

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2026

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

The Notes shall be designated as "qualified tax-exempt obligations".

New Issue

Non-Rated

CITY OF LANCASTER, WISCONSIN (Grant County)

\$1,650,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2026A

BID OPENING: April 8, 2026, 10:30 A.M., C.T.

CONSIDERATION: Not later than 11:59 P.M., C.T. on April 8, 2026 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The \$1,650,000* General Obligation Promissory Notes, Series 2026A (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City of Lancaster, Wisconsin (the "City"), for public purposes, including paying the cost of projects in the City's Capital Improvement Plan, such as street improvement projects, park projects, fire station building projects, sewer utility projects, golf course improvements and acquiring vehicles and equipment for various municipal departments. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF NOTES: April 30, 2026

MATURITY: April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$45,000	2034	\$75,000	2041	\$95,000
2028	70,000	2035	75,000	2042	100,000
2029	70,000	2036	75,000	2043	100,000
2030	70,000	2037	75,000	2044	100,000
2031	70,000	2038	85,000	2045	100,000
2032	75,000	2039	85,000	2046	115,000
2033	75,000	2040	95,000		

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to an increase of \$85,000 or a decrease of \$40,000 for the 2027 maturity, and up to an increase or decrease of \$55,000 per maturity for maturities in 2028 through 2046. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: April 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing on April 1, 2034 and thereafter are subject to call for prior optional redemption on April 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM BID: \$1,633,500.

MAXIMUM BID: \$1,815,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$33,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL AND

DISCLOSURE COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or 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 City to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Official Statement is not to be construed as a contract with the underwriter (Syndicate Manager). 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 Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles & Brady LLP will serve as Disclosure Counsel to the City with respect to the Notes. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Notes.

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

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

Preliminary Official Statement: This Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this 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 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 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 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 Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

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

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CITY OF LANCASTER COMMON COUNCIL

		<u>Term Expires</u>
Stuart Harper	Mayor	April 2026
Matt Pennekamp	Council President	April 2026*
Kaden Crapp	Alderman	April 2027
Matthew Harper	Alderman	April 2026*
James Hibbard	Alderman	April 2027
Mike Johansen	Alderman	April 2026
Kate Reuter	Alderman	April 2027
Crystal Riley	Alderman	April 2026
Jordan Wilson	Alderman	April 2027

ADMINISTRATION

David Kurihara, City Clerk/Treasurer

Michael Kuchta, City Administrator

PROFESSIONAL SERVICES

David Helmke, McNamara, Reinicke, Vogelsberg & Helmke, LLP, City Attorney, Lancaster, Wisconsin

Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin

Ehlers and Associates, Inc., Municipal Advisors, Waukesha, Wisconsin

(Other office located in Minneapolis, Minnesota)

* Member is seeking re-election on April 7, 2026.

INTRODUCTORY STATEMENT

This Official Statement contains certain information regarding the City of Lancaster, Wisconsin (the "City") and the issuance of its \$1,650,000* General Obligation Promissory Notes, Series 2026A (the "Notes"). **The Common Council adopted a resolution on March 16, 2026 (the "Parameters Resolution"), which authorizes the City Administrator or the City Clerk/Treasurer to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on April 8, 2026, neither the City Administrator nor the City Clerk/Treasurer will have the authority to accept a bid for the Notes, and all bids for the Notes will be rejected.**

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

THE NOTES

GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 30, 2026. The Notes will mature on April 1 in the years and amounts set forth on the cover of this Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2027, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2034 shall be subject to optional redemption prior to maturity on April 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

*Preliminary, subject to change.

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

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

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including paying the cost of projects in the City’s Capital Improvement Plan, such as street improvement projects, park projects, fire station building projects, sewer utility projects, golf course improvements and acquiring vehicles and equipment for various municipal departments.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Notes	\$1,650,000	
Estimated Interest Earnings	<u>11,738</u>	
Total Sources		\$1,661,738
Uses		
Estimated Underwriter's Discount	\$20,625	
Costs of Issuance	73,550	
Deposit to Project Construction Fund	1,565,000	
Rounding Amount	<u>2,563</u>	
Total Uses		\$1,661,738

*Preliminary, subject to change.

SECURITY

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

RATING

None of the general obligation outstanding indebtedness of the City is currently rated, other than credit enhanced issues, and the City has not requested a rating on the Notes. A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the City.

CONTINUING DISCLOSURE

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

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

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

The City failed to timely file notice of the incurrence of a financial obligation incurred in May 2022. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities, including the two new material events, to help ensure compliance in the future. Ehlers is currently engaged as dissemination agent for the City.

LEGAL MATTERS

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

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes 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 the Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes 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 Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

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

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

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

ORIGINAL ISSUE DISCOUNT

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

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond 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 bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond 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 bond 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 Notes shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2024 have been audited by Johnson Block & Company, Inc., Mineral Point, 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

The following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here. Potential investors should read this Official Statement, including the appendices, in its entirety.

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

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

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

Interest Rates: In the future, interest rates for this type of obligation may rise generally, possibly resulting in a reduction in the value of the Notes for resale prior to maturity.

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

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

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

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

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

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

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

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

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.

CURRENT PROPERTY VALUATIONS

2025 Equalized Value	\$431,455,400
2025 Equalized Value Reduced by Tax Increment Valuation	\$389,192,100
2025 Assessed Value	\$327,246,200

2025 EQUALIZED VALUE BY CLASSIFICATION

	2025 Equalized Value¹	Percent of Total Equalized Value
Residential	\$301,122,800	69.792%
Commercial	113,262,400	26.251%
Manufacturing	16,366,700	3.793%
Agricultural	159,200	0.037%
Undeveloped	66,500	0.015%
Forest	13,500	0.003%
Other	464,300	0.108%
	<hr/>	<hr/>
Total	<u><u>\$431,455,400</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value¹	Percent Increase/Decrease in Equalized Value
2021	\$224,912,600	\$288,182,300	5.81%
2022	318,286,900 ²	319,188,300	10.76%
2023	325,831,200	354,926,000	11.20%
2024	323,879,100	391,048,600	10.18%
2025	327,246,200	431,455,400	10.33%

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

¹ Includes tax increment valuation.

² Reassessment completed.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2025 Equalized Value ¹	Percent of City's Total Equalized Value
S & S Partnership	Cold Storage	\$10,627,626	2.46%
Premier Co-op	Cooperative	8,700,052	2.02%
Amcor	Packing Processing	4,894,358	1.13%
Lancaster Hotel Development	Hotel	4,774,048	1.11%
Foremost Farms	Dairy Processing	4,318,252	1.00%
Sunrise Valley	Low Income Housing	4,203,683	0.97%
Endres Lancaster Workforce LLC	Workforce Housing Apartments	3,697,258	0.86%
Kwik-Trip	Convenience Store	3,322,234	0.77%
Homette	Manufactured Homes	3,146,336	0.73%
Saputo Cheese ²	Dairy Processing	2,996,144	0.69%
Total		<u>\$50,679,991</u>	<u>11.75%</u>

City's Total 2025 Equalized Value³ \$431,455,400

Source: The City.

DEBT

DIRECT DEBT⁴

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Notes)* \$12,925,946

Revenue Debt (see schedules following)

Total revenue debt secured by sewer revenues \$4,287,647

Total revenue debt secured by water revenues \$1,120,000

*Preliminary, subject to change.

¹ Calculated by dividing the 2025 Assessed Values by the 2025 Aggregate Ratio of assessment for the City.

² Saputo Cheese ceased operations in the City and closed its facility in May 2024. This property is currently being marketed for sale.

³ Includes tax increment valuation.

⁴ Outstanding debt is as of the dated date of the Notes.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

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	\$431,455,400
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$21,572,770
Less: General Obligation Debt*	<u>(12,925,946)</u>
Unused Debt Limit*	<u><u>\$8,646,824</u></u>

*Preliminary, subject to change.

City of Lancaster, Wisconsin
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 04/30/2026)

	Library Bonds Series 2014		Corporate Purpose Bonds Series 2014		Promissory Note		Corporate Purpose Bonds Series 2017		Refunding Bonds	
Dated	09/16/2014		11/10/2014		11/20/2017		12/11/2017		06/20/2019	
Amount	\$1,560,000		\$1,420,000		\$635,000		\$2,975,000		\$3,235,000	
Maturity	06/01		06/01		11/20		12/01		06/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	125,000	50,100	115,000	12,650	71,234	5,041	210,000	45,169	140,000	82,230
2027	130,000	45,000	115,000	9,200	73,712	2,563	215,000	38,869	150,000	76,430
2028	135,000	39,700	120,000	5,675			100,000	32,419	155,000	70,330
2029	140,000	34,200	125,000	1,938			100,000	29,419	160,000	64,030
2030	145,000	28,500					100,000	26,419	165,000	57,530
2031	150,000	22,600					100,000	23,419	175,000	51,605
2032	155,000	16,500					100,000	20,294	180,000	46,280
2033	165,000	10,100					100,000	17,169	185,000	40,805
2034	170,000	3,400					100,000	13,919	190,000	35,180
2035							105,000	10,669	195,000	29,405
2036							105,000	7,256	200,000	23,480
2037							110,000	3,713	205,000	17,200
2038									215,000	10,480
2039									220,000	3,520
2040										
2041										
2042										
2043										
2044										
2045										
2046										
	1,315,000	250,100	475,000	29,463	144,946	7,604	1,445,000	268,731	2,535,000	608,505

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City of Lancaster, Wisconsin
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 04/30/2026)

Dated Amount	Refunding Bonds		Promissory Note ¹		Promissory Note		Promissory Notes Series 2024A		Promissory Notes Series 2026A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	04/14/2021	05/31/2022	10/10/2023	12/04/2024	04/30/2026	Principal	Interest	Principal	Interest	Principal						
\$960,000		\$1,655,000	\$995,000	\$2,725,000	\$1,650,000*											
Maturity	06/01	05/31	10/10	06/01	04/01											
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	25,000	18,100	155,000	32,558	99,500	34,219	245,000	109,375	0	0	1,185,734	389,442	1,575,176	11,740,212	9.17%	2026
2027	25,000	17,475	140,000	28,032	99,500	29,942	140,000	99,750	45,000	87,664	1,133,212	434,925	1,568,137	10,607,000	17.94%	2027
2028	45,000	16,425	115,000	23,944	99,500	25,735	125,000	93,125	70,000	59,835	964,500	367,187	1,331,687	9,642,500	25.40%	2028
2029	45,000	15,075	105,000	20,586	99,500	21,387	115,000	87,125	70,000	57,735	959,500	331,494	1,290,994	8,683,000	32.83%	2029
2030	60,000	13,800	210,000	17,520	99,500	17,110	110,000	81,500	70,000	55,635	959,500	298,013	1,257,513	7,723,500	40.25%	2030
2031	60,000	12,600	200,000	11,388	99,500	12,832	110,000	76,000	70,000	53,518	964,500	263,961	1,228,461	6,759,000	47.71%	2031
2032	60,000	11,400	190,000	5,548	99,500	8,578	110,000	70,500	75,000	51,269	969,500	230,369	1,199,869	5,789,500	55.21%	2032
2033	65,000	10,150			99,500	4,277	115,000	64,875	75,000	48,888	804,500	196,264	1,000,764	4,985,000	61.43%	2033
2034	65,000	8,850					120,000	59,000	75,000	46,450	720,000	166,799	886,799	4,265,000	67.00%	2034
2035	65,000	7,550					120,000	53,600	75,000	43,919	560,000	145,143	705,143	3,705,000	71.34%	2035
2036	65,000	6,250					115,000	48,900	75,000	41,294	560,000	127,180	687,180	3,145,000	75.67%	2036
2037	70,000	4,900					120,000	44,200	75,000	38,556	580,000	108,569	688,569	2,565,000	80.16%	2037
2038	70,000	3,500					135,000	39,100	85,000	35,471	505,000	88,551	593,551	2,060,000	84.06%	2038
2039	70,000	2,100					140,000	33,600	85,000	32,071	515,000	71,291	586,291	1,545,000	88.05%	2039
2040	70,000	700					145,000	27,900	95,000	28,379	310,000	56,979	366,979	1,235,000	90.45%	2040
2041							150,000	22,000	95,000	24,413	245,000	46,413	291,413	990,000	92.34%	2041
2042							155,000	15,900	100,000	20,293	255,000	36,193	291,193	735,000	94.31%	2042
2043							155,000	9,700	100,000	16,018	255,000	25,718	280,718	480,000	96.29%	2043
2044							165,000	3,300	100,000	11,693	265,000	14,993	279,993	215,000	98.34%	2044
2045									100,000	7,318	100,000	7,318	107,318	115,000	99.11%	2045
2046									115,000	2,559	115,000	2,559	117,559	0	100.00%	2046
	860,000	148,875	1,115,000	139,576	796,000	154,080	2,590,000	1,039,450	1,650,000	762,974	12,925,946	3,409,358	16,335,304			

¹ This note contains provisions that allow the lender, at its option, to declare the note immediately due and payable upon occurrence of any one or more of the following events: (i) the City fails to pay any amount when due under the note or any other instrument evidencing indebtedness of the City to the lender; (ii) any representation or warranty made under the note or information provided by the City in connection with the note is or was false or fraudulent in any material respect; (iii) a material adverse change occurs in the City's financial condition; (iv) the City fails to timely observe or perform any of the covenants or duties in the note; (v) an event of default occurs under any agreement securing the note; or (vi) the lender deems itself insecure.

* Preliminary, subject to change.

City of Lancaster, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of 04/30/2026)

	Taxable Sewer System Revenue Refunding Bonds		Sewer System Revenue Bonds (CWFL) 1) Series 2025							
Dated Amount	04/14/2021 \$2,130,000		02/12/2025 \$2,627,647							
Maturity	05/01		05/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	195,000	30,354	112,895	56,566	307,895	86,920	394,815	3,979,752	7.18%	2026
2027	200,000	27,635	115,379	54,055	315,379	81,690	397,069	3,664,373	14.54%	2027
2028	200,000	24,435	117,917	51,489	317,917	75,924	393,841	3,346,456	21.95%	2028
2029	205,000	20,788	120,511	48,866	325,511	69,654	395,165	3,020,945	29.54%	2029
2030	210,000	16,740	123,162	46,186	333,162	62,926	396,088	2,687,783	37.31%	2030
2031	210,000	12,383	125,872	43,447	335,872	55,829	391,701	2,351,911	45.15%	2031
2032	215,000	7,706	128,641	40,647	343,641	48,353	391,994	2,008,269	53.16%	2032
2033	225,000	2,644	131,471	37,786	356,471	40,429	396,901	1,651,798	61.48%	2033
2034			134,364	34,862	134,364	34,862	169,225	1,517,434	64.61%	2034
2035			137,320	31,873	137,320	31,873	169,193	1,380,115	67.81%	2035
2036			140,341	28,819	140,341	28,819	169,160	1,239,774	71.08%	2036
2037			143,428	25,697	143,428	25,697	169,126	1,096,346	74.43%	2037
2038			146,584	22,507	146,584	22,507	169,091	949,762	77.85%	2038
2039			149,808	19,247	149,808	19,247	169,055	799,954	81.34%	2039
2040			153,104	15,915	153,104	15,915	169,019	646,849	84.91%	2040
2041			156,473	12,509	156,473	12,509	168,982	490,377	88.56%	2041
2042			159,915	9,029	159,915	9,029	168,944	330,462	92.29%	2042
2043			163,433	5,472	163,433	5,472	168,905	167,029	96.10%	2043
2044			167,029	1,837	167,029	1,837	168,866	0	100.00%	2044
	1,660,000	142,684	2,627,647	586,811	4,287,647	729,494	5,017,141			

1) Pursuant to the Wisconsin Capital Finance Office, Project No. 4331-08, the amount of disbursements as of March 17, 2026 is \$2,168,249.19. The schedule shown assumes full draws of the loan.

