

CITY OF WASHBURN

Washburn, Wisconsin

Independent Auditor's Report

With Financial Statements

YEAR ENDED DECEMBER 31, 2021

EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS
PARK FALLS, WISCONSIN

City of Washburn, WI
 Report on Basic Financial Statements
 With Supplemental Information

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EAGLE AUDIT & ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Washburn
Washburn, Wisconsin

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn ("City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Washburn, WI basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn, WI as of December 31, 2021, 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. 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 of Washburn, WI 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.

Change in Accounting Principle

As discussed in Note 4c to the financial statements, in 2021 the City adopted new accounting guidance, Statements on Auditing Standards (SAS) numbers 134-140, Auditor Reporting Changes with Amendments. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 of Washburn, WI'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 generally accepted auditing standards 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 the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 of Washburn, WI'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 of Washburn, WI'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 Management's Discussion and Analysis and budgetary comparison 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

Park Falls, Wisconsin
June 20, 2022

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The discussion and analysis of the City's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on municipal financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total governmental fund revenues were \$5,582,783; including \$1,434,779 of property taxes, \$903,333 of general state aid, and \$2,827,465 of charges for services and operating and capital grants. Total governmental funds expenditures were \$4,963,251. The City reduced the amount of prior outstanding general obligation debt by \$476,322.

Total business-type activity fund revenues were \$1,182,210; including \$1,179,807 of user fees. Total business-type activity expenditures were \$1,245,084. The City reduced the amount of prior outstanding business-type debt by \$283,010.

The City's financial status, as reflected in total net position, increased by \$653,920. Net position of governmental activities due to operations increased by \$709,566 and business-type activities (water, sewer, storm water) decreased by \$(55,646).

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government wide financial statements

- The government-wide financial statements are the *statement of net position* and *statement of activities*. These statements present the aggregate view of the City's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or significant portion of costs through user fees and charges called *business type activities*.
- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net position changed during the year. This statement reports the cost of governmental functions and business-type functions and how those functions were financed for the fiscal year.
- The government-wide financial statements are shown on pages 4 to 5 of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Fund financial statements

- The City also produces fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating the City's near-term financing requirements.
- There are two fund financial statements, the balance sheet and statements of revenue, expenditures and changes in fund balance. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the government-wide statements, it is useful to make comparison between information presented. By doing so readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided as separate statements on pages 7 and 9.
- The municipality has three kinds of funds: *governmental*, *proprietary* and *fiduciary*. *Governmental funds* include the City's three permanent funds (general, special revenue, and debt service) and individual capital project funds as needed. The City has three *proprietary funds*, the water utility fund, sewer utility fund, and storm water fund. The only *fiduciary fund* for the City serves as an agency fund for tax collections for other governments.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, the marina operations fund, and the community development block grant fund (CDBG) as these are considered to be major funds. The governmental fund financial statements are on pages 6 to 9 of this report,
- The proprietary fund statements are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a *statement of cash flows* for the proprietary funds. Proprietary fund statements are located on pages 10 to 12 of this report.
- The City serves as a trustee, or *fiduciary*, for tax collections. The assets of this fund do not directly benefit nor are they under the direct control of the City. The City's responsibility is limited to ensuring the assets reported in this fund are distributed to the other governmental entities as prescribed by statute. *Fiduciary* activities are excluded from the government-wide financial statements because the City cannot use these assets to finance operations. The *Fiduciary* fund statement is presented on page 13.
- The City adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statement is on pages 15 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page 14 of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

The major features of the City's financial statements, including the portion of the activities reported and the type of information contained is shown in the table below.

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary, such as general govt., public safety, public works, etc.	Activities the City operates similar to private business. The City's water/sewer/storm water utilities are the proprietary operations.	Assets held by the City on behalf of someone else. Tax collections for other governments that are on deposit with the City are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities. 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and change in net assets • Statement of cash flows. 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

FINANCIAL ANALYSIS

The Municipality as a Whole

Net position. Table 1, below, provides a summary of the City's net position for the year ended December 31, 2021 compared to 2020.

Table 1 Condensed Statement of Net Position (in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total Municipality		%
	2021	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 6,312.0	\$ 5,810.0	\$ 1,698.1	\$ 1,683.0	\$ 8,010.1	\$ 7,493.0	6.9%
Capital assets	8,244.3	8,540.8	17,582.7	18,044.5	\$ 25,827.0	26,585.4	-2.9%
Total assets	14,556.3	14,350.9	19,280.8	19,727.5	33,837.1	34,078.3	-0.7%
Total deferred outflows	967.0	954.4	199.2	154.8	1,166.2	1,109.2	5.1%
L-T debt outstanding	1,862.5	2,320.1	7,340.4	7,618.8	9,202.9	9,938.9	-7.4%
Other liabilities	107.6	137.5	409.7	494.9	517.4	632.4	-18.2%
Total liabilities	1,970.1	2,457.6	7,750.2	8,113.7	9,720.3	10,571.3	-8.1%
Total deferred inflows	3,237.6	3,241.6	255.9	188.7	3,493.5	3,430.3	
Net position							
Invested in capital assets, net of related debt	6,610.9	6,431.1	10,261.1	10,440.0	16,872.0	16,871.1	0.0%
Restricted	2,229.4	2,072.5	1,039.1	1,003.0	3,268.5	3,075.5	6.3%
Unrestricted	1,475.2	1,102.4	260.4	173.3	1,735.6	1,275.7	36.1%
Total net position	\$ 10,315.6	\$ 9,606.0	\$ 11,560.6	\$ 11,616.3	\$ 21,876.2	\$ 21,222.3	3.1%

Note: totals may not add due to rounding

Unrestricted net position, the amount available to the City to use in future periods for general purposes, increased by \$372,814. A total of \$6,610,918 (64%) is in net investment in capital assets which is not spendable for continuing activities of the City.

In governmental activities, total assets increased \$205,460 including a decrease in capital assets, net decrease in capital assets was \$296,520. The calculation of net position uses a historical cost for buildings that may not accurately reflect the true value. The City's equipment, buildings, and roads are in good to fair shape. There is need to make improvements at City Hall, and there are several roads that are in need of reconstruction. Each year, a vehicle is replaced to keep up with a replacement cycle.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Change in net position Table 2, below, provides a summary of the City's change in the components of net position for the year ended December 31, 2021 compared to 2020.

Table 2 Change in Net Position (in thousands of dollars)						
	Governmental Activities		Business-Type Activities		Total Municipality	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charge for services	\$ 2,573.6	\$ 2,007.7	\$ 1,179.8	\$ 1,147.8	\$ 3,753.4	\$ 3,155.5
Capital grants	-	266.9	\$ -	\$ -	\$ -	\$ 266.9
Operating grants	253.9	298.7	-	-	253.9	298.7
General revenues						
Property taxes	1,434.8	1,401.6	-	-	1,434.8	1,401.6
State & federal aid	903.3	657.8	-	-	903.3	657.8
Other	507.2	408.7	2.4	7.0	509.6	415.7
Total revenues	<u>5,672.8</u>	<u>5,041.5</u>	<u>1,182.2</u>	<u>1,154.8</u>	<u>6,855.0</u>	<u>6,196.3</u>
Expenses:						
General government	493.9	491.9	-	-	493.9	491.9
Public safety	714.1	785.0	-	-	714.1	785.0
Public works	2,540.5	1,796.7	-	-	2,540.5	1,796.7
Health/human services	42.3	40.5	-	-	42.3	40.5
Culture/recreation	671.5	395.0	-	-	671.5	395.0
Conservation/develop	16.7	39.4	-	-	16.7	39.4
Business-type activity			1,245.1	1,279.4	1,245.1	1,279.4
Debt service	43.7	105.7	-	-	43.7	105.7
Depreciation, unallocated	440.7	438.8	-	-	440.7	438.8
Total expenses	<u>4,963.3</u>	<u>4,093.1</u>	<u>1,245.1</u>	<u>1,279.4</u>	<u>6,208.3</u>	<u>5,372.5</u>
Change in net position from operations	709.6	948.4	(62.9)	(124.6)	646.7	823.8
Net special/extraordinary	-	(0.7)	7.2	19.3	7.2	18.6
Change in net position	<u>\$ 709.6</u>	<u>\$ 947.7</u>	<u>\$ (55.6)</u>	<u>\$ (105.3)</u>	<u>\$ 653.9</u>	<u>\$ 842.4</u>

Note: totals may not add due to rounding

In government activities, the City had a change in net position of \$709,566, which is a decrease from the prior year of \$238,116. The major change was an increase in expenses in the Marina Operations Fund compared to the prior year. This was due to the large reduction in business in the prior year caused by the Covid-19 pandemic.

