to a maximum of \$50,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

#### **TERM BOND OPTION**

Bids for the 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 May 1 and November 1 of each year, commencing November 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 District 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 District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

At the option of the District, the Bonds maturing on or after May 1, 2028 shall be subject to optional redemption prior to maturity on May 1, 2027 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 District. If only part of the Bonds having a common maturity date are called for redemption, then the District 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 February 4, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District 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 District, threatened. Payment for the Bonds must be received by the District 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 District, 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 special obligations of the District; 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 District to serve as Disclosure Counsel to the District with respect to the Bonds. Although, as Disclosure Counsel to the District, Quarles & Brady LLP has assisted the District 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 \$2,143,350 nor more than \$2,294,900 plus accrued interest on the principal sum of \$2,165,000 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 District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

**A good faith deposit ("Deposit") in the amount of \$43,300 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 District 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 District 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 District as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The District 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 District 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 District'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 District reserves the right to reject any and all bids and to waive any informality in any bid. **The Bonds will not be awarded if the TIC (taking the purchaser's compensation into account) exceeds 2.75% or if the other conditions set forth in the Parameters Resolution are not satisfied.**

### **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 District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District 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 District 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 District 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 District 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 District in establishing the issue price of the Bonds and shall execute and deliver to the District 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 District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District 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 District 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 District 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 District 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 District 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 District 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 District 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 District 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 District 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 District, 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 District 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 District 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 District (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 District 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 District Commission

Cindy Moehling, Assistant Administrator/Accountant  
Walworth County Metropolitan Sewerage District, Wisconsin

# BID FORM

January 13, 2021

Walworth County Metropolitan Sewerage District, Wisconsin

RE: \$2,165,000\* Sewerage System Revenue Refunding Bonds, Series 2021A (the "Bonds")

DATED: February 4, 2021

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 \$2,143,350 nor more than \$2,294,900) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2022	_____ % due 2025	_____ % due 2028
_____ % due 2023	_____ % due 2026	_____ % due 2029
_____ % due 2024	_____ % due 2027	

\* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each, up to a maximum of \$50,000 per maturity. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000. 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 \$43,300 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 District 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 District 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 District 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 February 4, 2021.

This bid is subject to the District'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 District 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 either the: \_\_\_\_\_ 10% test, or the \_\_\_\_\_ 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 February 4, 2021 of the above bid is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted on behalf of the District Commission of the Walworth County Metropolitan Sewerage District, Wisconsin, on January 13, 2021.

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

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