City of Lancaster, Wisconsin
 Schedule of Bonded Indebtedness
 Revenue Debt Secured by Water Revenues
 (As of 04/30/2026)

Water System Revenue Bonds
 Series 2014

Dated	08/29/2014
Amount	\$3,105,000
Maturity	05/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	210,000	33,888	210,000	33,888	243,888	910,000	18.75%	2026
2027	215,000	27,139	215,000	27,139	242,139	695,000	37.95%	2027
2028	225,000	19,933	225,000	19,933	244,933	470,000	58.04%	2028
2029	230,000	12,310	230,000	12,310	242,310	240,000	78.57%	2029
2030	240,000	4,200	240,000	4,200	244,200	0	100.00%	2030
	1,120,000	97,469	1,120,000	97,469	1,217,469			

OVERLAPPING DEBT¹

Taxing District	2025 Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
Grant County	\$5,708,976,400	7.5575%	\$23,130,000	\$1,748,050
Southwest Technical College District	15,833,614,719	2.7249%	20,650,000	<u>562,692</u>
City's Share of Total Overlapping Debt				<u><u>\$2,310,742</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$431,455,400	Debt/ Per Capita 3,974⁴
Total General Obligation Debt*	\$12,925,946	3.00%	\$3,252.63
City's Share of Total Overlapping Debt	<u>2,310,742</u>	<u>0.54%</u>	<u>581.46</u>
Total*	\$15,236,688	3.54%	\$3,834.09

*Preliminary, subject to change.

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

² Includes tax increment valuation.

³ Outstanding debt based on information obtained on EMMA, Wisconsin Department of Revenue, Wisconsin Department of Public Instruction and the Municipal Advisor's records.

⁴ Estimated 2025 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2021/22	\$1,459,900	100%	\$5.41
2022/23	1,493,200	100%	4.98
2023/24	1,597,560	100%	4.90
2024/25	1,685,460	100%	4.73
2025/26	1,804,684	In Process of Collection	4.64

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

Special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Previously, personal property taxes were required to be paid to the town, city or village treasurer in full by January 31. Uncollected personal property taxes owed by an entity that had ceased operations or filed a petition for bankruptcy, or were due on personal property that had been removed from the next assessment roll were formerly collected from each taxing entity in the year following the levy year. The personal property tax was repealed, starting with the property tax assessments as of January 1, 2024. Beginning in 2025, the personal property tax was replaced with a payment from the State intended to replace the amount of property taxes imposed on personal property for the property tax assessments as of January 1, 2023.

PROPERTY TAX RATES

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

Year Levied/ Year Collected	Schools¹	County	Local	Total
2021/22	\$8.52	\$3.34	\$5.41	\$17.27
2022/23	7.28	3.35	4.98	15.61
2023/24	7.11	3.26	4.90	15.27
2024/25	6.26	3.06	4.73	14.05
2025/26	6.54	2.74	4.64	13.92

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

LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent; for a tax incremental district created after December 31, 2024, the valuation factor includes 90% of the equalized value increase due to new construction that is located in a tax incremental district, but does not include any improvements removed in a tax incremental district). 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%.

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

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.

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. In addition, the statute provides for certain other adjustments to and exclusions from the tax levy limit. Among the exclusions, Section 66.0602(3)(e)5. of the Wisconsin Statutes provides that the levy limit does not apply to "the amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 by that political subdivision." Recent positions taken by the Wisconsin Department of Revenue ("DOR") call into question the availability of this exception if the revenue shortfall is planned or ongoing. To date, such DOR positions have not been expressed formally in a declaratory ruling under Section 227.41(5)(a) of the Wisconsin Statutes, nor have they been the subject of any court challenge or resulting court ruling.

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

REVENUE FROM THE STATE

In addition to local property taxes described above, a number of State programs exist which provide revenue to the City. One such program is commonly known as shared revenue which, pursuant to sec. 79.036, Wis. Stats., provides funding to the City that can be used for any public purpose. Chapter 79, Wis. Stats. includes other revenue sharing programs, which each have their own requirements. 2023 Wisconsin Act 12 ("Act 12") created a supplement to shared revenue, with payments to the City beginning in 2024. This supplemental shared revenue may be used only for the purposes specified in section 79.037, Wis. Stats. In 2025, the City received approximately \$1,445,000 in shared revenue under Chapter 79, Wis. Stats., an increase from the approximately \$1,408,000 received in 2024. The City is expected to receive approximately \$1,489,000 in shared revenue under Chapter 79, Wis. Stats. in 2026. In future years, the amount of supplemental shared revenue could grow if State sales tax collections grow.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1937 and is governed by a Mayor and an eight-member Common Council. All Council Members are elected to two-year terms. The appointed City Administrator and City Clerk/Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 30 full-time and 13 part-time employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal year ended December 31, 2022, the fiscal year ended December 31, 2023 and the fiscal year ended December 31, 2024 ("Fiscal Year 2024"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$135,045, \$146,011, and \$161,226, respectively.

Governmental Accounting Standards Board Statement No. 68 ("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, 2023, the total pension liability of the WRS was calculated as \$129.2 billion and the fiduciary net position of the WRS was calculated as \$127.7 billion, resulting in a net pension liability of \$1.5 billion. As of December 31, 2024, the total pension liability of the WRS was calculated as \$136.18 billion and the fiduciary net position of the WRS was calculated as \$134.54 billion, resulting in a net pension liability of \$1.64 billion. Accordingly, the City will continue to report a liability for its proportionate share of the net pension liability in its audited financial statements for the year ended December 31, 2025.

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 2024, the City reported a liability of \$167,646 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2023 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.01127560% of the aggregate WRS net pension liability as of December 31, 2023.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 8 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers.

MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.¹

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

The following bargaining unit represents employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Wisconsin Professional Police Association	December 31, 2026

OTHER POST EMPLOYMENT BENEFITS

The City permits eligible retirees to remain on the City's group health plan, but retirees are responsible for the payment of 100% of the premiums, resulting in an implicit rate subsidy.

The City also participates in the Local Retiree Life Insurance Fund ("LRLIF"), which is a cost-sharing multiple-employer defined benefit plan established by Chapter 40. The ETF and the Group Insurance Board have statutory authority for program administration and oversight, including establishing contribution requirements for employers.

For Fiscal Year 2024, the City's portion of contributions to the LRLIF totaled \$740. For Fiscal Year 2024, the City reported a liability of \$169,595 for its proportionate share of the net OPEB liability of the LRLIF. The net OPEB

¹ On July 3, 2024, a Wisconsin circuit court judge issued a decision in the case *Abbotsford Education Association vs. Wisconsin Employment Relations Commission, Case No. 2023CV3152*, denying the Wisconsin State Legislature's intervening motion to dismiss the plaintiffs' challenge to the different classifications the Act created regarding collective bargaining rights. The court's order denying the motion to dismiss stated that the Act violates the equal protection clause of the Wisconsin Constitution and declared those provisions of the Act relating to collective bargaining modifications unconstitutional and void. The decision further instructed the parties to make additional filings to the court as to whether the court should issue judgment on the pleadings in light of the court's order or take some other action to bring the case to a final judgment. On December 2, 2024, the court issued an order granting the plaintiffs' motion for judgment on the pleadings and striking down substantial portions of the Act. The court's decision has been appealed to the Wisconsin Court of Appeals. On January 23, 2025, the court granted a motion to stay the decision pending outcome of the appeal. No guarantee can be made regarding the outcome of the matter.

liability was measured as of December 31, 2023 based on the City's share of contributions to the LRLIF relative to the contributions of all participating employers. The City's proportion was 0.03686300% of the aggregate LRLIF net OPEB liability as of December 31, 2023.

The calculation of the total OPEB liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of the net OPEB liability of the LRLIF, which may also cause ETF to change the contribution requirements for employers and employees. For more detailed information, see Note 7 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

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

FUNDS ON HAND (as of February 28, 2026)

Fund	Total Cash and Investments
General	\$509,294
Special Revenue	1,175,197
Debt Service	323,256
Capital Projects	480,747
Enterprise Funds	1,214,926
Trust and Agency (Tax)	<u>1,661,328</u>
 Total Funds on Hand	 <u><u>\$5,364,748</u></u>

ENTERPRISE FUNDS

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

	2022 Audited	2023 Audited	2024 Audited
Water			
Total Operating Revenues	\$1,159,225	\$1,160,371	\$1,209,828
Less: Operating Expenses	<u>(854,302)</u>	<u>(857,545)</u>	<u>(963,284)</u>
Operating Income	\$304,923	\$302,826	\$246,544
Plus: Depreciation	301,472	307,533	315,938
Interest Income	<u>6,663</u>	<u>21,089</u>	<u>24,000</u>
Revenues Available for Debt Service	<u><u>\$613,058</u></u>	<u><u>\$631,448</u></u>	<u><u>\$586,482</u></u>
Sewer			
Total Operating Revenues	\$1,143,913	\$1,267,063	\$1,198,203
Less: Operating Expenses	<u>(1,123,641)</u>	<u>(1,194,717)</u>	<u>(1,199,162)</u>
Operating Income	\$20,272	\$72,346	(\$959)
Plus: Depreciation	287,016	289,665	295,795
Interest Income	<u>11,471</u>	<u>36,986</u>	<u>42,102</u>
Revenues Available for Debt Service	<u><u>\$318,759</u></u>	<u><u>\$398,997</u></u>	<u><u>\$336,938</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2024 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31

COMBINED STATEMENT

	2022 Audited	2023 Audited	2024 Audited	2025 Unaudited
Revenues				
Taxes & special assessments	\$285,661	\$419,570	\$382,684	\$473,814
Licenses and permits	72,323	96,765	88,045	73,294
Fines, forfeits and penalties	23,996	29,124	25,120	31,368
Intergovernmental	1,563,214	1,524,698	1,750,271	1,808,240
Public charges for services	387,924	360,489	364,326	361,295
Intergovernmental charges for services	112,580	114,780	127,396	58,000
Miscellaneous:				
Interest	19,670	97,239	98,324	60,135
Other	97,859	124,979	95,675	129,842
Total Revenues	<u>\$2,563,227</u>	<u>\$2,767,644</u>	<u>\$2,931,841</u>	<u>\$2,995,988</u>
Expenditures				
Current:				
General government	\$470,715	\$528,363	\$503,755	\$626,287
Public safety	980,878	1,018,205	1,096,296	1,108,982
Public works	772,573	835,789	838,181	883,243
Culture, recreation and education	283,622	313,423	354,207	441,554
Conservation and development	66,778	69,370	57,606	71,510
Total Expenditures	<u>\$2,574,566</u>	<u>\$2,765,150</u>	<u>\$2,850,045</u>	<u>\$3,131,576</u>
Excess of revenues over (under) expenditures	(\$11,339)	\$2,494	\$81,796	(\$135,588)
Other Financing Sources (Uses)				
Gain on sale of capital assets	\$965	\$258	\$300	\$0
Transfer of tax equivalent	145,655	132,563	130,828	123,210
Transfers in	44,677	0	0	0
Transfers (out)	(20,000)	0	(70,639)	(17,114)
Total Other Financing Sources (Uses)	<u>171,297</u>	<u>132,821</u>	<u>60,489</u>	<u>106,096</u>
Net changes in Fund Balances	\$159,958	\$135,315	\$142,285	(\$29,492) ¹
General Fund Balance January 1	<u>\$959,808</u>	<u>\$1,119,766</u>	<u>\$1,255,081</u>	<u>\$1,397,366</u>
General Fund Balance December 31	\$1,119,766	\$1,255,081	\$1,397,366	\$1,367,874
DETAILS OF DECEMBER 31 FUND BALANCE				
Nonspendable	\$880,707	\$827,654	\$611,760	\$486,754
Assigned	26,375	62,141	71,048	59,182
Unassigned	212,684	365,286	714,558	821,938
Total	<u>\$1,119,766</u>	<u>\$1,255,081</u>	<u>\$1,397,366</u>	<u>\$1,367,874</u>

¹ Use of fund balance primarily due to expenditures for technology equipment purchase.

GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31

COMBINED STATEMENT

	2026 Adopted Budget¹
Revenues	
Taxes & special assessments	\$594,000
Licenses and permits	76,000
Fines, forfeits and penalties	26,000
Intergovernmental	2,026,500
Public charges for services	365,000
Intergovernmental charges for services	58,000
Miscellaneous:	
Interest	90,000
Other	35,000
Total Revenues	<u>\$3,270,500</u>
Expenditures	
Current:	
General government	\$544,000
Public safety	1,130,000
Health and social services	4,000
Public works	915,000
Culture, recreation and education	429,000
Conservation and development	276,000
Capital outlay	0
Debt service	0
Total Expenditures	<u>\$3,298,000</u>
Excess of revenues over (under) expenditures	(\$27,500)
Other Financing Sources (Uses)	
Gain on sale of capital assets	\$0
Proceeds from long-term debt	0
Transfer of tax equivalent	0
Transfers in	0
Transfers (out)	(59,000)
Total Other Financing Sources (Uses)	<u>(59,000)</u>
Net changes in Fund Balances	(\$86,500) ²

¹ The 2026 budget was adopted on November 17, 2025.

² Budgeted use of fund balance for updating the City's comprehensive plan and other capital expenditures. The City's fund balance is to maintain a minimum unassigned fund balance ranging from 15% to 25% of the subsequent year's budgeted expenditures which is expected to continue to be met.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 3,907 and a current estimated population of 3,974 comprises an area of 3.01 square miles and is located approximately 85 miles Southwest of Madison, Wisconsin and is the county seat of Grant County.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Grant County	County government and services	581
Grant Regional Health Center	Medical facility	325
Ancor	Packaging industry manufacturer	200
Orchard Manor	Nursing home	170
Lancaster Community School District	Elementary and secondary education	165
Skyline Homes Inc.	Mobile home manufacturer	110
Lancaster Health Services	Nursing home	70
Foremost Farms USA	Cheese manufacturer	65
Piggly Wiggly	Grocery store	47
The City	Municipal government	43

Source: Data Axle Reference Solutions, written and telephone survey, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS

	2022	2023	2024	2025	2026 ¹
<u>New Single Family Homes</u>					
No. of building permits	1	6	3	3	1
Valuation	\$280,000	\$2,144,840	\$775,000	\$1,238,000	\$500,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	1	0	0	0
Valuation	\$0	\$8,000,000	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	1	2	1	0
Valuation	\$785,000	\$507,900	\$1,900,000	\$2,270,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	33	69	46	48	5
Valuation	\$2,771,997	\$13,781,797	\$5,547,839	\$4,026,578	\$591,000

Source: The City.