Business – Type Activities

Revenues for the City's business-type activities (water utility, sewer utility, storm water utility) were comprised of charges for services, and investment earnings.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

- Water, sewer and storm water utility expenses exceeded revenues by \$55,646, \$49,676 less than last year. The difference is mainly attributable to an increase in operating income in the Sewer Fund.
- Charges for services, which are amounts paid by customers of the water/sewer/storm water utilities, increased to 1,179,807 from \$1,147,784.
- The water, sewer and storm water utilities acquired new fixed assets in the amount of \$25,823. The new fixed assets consist of various small asset purchases.

Governmental Activities

Net cost of governmental activities Table 3, below, provides a summary of the City's change in net cost of Governmental Activities for the year ended December 31, 2021 compared to 2020.

Table 3 Net Cost of Governmental Activities (in thousands of dollars)					
	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2021	2020	2021	2020	
General Government	\$ 493.9	\$ 491.9	\$ 492.9	\$ 491.6	0.3%
Public Safety	714.1	785.0	268.2	306.5	-12.5%
Public Works	2,540.5	1,796.7	560.7	5.9	9461.9%
Culture & recreation	671.5	395.0	286.4	111.4	157.2%
Conservation & develop	16.7	39.4	10.4	34.9	-70.3%
Debt service	43.7	105.7	43.7	105.7	-58.7%
Other	440.7	438.8	440.7	438.8	0.4%
Total	\$ 4,963.3	\$ 4,093.1	\$ 2,135.8	\$ 1,519.7	40.5%

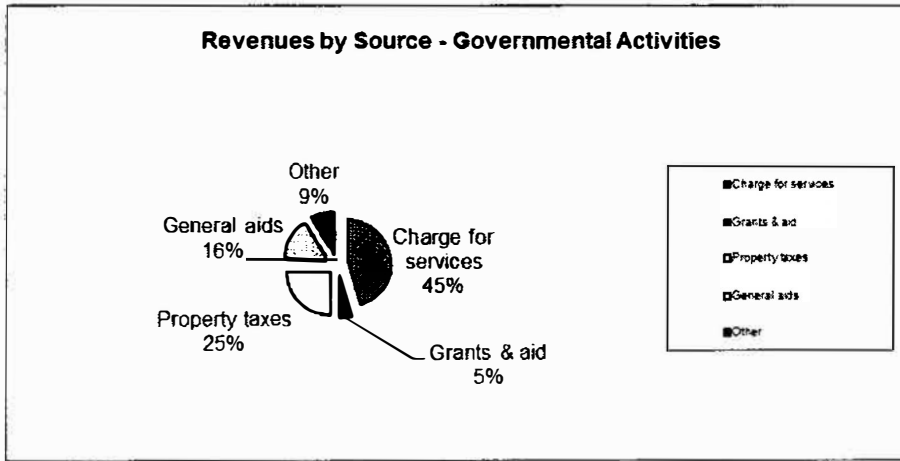
Note: totals may not add due to rounding

Budgetary Analysis – General Fund Only

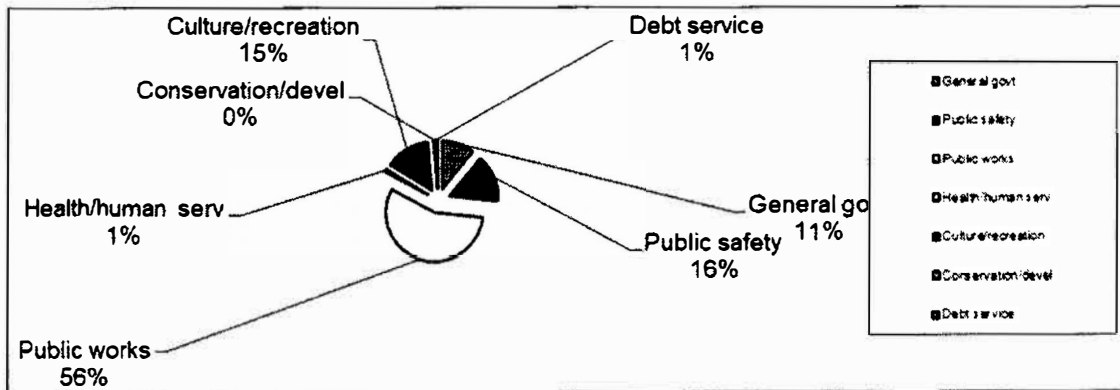
The City made no budget amendments for the year in the General Fund. Expenditures were less than budget by \$15,693 overall, due to a combination of items. There was a surplus of revenues to budget of \$263,189, the majority of which was due to an unexpected increase in public charges for services.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Revenues by Source – the chart below shows the various sources of revenue by source for the year ending December 31, 2021.



Expenditures by Function – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2021.



**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Table 4 below shows the change in capital assets in the governmental activities, the business-type activities and the municipality as a whole from December 31, 2020 to December 31, 2021.

Table 4
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		Total % Change
	2021	2020	2021	2020	2021	2020	2021
	Land	\$ 186.4	\$ 186.4	\$ 5.1	\$ 5.1	\$ 191.5	\$ 191.5
Construction in progress	-	-	\$ -	-	-	-	#DIV/0!
Buildings & improvements	\$ 5,751.6	5,661.5	2,837.2	2,826.6	8,588.8	8,488.2	1.2%
Furniture & equipment	\$ 4,654.5	4,653.6	22,063.8	22,048.6	26,718.3	26,702.1	0.1%
Infrastructure	\$ 4,541.5	4,541.5	-	-	4,541.5	4,541.5	0.0%
Accumulated depreciation	\$ (6,889.7)	(6,502.2)	\$ (7,323.5)	(6,835.8)	(14,213.2)	(13,338.0)	6.6%
Total	\$ 8,244.3	\$ 8,540.8	\$ 17,582.7	\$ 18,044.5	\$ 25,827.0	\$ 26,585.4	-2.9%

Note: totals may not add due to rounding

The additions to capital assets included an addition to a major dock project at West End Park, and various miscellaneous purchases in governmental activities, and the addition of various small assets in the Water & Sewer Funds for business-type activities.

Long – Term Debt – Table 5 below show the change in long-term obligations for the total municipality from December 31, 2020 to December 31, 2021.

Table 5
Outstanding Long Term Obligations
(in thousands of dollars)

	Total Municipality		Total % Change
	2021	2020	2021
	General obligation debt	\$ 1,633.4	\$ 2,109.7
Other	7,569.5	7,829.1	-3.3%
Total	\$ 9,202.9	\$ 9,938.9	-7.4%

Note: totals may not add due to rounding

The City incurred no new general obligation debt this year and reduced the remaining general obligation debt by regularly scheduled payments.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

FACTORS BEARING ON THE CITY'S FUTURE

Currently known facts and circumstances that will impact the City's financial status in future are:

1. The City is implementing a development agreement with a buyer for dilapidated downtown property the City purchased several years ago. The plan is to remove the dilapidated building and replace with a brew pub. If successful, this project would significantly improve the tax base.
2. The City is preparing to take on a large water and sewer project in 2024 through part of 2027. This will coincide with the reconstruction of STH 13 in the City. Improvements will also be made to the stormwater system, and there will be additional amenities to enhance the attractiveness of the downtown area.
3. The City has struggled with frozen or declining support from the State of Wisconsin to maintain operations and services at current levels.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors & creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Kluver, City Administrator/Clerk, City of Washburn, 119 Washington Avenue, Washburn, WI.

