

CITY OF WASHBURN

Washburn, Wisconsin

Independent Auditor's Report

With Financial Statements

YEAR ENDED DECEMBER 31, 2022

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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Government Audit Quality Center

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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 as of December 31, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principle

As discussed in Note 4c to the financial statements, in 2022 the City implemented GASB 87, Lease Accounting. 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'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 and *Government 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 and *Government 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's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

Park Falls, Wisconsin
June 30, 2023

CITY OF WASHBURN
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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 \$5,331,493; including \$1,479,251 of property taxes, \$758,400 of general state aid, and \$2,619,521 of charges for services and operating and capital grants. Total governmental funds expenditures were \$5,035,846. The City reduced the amount of prior outstanding general obligation debt by \$446,958.

Total business-type activity fund revenues were \$1,188,940; including \$1,183,968 of user fees. Total business-type activity expenditures were \$1,259,277. The City reduced the amount of prior outstanding business-type debt by \$279,022.

The City's financial status, as reflected in total net position, increased by \$472,612. Net position of governmental activities due to operations increased by \$254,632 and business-type activities (water, sewer, storm water) increased by \$217,980.

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 5 to 6 of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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*, *propriety* 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, the harbor commission 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 7 to 10 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 11 to 13 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 14.
- 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 A of this report.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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, 2022**

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, 2022 compared to 2021.

	Governmental Activities		Business-Type Activities		Total Municipality		%
	2022	2021	2022	2021	2022	2021	Change 2022
Current and other assets	\$ 6,750.8	\$ 6,312.0	\$ 1,797.4	\$ 1,784.8	\$ 8,548.2	\$ 8,096.8	5.6%
Capital assets	7,891.2	8,244.3	17,421.0	17,582.7	\$ 25,312.2	25,827.0	-2.0%
Total assets	14,642.0	14,556.3	19,218.4	19,367.4	33,860.4	33,923.8	-0.2%
Total deferred outflows	1,144.1	967.0	240.3	199.2	1,384.4	1,166.2	18.7%
L-T debt outstanding	1,446.2	1,862.5	7,066.8	7,340.4	8,513.0	9,202.9	-7.5%
Other liabilities	150.5	107.6	430.1	409.7	580.6	517.4	12.2%
Total liabilities	1,596.7	1,970.1	7,496.9	7,750.2	9,093.6	9,720.3	-6.4%
Total deferred inflows	3,619.1	3,237.6	293.5	255.9	3,912.6	3,493.5	
Net position							
Invested in capital assets, net of related debt	6,704.7	6,610.9	10,378.5	10,261.1	17,083.2	16,872.0	1.3%
Restricted	2,291.7	2,229.4	1,077.7	1,039.1	3,369.5	3,268.5	3.1%
Unrestricted	1,573.7	1,475.2	322.4	260.4	1,896.1	1,735.6	9.2%
Total net position	\$ 10,570.2	\$ 10,315.6	\$ 11,778.6	\$ 11,560.6	\$ 22,348.8	\$ 21,876.2	2.2%

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 \$98,517. A total of \$6,704,737 (63%) is in net investment in capital assets which is not spendable for continuing activities of the City.

In governmental activities, total assets increased \$85,650 including a decrease in capital assets, net decrease in capital assets was \$353,139. The calculation of net position uses a historical cost for buildings that may not accurately reflect the true value. Overall, the City's equipment, buildings, and roads are in good to fair shape. Improvements are scheduled for 2023 at City Hall, and there are several roads that need reconstruction. Each year, a road is repaired, or vehicle is replaced to try to keep up with the replacement cycle.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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, 2022 compared to 2021.