¹ As of February 25, 2026.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census Population	3,868
2020 U.S. Census Population	3,907
Percent of Change 2010 - 2020	1.01%
2025 Estimated Population	3,974

Income and Age Statistics

	The City	Grant County	State of Wisconsin	United States
2024 per capita income	\$40,450	\$34,411	\$43,373	\$44,673
2024 median household income	\$84,302	\$66,858	\$77,485	\$80,734
2024 median family income	\$94,735	\$90,075	\$100,141	\$99,999
2024 median gross rent	\$806	\$813	\$1,087	\$1,413
2024 median value owner occupied units	\$204,000	\$200,700	\$266,500	\$332,700
2024 median age	45.1 yrs.	36.8 yrs.	40.2 yrs.	38.9 yrs.

	State of Wisconsin	United States
City % of 2024 per capita income	93.26%	90.55%
City % of 2024 median family income	94.60%	94.74%

Housing Statistics

	<u>The City</u>		
	2020	2024	Percent of Change
All Housing Units	1,800	1,762	-2.11%

Source: 2010 and 2020 Census of Population and Housing, Wisconsin Demographic Services Center (https://doa.wi.gov/Pages/LocalGovtsGrants/Population_Estimates.aspx) and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

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

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Grant County	Grant County	State of Wisconsin
2021	26,548	3.0%	3.8%
2022	26,438	2.6%	2.8%
2023	26,107	2.7%	2.8%
2024	26,026 ¹	3.0% ¹	3.0%
2025, December ¹	25,613	3.1%	3.0%

Source: Wisconsin Department of Workforce Development.

¹ Preliminary.

FINANCIAL STATEMENTS

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

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



CITY OF LANCASTER, WISCONSIN
AUDITED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2024

Johnson Block & Company, Inc.
Certified Public Accountants
2500 Business Park Road
Mineral Point, Wisconsin 53565
(608) 987-2206

CITY OF LANCASTER, WISCONSIN
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lancaster
Lancaster, Wisconsin

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Wisconsin ("City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Wisconsin, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Local Retiree Life Insurance Fund schedules, and the Wisconsin Retirement System schedules information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Required Supplementary Information (Continued)

Management has omitted the Management's 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lancaster, Wisconsin's basic financial statements. The combining nonmajor fund statements and the Detailed Statement of Revenues, Expenses and Changes in Net Position-Water and Sewer Utilities are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining nonmajor fund statements and the Detailed Statement of Revenues, Expenses and Changes in Net Position-Water and Sewer Utilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements and the Detailed Statement of Revenues, Expenses and Changes in Net Position-Water and Sewer Utilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of insurance and other utility information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
July 22, 2025

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of Lancaster, Wisconsin
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 5,359,289	\$ 751,302	\$ 6,110,591
Receivables:			
Taxes	1,621,274		1,621,274
Customer	76,013	327,773	403,786
Due from other governments	358,838		358,838
Other		4,353	4,353
Internal balances	(29,125)	29,125	
Prepaid expenditures	77,358		77,358
Inventories	55,884	69,273	125,157
Current portion of notes receivable	20,000		20,000
Total current assets	7,539,531	1,181,826	8,721,357
Noncurrent assets:			
Restricted assets:			
Cash and investments		1,273,816	1,273,816
Other assets:			
Long-term notes receivable	716,004		716,004
Special assessments receivable	4,857		4,857
Capital assets:			
Property and plant	39,012,823	29,594,621	68,607,444
Less: accumulated depreciation	(19,284,778)	(11,640,832)	(30,925,610)
Right to use leased asset, net of accumulated amortization	22,030		22,030
Net book value of capital assets	19,750,075	17,953,789	37,703,864
Total noncurrent assets	20,470,936	19,227,605	39,698,541
Total assets	28,010,467	20,409,431	48,419,898
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding		129,023	129,023
Pension outflows	1,232,142	262,813	1,494,955
OPEB group life insurance plan outflows	60,042	23,349	83,391
Total deferred outflows of resources	1,292,184	415,185	1,707,369
Total assets and deferred outflows of resources	\$ 29,302,651	\$ 20,824,616	\$ 50,127,267

Exhibit A-1 (Continued)
City of Lancaster, Wisconsin
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 419,349	\$ 417,873	\$ 837,222
Due to other governments	10,934		10,934
Accrued payroll liabilities	132,291	59,812	192,103
Accrued interest	82,599		82,599
Current portion of general obligation notes & lease liability	972,762	121,200	1,093,962
Total current liabilities	1,617,935	598,885	2,216,820
Current liabilities payable from restricted assets:			
Accrued interest		19,227	19,227
Current portion of mortgage revenue bonds		400,000	400,000
Total current liabilities payable from restricted assets		419,227	419,227
Noncurrent liabilities:			
General obligation bonds and notes payable	10,064,727	2,279,601	12,344,328
Mortgage revenue bonds, net of bond discounts		3,175,220	3,175,220
Unamortized debt premium		49,169	49,169
Net pension liability	138,174	29,472	167,646
OPEB - group life insurance plan	122,108	47,487	169,595
Compensated absences	88,453	57,722	146,175
Lease liability	25,622		25,622
Less: current portion	(972,762)	(521,200)	(1,493,962)
Total noncurrent liabilities	9,466,322	5,117,471	14,583,793
Total liabilities	11,084,257	6,135,583	17,219,840
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	2,180,652		2,180,652
Pension inflows	740,765	158,003	898,768
OPEB group life insurance plan inflows	58,890	22,901	81,791
Total deferred inflows of resources	2,980,307	180,904	3,161,211

Exhibit A-1 (Continued)
City of Lancaster, Wisconsin
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	9,659,726	12,498,968	22,158,694
Restricted:			
Debt service	314,994		314,994
Library special purpose	58,987		58,987
Potosi Branch Library	1,806		1,806
Cemetery	46,692		46,692
Storm water	175,694		175,694
Veterans memorial	17,564		17,564
TIF #5	34,132		34,132
CDBG housing	102,470		102,470
Great day	459,404		459,404
Water utility**		447,499	447,499
Sewer utility**		807,090	807,090
Unrestricted	4,366,618	754,572	5,121,190
Total net position	15,238,087	14,508,129	29,746,216
Total liabilities, deferred inflows of resources and net position	\$ 29,302,651	\$ 20,824,616	\$ 50,127,267

**See A-7 for detailed Restricted Net Position breakout

Exhibit A-2
City of Lancaster, Wisconsin
Statement of Activities
For the Year Ended December 31, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business Type Activities
Primary government:						
Governmental activities:						
General government	\$ 674,017	\$ 110,690	\$ 36,206	\$ (563,327)	\$	\$ (563,327)
Public safety	1,189,757	194,224		(959,327)		(959,327)
Health and social services	48,556	45,023		(3,533)		(3,533)
Public works	1,737,048	458,400	295,406	(983,242)		(983,242)
Culture, recreation and education	1,894,682	881,202	103,967	(829,783)		(829,783)
Conservation and development	785,082	36,538	606,417	(142,127)		(142,127)
Interest and fiscal charges	294,677			(294,677)		(294,677)
Total governmental activities	6,623,819	1,726,077	1,017,759	(3,776,016)		(3,776,016)
Business-type activities:						
Water utility	1,041,427	1,209,828			168,401	168,401
Sewer utility	1,305,478	1,198,203			(107,275)	(107,275)
Total business-type activities	2,346,905	2,408,031			61,126	61,126
Total primary government	\$ 8,970,724	\$ 4,134,108	\$ 1,017,759	(3,776,016)	61,126	(3,714,890)
General revenues:						
Property taxes:						
General purposes				371,000		371,000
Debt service				900,000		900,000
Tax increments				369,695		369,695
Other governmental funds				400,123		400,123
Other taxes				10,785		10,785
Federal and State aid not restricted for specific purposes				1,640,465		1,640,465
Interest and investment earnings				230,892	66,102	296,994
Gain (loss) on sale of fixed assets				45,318		45,318
Miscellaneous				73,853		73,853
Transfers				123,210	(123,210)	
Total general revenues and transfers				4,165,341	(57,108)	4,108,233
Change in net position				389,325	4,018	393,343
Net position - beginning of year				14,848,762	14,504,111	29,352,873
Net position - end of year				\$ 15,238,087	\$ 14,508,129	\$ 29,746,216

The notes to the basic financial statements are an integral part of this statement.

Exhibit A-3
City of Lancaster, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2024

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 1,088,703	\$ 652,918	\$ 2,488,127	\$ 1,129,541	\$ 5,359,289
Receivables:					
Taxes	335,234	726,106		553,825	1,615,165
Delinquent taxes	6,109				6,109
Customer accounts	57,326			18,687	76,013
Due from other governments	24,444	18,569	315,825		358,838
Special assessments	4,857				4,857
Prepaid expenditure	54,433			22,925	77,358
Inventory	35,747			20,137	55,884
Long-term notes receivable				736,004	736,004
Due from other funds	65,669			1,671	67,340
Advance to other funds	515,471				515,471
Total assets	\$ 2,187,993	\$ 1,397,593	\$ 2,803,952	\$ 2,482,790	\$ 8,872,328
LIABILITIES					
Accounts payable	\$ 89,904		\$ 288,959	\$ 36,598	\$ 415,461
Accrued payroll liabilities	114,545			17,746	132,291
Due to other governments	9,395			1,539	10,934
Due to other funds	30,796			35,317	66,113
Advance from other funds				515,471	515,471
Total liabilities	244,640		288,959	606,671	1,140,270
DEFERRED INFLOWS OF RESOURCES					
Deferred tax equivalent	123,210				123,210
Deferred property taxes	417,920	1,000,000		762,732	2,180,652
Deferred golf memberships				5,887	5,887
Deferred special assessments	4,857				4,857
Deferred long-term note receivable				736,004	736,004
Total deferred inflows of resources	545,987	1,000,000		1,504,623	3,050,610
FUND BALANCE					
Nonspendable	611,760				611,760
Restricted		397,593		896,749	1,294,342
Assigned	71,048		2,514,993		2,586,041
Unassigned (deficit)	714,558			(525,253)	189,305
Total fund balance	1,397,366	397,593	2,514,993	371,496	4,681,448
Total liabilities, deferred inflows of resources and fund balance	\$ 2,187,993	\$ 1,397,593	\$ 2,803,952	\$ 2,482,790	\$ 8,872,328

Exhibit A-4
City of Lancaster, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2024

Total fund balances-governmental funds: \$ 4,681,448

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	39,012,823	
Governmental accumulated depreciation	(19,284,778)	
Right-to-use leased assets, net of accumulated amortization	22,030	19,750,075

Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan.

These items are reflected in the statement of net position and are being amortized with pension and OPEB expense in the statement of activities.

The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.

Deferred outflows of resources	1,292,184
Deferred inflows of resources	(799,655)

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

Deferred special assessments	4,857
Deferred tax equivalent from utility	123,210
Deferred long-term note receivable	736,004
Golf 2025 memberships	5,887

Internal service funds are used by management to charge the costs of certain activities, such as information technology, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

(34,240)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	(10,064,727)
Accrued interest on general obligation debt	(82,599)
Net pension liability	(138,174)
OPEB - group life insurance plan	(122,108)
Lease liability	(25,622)
Compensated absences	(88,453)

Net position of governmental activities \$ 15,238,087

Exhibit A-5
City of Lancaster, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General	Debt Service	Capital Projects	Formerly Major Fund TIF #8	Other Governmental Funds	Total
REVENUES						
Taxes	\$ 381,785	\$ 900,000	\$ 65,560	\$	\$ 704,258	\$2,051,603
Special assessments	899					899
Licenses and permits	88,045					88,045
Fines, forfeits and penalties	25,120					25,120
Intergovernmental	1,750,271				287,855	2,038,126
Public charges for services	364,326				776,078	1,140,404
Intergovernmental charges for services	127,396		1,000		189,316	317,712
Miscellaneous:						
Interest	98,324		82,666		49,901	230,891
Other	95,675	60,000	108,817		109,256	373,748
Total revenues	<u>2,931,841</u>	<u>960,000</u>	<u>258,043</u>		<u>2,116,664</u>	<u>6,266,548</u>
EXPENDITURES						
Current:						
General government	503,755				31,490	535,245
Public safety	1,096,296		7,695		4,629	1,108,620
Health and social services					47,902	47,902
Public works	838,181		53,368		110,713	1,002,262
Culture, recreation and education	354,207				1,131,254	1,485,461
Conservation and development	57,606				3,979	61,585
Capital outlay:						
General government			24,951			24,951
Public safety			139,647			139,647
Public works			730,259			730,259
Conservation and development					991,136	991,136
Leisure			103,387			103,387
Debt service:						
Principal retirement		703,600			141,501	845,101
Interest, fiscal charges, and bond issuance costs		298,539	72,561		19,824	390,924
Total expenditures	<u>2,850,045</u>	<u>1,002,139</u>	<u>1,131,868</u>		<u>2,482,428</u>	<u>7,466,480</u>
Excess (deficiency) of revenues over expenditures	81,796	(42,139)	(873,825)		(365,764)	(1,199,932)
OTHER FINANCING SOURCES (USES)						
Gain on sale of capital assets	300				78,000	78,300
Proceeds from long-term debt			1,510,000			1,510,000
Debt premium			62,822			62,822
Transfer in	130,828	330,124	156,014		152,736	769,702
Transfer out	(70,639)		(330,124)		(253,111)	(653,874)
Total other financing sources (uses)	<u>60,489</u>	<u>330,124</u>	<u>1,398,712</u>		<u>(22,375)</u>	<u>1,766,950</u>
Net change in fund balances	<u>142,285</u>	<u>287,985</u>	<u>524,887</u>		<u>(388,139)</u>	<u>567,018</u>
Fund balance - beginning of year, as previously reported	1,255,081	109,608	1,990,106	(20,688)	780,323	4,114,430
Change within financial reporting entity (major to nonmajor fund)				20,688	(20,688)	
Fund balance - beginning of year, as restated	<u>1,255,081</u>	<u>109,608</u>	<u>1,990,106</u>		<u>759,635</u>	<u>4,114,430</u>
Fund balance - end of year	<u>\$ 1,397,366</u>	<u>\$ 397,593</u>	<u>\$ 2,514,993</u>	\$	<u>\$ 371,496</u>	<u>\$4,681,448</u>

Exhibit A-6
City of Lancaster, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2024

Net change in fund balances-total governmental funds \$ 567,018

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

The acquisition of capital assets and right-to-use leased assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	915,800	
Depreciation expenses reported in the statement of activities	(981,571)	
Amortization expense reported in the statement of activities	<u>(26,437)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(92,208)

The City disposed of equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense and has no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(159,574)	
The amount of depreciation recapture for the year was:	<u>126,592</u>	
The net gain on disposal of fixed assets		(32,982)

Compensated absences and OPEB are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year. The difference between the amount paid and earned was:

Change in compensated absences		(5,795)
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(17,535)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Principal payments on long-term debt		845,101
Principal payments on lease liabilities		25,275

The issuance of long-term debt (e.g. bonds, notes, leases, land contracts) provides current financial resources to governmental funds but does not affect the statement of activities.

(1,510,000)

In governmental funds, special assessment collections are reflected as revenue when received. In the statement of activities, revenue is recognized when assessed.