City of Washburn
Washburn, Wisconsin

Government-Wide Financial Statements

**City of Washburn, Wisconsin
Statement of Net Position
As of December 31, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash	\$ 3,142,424	191,184	\$ 3,333,608
Receivables	1,165,111	351,273	1,516,384
Less allowance for doubtful accounts	(34,293)	-	(34,293)
Internal receivables	346,107	-	346,107
Restricted cash	459,687	1,039,114	1,498,801
Inventories and prepaid items	-	116,501	116,501
Total current assets	<u>5,079,036</u>	<u>1,698,072</u>	<u>6,777,108</u>
Noncurrent assets:			
WRS net pension asset	357,833	86,680	444,513
Long Term Receivables	875,140	-	875,140
Plant, property & equipment:			
Capital assets, not being depreciated	186,385	5,125	191,510
Capital assets being depreciated, net of accumulated depreciation	8,057,919	17,577,570	25,635,489
Subtotal Plant, property & equip	<u>8,244,304</u>	<u>17,582,695</u>	<u>25,826,999</u>
Total noncurrent assets	<u>9,477,277</u>	<u>17,669,375</u>	<u>27,146,652</u>
Total assets	<u>14,556,313</u>	<u>19,367,447</u>	<u>33,923,760</u>
Deferred Outflows			
Pension and OPEB related outflows	<u>967,002</u>	<u>199,245</u>	<u>1,166,247</u>
Liabilities			
Current liabilities:			
Payables:			
Accounts	63,211	2,417	65,628
Accrued payroll & related items	22,109	1,440	23,549
Accrued interest	22,314	59,775	82,089
Internal payables	-	346,107	346,107
Current portion of long-term obligations	446,914	283,788	730,702
Total current liabilities	<u>554,548</u>	<u>693,527</u>	<u>1,248,075</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>1,415,589</u>	<u>7,056,629</u>	<u>8,472,218</u>
Total non-current liabilities	<u>1,415,589</u>	<u>7,056,629</u>	<u>8,472,218</u>
Total liabilities	<u>1,970,137</u>	<u>7,750,156</u>	<u>9,720,293</u>
Deferred Inflows of Resources			
Tax levies	1,361,897	-	1,361,897
WRS pension and OPEB related inflows	1,056,511	255,924	1,312,435
Amounts paid to recipients of CDBG funds	780,319	-	780,319
Amounts paid to recipients of façade loan funds	38,888	-	38,888
Total deferred inflows of resources	<u>3,237,615</u>	<u>255,924</u>	<u>3,493,539</u>
Net Position			
Net investment in capital assets	6,610,918	10,261,118	16,872,036
Restricted for:			
Debt service	45,140	-	45,140
Capital projects	368,900	-	368,900
Special revenue projects	1,815,387	-	1,815,387
Water/sewer loan covenant	-	1,039,114	1,039,114
Unrestricted	<u>1,475,218</u>	<u>260,380</u>	<u>1,735,598</u>
Total net position	<u>10,315,563</u>	<u>11,560,612</u>	<u>21,876,175</u>

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin
Statement of Activities
For the Year ended December 31, 2021**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activities	Business- Type Activities	
Governmental activities:						
General government	493,894	977	-	(492,917)		(492,917)
Public Safety	714,091	404,710	41,154	(268,227)		(268,227)
Public Works	2,540,469	1,830,462	149,300	(560,707)		(560,707)
Health and human services	42,286	9,450	-	(32,836)		(32,836)
Culture, recreation and education	671,501	328,003	57,088	(286,410)		(286,410)
Conservation and development	16,689	-	6,321	(10,368)		(10,368)
Debt service	43,668	-	-	(43,668)		(43,668)
Depreciation - unallocated*	440,653	-	-	(440,653)		(440,653)
Total governmental activities	4,963,251	2,573,602	253,863	(2,135,786)		(2,135,786)
Business-type activities:						
Water utility	522,416	477,986	-		(44,430)	(44,430)
Sewer utility	639,896	586,314	-		(53,582)	(53,582)
Storm water utility	82,772	115,507	-		32,735	32,735
Total Business-type activities	1,245,084	1,179,807	-		(65,277)	(65,277)
Total municipality	\$6,208,335	\$3,753,409	\$ 253,863	\$ (2,135,786)	\$ (65,277)	\$ (2,201,063)
General revenues:						
Property taxes:						
General purposes				590,011		590,011
Debt services				551,768		551,768
Capital projects				293,000		293,000
State and federal aids not restricted to specific functions:						
				903,333		903,333
Interest and investment earnings				861	2,403	3,264
Miscellaneous				506,379	-	506,379
Total general revenues				2,845,352	2,403	2,847,755
Extraordinary / special items:						
Capital contributions				-	7,228	7,228
Change in net position				709,566	(55,646)	653,920
Net position - beginning of year				9,605,997	11,616,258	21,222,255
Net position - end of year				\$ 10,315,563	\$ 11,560,612	\$ 21,876,175

*This amount excludes the depreciation that is included in the direct expenses of the various activities.

See accompanying notes to basic financial statements.

City of Washburn
Washburn, Wisconsin

Fund Financial Statements

City of Washburn, Wisconsin
Balance Sheet
Governmental Funds
As of December 31, 2021

	General Fund	Marina Operating Fund	Harbor Commission Fund	CDBG Fund	Other Nonmajor Govt Funds	Total Governmental Funds
Assets						
Cash	\$ 1,551,823	271,043	482,750	-	\$ 836,808	\$ 3,142,424
Receivables:						
Taxes receivable	733,438	-	-	-	269,892	1,003,330
Other receivables	155,160	-	-	-	6,621	161,781
Less allowance for doubtful accounts	(34,293)	-	-	-	-	(34,293)
Due from other funds	367,522	-	195,752	-	234,595	797,869
Restricted cash	-	-	-	247,160	212,527	459,687
Long term receivables	-	-	-	\$ 780,319	94,821	875,140
Total Assets	\$ 2,773,650	\$ 271,043	\$ 678,502	\$ 1,027,479	1,655,264	\$ 6,405,938
Liabilities, Deferred Inflows and Fund Balance						
Liabilities						
Accounts payable	63,211	-	-	-	-	63,211
Accrued payroll and related items	22,109	-	-	-	-	22,109
Due to other funds	-	195,752	-	-	256,010	451,762
Total Liabilities	85,320	195,752	-	-	256,010	537,082
Deferred Inflows of Resources						
Tax levies	1,092,005	-	-	-	269,892	1,361,897
Amounts paid to recipients of CDBG funds	-	-	-	780,319	-	780,319
Amounts paid to recipients of façade loan funds	-	-	-	-	38,888	38,888
Total Deferred Inflows of Resources	1,092,005	-	-	780,319	308,780	2,181,104
Fund Balance						
Restricted			678,502	247,160	1,303,765	2,229,427
Unassigned	1,596,325	75,291	-	-	(213,291)	1,458,325
Total Fund Balance	1,596,325	75,291	678,502	247,160	1,090,474	3,687,752
Total Liabilities, Deferred Inflows and Fund Balance	\$ 2,773,650	\$ 271,043	\$ 678,502	\$ 1,027,479	\$ 1,655,264	\$ 6,405,938

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin
 Reconciliation of the Government Funds Balance Sheet
 to the Statement of Net Position
 For the Year Ended December 31, 2021**

Total fund balance reported on government funds balance sheet	3,687,752
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Net WRS pension asset is not a financial resource and therefore is not reported as a component of fund balance. The amount of net pension asset is	357,833
Capital assets used in government activities are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental capital assets, net of accumulated depreciation is:	8,244,304
Deferred Outflows of resources for WRS pension are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental deferred outflows is:	967,002
Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported as a component of fund balance. Long-term liabilities reported in the statement of net position that are not reported in the governmental funds balance sheet are:	
General obligation debt	\$ (1,862,503)
Accrued interest on general obligation debt	(22,314)
	\$ (1,884,817)
Deferred Inflows of resources are not due in the current period and therefore are not reported as a component of fund balance. Deferred Inflows of resources reported in the statement of net position that are not reported in the governmental funds balance sheet are:	(1,056,511)
Total net position - governmental activities	10,315,563

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Marina Operations Fund	Harbor Commission Fund	CDBG Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:						
Property tax	\$ 475,254	-	-	-	\$ 844,768	\$ 1,320,022
Other tax	114,757	-	-	-	-	114,757
Intergovernmental aid	893,735	-	-	-	263,461	1,157,196
Licenses and permits	42,454	-	-	-	-	42,454
Fines, forfeits and penalties	7,457	-	-	-	-	7,457
Public charge for service	645,601	1,502,938	148,647	-	37,305	2,334,491
Intergovernmental charge for service	239,111	-	-	-	-	239,111
Commercial	44,050	18	154,738	106,982	61,507	367,295
Total revenues	<u>2,462,419</u>	<u>1,502,956</u>	<u>303,385</u>	<u>106,982</u>	<u>1,207,041</u>	<u>5,582,783</u>
Expenditures:						
Current:						
General government	502,360	-	-	-	717	503,077
Public Safety	758,011	-	-	-	1,995	760,006
Public Works	580,304	1,435,233	300,957	-	242,341	2,558,835
Health and human services	42,286	-	-	-	-	42,286
Culture, recreation and education	468,579	-	-	-	221,288	689,867
Conservation and development	3,595	-	-	12,944	150	16,689
Total Current	<u>2,355,135</u>	<u>1,435,233</u>	<u>300,957</u>	<u>12,944</u>	<u>466,491</u>	<u>4,570,760</u>
Debt Service:						
Principal	-	-	52,082	-	424,240	476,322
Interest	-	-	9,537	-	46,008	55,545
Other debt service	400	-	-	-	90	490
Total Debt service	<u>400</u>	<u>-</u>	<u>61,619</u>	<u>-</u>	<u>470,338</u>	<u>532,357</u>
Capital Expenditures	-	-	-	-	54,099	54,099
Total Expenditures	<u>2,355,535</u>	<u>1,435,233</u>	<u>362,576</u>	<u>12,944</u>	<u>990,928</u>	<u>5,157,216</u>
Net change in fund balance	106,884	67,723	(59,191)	94,038	216,113	425,567
Fund balance, beginning of year	1,489,441	7,568	737,693	153,122	874,361	3,262,185
Fund balance, end of year	<u>\$ 1,596,325</u>	<u>\$ 75,291</u>	<u>\$ 678,502</u>	<u>\$ 247,160</u>	<u>\$ 1,090,474</u>	<u>\$ 3,687,752</u>

See accompanying notes to basic financial statements.