	Governmental Activities		Business-Type Activities		Total Municipality	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues						
Charge for services	\$ 2,337.2	\$ 2,573.6	\$ 1,184.0	\$ 1,179.8	\$ 3,521.2	\$ 3,753.4
Capital grants	-	-	\$ -	\$ -	\$ -	\$ -
Operating grants	282.3	253.9	-	-	282.3	253.9
General revenues						
Property taxes	1,479.3	1,434.8	-	-	1,479.3	1,434.8
State & federal aid	758.4	903.3	-	-	758.4	903.3
Other	474.3	507.2	5.0	2.4	479.3	509.6
Total revenues	<u>5,331.5</u>	<u>5,672.8</u>	<u>1,188.9</u>	<u>1,182.2</u>	<u>6,520.4</u>	<u>6,855.0</u>
Expenses:						
General government	505.2	493.9	-	-	505.2	493.9
Public safety	761.1	714.1	-	-	761.1	714.1
Public works	2,690.4	2,540.5	-	-	2,690.4	2,540.5
Health/human services	50.2	42.3	-	-	50.2	42.3
Culture/recreation	526.4	671.5	-	-	526.4	671.5
Conservation/develop	25.8	16.7	-	-	25.8	16.7
Business-type activity			1,259.3	1,245.1	1,259.3	1,245.1
Debt service	40.2	43.7	-	-	40.2	43.7
Depreciation, unallocated	436.5	440.7	-	-	436.5	440.7
Total expenses	<u>5,035.8</u>	<u>4,963.3</u>	<u>1,259.3</u>	<u>1,245.1</u>	<u>6,295.1</u>	<u>6,208.3</u>
Change in net position from operations	295.6	709.6	(70.3)	(62.9)	225.3	646.7
Net special/extraordinary	(41.0)	-	288.3	7.2	247.3	7.2
Change in net position	<u>\$ 254.6</u>	<u>\$ 709.6</u>	<u>\$ 218.0</u>	<u>\$ (55.6)</u>	<u>\$ 472.6</u>	<u>\$ 653.9</u>

Note: totals may not add due to rounding

In government activities, the City had a change in net position of \$254,632, which is a decrease from the prior year of \$454,934. The difference is due to a combination of factors, one of the main ones being a decrease in state and federal aids compared to the prior year.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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.

- Water, sewer and storm water utility revenue exceeded expenses by \$217,980, \$273,626 more than last year. The difference is mainly attributable to an increase in capital contributions in the Water and Sewer Funds.
- Charges for services, which are amounts paid by customers of the water/sewer/storm water utilities, increased to 1,183,968 from \$1,179,807.
- The water, sewer and storm water utilities acquired new fixed assets in the amount of \$327,375. The new fixed assets consist mainly of an iron works project.

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, 2022 compared to 2021.

Table 3 Net Cost of Governmental Activities (in thousands of dollars)					
	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2022	2021	2022	2021	
General Government	\$ 505.2	\$ 493.9	\$ 504.9	\$ 492.9	2.4%
Public Safety	761.1	714.1	391.3	268.2	45.9%
Public Works	2,690.4	2,540.5	822.5	560.7	46.7%
Culture & recreation	526.4	671.5	162.0	286.4	-43.4%
Conservation & develop	25.8	16.7	21.2	10.4	104.9%
Debt service	40.2	43.7	40.2	43.7	-7.8%
Other	436.5	440.7	436.5	440.7	-1.0%
Total	\$ 5,035.8	\$ 4,963.3	\$ 2,416.3	\$ 2,135.8	13.1%

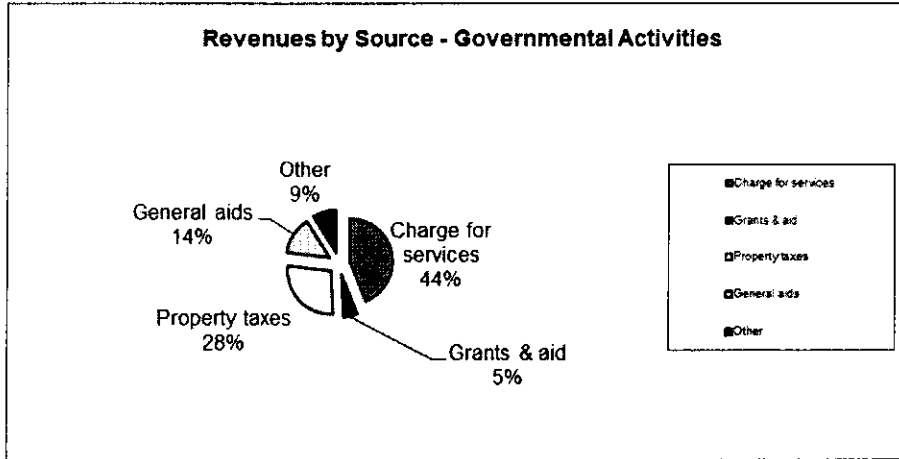
Note: totals may not add due to rounding