Amount collected	(899)	
Amount assessed		
Amount assessed is lower than collected by:	<u>(899)</u>	(899)

Exhibit A-6 (Continued)
City of Lancaster, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2024

Internal service fund gain (loss)	\$	7,780
<p>In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.</p>		
The amount of interest paid during the current period		318,364
The amount of interest accrued during the current period		(331,063)
Interest paid is greater (less) than interest expensed by		(12,699)
<p>Repayments of economic development loans are reflected as revenue in the governmental fund statements, but are reported as reduction of the deferred revenue for the government-wide statements.</p>		
The amount of economic development loans repaid during the current period		(8,366)
Issuance of developer loan in current period		600,000
<p>In governmental funds, the current year utility tax equivalent is deferred and recognized as revenue in the subsequent year. In the statement of activities, this amount is recognized as a transfer in the year accrued.</p>		
2023 utility tax equivalent recognized as revenue in 2024 in the governmental funds		(130,828)
2024 utility tax equivalent recognized as a transfer in for the statement of activities		123,210
		(7,618)
<p>In governmental funds, golf memberships are reflected as revenue when received. In the statement of activities, revenue is recognized when earned.</p>		
Amount collected		116,156
Amount earned		(128,822)
Amount earned is higher than collected by:		(12,666)
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.</p>		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments.		44,919
Change in net position-governmental activities	\$	389,325

Exhibit A-7
City of Lancaster, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2024

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Water Utility	Sewer Utility	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 616,673	\$ 134,629	\$ 751,302	\$
Receivables:				
Customer	156,087	171,686	327,773	
Other		4,353	4,353	
Due from other funds	11,470	17,655	29,125	
Inventory	59,337	9,936	69,273	
	<hr/>			
Total current assets	843,567	338,259	1,181,826	
<hr/>				
Noncurrent assets:				
Restricted assets:				
Equipment replacement		317,712	317,712	
Bond reserve/redemption	428,954	415,059	844,013	
Depreciation	28,023	84,068	112,091	
Capital assets:				
Property and plant	12,802,880	16,791,741	29,594,621	
Less: accumulated depreciation	(5,866,508)	(5,774,324)	(11,640,832)	
Net book value of capital assets	6,936,372	11,017,417	17,953,789	
	<hr/>			
Total noncurrent assets	7,393,349	11,834,256	19,227,605	
	<hr/>			
Total assets	8,236,916	12,172,515	20,409,431	
<hr/>				
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding		129,023	129,023	
Pension outflows	111,225	151,588	262,813	
OPEB group life insurance plan outflows	16,678	6,671	23,349	
	<hr/>			
Total deferred outflows of resources	127,903	287,282	415,185	
	<hr/>			
Total assets and deferred outflows of resources	\$ 8,364,819	\$ 12,459,797	\$ 20,824,616	\$
	<hr/> <hr/>			

Exhibit A-7 (Continued)
City of Lancaster, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2024

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water Utility	Sewer Utility	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 21,434	\$ 396,439	\$ 417,873	\$ 3,888
Due to other funds				30,352
Accrued liabilities	27,115	32,697	59,812	
Current portion of general obligation notes	45,938	75,262	121,200	
Total current liabilities	94,487	504,398	598,885	34,240
Current liabilities payable from restricted assets:				
Accrued interest	9,478	9,749	19,227	
Current portion of mortgage revenue bonds	205,000	195,000	400,000	
Total current liabilities payable from restricted assets	214,478	204,749	419,227	
Noncurrent liabilities:				
General obligation notes & bonds	842,188	1,437,413	2,279,601	
Mortgage revenue bonds, net of bond discounts	1,320,220	1,855,000	3,175,220	
Unamortized debt premium	15,875	33,294	49,169	
Net pension liability	12,473	16,999	29,472	
OPEB group life insurance	33,919	13,568	47,487	
Compensated absences	19,854	37,868	57,722	
Less: current portion	(250,938)	(270,262)	(521,200)	
Total noncurrent liabilities	1,993,591	3,123,880	5,117,471	
Total liabilities	2,302,556	3,833,027	6,135,583	34,240
DEFERRED INFLOWS OF RESOURCES				
Pension inflows	66,868	91,135	158,003	
OPEB group life insurance plan inflows	16,358	6,543	22,901	
Total deferred inflows of resources	83,226	97,678	180,904	
NET POSITION				
Net investment in capital assets	4,773,964	7,725,004	12,498,968	
Restricted:				
Bond reserve/redemption	419,476	405,310	824,786	
Depreciation	28,023	84,068	112,091	
Equipment replacement		317,712	317,712	
Unrestricted	757,574	(3,002)	754,572	(34,240)
Total net position	5,979,037	8,529,092	14,508,129	(34,240)
Total liabilities, deferred inflows of resources and net position	\$ 8,364,819	\$ 12,459,797	\$ 20,824,616	\$

Exhibit A-8
City of Lancaster, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business Type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund
	Water Utility	Sewer Utility	Totals	
OPERATING REVENUES				
Sales of water	\$ 1,198,237	\$	\$ 1,198,237	\$
Measured sewer service		1,182,998	1,182,998	
Intergovernmental				89,000
Other operating revenues	11,591	15,205	26,796	
Total operating revenues	1,209,828	1,198,203	2,408,031	89,000
OPERATING EXPENSES				
Operation and maintenance	633,571	879,515	1,513,086	96,220
Depreciation	315,938	295,795	611,733	
Taxes	13,775	23,852	37,627	
Total operating expenses	963,284	1,199,162	2,162,446	96,220
Operating income (loss)	246,544	(959)	245,585	(7,220)
NONOPERATING REVENUES (EXPENSES)				
Investment income	24,000	42,102	66,102	
Interest expense	(57,273)	(52,142)	(109,415)	
Amortization of debt discount	(20,870)	(54,174)	(75,044)	
Total nonoperating revenues (expenses)	(54,143)	(64,214)	(118,357)	
Income before transfers	192,401	(65,173)	127,228	(7,220)
Transfer in				15,000
Transfer out	(123,210)		(123,210)	
Change in net position	69,191	(65,173)	4,018	7,780
Net position - beginning of year	5,909,846	8,594,265	14,504,111	(42,020)
Net position - end of year	\$ 5,979,037	\$ 8,529,092	\$ 14,508,129	\$ (34,240)

Exhibit A-9
City of Lancaster, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Business Type Activities - Enterprise Funds			Governmental Activities-
	Water Utility	Sewer Utility	Totals	Internal Service Fund
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES				
Received from customers	\$ 1,198,146	\$ 1,194,263	\$ 2,392,409	\$ 89,000
Payments to employees	(277,066)	(329,455)	(606,521)	
Payments to suppliers	(332,468)	(323,332)	(655,800)	(104,000)
Net cash flows from (used by) operating activities	<u>588,612</u>	<u>541,476</u>	<u>1,130,088</u>	<u>(15,000)</u>
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES				
Transfer from general fund				15,000
Paid to municipality for tax equivalent	(123,210)		(123,210)	
Net cash flows from (used by) noncapital financing activities	<u>(123,210)</u>		<u>(123,210)</u>	<u>15,000</u>
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital acquisitions	(528,449)	(935,359)	(1,463,808)	
Principal payments	(234,255)	(246,506)	(480,761)	
Debt proceeds	395,000	820,000	1,215,000	
Interest paid	(56,849)	(49,567)	(106,416)	
Net cash flows from (used by) capital and related financing activities	<u>(424,553)</u>	<u>(411,432)</u>	<u>(835,985)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of interest	24,000	42,102	66,102	
Net change in cash and cash equivalents	64,849	172,146	236,995	
Cash and cash equivalents - beginning of year	1,008,801	779,322	1,788,123	
Cash and cash equivalents - end of year	<u>\$ 1,073,650</u>	<u>\$ 951,468</u>	<u>\$ 2,025,118</u>	<u>\$</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS				
Cash and investments	\$ 616,673	\$ 134,629	\$ 751,302	\$
Cash and investments (restricted assets)	456,977	816,839	1,273,816	
Total cash and cash equivalents	<u>\$ 1,073,650</u>	<u>\$ 951,468</u>	<u>\$ 2,025,118</u>	<u>\$</u>

Exhibit A-9 (Continued)
City of Lancaster, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Business Type Activities-			Governmental Activities- Internal Service Fund
	Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 246,544	\$ (959)	\$ 245,585	\$ (7,220)
Noncash items in operating income:				
Depreciation expense	334,732	277,002	611,734	
Pension expense	1,775	(2,910)	(1,135)	
OPEB expense	5,528	(2,812)	2,716	
Changes in assets, deferred outflows and liabilities:				
Customer accounts receivable	(11,682)	(5,196)	(16,878)	
Other accounts receivable		1,256	1,256	
Inventory	2,907	1,354	4,261	
Accounts payable	(7,668)	251,128	243,460	(957)
Accrued payroll	3,955	4,335	8,290	
Due to other governments	7,435		7,435	
Due to other funds		(17,655)	(17,655)	(6,823)
Advance from other funds		29,240	29,240	
Compensated absences	5,086	6,693	11,779	
Net cash provided (used) by operating activities	<u>\$ 588,612</u>	<u>\$ 541,476</u>	<u>\$ 1,130,088</u>	<u>\$ (15,000)</u>

Exhibit A-10
City of Lancaster, Wisconsin
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024

	Custodial Fund
	Tax Collection Fund
ASSETS	
Cash and investments	\$ 908,911
Taxes receivable	2,409,491
	\$ 3,318,402
LIABILITIES	
Due to other governments	\$ 3,318,402
	3,318,402
NET POSITION	
Restricted	\$ 3,318,402
Total liabilities and net position	\$ 3,318,402

Exhibit A-11
 City of Lancaster, Wisconsin
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended December 31, 2024

	Custodial Fund Tax Collection Fund
ADDITIONS	
Property tax collections for other governments	\$ 2,960,240
DEDUCTIONS	
Property taxes collections paid or owed to other governments	2,960,240
Net increase (decrease) in fiduciary net position	_____
Net position - beginning of year	_____
Net position - end of year	\$ _____

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Lancaster, Wisconsin
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December 31, 2024

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City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lancaster, Wisconsin have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The report includes all funds of the City of Lancaster, Wisconsin. The reporting entity for the City consists of the (a) primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

B. Government-Wide and Fund Financial Statements

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

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

Fund Financial Statements

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

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Major Governmental Funds:

The City reports the following major governmental funds:

General Fund – Accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – Accounts for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities. Designated major by management.

Major Enterprise Funds:

The City reports the following major enterprise funds:

Water Utility – Accounts for operation of the water system.

Sewer Utility – Accounts for operation of the sewer system.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Nonmajor Governmental Funds:

The City reports the following nonmajor governmental funds:

Special Revenue Funds – Accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Library Special Purpose
- Cemetery
- Potosi Branch Library
- CDBG Housing
- Storm Water Fund
- Veterans Memorial
- Great Day
- ARPA
- Golf Course

TIF No. 3, 4, 5, 6, 7, and 8 Capital Projects Funds – Accounts for the activity of Tax Incremental Districts, including any payment of long-term debt principal, interest and related costs.

In addition, the City reports the following fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Funds (Not included in the Government-Wide Statements)

Fiduciary funds consist of pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and custodial funds. Fiduciary funds should be used only to report resources held for individuals, private organizations, or other governments. A fund is presented as a fiduciary fund when all of the following criteria are met: a) The government controls the assets that finance the activity, b) Assets are not generated from the government's own-source revenues or from government-mandated or voluntary nonexchange transactions, c) Assets are administered through a qualifying trust or the government does not have administrative involvement and the assets are not generated from the government's delivery of goods and services to the beneficiaries, or the assets are for the benefit of entities that are not part of the government's reporting entity.

The City reports the following fiduciary fund:

Custodial Funds – used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City accounts for tax collections payable to overlying taxing jurisdictions in the tax collection fund.

-Tax Collection

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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

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

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred inflows of resources. Resources (typically cash) received before all eligibility requirements have been met are reported as assets and offset by unearned revenue (a liability) unless only a time requirement has not been met. In that case, deferred inflows of resources are reported rather than a liability.

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

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met the deferred inflows of resources are removed from the balance sheet and revenue is recognized.

Deferred outflows 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 (expenditure/expense) until that time.

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

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

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

D. Cash and Cash Equivalent/Investments

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major and agency funds.

All deposits of the City are made in board designated official depositories and are secured as required by State Statute. The City may designate, as an official depository, any bank or savings association. Also the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalent/Investments (Continued)

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, all cash and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

E. Receivables

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

Property tax calendar - 2024 tax roll:

Lien date and levy date	November 2024
Tax bills mailed	December 2024
Payment in full, or	January 31, 2025
First installment due	January 31, 2025
Second installment due	July 31, 2025

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the City and the utilities because they have the right by law to place delinquent bills on the tax roll.

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

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The Community Development Long-Term Receivable balance of \$136,004 is due to grants given to numerous home owners for improvements to their personal residence. These loans are backed with a lien on the property and are deferred until the home owner sells the home or becomes deceased.

See Audit Note 21 for the Greater Day Fund Long-Term Receivable.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories and Prepaid Items

Inventories of proprietary fund types are valued at the lower-of-cost or market using the first-in, first-out method and are initially capitalized and then charged to expense when used.

G. Restricted Assets

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

H. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as individual assets with an initial cost of more than \$5,000 and an estimated useful life of more than two years. Infrastructure improvements with a cost of \$25,000 or more are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at acquisition value.

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

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

	<u>Years</u>
Buildings	15-40
Machinery and Equipment	2-15
Land Improvements	20-30
Infrastructure	20-50
Vehicles	2-10

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Fund Financial Statements

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

Right to Use Leased Assets

The City has recorded a right to use leased asset as a result of implementing GASB 87. The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary changes necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease.

I. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Benefits considered more likely than not to be used or settled at termination are recognized in the financial statements.

Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the Statement of Net Position. A liability is also recorded for accumulating rights to receive sick pay benefits for the portion more likely than not to be used by employees. Additionally, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will more likely than not be paid upon termination. The City accrues salary-related payments associated with payments of compensated absences.

Vacation days are credited on each employee's anniversary date and are to be used by the next anniversary date. There is no requirement to take annual leave. However, in the event available vacation is not used within one year following the date vacation was earned, the employee will be allowed to carryover a maximum of forty (40) hours of vacation beyond the one-year requirement. Total vacation liability for the governmental funds was \$95,611 and \$46,444 for proprietary funds as of December 31, 2024. This is reported as part of accrued payroll liabilities in the governmental and proprietary financial statements.

Employees will be granted sick leave at the rate of one (1) working day for each calendar month of employment, for a total of twelve (12) working days for each year. Unused sick leave accumulates to a maximum of ninety (90) working days. Employees who had accumulated sick leave balances of greater than ninety (90) working days before January 1, 2014, will be allowed to maintain accumulations over ninety (90) working days. However, at employee retirement or death, fifty percent of a maximum of ninety (90) days accumulated shall be paid to the employee or his/her estate in cash. The foregoing allowance for employees who had accumulated greater than ninety (90) working days will apply to the sick leave payout provision as well. The total sick leave liability for the governmental funds was \$88,453 and \$57,722 for the proprietary funds. This is reported as compensated absences in the government-wide financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2024 are determined on the basis of current salary rates.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations/Conduit Debt

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

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

K. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

L. Equity Classifications

Government-Wide Statements

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

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

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

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. All remaining positive spendable amounts in governmental funds, other than the general fund that are neither restricted nor committed may be assigned. Assignments may take place after the end of the reporting period.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative fund balances for any governmental fund if expenditures exceed amounts restricted or committed for those purposes.

Authority to commit – Commitments will only be used for specific purposes pursuant to a formal action of the City Council. A majority vote is required to approve a commitment and must take place within the fiscal reporting period, no later than December 31st; however, the amount can be determined subsequent to the release of the financial statements. A majority vote will be required to remove or change the specific use of a commitment.