City of Washburn, 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, 2021

Net change in fund balances - total governmental funds **\$ 425,567**

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

The acquisition of capital 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	54,099	
Depreciation expense reported in the statement of activities	<u>(440,653)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(386,554)

Prior year adjustments to capital assets are reported in the statement of activities but not on governmental funds. The amount of adjustments is: 90,034

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Vested employee benefits paid in current year	377,729	
Vested employee benefits earned in current year	<u>(285,899)</u>	
Amounts paid are greater (less) than amounts paid by		91,830

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.

The amount of long-term debt principal payments in the current year is: 476,322

The district disposed of surplus and outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no affect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(53,125)	
The amount of depreciation recapture for the year was:	<u>53,125</u>	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		-

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.

The amount of interest paid during the current period	55,545	
The amount of interest accrued during the current period	<u>(43,178)</u>	
Interest paid is greater (less) than interest accrued by		12,367

Change in net position - governmental activities **\$ 709,566**

City of Washburn, Wisconsin
 Combined Statement of Net Position
 Enterprise Funds
 As of December 31, 2021

Assets	Water Fund	Sewer Fund	Non-Major Fund	
			Storm Water Fund	Total
Cash	473,101	(329,069)	47,152	191,184
Receivables:				
Customer accounts receivables	113,357	142,378	26,645	282,380
Other receivables	29,365	37,450	2,078	68,893
Materials & supplies inventory	13,602	1,224	-	14,826
Due from other funds	133,996	0	50,000	183,996
Restricted cash	474,867	564,247	-	1,039,114
Prepays	-	101,675	-	101,675
Net Pension asset	36,450	39,562	10,668	86,680
Plant, property & equipment(net)	7,090,192	8,880,873	1,611,629	17,582,694
Total Assets	\$ 8,364,930	\$ 9,438,340	\$ 1,748,172	\$ 19,551,442
Deferred Outflows of Resources Pension	83,785	90,937	24,523	\$ 199,245
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Accounts payable	94	2,323	-	2,417
Accrued interest payable	28,114	31,607	54	59,775
Accrued payroll and related items	470	710	260	1,440
Due to other funds	-	419,116	110,987	530,103
Long term debt	3,418,316	3,899,420	22,681	7,340,417
Total Liabilities	3,446,994	4,353,176	133,982	7,934,152
Deferred Inflows of Resources				
Deferred Inflows of Resources Pension	107,620	116,806	31,498	255,924
Total deferred inflows of resources	107,620	116,806	31,498	255,924
Net Position				
Net investment in capital assets	3,679,798	4,990,052	1,591,267	10,261,117
Restricted, expendable	474,867	564,247	-	1,039,114
Unrestricted	739,436	(495,004)	15,948	260,380
Total net position	\$ 4,894,101	\$ 5,059,295	\$ 1,607,215	\$ 11,560,611

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
 Combined Statement of Revenues, Expenditures and Changes in Net Position
 Enterprise Funds
 For the Year Ended December 31, 2021

	<u>Non-Major Fund</u>			<u>2021</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	
Operating Revenues	<u>477,986</u>	<u>586,314</u>	<u>115,507</u>	<u>1,179,807</u>
Operating Expenses				
Operations and maintenance	194,814	213,552	43,686	452,052
Depreciation	183,425	262,409	36,228	482,062
Taxes	6,516	5,771	1,419	13,706
Total Operating Expenses	<u>384,755</u>	<u>481,732</u>	<u>81,333</u>	<u>947,820</u>
Operating Income (Loss)	93,231	104,582	34,174	231,987
Non Operating Revenues (Expenses)				
Interest Income	1,189	1,214	0	2,403
Interest Expense	<u>(137,661)</u>	<u>(158,164)</u>	<u>(1,439)</u>	<u>(297,264)</u>
Total Non Operating	<u>(136,472)</u>	<u>(156,950)</u>	<u>(1,439)</u>	<u>(294,861)</u>
Capital Contributions	<u>4,228</u>	<u>3,000</u>	<u>-</u>	<u>7,228</u>
	<u>4,228</u>	<u>3,000</u>	<u>-</u>	<u>7,228</u>
Change in Net Position	(39,013)	(49,368)	32,735	(55,646)
Net Position- Beginning of Year	<u>4,933,114</u>	<u>5,108,663</u>	<u>1,574,480</u>	<u>11,616,257</u>
Net Position - End of Year	<u><u>4,894,101</u></u>	<u><u>5,059,295</u></u>	<u><u>1,607,215</u></u>	<u><u>11,560,611</u></u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
 Combined Statement of Cash Flows
 Enterprise Funds
 For the Year Ended December 31, 2021

	Water Fund	Sewer Fund	Non-Major Fund Storm Water Fund	2021
Cash Flows from Operating Activities				
Cash received from user charges	487,384	582,955	115,762	1,186,101
Cash payments to employees for services	(121,764)	(96,578)	(26,277)	(244,619)
Cash payments to suppliers for goods and services	(133,751)	(141,682)	(196)	(275,629)
Cash payments for other operating expenses		-	(18,565)	(18,565)
Net cash provided by operating activities	<u>231,869</u>	<u>344,695</u>	<u>70,724</u>	<u>647,288</u>
Cash Flows from Capital and Related Financing Activities				
Cash payments for acquisition of capital assets	(15,217)	(5,000)	-	(20,217)
Other financing activities	(5,394)	(7,482)	(2,756)	(15,632)
Interest paid	(138,713)	(159,044)	(1,511)	(299,268)
Retirement of long-term debt	(112,529)	(142,788)	(27,693)	(283,010)
Net cash used in capital and related financing activities	<u>(271,853)</u>	<u>(314,314)</u>	<u>(31,960)</u>	<u>(618,127)</u>
Cash Flows from Investing Activities				
Interest on investments	1,189	1,214	-	2,403
Net cash provided by investing activities	<u>1,189</u>	<u>1,214</u>	<u>-</u>	<u>2,403</u>
Net increase (decrease) in cash and cash equivalents	(38,795)	31,595	38,764	31,564
Cash and cash equivalents - beginning of year	986,763	203,583	8,388	1,198,734
Cash and cash equivalents - end of year	<u>947,968</u>	<u>235,178</u>	<u>47,152</u>	<u>1,230,298</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	93,231	104,582	34,174	231,987
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation (other amortization)	193,884	251,951	36,228	482,063
Changes in assets and liabilities:				
Accounts receivable	9,398	(3,359)	255	6,294
Materials and supply inventory	3,821	(672)	-	3,149
Due from other funds	7,001	0	0	7,001
Accounts payable	(74,642)	(7,369)	-	(82,011)
Accrued payroll payable	(824)	(438)	67	(1,195)
Net cash provided by operating activities	<u>231,869</u>	<u>344,695</u>	<u>70,724</u>	<u>647,288</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2021

	<u>Tax Collection Agency Fund</u>
Assets	
Cash	397,862
Taxes receivable	<u>1,167,473</u>
Total assets	<u><u>\$1,565,335</u></u>
Liabilities	
Due to other governments	<u>1,565,335</u>
Total liabilities	<u><u>\$1,565,335</u></u>

See accompanying notes to basic financial statements.

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City of Washburn, Wisconsin

Notes to Financial Statements For the Year Ended December 31, 2021

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The financial statements of the City of Washburn, Wisconsin (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 City of Washburn, Wisconsin (the "City") is incorporated under the provisions of the State of Wisconsin. The City operates under a Council - Administrator form of government and provides the following services as authorized by its charter: Public safety, streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

The reporting entity for the City is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the City for which it exercises oversight responsibility are included. The oversight responsibility includes but is not limited to, financial interdependency between the City and the governmental entity; control by the City over selection of the entity's governing authority or designation of management; the ability of the City to significantly influence operations of the entity; and whether the City is responsible for the accountability for fiscal matters. All significant activities and organizations with which the City exercises oversight responsibility have been considered for inclusion in the basic financial statements. The City has no component units and it is not included in any other governmental reporting entity.