Authority to assign – The City Council delegates the City Clerk/Treasurer to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum unassigned fund balance – The City will maintain a minimum unassigned fund balance in its General Fund ranging from 15 percent to 25 percent of the subsequent year’s budgeted expenditures (including other financing uses). This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. As of December 31, 2024, the unassigned fund balance was \$714,765, or 25.1% of budgeted expenditures.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

Replenishing deficiencies – When fund balance falls below the minimum 15 percent range, the City Administration will develop a budgetary plan to replenish the fund balance to the established minimum level within five years.

Implementation and review – Upon adoption of this policy the City Council authorizes City Administration to establish any standards and procedures which may be necessary for its implementation. The City Administration shall review this policy at least annually and make any recommendations for changes to the City Council.

M. Transfers

Transfers include the payment in lieu of taxes from the water utility to the general fund.

The City does not pay a public fire protection fee to the water utility. Individual water users are assessed a monthly fee.

N. Income Taxes

Municipal utilities are exempt from income taxes and, therefore, no income tax liability is recorded by the City of Lancaster Water and Sewer Utilities.

O. Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

P. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a nonspendable fund balance which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Q. Regulation of Municipal Utilities

Lancaster Water Utility operates under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Commission. The accounting records of the utility are maintained in accordance with the Uniform System of Accounts prescribed by the Public Service Commission. The Sewer Utility is not regulated.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Pensions

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset)
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and
- Pension Expense

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

S. Other Postemployment Benefits

Group life insurance plan

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the following:

- Net OPEB Liability (Asset)
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs, and
- OPEB Expense (Revenue)

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The deferred outflows of resources are for the deferred charges on refunding, OPEB outflows discussed in Note 7 and WRS pension system are discussed in Note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The City has two items that qualify for reporting in this category. Deferred inflows of resources related to the OPEB are discussed in Note 7, the WRS pension system are discussed in Note 8, and the remaining deferred inflows of resources are discussed in Note 9.

The net position of the City is significantly impacted by the combined effect of deferred outflows and inflows of resources from the pension and OPEB plans.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Change in Accounting Principles

Effective January 1, 2024, the City adopted GASB Statement No. 100, Accounting Changes and Error Corrections. GASB 100 was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City did not have any accounting changes or error corrections requiring disclosure in the financial statements.

Effective January 1, 2024, the City adopted GASB Statement No. 101, Compensated Absences. GASB 101 was issued to provide guidance on the accounting and financial reporting for compensated absences. The City's calculation of the compensated absences liability did not change as a result of implementing this standard.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and government-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 3

CASH AND INVESTMENTS

At December 31, 2024 cash and investments included the following:

Petty cash/cash on hand	\$ 300
Deposits with financial institutions	3,608,239
WI Investment Series Cooperative	281,945
WI Local Government Investment Pool	4,402,834
Total cash and investments	\$ 8,293,318

Cash and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 6,110,591
Cash and investments-restricted	1,273,816
Exhibit A-10:	
Cash and investments	908,911
Total cash and investments	\$ 8,293,318

The Wisconsin Investment Series Cooperative investments consist of the following:

Money market accounts	\$ 281,945
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Investments Authorized by Wisconsin State Statutes

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

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association.
- Bonds are securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

The investment portfolio will be designed to obtain a market average rate of return during a market/economic environment of stable interest rates, and taking into account the City's investment risk constraints and cash flow needs. Given the passive nature of the City's investment strategy, the basis used to determine whether market yields are being achieved shall be the average Federal Funds rate.

Any investment currently held that would not meet the guidelines of this policy shall be exempt from the requirements of the policy. At maturity or liquidation, such monies shall be reinvested only as provided under this policy.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City investment policy further limits its investment choices. Prohibited Investments according to Wisconsin statutes, City funds will not be invested in derivative type investments such as collateralized mortgage obligations, strips, floaters, etc. Certain types of such investments may qualify under state statute but are not deemed appropriate for use by the City. All Wisconsin Investment Series Cooperative investments are rated AAAM by standard and Poor's. This rating is defined as follows: "Safety is excellent. Superior capacity to maintain principal value and limit exposure to loss". At December 31, 2024, the City's investments were rated as follows:

	<u>Amount</u>	<u>Rating</u>
Wisconsin Local Government Investment Pool	\$ 4,402,834	Not Rated

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in possession of another party.

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts (which were permitted after July 21, 2011). The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

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 (SWIB). 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.

All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://www.doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2024, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of December 31, 2024 was: 97% in U.S. Government Securities and 3% in Commercial paper. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Wisconsin Investment Series Cooperative

The City has investments in WISC consisting of the Investment Series Fund (IS). The IS are pooled funds investing in U.S. government obligations, agencies and commercial paper. The IS requires a 14-day minimum investment period and one business day withdrawal notice. The average weighted maturity of the investments in WISC ranges from 234 to 293 days. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

A separate financial report for WISC is prepared in accordance with GASB. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

The Federal Deposit Insurance Corporation (FDIC) protects deposits up to a certain limit. In addition, public deposits are protected against losses by the State Deposit Guarantee Fund in the amount of \$1,000,000 for any one public depositor in any individual public depository. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. The City will seek to collateralize certificates of deposit or any other time deposit in an amount equal to 100% of the investment less the amount insured by the FDIC with appropriate collateral instruments. Where practicable, collateral shall be held by the City. Where this is not practicable, verifiable evidence of specific pledged securities must be supplied to the City.

The City will seek to protect its interests in all other securities purchased by the City via appropriate insurance coverage from broker/dealers and evidenced by safekeeping receipts.

As of December 31, 2024, \$2,549,205 of the City's deposits were covered by FDIC insurance. \$31,945 of the City's deposits were uninsured. The City was in compliance with its investment policy as of December 31, 2024.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding uninsured amounts at the balance sheet date.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,988,027	\$	\$	\$ 1,988,027
Construction work in process	21,001	419,465	(21,001)	419,465
Total capital assets not being depreciated	<u>2,009,028</u>	<u>419,465</u>	<u>(21,001)</u>	<u>2,407,492</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	12,957,579	223,311	(55,422)	13,125,468
Machinery and equipment	3,770,384	154,378	(104,152)	3,820,610
Vehicles	2,790,599	139,647		2,930,246
Infrastructure	16,729,007			16,729,007
Total capital assets, being depreciated	<u>36,247,569</u>	<u>517,336</u>	<u>(159,574)</u>	<u>36,605,331</u>
Total capital assets	<u>38,256,597</u>	<u>936,801</u>	<u>(180,575)</u>	<u>39,012,823</u>
Less accumulated depreciation:				
Building and improvements	(3,890,481)	(314,740)	55,422	(4,149,799)
Machinery and equipment	(2,891,718)	(146,783)	71,170	(2,967,331)
Vehicles	(2,372,860)	(93,910)		(2,466,770)
Infrastructure	(9,274,740)	(426,138)		(9,700,878)
Total accumulated depreciation	<u>(18,429,799)</u>	<u>(981,571)</u>	<u>126,592</u>	<u>(19,284,778)</u>
Net capital assets	<u>\$ 19,826,798</u>	<u>\$ (44,770)</u>	<u>\$ (53,983)</u>	<u>\$ 19,728,045</u>
Right-to-use leased assets being amortized:				
Golf Carts	\$ 101,341	\$	\$	\$ 101,341
Less accumulated amortization:				
Golf Carts	(52,874)	(26,437)		(79,311)
Net right-to-use leased assets being amortized	<u>\$ 48,467</u>	<u>\$ (26,437)</u>	<u>\$</u>	<u>\$ 22,030</u>
Total net capital assets	<u>\$ 19,875,265</u>	<u>\$ (71,207)</u>	<u>\$ (53,983)</u>	<u>\$ 19,750,075</u>

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 4

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities

General government	\$ 61,244
Public safety	94,787
Health and social services	1,021
Public works, which includes the depreciation of infrastructure	556,175
Culture, recreation, and education	263,275
Conservation and development	5,069
Total governmental activities depreciation expense	<u>\$ 981,571</u>

Amortization expense was charged to the function as follows:

Culture, recreation, and education	<u>\$ 26,437</u>
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City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 4

CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land and land rights	\$ 93,565	\$	\$	\$ 93,565
Construction work in progress	233,030	542,232		775,262
Total capital assets not being depreciated	326,595	542,232		868,827
<i>Capital assets, being depreciated:</i>				
Water:				
Source of supply	492,124			492,124
Pumping plant	1,268,603	25,435	(10,000)	1,284,038
Water treatment	17,342			17,342
Transmission and distribution	9,767,794	488,706	(25,890)	10,230,610
General plant	687,484			687,484
Sewer:				
Collection system	9,396,827	356,882	(8,831)	9,744,878
Treatment plant	5,408,171	50,552	(27,500)	5,431,223
General plant	838,095			838,095
Total capital assets being depreciated	27,876,440	921,575	(72,221)	28,725,794
Less accumulated depreciation for:				
Water utility	(5,567,666)	(334,732)	35,890	(5,866,508)
Sewer utility	(5,533,654)	(277,001)	36,331	(5,774,324)
Total accumulated depreciation	(11,101,320)	(611,733)	72,221	(11,640,832)
Net capital assets being depreciated	16,775,120	309,842		17,084,962
Total net capital assets	\$ 17,101,715	\$ 852,074	\$	\$ 17,953,789

Depreciation expense was charged to functions as follows:

Business-type Activities:

Water utility	\$ (334,732)
Sewer utility	(277,001)
Total depreciation expense per exhibit A-8	<u>\$ (611,733)</u>

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 5

LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities</u>					
Bonds and notes payable:					
Bonds and notes - nondirect	\$ 6,664,502	\$ 1,510,000	\$ (499,100)	\$ 7,675,402	\$ 613,800
Notes from direct borrowings and direct placements	2,735,326		(346,001)	2,389,325	333,340
Other liabilities:					
Lease liability	50,897		(25,275)	25,622	25,622
Compensated absences	82,658	5,795		88,453	
Total governmental activities long-term liabilities	<u>\$ 9,533,383</u>	<u>\$ 1,515,795</u>	<u>\$ (870,376)</u>	<u>\$ 10,178,802</u>	<u>\$ 972,762</u>
<u>Business-type activities</u>					
Bonds and notes payable:					
Revenue bonds - nondirect	\$ 3,575,000	\$	\$ (395,000)	\$ 3,180,000	\$ 400,000
Bonds and notes - nondirect	1,140,500	1,215,000	(75,899)	2,279,601	121,200
Total bonds and notes payable	4,715,500	1,215,000	(470,899)	5,459,601	521,200
Net of bond discounts	(6,457)		1,677	(4,780)	
Total bonds and notes payable	4,709,043	1,215,000	(469,222)	5,454,821	521,200
Other liabilities:					
Unamortized debt premium		49,169		49,169	
Compensated absences	45,943	11,779		57,722	
Total business-type activities long-term liabilities	<u>\$ 4,754,986</u>	<u>\$ 1,275,948</u>	<u>\$ (469,222)</u>	<u>\$ 5,561,712</u>	<u>\$ 521,200</u>

The change in compensated absences liability is presented as a net change.

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. Business-type activities debt is payable by revenues from user fees of those funds.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2024 was \$19,552,430. Total general obligation debt outstanding at year-end was \$12,344,328.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2024
<u>Governmental activities</u>					
General obligation notes	12/1/2007	12/1/2027	4.25%	\$ 974,644	\$ 213,827
General obligation notes	5/31/2022	5/31/2032	2.92%	1,655,000	1,280,000
General obligation notes	9/15/2023	9/15/2033	4.25%	995,000	895,500
General obligation bonds	9/16/2014	6/1/2034	4.0%	1,560,000	1,440,000
General obligation bonds	11/10/2014	6/1/2029	2.3-3.1%	1,270,000	525,400
General obligation bonds	12/11/2017	12/11/2037	3.0-3.375%	2,615,000	1,530,000
General obligation bonds	6/20/2019	6/1/2039	3.0-4.0%	3,235,000	2,670,000
General obligation notes	12/4/2024	6/1/2044	4.0-5.0%	1,510,000	1,510,000
Total government activities – general obligation debt					<u><u>\$10,064,727</u></u>
	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2024
<u>Business-type activities</u>					
General obligation notes	11/10/2014	6/1/2029	2.3-3.1%	\$ 150,000	\$ 59,601
General obligation bonds	12/11/2017	12/11/2037	3.0%	180,000	60,000
General obligation bonds	12/11/2017	12/11/2037	3.0%	180,000	60,000
General obligation bonds	4/14/2021	6/1/2040	2.0-3.0%	960,000	885,000
General obligation notes	12/4/2024	6/1/2044	4.0-5.0%	395,000	395,000
General obligation notes	12/4/2024	6/1/2044	4.0-5.0%	820,000	820,000
Total business-type activities – general obligation debt					<u><u>\$ 2,279,601</u></u>

Debt service requirements to maturity are as follows for governmental activities:

Years	Governmental Activities					
	Bonds and Notes - Nondirect			Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 613,800	\$ 271,119	\$ 884,919	\$ 333,340	\$ 80,671	\$ 414,011
2026	738,400	245,608	984,008	325,734	69,240	394,974
2027	653,100	219,186	872,286	313,251	58,017	371,268
2028	577,700	195,194	772,894	214,500	47,147	261,647
2029	577,400	173,215	750,615	204,500	39,571	244,071
2030-2034	2,020,000	598,750	2,618,750	998,000	68,206	1,066,206
2035-2039	1,905,000	261,102	2,166,102			
2040-2044	590,002	29,633	619,635			
Totals	<u><u>\$ 7,675,402</u></u>	<u><u>\$ 1,993,807</u></u>	<u><u>\$ 9,669,209</u></u>	<u><u>\$ 2,389,325</u></u>	<u><u>\$ 362,852</u></u>	<u><u>\$ 2,752,177</u></u>

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows for business-type activities:

Business-Type Activities			
Bonds and Notes - Nondirect			
Years	Principal	Interest	Total
2025	\$ 121,200	\$ 23,533	\$ 144,733
2026	121,600	21,791	143,391
2027	121,900	19,613	141,513
2028	102,300	16,805	119,105
2029	107,600	15,270	122,870
2030-2034	510,000	48,145	558,145
2035-2039	655,000	31,050	686,050
2039-2044	540,001	2,800	542,801
Totals	\$ 2,279,601	\$ 179,007	\$ 2,458,608

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the utility. Revenue debt payable at December 31, 2024 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2024
<u>Business-type activities</u>					
Revenue bonds	8/29/2014	5/1/2030	3.0-3.5%	\$ 3,105,000	\$ 1,325,000
Taxable Revenue bonds	4/14/2021	5/1/2033	1.05-2.35%	2,130,000	1,855,000
Total business-type activities revenue debt					\$ 3,180,000

Debt service requirements to maturity are as follows:

Business-Type Activities			
Revenue Debt			
Years	Principal	Interest	Total
2025	\$ 400,000	\$ 72,814	\$ 472,814
2026	405,000	64,242	469,242
2027	415,000	54,864	469,864
2028	425,000	44,368	469,368
2029	435,000	33,098	468,098
2029-2033	1,100,000	74,129	1,174,129
Totals	\$ 3,180,000	\$ 343,514	\$ 3,523,514

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Municipal bond ordinances relating to the mortgage revenue bonds provide for the establishment of separate accounts into which the municipality is to pay from month to month all income and revenue from the operations of the utilities as follows:

Account	Amount	Nature of Authorized Expenditure
Operation and Maintenance Fund	Utility income and revenue.	Paying current expenses in the operation and maintenance of water and sewerage system.
Water System Depreciation Fund	Utility income and revenue until such amounts as the Common Council may from time to time determine to constitute an adequate and reasonable depreciation account for the system.	When sufficient, for repairs, replacement, new construction, extensions or additions to the system.
Sewerage System Depreciation Fund	Utility income and revenue until account equals \$75,000.	When sufficient, for repairs, replacement, new construction, extensions or additions to the system.
Special Redemption Fund	The Bond covenants require the utility to establish and maintain a Special Redemption account in an amount equal to one-sixth (1/6) of the next installment of interest coming due on the Prior Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Prior Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Fund from accrued interest, any premium or any other source).	Paying current interest and principal on bonds.
Bond Reserve Fund	The lesser of 10% of the proceeds, the highest annual debt service requirement on the bonds, or 125% of average annual debt service on the bonds.	Paying principal and interest in the event of a deficiency in the special redemption fund.

Balances in these bond funds as of December 31, 2024 are as follows:

	Depreciation	Reserve/ Redemption	Totals
Water	\$ 28,023	\$ 428,954	\$ 456,977
Sewer	84,068	415,059	499,127
Total	<u>\$ 112,091</u>	<u>\$ 844,013</u>	<u>\$ 956,104</u>

The bond reserve requirement at December 31, 2024 was \$251,923 and \$212,109 for the water and sewer utility, respectively. This requirement was met.

Interest and principal maturities have been properly paid from the special redemption fund. The special redemption requirement at December 31, 2024 was \$138,159 for the sewer utility and \$145,693 for the water utility. It appeared that the utilities met this requirement for 2024.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Section 4 requires for the further protection of bondholders a statutory mortgage lien, created by Section 66.066 of the Wisconsin Statutes, upon the system which is recognized as valid and binding upon the City as a lien upon the system.

Section 5 requires that the "net earnings" of the system for each year be not less than 1.25 times the annual debt service requirement. The City will pay an amount not to exceed the lesser of the maximum amount of principal and interest due in any fiscal year on the bonds which are outstanding or such amount as may be necessary that year to pay the balance of an amount which together with the "net earnings" of the System will produce monies equivalent to not less than 1.25 times the annual debt service requirement. Section 9 of the clean water fund ordinance requires that the "net earnings" of the system for each year be not less than 1.10 times the annual debt service requirement. These requirements were met in 2024 for both the water and sewer utilities.

Lease Liability

The City has entered into a lease agreement that allows the right-to-use golf carts over the term of the lease.

Aggregate cash flow requirements for the retirement of the lease liability and interest at December 31, 2024 were as follows:

Years	Lease Liability		
	Principal	Interest	Total
2025	\$ 25,622	\$ 353	\$ 25,975

NOTE 6

INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Individual fund interfund receivable and payable balances on December 31, 2024 are as follows:

Receivable Fund	Payable Fund	Amount
Government Funds:		
General	TIF #7	\$ 1,581
General	TIF #8	33,736
General	Internal services	30,352
Storm water	General	1,671
		\$ 67,340

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 6 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

The following is a schedule of interfund advances at December 31, 2024:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Government Funds:		
General	TIF #3	\$ 141,605
General	Golf Course	173,563
General	TIF #6	200,303
Total governmental funds		<u>\$ 515,471</u>

No repayment schedule has been established for the advances. Repayment of the TIF advances are contingent upon future property tax increments of the TIF districts.

For the Statement of Net Position, interfund balances which are owned within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

<u>Fund Transfer To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Government Funds:			
General	Water	\$ 130,828	Tax equivalent
Capital Projects	General	55,432	Operations
Great Day	TIF #7	50,000	Developer grant
Debt Service	Capital Projects	330,124	Debt payment
Capital Projects	Storm Water	100,582	Street Project
ARPA	General	207	Fund deficit
TIF #3	TIF #4	102,529	Excess funds
	Total	<u>\$ 769,702</u>	
Internal Service	General	<u>\$ 15,000</u>	Operations
Government-wide:			
Governmental Activities	Business-type Activities	<u>\$ 123,210</u>	Tax equivalent

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN

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

OPEB Plan Fiduciary Net Position. ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

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

Contributions. The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

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

Contribution rates as of December 31, 2024 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of Member Contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2023 are as listed below:

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

Life Insurance		
Member Contribution Rates*		
For the year ended December 31, 2023		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit.		

During the reporting period, the LRLIF recognized \$751 in contributions from the employer.

OPEB Liabilities, OPEB Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2024, the LRLIF Employer reported a liability (asset) of \$169,595 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2023 rolled forward to December 31, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City’s proportion of the net OPEB liability (asset) was based on the City’s share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2023, the City’s proportion was .036863%, which was an increase of .000918% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2024, the City recognized OPEB expense of \$20,978.

OPEB amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the OPEB plan made by the proprietary fund and business-type activities relative to the total contributions made by the City.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (15,010)
Net differences between projected and actual earnings on plan investments	2,291	
Changes in actuarial assumptions	53,049	(66,781)
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,311	
Employer contributions subsequent to the measurement date	740	
Totals	\$ 83,391	\$ (81,791)

\$740 reported as deferred outflows related to OPEB resulting from the City employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2025	\$ 6,249
2026	6,610
2027	(1,018)
2028	(6,647)
2029	(6,858)
Thereafter	2,524
Total	\$ 860

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability in the January 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2023
Measurement Date of Net OPEB Liability (Asset)	December 31, 2023
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*:	3.26%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.32%
Salary Increases	
Wage Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyer GO 20-Bond Municipal index.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total OPEB Liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the January 1, 2023 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2023			
Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interm Credit	40%	2.32%
US Mortgages	Bloomberg US MBS	60%	2.52%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

Single Discount rate. A single discount rate of 3.32% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.76% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 3.72% as of December 31, 2022 to 3.26% as of December 31, 2023. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the City’s proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.32 percent, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.32 percent) or 1-percentage-point higher (4.32 percent) than the current rate:

	1% Decrease to Discount Rate (2.32%)	Current Discount Rate (3.32%)	1% Increase to Discount Rate (4.32%)
City's proportionate share of the net OPEB liability (asset)	\$ 227,873	\$ 169,595	\$ 125,108

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT 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, and expected to work at least 1200 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 Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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.

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, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 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. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$146,010 in contributions from the employer.

Contribution rates as of December 31, 2024 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.90%	6.90%
Protective with Social Security	6.90%	14.30%
Protective without Social Security	6.90%	19.10%

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At December 31, 2024, the City reported a liability (asset) of \$167,646 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the City's proportion was 0.0112756%, which was a decrease of 0.00014683% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2024, the City recognized pension expense (income) of \$115,332.

Pension amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the proprietary funds and business-type activities relative to the total contributions made by the City.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 675,948	\$ (895,297)
Net differences between projected and actual earnings on pension plan investments	584,220	
Changes in assumptions	73,072	
Changes in proportion and differences between employer contributions and proportionate share of contributions	489	(3,471)
Employer contributions subsequent to the measurement date	161,226	
Total	\$ 1,494,955	\$ (898,768)

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$161,226 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2025	\$ 88,721
2026	92,796
2027	366,008
2028	(112,564)
Total	<u>\$ 434,961</u>

Actuarial assumptions. The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2022
Measurement Date of Net Pension Liability (Asset):	December 31, 2023
Experience Study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments	1.7%*

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total Pension Liability for December 31, 2023 is based upon a roll-forward of the liability calculated from the December 31, 2022 actuarial valuation.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Asset Allocation Targets and Expected Returns ¹			
As of December 31, 2023			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return % ²</u>
Public Equity	40%	7.3%	4.5%
Public Fixed Income	27	5.8	3.0
Inflation Sensitive	19	4.4	1.7
Real Estate	8	5.8	3.0
Private Equity/Debt	18	9.6	6.7
Leverage ³	(12)	3.7	1.0
Total Core Fund	100%	7.4%	4.6%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	6.8	4.0
International Equities	30	7.6	4.8
Total Variable Fund	100%	7.3%	4.5%

¹ Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

² New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.7%

³ The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, as asset allocation target of 12% policy leverage is used, subject to an allowable range of up to 20%.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 8

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Single Discount rate. A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 3.77% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2023. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax- exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Lancaster’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City's proportionate share of the net pension liability (asset)	\$ 1,620,382	\$ 167,646	\$ (848,894)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 9

DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2024 the various components of deferred inflows of resources reported in the governmental funds were as follows:

Property tax receivable	\$ 2,177,193
Delinquent garbage bills on tax roll	3,459
2024 tax equivalent	123,210
Special assessments receivable	4,857
2025 Golf memberships	5,887
Long-term notes receivable - housing grants	136,004
Long-term note receivable	<u>600,000</u>
Total deferred inflows of resources for governmental funds	<u><u>\$ 3,050,610</u></u>

Postponed special assessments are generally collectible in annual installments over five years while others have been deferred until the property is sold or placed in service.

Housing grant receivables are deferred until the home is sold or the owner passes away.

The City issued a \$600,000 long-term note receivable to a local developer. See Note 21 for details and repayment schedule.

NOTE 10

RESTRICTED ASSETS

Restricted assets represent the following:

Depreciation, Redemption and Reserve Funds: Restricted by terms of bond ordinance (See Note 5).

Equipment Replacement Fund: The Wisconsin Department of Natural Resources requires the funding of an equipment replacement fund, which may only be used to replace specified equipment for the wastewater treatment plant. The balance in the replacement fund at December 31, 2024 was \$317,712.

NOTE 11

LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The City stopped accepting solid waste at its landfill site on March 31, 1990. Applicable state law and regulations as monitored by the Wisconsin Department of Natural Resources require the City to perform certain monitoring functions at the landfill site. Monitoring performed in 2012 did not identify any potential problems. No liability for post closure care cost has been recorded. The estimated remaining current cost of all post closure care is unknown and it is remote that substantial costs would be incurred. These costs may change in the future due to changes in technology, laws or regulations.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 12

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2024 includes the following:

GOVERNMENTAL FUND BALANCES

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Nonspendable:				
Prepaid	\$ 54,433	\$	\$	\$
Inventory	35,747			
Advance	515,471			
Delinquent taxes	6,109			
Restricted for:				
Debt Service		397,593		
Great Day				459,404
Library Special Purpose				58,987
Cemetery				46,692
Potosi Branch Library				1,806
Storm Water				175,694
Veterans Memorial				17,564
TIF #5				34,132
CDBG Housing				102,470
Assigned for:				
K-9/Police	54,139			
Grant Co Sportsmans Club	16,909			
Future projects			2,514,993	
Unassigned (deficit)	714,558			(525,253)
Totals	<u>\$ 1,397,366</u>	<u>\$ 397,593</u>	<u>\$ 2,514,993</u>	<u>\$ 371,496</u>

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 12 GOVERNMENTAL FUND BALANCES (CONTINUED)

The following funds had a negative fund balance at December 31, 2024:

TIF #3	\$	141,670
TIF #6		200,303
TIF #7		1,580
TIF #8		33,736
Golf Course		147,964

NOTE 13 TAX INCREMENTAL DISTRICTS

The City of Lancaster, Wisconsin Tax Incremental Financing Districts (TID) were created under the provisions of Wisconsin Statute Section 66.46. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the Districts. The tax on the increased value is called a tax increment.

Project costs may be incurred up to five years before the District’s mandatory termination date. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or for a maximum of 20 years. TID’s created after October 1, 2004 will have a maximum life of 27 years for blight elimination districts and 20 years for industrial and mixed use TID’s. An industrial and mixed-use TID has the option to extend maximum life by 5 years. Project costs uncollected at the dissolution date are absorbed by the City. Prior to September 30, 2015, the City may request approval from the Wisconsin Department of Revenue to designate a TIF District as being distressed. A distressed designation will allow for the extension of the life for the TIF District. The extended life does not impact the expenditure period. The Wisconsin Department of Revenue has approved designating TIF #3 as being distressed and TIF # 4 as a donor district to TIF #3.

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Final Dissolution Date</u>
District #3	2/20/06	2/20/21	2/20/36
District #4	9/25/06	9/25/21	2/20/36
District #5	9/25/18	9/25/40	9/25/45
District #6	3/26/20	3/26/36	3/26/41
District #7	9/20/21	9/20/36	9/20/41
District #8	9/18/23	9/18/38	9/18/43

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 13

TAX INCREMENTAL DISTRICTS (CONTINUED)

Following is the cumulative status of the TIF Districts as of December 31, 2024:

	TIF #3	TIF #4	TIF #5	TIF #6	TIF #7	TIF #8
Revenues:						
Miscellaneous	\$ 1,287,617	\$ 7,500	\$	\$ 237,623		\$ 761
Tax increment	1,573,430	886,375	183,769	169,730	14,158	
Intergovernmental	1,397,859	3,111		250,000	200,000	3,400,000
Proceeds from long-term debt	3,259,644					
Transfer from donor TIF	661,936				50,000	
Total revenues	<u>8,180,486</u>	<u>896,986</u>	<u>183,769</u>	<u>657,353</u>	<u>264,158</u>	<u>3,400,761</u>
Expenditures:						
Capital and administration	3,009,953	232,099	2,622	446,412	15,738	34,497
Debt issuance costs	11,777					
Interest and fiscal charges	869,900	2,951				
Real property costs	454,706					
Transfer to distressed TIF		661,936				
Principal on long-term debt	3,975,820					
Developer costs			147,015	411,244	250,000	3,400,000
Total expenditures	<u>8,322,156</u>	<u>896,986</u>	<u>149,637</u>	<u>857,656</u>	<u>265,738</u>	<u>3,434,497</u>
Amount to be recovered through future increments	<u>\$ 141,670</u>	<u>\$</u>	<u>\$ (34,132)</u>	<u>\$ 200,303</u>	<u>\$ 1,580</u>	<u>\$ 33,736</u>
Cash	\$	\$	\$ (34,132)	\$	\$	\$
Accounts payable	65					
Due to other funds					1,580	33,736
Advance from other funds	141,605			200,303		
Amount to be recovered through future increments	<u>\$ 141,670</u>	<u>\$</u>	<u>\$ (34,132)</u>	<u>\$ 200,303</u>	<u>\$ 1,580</u>	<u>\$ 33,736</u>

The amounts to be recovered shown above will be increased by interest payments made in the future and by interest charged on the advances from other funds.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 14

POTOSI BRANCH LIBRARY

The City entered into an agreement with the Village of Potosi to establish a branch library in the Village. The agreement is effective from January 1, 2024 through December 31, 2026 and required annual payments to the City of \$24,500 from the Village for 2024.

The Village shall be responsible for all costs of obtaining rights to use and all costs of operating the facility including but not limited to acquisition costs, rent, heat, electricity, utilities, telephone, insurance, cleaning, maintenance, repairs and any wiring and site preparation necessary to enable the facility to effectively operate as a branch library. In addition, the Village shall be responsible for all costs of acquiring and maintaining all furniture, fixtures, furnishings and equipment necessary for the operation of the library unless specifically excluded herein. These costs shall include but not be limited to any necessary automation equipment needed for connecting the branch library to the City library, any other required telecommunication systems between the branch library and the City library and those specific start-up costs agreed to.