B. Basis of presentation

Government-wide financial statements

The statement of net position and the statement of activities present financial information about the government's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. These statements distinguish between the governmental and business-type activities of the government. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business type activities are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The statement of activities presents a comparison between direct expenses and program revenues for each function of the government's governmental activities. Direct expenses

are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund financial statements

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

The fund statements provide information about the government's funds, including fiduciary funds. Separate statements for each fund category – governmental, business-type and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The government reports the following major governmental funds:

General Fund – This is the government's primary operating fund. It accounts for all financial activity that is not required to be accounted for in other fund.

Marina Operations Fund – This fund accounts for operations of the City's marina facility.

CDBG Fund – This fund accounts for all activity of the CDBG housing rehabilitation loan program funded by a federal grant.

Harbor Commission Fund– This fund collects funds for use by the Harbor Commission for various Harbor Commission related expenses, maintenance, and capital projects related to the marina/dock complex.

The City operates three enterprise funds. The Water and Sewer Utility Funds account for the activities of the municipal water and sewer utility, both of which are major funds. The Storm Water Fund which accounts for the activity of the City's storm water utility, which is not considered a major enterprise fund.

The City accounts for assets held as an agent for other governmental units in a fiduciary agency fund. This fund includes the Tax Collection agency fund.

C. Measurement Focus and Basis of Accounting

The government-wide, business-type and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, or economic asset used, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the government gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance or the Governmental Accounting Standards Board.

D. Assets and Liabilities

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the City to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury

obligations, U.S. government agency issues, municipal obligations within Wisconsin, high grade commercial paper which matures in less than seven years, and the local government pooled-investment fund administered by the State of Wisconsin Investment Board.

All investments are stated at fair market value.

Property Taxes:

Real estate assessments are as of January 1, tax levies in December are applicable to the following year and the real estate taxes are due in January unless an installment plan is selected. Property taxes are recognized as revenue in the period which the taxes are levied. The 2020 tax levy is used to finance operations of the City for the year ended December 31, 2021. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The County assumes all responsibility for delinquent real property taxes. Property taxes which have not been recognized as revenue are recorded as deferred inflows until collected.

Accounts Receivable

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Due to and from other funds

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between fund types (governmental activities, business type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. See Note 5a for a detailed description of the individual fund balances as of December 31.

Inventories and Prepaid Supplies:

Proprietary fund type inventories are generally used for construction, operation and maintenance work, they are not for resale. They are charged to construction, operations and maintenance expense at average cost.

Governmental fund inventory items are charges to expenditure accounts when purchased. Year-end inventory was not significant.

Capital assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

- Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, based on management estimates. Donated assets are reported at estimated fair market value at the time received.

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Upon implementing GASB 34 governmental units are required to account for all infrastructure in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. For the year ended

December 31, 2021, the City has chosen not to retroactively report infrastructure acquired by its governmental fund types.

Depreciation of all exhaustible fixed 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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings/improvements	\$5,000	Straight-line	20-50 years
Furniture and equipment	\$5,000	Straight-line	3-20 years
Vehicles	\$5,000	Straight-line	3-20 years
Infrastructure	\$5,000	Straight-line	25 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

- Fund Financial Statements

In the fund financial statements, fixed 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 as in the governmental-wide statements.

Additions to and replacements of utility plant are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Equity Classifications

- Government-wide Statements

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations

imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

- Fund Statements

Governmental fund equity is classified as fund balance. The City reports as restricted those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unassigned fund balance indicates that a portion of fund equity, which is available for appropriation, in future periods. Proprietary fund equity is classified the same as in the government-wide statements.

Budgetary Accounting

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described above. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by City Council resolution.

Economic Development and Housing Rehabilitation Loans Receivable

The City has received grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as reserved fund balance in the fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. This item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 has three items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan participants. The third item is the amount of CDBG

Housing Rehabilitation Loans outstanding, which will be recognized as the loans become due upon sale of the related property. The period in which this will occur can't be determined.

Subsequent Events

Subsequent events have been evaluated through June 20, 2022, which is the date the financial statements were available to be issued.

Note 2 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES

Note 2a – Cash and investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021 all of the City deposits were fully collateralized by the FDIC, the State Guarantee Fund and a bank collateralization agreement.

The following schedule of cash deposits of all the City's funds (including fiduciary funds) as of December 31, 2021 as reflected in the Statement of Net Position follows:

	Primary	Enterprise	Fiduciary	
	Government	Funds	Fund	Total
Unrestricted:				
Cash and Cash Equivalents	\$3,142,424	\$191,184		\$3,333,608
Restricted:				
Cash and Cash Equivalents	459,687	1,039,114	397,862	1,896,663
Total Cash and Cash Equivalents	\$3,602,111	\$1,230,298	\$397,862	\$5,230,271

The Primary Government restricted cash balance is composed of the cash balances of the Economic Development, CDBG, and TIF funds. The Enterprise Fund restricted cash balance is comprised of various cash balances in the water and sewer funds.

Interest and dividends earned as of December 31, 2021 are as follows:

	Governmental	Business-type
	Activities	Activities
Interest earned	\$861	\$2,403

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits, per entity. In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may result in temporary uninsured balances significantly exceeding the FDIC and State Guarantee Fund insurance.

Note 2b – Capital Assets

Capital asset balances and activity for the year ended December 31, 2021 were as follows:

	Beginning Balance	Prior Year Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Sites (land)	\$ 186,385		-	-	\$ 186,385
Total capital assets not being depreciated	186,385		-	-	186,385
Capital assets being depreciated:					
Buildings & site improvements	5,661,539	90,034	-	-	5,751,573
Furniture and equipment	4,653,570		54,099	(53,125)	4,654,544
Road network	4,541,494		-	-	4,541,494
Total capital assets being depreciated	14,856,603	90,034	54,099	(53,125)	14,947,611
Less accumulated depreciation	(6,502,164)		440,653	53,125	(6,889,692)
Total capital assets being depreciated, net of accumulated depreciation	8,354,439	90,034	(386,554)	-	8,057,919
Governmental activities capital assets, net of accumulated depreciation					<u>\$ 8,244,304</u>

Depreciation expense was charged to functions as follows:

General government	\$ 7,807
Public Safety	109,961
Public works	284,543
Health and Human services	3,025
Culture, recreation, education	35,317
Depreciation not charged to a specific function	-
Total depreciation for governmental activities	<u>\$440,653</u>

Business-type activities:

Capital assets not being depreciated:

Land	\$ 5,125			\$ 5,125
CIP	-		(2,322)	-
Total capital assets not being depreciated	5,125		(2,322)	5,125

Capital assets being depreciated:

Water distribution system	10,117,363		20,823	-	10,138,186
Sewer collection & treatment system	12,588,524		5,000	-	12,593,524
Storm water system	2,169,332		-	-	2,169,332
Total capital assets being depreciated	24,875,219		25,823		24,901,042
Less accumulated depreciation for:					
Water distribution system	(2,849,590)		(193,883)	(5,606)	(3,049,079)
Sewer collection & treatment system	(3,464,738)		(251,951)	-	(3,716,689)
Storm water system	(521,476)		(36,228)	-	(557,704)
Total accumulated depreciation	(6,835,804)		(482,062)	(5,606)	(7,323,472)
Total capital assets being depreciated, net of accumulated depreciation	18,039,415		(456,239)	(5,606)	17,577,570

Business-type activities capital assets, net of accumulated depreciation

\$ 17,582,695

Depreciation expense was charged to functions as follows:

Water	\$ 193,883
Sewer	251,951
Storm water	36,228
Total business-type activities depreciation expense	<u>\$ 482,062</u>

Note 2c – Long-term Notes Receivable

	Ending balance	Amounts due within 1 year
CDBG Mortgages	\$780,319	\$ -0-
EDP loans receivable	55,933	
Façade loans receivable	38,888	
Total LT receivables	\$875,140	\$ -0-

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES**

Note 3a – **Short-term debt**

The City had no short-term debt as of December 31, 2021.