The Village shall retain ownership of the facility, all fixtures, furnishings and equipment except and any all computers and computer equipment. The City will be the owner of all computer equipment, books and audio visual materials for as long as Potosi Branch Library is in operation. If for any reason, the Potosi Branch Library ceases to operate, the computers, computer equipment, books and other audio visual material assigned to the branch library will become the property of the Village.

Activities of the Potosi Branch Library are being reported as a special revenue fund of the City.

NOTE 15

JOINTLY GOVERNED ORGANIZATION

The counties of Marathon, Adams, Waupaca, and Bayfield and the City of Lancaster created the Public Finance Authority on September 28, 2010. The Public Finance Authority was created pursuant to section 66.0304 of the Wisconsin State Statutes. Section 66.0304 provides that a commission created as provided in that section is a unit of government, and a body corporate and politic, that is separate and distinct from, and independent of, the State and the members, and in addition to other powers, shall have the powers set forth in section 66.0304.

The Commission shall be governed by the Board of Directors, which shall consist of seven (7) directors. A majority of the directors shall be public officials or current or former employers of a political subdivision that is located in the state. The initial members shall appoint the initial directors, by majority vote. The directors shall serve staggered (3) years terms.

The City did not provide any financial assistance to the Commission during 2024.

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 16

TAX LEVY LIMIT

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount, increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the City adopts a new fee or a fee increase for covered services (which were partly or wholly funded by property tax levy), the City must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions. Covered services include garbage collection, fire protection, snow plowing, and street sweeping.

NOTE 17

COMMITMENTS AND SUBSEQUENT EVENTS

Prior to December 31, 2024, the City approved the following:

- Approved \$1,125,000 City of Lancaster Fire Station renovation project as part of the Community Fund Project.
- Approved a 35% sewer utility rate increase to take effect January 1, 2025.
- Approved acceptance of \$1,000,000 CDBG grant related to the South Lancaster Utility improvement project occurring in 2025.

Subsequent to December 31, 2024, the City approved the following:

- Approved purchases of various vehicles and equipment for \$753,682.
- Approved architectural services contract with engineering for \$144,550 related to the City Fire Station Renovation Project.
- Approved construction bid of \$1,616,642 for South Lancaster Utilities improvement project.
- Approved issuance of \$2,627,647 in Clean Water Revenue Bonds at a rate of 2.20% for construction of a new lift station at Memorial Park. Debt repayment is as follows:

Years	Business-Type Activities		
	Bonds		
	Principal	Interest	Total
2025	\$	\$ 41,590	\$ 41,590
2026	112,895	56,566	169,461
2027	115,379	54,055	169,434
2028	117,917	51,489	169,406
2029	120,511	48,866	169,378
2030-2034	643,513	202,927	846,440
2035-2039	717,481	128,143	845,624
2040-2044	799,952	44,763	844,715
Totals	\$ 2,627,647	\$ 628,400	\$ 3,256,047

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 18

TAX ABATEMENTS

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

The City of Lancaster, through some of its TID districts, has entered into tax abatement agreements with developers in the form of tax incremental financing incentives to stimulate economic development. The abatements are authorized through the TID project plan. The developers pay property taxes as they become due, and if they generate the guaranteed increment, a percentage of property tax generated based on a certain tax base is returned to the developers.

For the year ended December 31, 2024, the City abated property taxes totaling \$120,003 related to TID developer agreements.

NOTE 19 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 102, *Certain Risk Disclosures*, effective for periods beginning after June 15, 2024, GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for periods beginning after June 15, 2025, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for periods beginning after June 15, 2025. When these become effective, application of these standards may restate portions of these financial statements.

NOTE 20

CHANGE IN REPORTING ENTITY

Effective December 31, 2023, changes within the financial reporting entity resulted in restatements of beginning fund balance as follows:

	TIF #8	Other Governmental Funds
12/31/2023, as previously reported	\$ (20,688)	\$ 780,323
Change within financial reporting entity (major to nonmajor fund)	20,688	(20,688)
1/1/2024, as restated	\$	\$ 759,635

City of Lancaster, Wisconsin
Notes to the Basic Financial Statements
December 31, 2024

NOTE 21

LONG-TERM NOTE RECEIVABLE

In 2024, the City provided a \$600,000 long-term note receivable to a local housing developer to assist with construction of a new workforce housing development. The note will be repaid over 30 years at 4%. Repayment is as follows:

Years	Long-Term Note Receivable		
	Principal	Interest	Total
2025	\$ 20,000	\$ 15,452	\$ 35,452
2026	20,000	23,200	43,200
2027	20,000	22,400	42,400
2028	20,000	21,659	41,659
2029	20,000	20,800	40,800
2030-2034	100,000	92,050	192,050
2035-2039	100,000	72,042	172,042
2040-2044	100,000	52,057	152,057
2045-2049	100,000	32,015	132,015
2050-2054	100,000	12,007	112,007
Totals	\$ 600,000	\$ 363,682	\$ 963,682

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
Required Supplementary Information
City of Lancaster, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 382,000	\$ 382,000	\$ 381,785	\$ (215)	\$ (215)
Special assessments			899	899	899
Licenses and permits	73,000	73,000	88,045	15,045	15,045
Fines, forfeits and penalties	25,000	25,000	25,120	120	120
Intergovernmental	1,739,000	1,739,000	1,750,271	11,271	11,271
Public charges for services	395,000	395,000	364,326	(30,674)	(30,674)
Intergovernmental charges for services	125,200	125,200	127,396	2,196	2,196
Miscellaneous	54,000	54,000	193,999	139,999	139,999
Total revenues	2,793,200	2,793,200	2,931,841	138,641	138,641
EXPENDITURES					
General government	548,000	548,000	503,755	44,245	44,245
Public safety	1,101,200	1,101,200	1,096,296	4,904	4,904
Public works	826,000	826,000	838,181	(12,181)	(12,181)
Culture, recreation and education	367,000	367,000	354,207	12,793	12,793
Conservation and development	71,000	71,000	57,606	13,394	13,394
Total expenditures	2,913,200	2,913,200	2,850,045	63,155	63,155
Excess (deficiency) of revenues over expenditures	(120,000)	(120,000)	81,796	201,796	201,796
OTHER FINANCING SOURCES (USES)					
Gain on sale of capital assets			300	300	300
Transfers in	135,000	135,000	130,828	(4,172)	(4,172)
Transfers out	(15,000)	(15,000)	(70,639)	(55,639)	(55,639)
Total other financing sources (uses)	120,000	120,000	60,489	(59,511)	(59,511)
Net change in fund balance			142,285	142,285	142,285
Fund balance - beginning of year	1,255,081	1,255,081	1,255,081		
Fund balance - end of year	<u>\$ 1,255,081</u>	<u>\$ 1,255,081</u>	<u>\$ 1,397,366</u>	<u>\$ 142,285</u>	<u>\$ 142,285</u>

Exhibit B-2
City of Lancaster, Wisconsin
Local Retiree Life Insurance Fund Schedules
December 31, 2024

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Collective net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2023	0.03686300%	\$ 169,595	\$ 1,367,000	12.41%	33.90%
2022	0.03594500%	136,943	1,496,000	9.15%	38.81%
2021	0.03130800%	185,042	1,381,000	13.40%	29.57%
2020	0.02992900%	164,631	1,359,000	12.11%	31.36%
2019	0.02829800%	123,862	1,368,000	9.05%	37.58%
2018	0.02760900%	71,241	1,301,000	5.48%	48.69%
2017	0.02267700%	68,226	953,633	7.15%	44.81%

*The proportionate share of the net OPEB liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Calendar Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2024	\$ 740	\$ (740)		\$ 1,535,259	0.05%
2023	762	(762)		1,367,000	0.06%
2022	736	(736)		1,496,000	0.05%
2021	630	(630)		1,381,000	0.05%
2020	606	(606)		1,359,000	0.04%
2019	575	(575)		1,368,000	0.04%
2018	531	(531)		1,301,000	0.04%

**The contribution and other amounts presented above for each calendar year are based on information that occurred during that calendar year.

Exhibit B-3
City of Lancaster, Wisconsin
Wisconsin Retirement System Schedules
December 31, 2024

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Collective net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.01127560%	\$ 167,646	\$ 1,657,901	10.11%	98.85%
2022	0.01142243%	605,125	1,618,728	37.38%	95.72%
2021	(0.01126894%)	(908,297)	1,598,035	(56.84%)	106.02%
2020	(0.01111812%)	(694,119)	1,573,404	(44.12%)	105.26%
2019	(0.01080993%)	(348,561)	1,506,306	(23.14%)	102.96%
2018	0.01069697%	380,564	1,439,403	26.44%	96.45%
2017	(0.01045625%)	(310,458)	1,351,314	(22.97%)	102.93%
2016	0.01051798%	86,693	1,375,602	6.30%	99.12%
2015	0.01039834%	168,971	1,301,670	12.98%	98.20%
2014	(0.01047107%)	(257,198)	1,335,241	(19.26%)	102.74%

*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Calendar Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2024	\$ 161,226	\$ (161,226)		\$ 1,743,322	9.25%
2023	146,011	(146,011)		1,657,901	8.81%
2022	135,045	(135,045)		1,618,728	8.34%
2021	132,754	(132,754)		1,598,035	8.31%
2020	129,518	(129,518)		1,573,404	8.23%
2019	115,120	(115,120)		1,506,306	7.64%
2018	112,203	(112,203)		1,439,403	7.80%
2017	106,549	(106,549)		1,351,314	7.88%
2016	101,855	(101,855)		1,375,602	7.40%
2015	98,779	(98,779)		1,301,670	7.59%

**The contribution and other amounts presented above for each calendar year are based on information that occurred during that calendar year.

City of Lancaster, Wisconsin
Notes to the Required Supplementary Information
December 31, 2024

NOTE 1

BUDGET SCHEDULE

General Policies – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets, as required by state statutes, are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds.

A budget has been adopted for the general, certain special revenue, debt service, and certain capital projects funds. Comparisons of budget to actual are presented in the financial statements for the general fund and any major special revenue fund.

The budgeted amounts presented include both the original and amended budgets. The City Council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds Council action. There were no supplemental appropriations during the year. Appropriations lapse at year-end unless assigned. Budgets are adopted at the broad functional category level of expenditures in the general fund and total expenditures level for other funds.

Although there are adopted budgets for the enterprise funds, budget to actual data is not shown since there is no requirement under U.S. generally accepted accounting principles to present budget to actual comparisons for enterprise funds as part of the financial statements, even if annual budgets are legally adopted for these funds.

Encumbrances – Encumbrances accounting is not used.

Excess of Expenditures Over Appropriations – The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2024:

<u>Expenditure</u>	<u>Excess</u>
General Fund	
Public works	\$ 12,181
Transfers out	55,639

City of Lancaster, Wisconsin
Notes to the Required Supplementary Information
December 31, 2024

NOTE 2

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Changes in Benefit Terms and Assumptions related to Pension Liabilities (Assets)

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

Changes of assumptions:

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

City of Lancaster, Wisconsin
Notes to the Required Supplementary Information
December 31, 2024

NOTE 2

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:					
	2023	2022	2021	2020	2019
Valuation Date:	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS	30 Year closed from date of participation in WRS
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions					
Net Investment Rate of Return:	5.4%	5.4%	5.4%	5.4%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	6.8%	7.0%	7.0%	7.0%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.0%	3.0%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	1.7%	1.9%	1.9%	1.9%	2.1%
Retirement Age:	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2018-2020.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015 - 2017.	Experience -based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.
Mortality:	2020 WRS Experience Tables. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2021 fully generational improvement scale from a base year of 2010.	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).
*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. Value is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.					

City of Lancaster, Wisconsin
Notes to the Required Supplementary Information
December 31, 2024

NOTE 2

WISCONSIN RETIREMENT SYSTEM SCHEDULES (CONTINUED)

Significant methods and assumptions used in calculating Wisconsin Retirement System Actuarially Determined Contributions:					
	2018	2017	2016	2015	2014
Valuation Date:	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period	Level Percent of Payroll-Closed Amortization Period
Amortization Period:	30 Year closed from date of participation in	30 Year closed from date of participation in	30 Year closed from date of participation in	30 Year closed from date of participation in	30 Year closed from date of participation in
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Actuarial Assumptions					
Net Investment Rate of Return:	5.5%	5.5%	5.5%	5.5%	5.5%
Weighted based on assumed rate for:					
Pre-retirement:	7.2%	7.2%	7.2%	7.2%	7.2%
Post-retirement:	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Increases					
Wage Inflation:	3.2%	3.2%	3.2%	3.2%	3.2%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Post-retirement Benefit Adjustments*:	2.1%	2.1%	2.1%	2.1%	2.1%
Retirement Age:	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience - based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012 - 2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2009 - 2011.
Mortality:	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%).	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality	Wisconsin 2012 Mortality Table. The rates based on actual WRS experience projected to 2017 with scale BB to all for future improvements (margin) in mortality
*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. Value is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.					

City of Lancaster, Wisconsin
Notes to the Required Supplementary Information
December 31, 2024

NOTE 3

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Changes in Benefit Terms and Assumptions related to LRLIF OPEB Liabilities (Assets)

Benefit Terms: There were no recent changes in benefit terms.