Note 3b – **Long-term Liabilities**

Long-term liability balances and activity for the year ended December 31, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 1,882,237	-	425,785	\$ 1,456,452	\$ 442,010
Capital leases	227,471	-	50,537	176,934	4,904
Total general obligation debt	2,109,708	0	476,322	1,633,386	446,914
Other liabilities:					
Vested Employee Benefits:					
Vacation and sick pay	153,091	-	1,749	151,342	-
OPEB life insurance	57,316	20,459	-	77,775	-
Total Other Governmental Liabilities	210,407	20,459	1,749	229,117	-
Total governmental activity long-term liabilities	<u>\$ 2,320,115</u>	<u>20,459</u>	<u>478,071</u>	<u>\$ 1,862,503</u>	<u>\$ 446,914</u>
Business-type Activities					
Bonds and notes payable	7,604,570	-	283,010	7,321,560	283,788
Total business-type activities debt	<u>\$ 7,604,570</u>	<u>-</u>	<u>283,010</u>	<u>\$ 7,321,560</u>	<u>\$ 283,788</u>
OPEB life insurance	14,166	4,674	-	18,840	-
Total Other Business-type Liabilities	14,166	4,674	-	18,840	-
Total business-type activity long-term liabilities	<u>\$ 7,618,736</u>	<u>4,674</u>	<u>283,010</u>	<u>\$ 7,340,400</u>	<u>\$ 283,788</u>

Payments on bonds and notes are made by the various funds debt service fund and the business-type funds.

	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Total interest paid and accrued during the year:		
Total interest paid	\$ 55,545	\$ 299,269
Total interest expense	43,178	297,264
Interest paid over (under) expense	12,367	2,005

The full faith, credit, and taxing powers of the City secure all general obligation debt, including business-type activities, if any. Bonds and notes payable and capital leases are comprised of the following individual issues:

Government Activities	Issue Dates	Interest Rates	Date of Maturity	Balance 12/31/21
Bremer bank note	11/10/14	3.25	11/10/24	167,326
GO bonds water	9/7/11	1.00-3.20	12/1/22	98,914
State Trust land	12/2/14	3.50	3/15/23	44,646
State Trust cap impr	12/2/14	3.50	3/15/23	46,320
State Trust boat ramp	3/30/15	3.50	3/15/24	134,246
Capital lease st equip	1/28/15	2.90	2/28/25	116,628
Capital lease truck	2/6/16	3.00	5/15/25	60,306

GO note	5/1/20	1.78	5/1/30	597,000
GO note	5/1/20	2.68	3/15/28	<u>368,000</u>
Total bonds and notes				<u><u>1,633,386</u></u>

Business-type Activities

Bremer bank note	8/27/19	4.00	3/15/39	\$ 154,698
GO bonds water/sewer/stm	9/7/11	1.00-3.20	12/1/22	26,172
Sewer revenue bonds	10/15/18	3.69	5/01/36	1,595,000
Water revenue bonds rural	5/12/05	4.25	5/12/45	2,957,136
Water B bonds spec assess	5/12/05	4.25	5/12/44	103,309
Sewer revenue bonds rural	5/12/05	4.25	5/12/45	2,052,943
Sewer B bonds spec assess	5/12/05	4.25	5/12/44	84,302
GO note	5/1/20	1.78	5/1/30	<u>348,000</u>
				<u><u>7,321,560</u></u>

The legal debt limit and margin of indebtedness is set at 5% of equalized value by Section 67.03(1) (b), Wisconsin Statutes. The margin of indebtedness at December 31, 2021 is:

Equalized value certified by Wisconsin Department of Revenue for:	2021	\$149,115,300
Margin of indebtedness at 5%		7,455,765
Deduct long-term debt applicable to debt margin		<u>(2,007,557)</u>
Margin of indebtedness		<u><u>\$ 5,448,208</u></u>

Aggregate cash flow requirements for retirement of long-term principal and interest on notes and bonds (including State Trust Fund loans) as of December 31, 2021 is as follows:

Government Activities

Year ended			
31-Dec	Principal	Interest	Total
2022	446,914	42,529	489,443
2023	424,453	29,738	454,191
2024	387,183	18,641	405,824
2025	91,836	8,906	100,742
2026	80,000	6,531	86,531
2027-2030	<u>203,000</u>	<u>21,963</u>	<u>224,963</u>
Totals	<u><u>1,633,386</u></u>	<u><u>128,308</u></u>	<u><u>1,761,694</u></u>

Business-type Activities

Year ended			
31-Dec	Principal	Interest	Total
2022	283,788	289,877	573,665
2023	268,332	279,295	547,627
2024	281,276	269,135	550,411
2025	287,505	258,562	546,067
2026	298,986	247,645	546,631
2027-2031	1,629,264	1,058,971	2,688,235
2032-2036	1,771,363	727,025	2,498,388
2037-2041	1,379,328	402,185	1,781,513
2042-2045	<u>1,121,718</u>	<u>96,709</u>	<u>1,218,427</u>
Totals	<u><u>7,321,560</u></u>	<u><u>3,629,404</u></u>	<u><u>10,950,964</u></u>

Capital Leases

The city has two capital leases.

They entered into one lease in 2015 for a backhoe and a grader at a gross amount of \$395,221. The accumulated amortization at 12/31/21 was \$272,702. Amortization expense in 2021 was 39,522, which is included in depreciation expense. The lease term is 10 years ending 2/28/2025, interest rate is 2.90%, with an option to purchase the equipment for \$1 at the end of the lease term.

They entered into the other lease in 2016 for a dump truck at a gross amount of \$141,180. The accumulated amortization at 12/31/21 was \$80,472. Amortization expense in 2021 was \$14,118, which is included in depreciation expense. The lease term is 10 years ending 5/15/2025, interest rate is 3.40%, with the legal title transferring to the city at the end of the lease term.

The gross amounts of the leases, and related accumulated amortization, are included in Property, Plant and Equipment in the statement of net position. The lease obligations are included in long term obligations, with the appropriate amounts for current and noncurrent, in the statement of net position.

Note 3c – Interfund receivables/payables and operating transfers

The following is a schedule of interfund receivables/payables in the fund financial statements:

	Amount
Governmental Funds:	
General fund receivable from Business-type funds for operations	\$346,107
General fund receivable from TIF City for operations	21,415
TIF district payable to General Fund for operations	(21,415)
Capital Projects Fund receivable from TIF for operations	234,595
TIF district payable to Capital Projects Fund for operations	(234,595)
Harbor Commission Fund receivable from Marina Operations Fund	195,752
Marina Operations Fund payable to Harbor Commission Fund	(195,752)
Total Governmental Funds Receivable/Payable	\$346,107
Business-type Funds:	
Sewer fund payable to General fund for operations	(235,120)
Storm water fund payable to General fund for operations	(110,987)
Water fund receivable from Sewer fund for operations	133,996
Sewer fund payable to Water fund for operations	(133,996)
Storm water receivable from Sewer fund for operations	50,000
Sewer fund payable to Storm water fund for operations	(50,000)
Total Business-type Funds Receivable/Payable	\$346,107

For the Statement of Net Position interfund balances which are owed within the governmental activities funds or business-type activities funds are eliminated.

Balance owed between the governmental activities funds and the business-type activities funds are reported in the Statement of Net Position and include:

	Amount
Governmental Activities	Due (Owed)
General Fund	\$346,107
Total	\$346,107
Business-type Activities	
Sewer Fund	(235,120)
Storm water Fund	(110,987)
Total	\$(346,107)

Operating transfers – transfers are used to: 1) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations and 2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

There were the following interfund transfers for the year ending December 31, 2021:

There were no transfers in 2021.

Note 3d – Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

Note 3e – Contributions to pension plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, 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 WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement 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 age 55 (50 for protective occupation employees) 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 benefit.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17
2019	0.0	(10)
2020	1.7	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 \$81,091 in contributions from the employer.

Contribution rates as of December 31, 2021 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At 12/31/21, the City of Washburn reported a liability (asset) of \$(444,513) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City of Washburn's proportion of the net pension liability (asset) was based on the City of Washburn's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the City of Washburn's proportion was 0.00712004%, which was an increase of 0.00008632% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the City of Washburn recognized pension expense (revenue) of \$(47,058).

At December 31, 2020, the City of Washburn 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	\$643,348	(\$138,576)
Net differences between projected and actual earnings On pension plan investments	325,697	(1,160,236)
Changes in assumptions	10,082	-
Changes in proportion and differences between Employer contributions and proportionate share of Contributions	785	-
Employer contributions subsequent to the measurement date	144,480	-
Total	\$1,124,392	(\$1,298,812)

\$144,480 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	Deferred Outflow Of Resources	Deferred Inflows Of Resources
2021	\$412,872	(\$494,717)
2022	349,363	(371,493)
2023	153,635	(304,640)
2024	64,042	(127,960)
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset)	December 31, 2020
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

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

**Retirement Funds Asset Allocation Targets and Expected Returns
As of December 31, 2020**

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51%	7.2	4.7
Fixed Income	25	3.2	0.8
Inflation Sensitive	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
Variable Fund Asset Class			
US Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100%	7.1%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single Discount rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (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, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-

adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 Washburn's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City of Washburn's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the City of Washburn's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
City of Washburn's Proportionate Share of the Net Pension Liability (Asset)	\$423,115	(\$444,513)	(\$1,081,781)

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>.

Payables to the pension plan.

As of December 31, 2021 the City reported payables to the WRS of \$17,500.

Note 3f – Other Post-Employment Benefits - Life Insurance

Summary of Significant Accounting Policies

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for the purposes of measuring the net OPEB liability, deferred outflows or resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's 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.

General Information about the Other Post-Employment Benefits

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

OPEB Plan Fiduciary Net Position. ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Additionally, ERF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>

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

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

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions require 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.

Contributions rates as of December 31, 2020 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee 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, 2020 are as listed below:

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

During the reporting period, the LRLIF recognized \$350 in contributions from the employer.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

At December 31, 2020, the City reported a liability (asset) of \$96,615 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020 the City's proportion was 0.01756400% which was a increase of 0.000777% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020 the City recognized OPEB expense of \$11,852.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,610)
Net differences between projected and actual earnings on OPEB plan investments	1,406	-
Change in assumptions	37,585	(6,629)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,864	(2,386)
Employer contributions subsequent to the measurement date	-	-
Total	41,855	\$ (13,625)

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 Dec 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 8,303	\$ (3,080)
2022	8,151	(3,080)
2023	5,018	(3,080)
2024	7,995	(3,026)
Thereafter	17,406	(1,362)

Actuarial assumptions. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	January 1, 2020
Measurement Date of Net OPEB Liability (asset)	December 31, 2020
Actuarial Cost Method	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield	2.12%
Long-Term Expected Rate of Return	4.25%
Discount Rate	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 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, 2020**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Credit Bonds	Barclays Credit	50%	1.47%
US Mortgages	Barclay's MBS	50%	0.82%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25% and 2.20% respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate. A single discount rate of 2.25% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The

significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. 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 2.25%, 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
City's proportionate share of the net OPEB liability (asset)	\$131,424	\$96,615	\$70,290

Payables to the OPEB plan

As of December 31, 2021 the City carried a payable to the plan of \$494.

Note 4 – OTHER NOTE DISCLOSURES

Note 4a – Fund balances

Portions of fund balances are restricted and are not available for current appropriation for expenditure as follows:

Economic Dev Loan funds	\$225,741
Capital Projects Fund	368,900
Harbor Commission Fund	678,502
CDBG Housing Loan funds	247,160
Debt Service Fund	45,140
Bayfield St Imp Fund	205,142
Library Board Fund	178,833
Parks Fund	263,319
Defibrillator Fund	16,690

Note 4b – **Contingencies and commitments**

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

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2021 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

NOTE 4c - **Change in Accounting Principle**

The City has implemented Statement on Auditing Standards (SAS) numbers 134-140. This new guidance changes some of the audit reporting requirements and auditor's responsibilities in the audit.

City of Washburn
Washburn, Wisconsin

Required Supplementary Information

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property tax	\$ 475,000	\$ 475,000	475,254	\$ 254
Other tax	61,530	61,530	114,757	53,227
Intergovernmental aid	892,422	892,422	893,735	1,313
Licenses and permits	38,750	38,750	42,454	3,704
Fines, forfeits and penalties	7,750	7,750	7,457	(293)
Public charge for service	499,591	499,591	645,601	146,010
Intergovernmental charge for service	189,187	189,187	239,111	49,924
Commercial	10,000	10,000	44,050	34,050
Total revenues	<u>2,174,230</u>	<u>2,174,230</u>	<u>2,462,419</u>	<u>288,189</u>
Expenditures:				
Current:				
General government	470,471	470,471	502,360	(31,889)
Public Safety	796,768	796,768	758,011	38,757
Public Works	604,521	604,521	580,304	24,217
Health and human services	45,201	45,201	42,286	2,915
Culture, recreation and education	430,964	430,964	468,579	(37,615)
Conservation and development	19,703	19,703	3,595	16,108
Total Current	<u>2,367,628</u>	<u>2,367,628</u>	<u>2,355,135</u>	<u>12,493</u>
Debt Service:				
Other debt service	3,600	3,600	400	3,200
Total Debt service	<u>3,600</u>	<u>3,600</u>	<u>400</u>	<u>3,200</u>
Total Expenditures	<u>2,371,228</u>	<u>2,371,228</u>	<u>2,355,535</u>	<u>15,693</u>
Excess of revenue over(under) expenditures	(196,998)	(196,998)	106,884	303,882
Other Financing Sources (Uses):				
Other sources	25,000	25,000	-	(25,000)
Total Other Sources(Uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	(171,998)	(171,998)	106,884	278,882
Fund balance, beginning of year	1,489,441	1,489,441	1,489,441	-
Fund balance, end of year	<u>\$1,317,443</u>	<u>\$1,317,443</u>	<u>\$1,596,325</u>	<u>\$ 278,882</u>

City of Washburn, Wisconsin
Notes to Required Supplementary Information
On Budgetary Accounting and Control
Year Ending December 31, 2021

Note 1 – **STEWARDSHIP AND ACCOUNTABILITY**

Budgets are adopted each fiscal year for all funds legally required to be budgeted. The legally adopted budget and budgetary expenditure control is exercised at the function level for all funds. Reported budget amounts are as originally adopted or as amended by City Council resolution.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Based upon requests from staff, administration recommends budget proposals to the City Council.
- The City Council prepares a proposed budget including proposed expenditures and the means of financing them for the January 1 through December 31 year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the City Council may alter the proposed budget.
- After the City Council (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposed of such appropriations unless authorized by a 2/3 vote of the entire City Council.
- Appropriations lapse at year-end unless authorized as a carryover by the City Council. The portion of fund balance representing carryover appropriations is reported as a reserve of fund balance.

The Marina Operating Fund and the CDBG Fund are not legally required to be budgeted, therefore no budget to actual comparison will be presented for these funds.

Note 2 – **Excess of actual expenditures over budget**

See Independent Auditor's Report

General Fund

For the year ended December 31, 2021, expenditures exceeded appropriations in the following categories:

General Government	\$31,889
Culture, Recreation and Education	37,615

See Independent Auditor's Report

CITY OF WASHBURN
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
WISCONSIN RETIREMENT SYSTEM

SCHEDULE OF CITY OF WASHBURN PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll (plan year)	Plan fiduciary net position as a Percentage of the Total pension Liability (Asset)	Collective Net Pension Liability (Asset) as a % of the Employer covered employee payroll
2014	0.00709520%	\$ (174,278)	\$ 856,178	102.74%	-20.36%
2015	0.00692450%	\$ 112,522	\$ 857,520	98.20%	13.12%
2016	0.00677424%	\$ 55,836	\$ 869,992	99.12%	6.42%
2017	0.00679978%	\$ (201,893)	\$ 888,840	102.93%	-22.71%
2018	0.00693181%	\$ 246,612	\$ 935,016	96.45%	26.38%
2019	0.00703372%	\$ (226,799)	\$ 960,745	102.96%	-23.61%
2020	0.00712004%	\$ (444,513)	\$ 992,105	105.26%	-44.81%

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

SCHEDULE OF CITY OF WASHBURN CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 67,294	\$ 67,294	\$ -	\$ 856,178	7.86%
2015	\$ 64,958	\$ 64,958	\$ -	\$ 857,520	7.58%
2016	\$ 64,194	\$ 64,194	\$ -	\$ 869,992	7.38%
2017	\$ 70,081	\$ 70,081	\$ -	\$ 888,840	7.88%
2018	\$ 73,260	\$ 73,260	\$ -	\$ 935,016	7.84%
2019	\$ 73,898	\$ 73,898	\$ -	\$ 960,745	7.69%
2020	\$ 81,091	\$ 81,091	\$ -	\$ 992,105	8.17%

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

CITY OF WASHBURN
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.
Changes of assumptions. No significant change in assumptions from the prior year were noted.

See Independent Auditor's Report

CITY OF WASHBURN, WI
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
LOCAL RETIREE LIFE INSURANCE FUND

SCHEDULE OF CITY OF WASHBURN'S PROPORTIONATE SHARE
OF THE NET OPEB LRLIF LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
Last 10 Fiscal Years*

	2017	2018	2019	2020
City of Washburn's proportion of the net OPEB liability (asset)	0.018202%	0.017062%	0.016787%	0.017564%
City of Washburn's proportionate share of the net OPEB liability (asset)	\$54,762	\$44,026	\$71,482	\$96,615
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%	37.58%	31.36%

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

SCHEDULE OF CITY OF WASHBURN CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
Last 10 Fiscal Years*

	2017	2018	2019	2020
Contractually required contributions	\$345	\$328	\$303	\$350
Contributions in relation to the contractually required contributions	\$345	\$328	\$303	\$350
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000
Contributions as a percentage of covered-employee payroll	0.045072%	0.042820%	0.034083%	0.043532%

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

See Independent Auditor's Report

CITY OF WASHBURN, WI
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Changes of benefit terms. There were no changes of benefit terms for any participating employer in LRLIF.
Changes of assumptions. The *Single Discount Rate* assumption used to develop Total OPEB Liability changed from the prior year.
Please refer to the Actuarial Assumptions section above for additional detail.