Assumptions: In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

SUPPLEMENTARY INFORMATION

Exhibit C-1
City of Lancaster, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024

	TIF #3	TIF #4	Capital Projects Funds			Formerly Major Fund TIF #8
			TIF #5	TIF #6	TIF #7	
ASSETS						
Cash and investments	\$ 70,792	\$ 24,105	\$ 49,009	\$ 17,573	\$ 2,351	\$ 4,985
Taxes receivable	187,674	63,903	39,435	46,588	6,234	13,216
Accounts receivable						
Inventory						
Long-term notes receivable						
Prepaid expenditures						
Due from other funds						
Total assets	\$ 258,466	\$ 88,008	\$ 88,444	\$ 64,161	\$ 8,585	\$ 18,201
LIABILITIES						
Accounts payable	\$ 65	\$	\$	\$	\$	
Accrued payroll liabilities						
Due to other governments						
Due to other funds					1,581	33,736
Advance due to other funds	141,605		200,303			
Total liabilities	141,670		200,303		1,581	33,736
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	258,466	88,008	54,312	64,161	8,584	18,201
Deferred golf memberships						
Deferred long-term note receivable						
Total deferred inflows of resources	258,466	88,008	54,312	64,161	8,584	18,201
FUND BALANCE						
Restricted			34,132			
Unassigned (deficit)	(141,670)			(200,303)	(1,580)	(33,736)
Total fund balance	(141,670)		34,132	(200,303)	(1,580)	(33,736)
Total liabilities, deferred inflows of resources and fund balance	\$ 258,466	\$ 88,008	\$ 88,444	\$ 64,161	\$ 8,585	\$ 18,201

Exhibit C-1 (Continued)
City of Lancaster, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024

	Special Revenue Funds										Total
	Library Special Purpose	Golf Course	Cemetery	Potosi Branch Library	CDBG Housing	Storm Water	Great Day	Veterans Memorial	ARPA		
ASSETS											
Cash and investments	\$ 148,208	\$ 23,855	\$ 47,789	\$ 3,162	\$ 102,470	\$ 158,274	\$ 459,404	\$ 17,564	\$	\$	\$ 1,129,541
Taxes receivable	196,775										553,825
Accounts receivable		1,191				17,496					18,687
Inventory		20,137									20,137
Long-term notes receivable					136,004		600,000				736,004
Prepaid expenditures		22,925									22,925
Due from other funds						1,671					1,671
Total assets	\$ 344,983	\$ 68,108	\$ 47,789	\$ 3,162	\$ 238,474	\$ 177,441	\$ 1,059,404	\$ 17,564	\$	\$	\$ 2,482,790
LIABILITIES											
Accounts payable	\$ 5,652	\$ 30,238	\$ 96	\$ 53	\$	\$ 494	\$	\$	\$	\$	\$ 36,598
Accrued payroll liabilities	8,744	6,045	1,001	703		1,253					17,746
Due to other governments	600	339		600						0	1,539
Due to other funds											35,317
Advance due to other funds		173,563									515,471
Total liabilities	14,996	210,185	1,097	1,356	1,747	1,747	606,671	606,671	606,671	606,671	606,671
DEFERRED INFLOWS OF RESOURCE											
Deferred property taxes	271,000										762,732
Deferred golf memberships		5,887									5,887
Deferred long-term note receivable					136,004		600,000				736,004
Total deferred inflows of resources	271,000	5,887	5,887	136,004	600,000	600,000	1,504,623	1,504,623	1,504,623	1,504,623	1,504,623
FUND BALANCE											
Restricted	58,987		46,692	1,806	102,470	175,694	459,404	17,564			896,749
Unassigned (deficit)		(147,964)									(525,253)
Total fund balance	58,987	(147,964)	46,692	1,806	102,470	175,694	459,404	17,564	17,564	17,564	371,496
Total liabilities, deferred inflows of resources and fund balance	\$ 344,983	\$ 68,108	\$ 47,789	\$ 3,162	\$ 238,474	\$ 177,441	\$ 1,059,404	\$ 17,564	\$	\$	\$ 2,482,790

Exhibit C-2
City of Lancaster, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2024

	TIF #3	TIF #4	Capital Projects Funds			TIF #7	Formerly Major Fund TIF #8
			TIF #5	TIF #6	TIF #7		
REVENUES							
Taxes	\$ 191,868	\$ 102,459	\$ 73,563	\$ 61,210	\$ 14,158	\$	
Intergovernmental	7,905	220			200,000		
Public charges for services							760
Intergovernmental charges for services							760
Interest							
Other	400						
Total revenues	200,173	102,679	73,563	61,210	214,158		
EXPENDITURES							
General government							
Public safety							
Public works							
Health and social services							
Culture, recreation and education					1,346		1,058
Conservation and development							
Capital outlay:							
Conservation and development	1,154	150	59,001	67,389	250,692		12,750
Debt service:							
Principal retirement	141,501						
Interest and fiscal charges	19,824						
Total expenditures	162,479	150	59,001	67,389	252,038		13,808
Excess (deficiency) of revenues over expenditures	37,694	102,529	14,562	(6,179)	(37,880)		(13,048)
OTHER FINANCING SOURCES (USES)							
Sale of capital assets				78,000			
Transfer in	102,529	(102,529)			50,000		
Transfer out							
Total other financing sources (uses)	102,529	(102,529)		78,000	50,000		
Net change in fund balances	140,223		14,562	71,821	12,120		(13,048)
Fund balance - beginning of year, as previously reported	(281,893)		19,570	(272,124)	(13,700)		
Change within financial reporting entity (major to nonmajor fund)							(20,688)
Fund balance - beginning of year, as restated	(281,893)		19,570	(272,124)	(13,700)		(20,688)
Fund balance - end of year	\$ (141,670)	\$	\$ 34,132	\$ (200,303)	\$ (1,580)	\$	(33,736)

Exhibit C-2 (Continued)
City of Lancaster, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2024

	Special Revenue Funds											Total
	Library Special Purpose	Golf Course	Cemetery	Potosi Branch Library	CDBG Housing	Storm Water	Great Day	Veterans Memorial	ARPA			
REVENUES	\$ 261,000	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 704,258
Taxes												
Intergovernmental	5,362	526,761	45,000			198,955			79,730			287,855
Public charges for services	164,816			24,500								776,078
Intergovernmental charges for services												189,316
Interest	14,125	84,352	23	1,080	8,366			150	9,088			49,901
Other	445,303	611,113	45,023	25,580	8,366	198,955	40,813	150	88,818			109,256
Total revenues												2,116,664
EXPENDITURES												
General government												31,490
Public safety												4,629
Public works						81,415						110,713
Health and social services												47,902
Culture, recreation and education	504,685	544,774	47,902	26,609	1,575				49,528			1,131,254
Conservation and development												3,979
Capital outlay:												
Conservation and development												
Debt service:												991,136
Principal retirement												141,501
Interest and fiscal charges												19,824
Total expenditures	504,685	544,774	47,902	26,609	1,575	81,415	600,000		114,945			2,482,428
Excess (deficiency) of revenues over expenditures	(59,382)	66,339	(2,879)	(1,029)	6,791	117,540	(559,187)	(5,508)	(26,127)			(365,764)
OTHER FINANCING SOURCES (USES)												
Sale of capital assets												78,000
Transfer in									207			152,736
Transfer out						(100,582)	(50,000)					(253,111)
Total other financing sources (uses)						(100,582)	(50,000)		207			(22,375)
Net change in fund balances	(59,382)	66,339	(2,879)	(1,029)	6,791	16,958	(609,187)	(5,508)	(25,920)			(388,139)
Fund balance - beginning of year, as previously reported	118,369	(214,303)	49,571	2,835	95,679	158,736	1,068,591	23,072	25,920			780,323
Change within financial reporting entity (major to nonmajor fund)												(20,688)
Fund balance - beginning of year, as restated	118,369	(214,303)	49,571	2,835	95,679	158,736	1,068,591	23,072	25,920			759,635
Fund balance - end of year	\$ 58,987	\$ (147,964)	\$ 46,692	\$ 1,806	\$ 102,470	\$ 175,694	\$ 459,404	\$ 17,564	\$	\$	\$	\$ 371,496

Exhibit C-3
Lancaster Water and Sewer Utilities
Detailed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2024

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Metered sales	\$ 763,659	\$	\$ 763,659
Private fire protection	21,159		21,159
Public fire protection	339,807		339,807
Public authorities	53,613		53,613
Multi-family	19,999		19,999
Measured sewer service		1,182,998	1,182,998
Forfeited discounts	2,848	9,170	12,018
Miscellaneous	8,743	6,035	14,778
	<u>1,209,828</u>	<u>1,198,203</u>	<u>2,408,031</u>
OPERATING EXPENSES			
Source of supply expenses	255		255
Pumping expenses	116,011		116,011
Treatment expenses	37,115	212,417	249,532
Transmission and distribution	154,679		154,679
Customer accounts expense	32,960	319,795	352,755
Administrative and general	292,551	42,292	334,843
Maintenance of sewage system		305,011	305,011
Depreciation	315,938	295,795	611,733
Taxes	13,775	23,852	37,627
	<u>963,284</u>	<u>1,199,162</u>	<u>2,162,446</u>
Total operating expenses	<u>963,284</u>	<u>1,199,162</u>	<u>2,162,446</u>
Operating income (loss)	<u>246,544</u>	<u>(959)</u>	<u>245,585</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	24,000	42,102	66,102
Amortization of debt discount	(20,870)	(54,174)	(75,044)
Interest expense	(57,273)	(52,142)	(109,415)
	<u>(54,143)</u>	<u>(64,214)</u>	<u>(118,357)</u>
Total nonoperating revenues (expenses)	<u>(54,143)</u>	<u>(64,214)</u>	<u>(118,357)</u>
Income before transfers	192,401	(65,173)	127,228
Transfer of tax equivalent	(123,210)		(123,210)
Change in net position	69,191	(65,173)	4,018
Net position - beginning of year	<u>5,909,846</u>	<u>8,594,265</u>	<u>14,504,111</u>
Net position-end of year	<u>\$ 5,979,037</u>	<u>\$ 8,529,092</u>	<u>\$ 14,508,129</u>

Exhibit C-4
Lancaster Water and Sewer Utilities
Schedule of Insurance
December 31, 2024

Company	Type	Coverage	Term
Continental Western Insurance	General Liability	\$5,000,000/Aggregate 5,000,000/Completed Operations Aggregate 1,000,000/Employee Benefits 2,000,000/Occurrence 100,000/Fire Damage	1/1/24-1/1/25
Continental Western Insurance	Property	\$53,564,800	1/1/24-1/1/25
Continental Western Insurance	Inland Marine	\$2,335,899 Miscellaneous Property 100,000 Hired Equipment	1/1/24-1/1/25
Continental Western Insurance	Auto	\$2,000,000/Liability 1,000,000/Uninsured and Underinsured Motorist ACV/Collision and Comprehensive Hired and Non-owned Autos	1/1/24-1/1/25
Sentry Insurance	Worker's Compensation	\$1 Mill/Accident-\$1 Mil/\$1 Mil Disease Employee/Policy Limit	3/1/23-3/1/24
Employers Mutual Casualty		\$100,000/Accident-\$100,000/\$500,000 Disease Employee/Policy Limit	3/1/24-3/1/25
Continental Western Insurance	Employee Dishonesty	\$ 175,000/Employee Dishonesty	1/1/24-1/1/25

Exhibit C-5
City of Lancaster, Wisconsin
Other Information
December 31, 2024

	<u>Number</u>	<u>Gallons (000's)</u>
Water:		
Residential	1,759	58,017
Commercial	182	18,412
Industrial	18	117,100
Public Authority	45	12,503
Multi-Family	26	4,118
	<u>2,030</u>	<u>210,150</u>

	<u>Number</u>	<u>Gallons (000's)</u>
Sewer:		
Residential	1,710	54,560
Commercial	156	16,342
Industrial	13	2,126
Public Authority	42	7,858
	<u>1,921</u>	<u>80,886</u>

FORM OF LEGAL OPINION

(See following pages)

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

April 30, 2026

Re: City of Lancaster, Wisconsin ("Issuer")
\$1,650,000 General Obligation Promissory Notes, Series 2026A,
dated April 30, 2026 ("Notes")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2027	\$45,000	___%
2028	70,000	___
2029	70,000	___
2030	70,000	___
2031	70,000	___
2032	75,000	___
2033	75,000	___
2034	75,000	___
2035	75,000	___
2036	75,000	___
2037	75,000	___
2038	85,000	___
2039	85,000	___
2040	95,000	___
2041	95,000	___
2042	100,000	___
2043	100,000	___
2044	100,000	___
2045	100,000	___
2046	115,000	___

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2027.

The Notes maturing on April 1, 2034 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2033 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

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

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

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

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

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals; however, interest on the Notes is taken into account in determining "adjusted financial statement income" for purposes of computing the federal alternative minimum tax imposed on Applicable Corporations (as defined in Section 59(k) of the Code). The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

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

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

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Lancaster, Grant County, Wisconsin (the "Issuer") in connection with the issuance of \$1,650,000 General Obligation Promissory Notes, Series 2026A, dated April 30, 2026 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on March 16, 2026, as supplemented by an Approving Certificate, dated _____, 2026 (collectively, the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org 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 _____, 2026 delivered in connection with the Securities, which is available from the MSRB.

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

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

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

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

"Issuer Contact" means the City Clerk-Treasurer of the Issuer who can be contacted at 206 South Madison Street, Lancaster, Wisconsin 53813, phone (608) 723-4246, fax (608) 723-4789.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"SEC" means the Securities and Exchange Commission.

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

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2025, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

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

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

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

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

Section 5. Reporting of Listed Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 30th day of April, 2026.

(SEAL)

Mayor

David A. Kurihara
City Clerk-Treasurer

NOTICE OF SALE

**\$1,650,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2026A
CITY OF LANCASTER, WISCONSIN**

Bids for the purchase of \$1,650,000* General Obligation Promissory Notes, Series 2026A (the "Notes") of the City of Lancaster, Wisconsin (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on April 8, 2026, at which time they will be opened, read and tabulated. **The Common Council adopted a resolution on March 16, 2026 (the "Parameters Resolution"), which authorizes the City Administrator or the City Clerk/Treasurer to accept a bid for the Notes if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on April 8, 2026, neither the City Administrator nor the City Clerk/Treasurer will have the authority to accept a bid for the Notes, and all bids for the Notes will be rejected.**

AUTHORITY; PURPOSE; SECURITY

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, by the City, for public purposes, including paying the cost of projects in the City’s Capital Improvement Plan, such as street improvement projects, park projects, fire station building projects, sewer utility projects, golf course improvements and acquiring vehicles and equipment for various municipal departments. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

The Notes will be dated April 30, 2026, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$45,000	2034	\$75,000	2041	\$95,000
2028	70,000	2035	75,000	2042	100,000
2029	70,000	2036	75,000	2043	100,000
2030	70,000	2037	75,000	2044	100,000
2031	70,000	2038	85,000	2045	100,000
2032	75,000	2039	85,000	2046	115,000
2033	75,000	2040	95,000		

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to an increase of \$85,000 or a decrease of \$40,000 for the 2027 maturity, and up to an increase or decrease of \$55,000 per maturity for maturities in 2028 through 2046. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2027, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2034 shall be subject to optional redemption prior to maturity on April 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about April 30, 2026, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

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

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes 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 the Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

SUBMISSION OF BIDS

Bids must not be for less than \$1,633,500, nor more than \$1,815,000, plus accrued interest on the principal sum of \$1,650,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 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 IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

A good faith deposit ("Deposit") in the amount of \$33,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The

City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Notes will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid. **The Notes will not be awarded if the TIC (computed taking the purchaser's compensation into account) exceeds 4.50% or if the other conditions set forth in the Parameters Resolution are not satisfied.**

BOND INSURANCE

If the Notes are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Notes from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes shall be designated 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 Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will

enter into an undertaking for the benefit of the holders of the Notes. A description of the details and terms of the undertaking is set forth in Appendix D of the Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Notes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Notes to the winning bidder. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its bid form to determine the issue price for the Notes. On its bid form, each bidder must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Notes (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Notes have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Notes, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Notes of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Notes to the public),
- (iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Notes are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Official Statement relating to the Notes prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (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 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the Common Council

David Kurihara, City Clerk/Treasurer
City of Lancaster, Wisconsin

BID FORM

City of Lancaster, Wisconsin (the "City")

April 8, 2026

RE: **\$1,650,000* General Obligation Promissory Notes, Series 2026A (the "Notes")**

DATED: **April 30, 2026**

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$1,633,500, nor more than \$1,815,000) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038	_____ % due	2045
_____ % due	2032	_____ % due	2039	_____ % due	2046
_____ % due	2033	_____ % due	2040		

The City reserves the right to increase or decrease the principal amount of the Notes on the day of sale, in increments of \$5,000 each, up to an increase of \$85,000 or a decrease of \$40,000 for the 2027 maturity, and up to an increase or decrease of \$55,000 per maturity for maturities in 2028 through 2046. 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.

A rating for the Notes may not be requested without contacting Ehlers and receiving the permission of the City.

All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$33,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of bids. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about April 30, 2026.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Official Statement for the Notes.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use either the: 10% test, or the hold-the-offering-price rule to determine the issue price of the Notes.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 30, 2026 of the above bid is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted on behalf of the Common Council of the City of Lancaster, Wisconsin, on April 8, 2026.

By: _____
Title: _____