City of Washburn
Washburn, Wisconsin

Other Supplementary Information

City of Washburn, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2021

	Special Revenue Funds										Total Nonmajor Govt Funds
	Economic Development Fund	Playfield Street Imp Fund	Library Board Fund	Parks Outlay Fund	Defibrillator Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund		
Assets											
Cash	-	205,142	178,833	263,319	10,069	-	-	134,305	45,140	836,808	
Receivables:											
Taxes receivable	-	-	-	-	6,621	269,892	-	-	-	269,892	
Other receivables	-	-	-	-	-	-	-	-	-	6,621	
Due from other funds	169,808	-	-	-	-	-	234,595	-	-	234,595	
Restricted cash	55,933	-	-	-	-	5,957	-	-	-	212,527	
Long term receivable	-	38,888	-	-	-	-	-	-	-	38,888	
Total Assets	\$ 225,741	\$ 244,030	\$ 178,833	\$ 263,319	\$ 16,690	\$ 275,849	\$ 36,762	\$ 368,900	\$ 45,140	\$ 1,655,264	
Liabilities and Fund Balance											
Liabilities											
Due to other funds	-	-	-	-	-	21,415	234,595	-	-	256,010	
Total Liabilities	-	-	-	-	-	21,415	234,595	-	-	256,010	
Deferred Inflows of Resources											
Tax levies	-	-	-	-	-	269,892	-	-	-	269,892	
Amounts paid to recipients of facade loan funds	-	38,888	-	-	-	-	-	-	-	38,888	
Total Deferred Inflows of Resources	-	38,888	-	-	-	269,892	-	-	-	308,780	
Fund Balance											
Restricted	225,741	205,142	178,833	263,319	16,690	(15,458)	(197,833)	368,900	45,140	1,303,765	
Unassigned	-	-	-	-	-	-	-	-	-	(213,291)	
Total Fund Balance	225,741	205,142	178,833	263,319	16,690	(15,458)	(197,833)	368,900	45,140	1,090,474	
Total Liabilities and Fund Balance	\$ 225,741	\$ 244,030	\$ 178,833	\$ 263,319	\$ 16,690	\$ 275,849	\$ 36,762	\$ 368,900	\$ 45,140	\$ 1,655,264	

City of Washburn, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2021

	Special Revenue Funds										Total Nonmajor Govt Funds
	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Park Outlay Fund	Defibrillator Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund		
Revenues:											
Property tax	\$ -	\$ -				213,063	26,819	293,000	\$ 311,886	\$ -	\$ 844,768
Intergovernmental aid	-	106,553	143,966	-	6,621	6,059	262	-	-	-	263,461
Public charge for service	-	-	-	37,305	-	-	-	-	-	-	37,305
Commercial	14,052	13,171	20,876	8,398	1	4,857	11	69	72	-	61,507
Total revenues	14,052	119,724	164,842	45,703	6,622	223,979	27,092	293,069	311,958	-	1,207,041
Expenditures:											
Current:											
General government	-	-	-	-	1,995	717	-	-	-	-	717
Public Safety	-	-	-	-	-	-	-	-	-	-	1,995
Public Works	-	20,358	-	-	-	-	1,229	220,754	-	-	242,341
Culture, recreation and education	-	-	193,258	28,030	-	-	-	-	-	-	221,288
Conservation and development	-	-	-	-	1,995	-	150	-	-	-	150
Total Current	-	20,358	193,258	28,030	1,995	717	1,379	220,754	-	-	466,491
Debt Service:											
Principal	-	-	-	-	-	142,582	-	-	281,658	-	424,240
Interest	-	90	-	-	-	12,386	-	-	33,622	-	46,008
Other debt service	-	90	-	-	-	154,968	-	-	315,280	-	470,338
Total Debt service	-	180	-	-	-	269,936	-	-	631,560	-	910,286
Capital Expenditures	-	-	-	-	-	-	-	54,099	-	-	54,099
Total Expenditures	-	20,448	193,258	28,030	1,995	155,685	1,379	274,853	315,280	-	990,928
Net change in fund balance	14,052	99,276	(28,416)	17,673	4,627	68,294	25,713	18,216	(3,322)	-	216,113
Fund balance, beginning of year	211,689	105,866	207,249	245,646	12,063	(83,752)	(223,546)	350,684	48,462	-	874,361
Fund balance, end of year	\$ 225,741	\$ 205,142	\$ 178,833	\$ 263,319	\$ 16,690	\$ (15,458)	\$ (197,833)	\$ 368,900	\$ 45,140	\$ -	\$ 1,090,474



EAGLE AUDIT & ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Members of:

American Institute of Certified Public Accountants

Wisconsin Institute of Certified Public Accountants

Government Audit Quality Center

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Independent Auditor's Report

To the City Council
City of Washburn
Washburn, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn, Wisconsin ("City") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Washburn, WI's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Washburn, WI's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Washburn, WI's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants
Park Falls, Wisconsin

June 20, 2022

City of Washburn, WI
Schedule of Findings and Responses
For the Year Ended December 31, 2021

Section 1 - Summary of Auditor's Results

Financial Statements Findings

	Yes	No	
Type of auditors' report issued			Unmodified
Internal control over financial reporting:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X		
Noncompliance material to the financial statements		None reported	

Section 2 - Financial Statement Findings

Finding 2021-001: Segregation of Duties– Significant Deficiency – Repeat Finding

Criteria: It is the responsibility of management to establish proper internal controls over financial reporting, of which an important part is proper segregation of duties among finance personnel.

Condition: The size of the office staff precludes a proper segregation of functions to assure adequate internal control.

Context: Information provided to management throughout the year may be incorrect due to errors and/or inconsistencies due to the concentration of duties and responsibilities in a single individual. We did not identify any errors in the course of our audit work.

Effect: Incorrect data may be entered into the financial system without being detected by proper system of controls.

Cause: The small size of the City does not allow for multiple positions within the finance department.

Information to Provide Perspective: The City's finance staff consists of one full time position and one assistant position.

Recommendation: Although this is not unusual in entities of your size, administration and the Council should continue to be aware of this situation and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under these conditions, the most effective controls lie in the Council's knowledge of matters relating to the City's operations.

View of Responsible Officials: Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs the benefits at this time.

Finding 2021-002: Client Preparation of Financial Statements – Significant Deficiency – Repeat Finding

Criteria: Preparation of financial statements is a client responsibility.

Condition: The City has a single finance person that has the ability to prepare financial statements, but due to the time constraints of other duties does not have the time available.

Context: Financial statements are prepared by the independent auditor with information provided by the City.

Effect: This condition may cause an impairment of independence of the auditor and proper safeguards of client review and acceptance of the financial statements are in place.

Cause: The small size of the City does not allow for adequate time for the Treasurer to prepare financial statements consistent with full presentation and disclosure standards.

Information to Provide Perspective: The City's finance staff consists of one full time position and one assistant position.

Recommendation: Although this is not unusual in cities of your size, the Council should continue to be aware of this situation and to realize that the preparation of financial statements is a client responsibility. Under these conditions, the most effective controls lie in the Treasurer and the City Council's knowledge of financial statement presentation and disclosure and review of auditor prepared financial statements.

Views of Responsible Officials: Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs the benefits at this time.

Section 3 – Other Issues

	Yes	No
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		X
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with <i>State Single Audit Guidelines</i> :		X
Was a Management Letter or other document conveying audit comments issued as a result of this audit	X	

Name and signature of partner: Robert M. Biller, CPA

Robert M. Biller

Date of report

June 20, 2022

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P.O. Box 638
Washburn, WI 54891



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City of Washburn, Wisconsin
Status of Prior Year Audit Findings
And Corrective Action Plan

For the Year Ending December 31, 2021

Status of Prior Year Audit Findings

2020-001 Lack of Segregation of Duties – This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

2020-002 Preparation of Financial Statements– This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

Corrective Action Plan

2021-001 Lack of Segregation of Duties – ongoing finding

Mitigating Controls – The City Treasurer and the City Administrator/Clerk divide the duties to the extent to partially provide a means of checks and balances over cash receipts and disbursements

2021-002 Preparation of Financial Statements – ongoing finding

The City has assigned a staff member with the required skills, knowledge and experience to review and accept the financial statements as prepared by the auditors

The City of Washburn contact official for findings is as follows:

Scott Kluver
Finance Administration
715-373-6160