Budgetary Analysis – General Fund Only

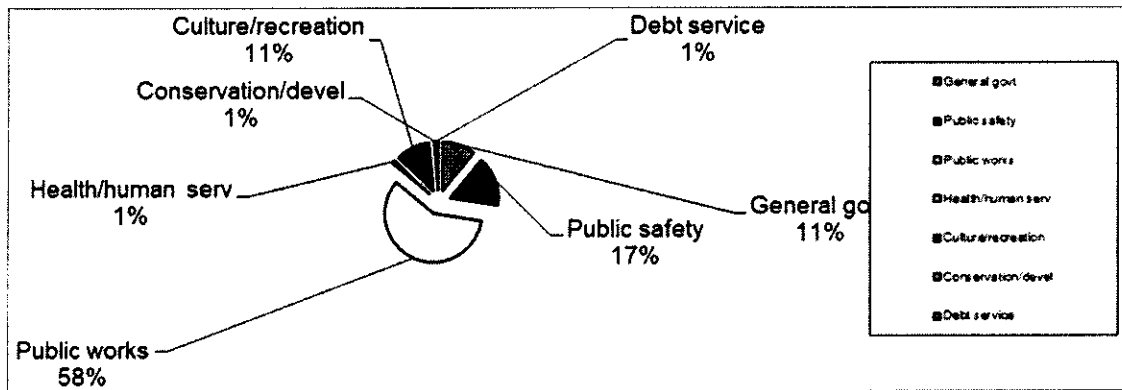
The City made no budget amendments for the year in the General Fund. Expenditures were less than budget by \$85,732 overall, due to a combination of items. There was a surplus of revenues to budget of \$125,225, due to a combination of items.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Revenues by Source – the chart below shows the various sources of revenue by source for the year ending December 31, 2022.



Expenditures by Function – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2022.



**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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, 2021 to December 31, 2022.

Table 4
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		Total % Change
	2022	2021	2022	2021	2022	2021	2022
	Land	\$ 186.4	\$ 186.4	\$ 5.1	\$ 5.1	\$ 191.5	\$ 191.5
Construction in progress	-	-	\$ -	-	-	-	#DIV/0!
Buildings & improvements	\$ 5,691.4	5,751.6	2,840.3	2,837.2	8,531.7	8,588.8	-0.7%
Furniture & equipment	\$ 4,679.9	4,654.5	22,385.8	22,063.8	27,065.7	26,718.3	1.3%
Infrastructure	\$ 4,541.5	4,541.5	-	-	4,541.5	4,541.5	0.0%
Accumulated depreciation	\$ (7,280.2)	(6,889.7)	\$ (7,810.2)	(7,323.5)	(15,090.4)	(14,213.2)	6.2%
Total	\$ 7,819.0	\$ 8,244.3	\$ 17,421.0	\$ 17,582.7	\$ 25,240.0	\$ 25,827.0	-2.3%

Note: totals may not add due to rounding

The additions to capital assets included various miscellaneous purchases in governmental activities, and mainly the addition of an iron works project 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, 2021 to December 31, 2022.

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

	Total Municipality		Total % Change
	2022	2021	2022
	General obligation debt	\$ 1,186.4	\$ 1,633.4
Other	7,326.5	7,569.5	-3.2%
Total	\$ 8,512.9	\$ 9,202.9	-7.5%

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, 2022**

FACTORS BEARING ON THE CITY'S FUTURE

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

1. Work is scheduled to begin this summer to remove a dilapidated building in the downtown area and replace it with a brew pub. If successful, this project would significantly improve the tax base. Additional development projects include an addition to the Washburn Iron Works that occurred last summer, plans have been approved to replace another dilapidated building with a Dollar General store, and additional development ideas are in discussion.
2. The City is preparing to take on a large water and sewer project with the first phase in 2024 and the second phase in 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. This City is hopeful that recently proposed legislation will be approved that will increase funding.

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, 2022**

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash	\$ 3,169,523	264,830	\$ 3,434,353
Receivables	1,315,416	333,732	1,649,148
Less allowance for doubtful accounts	(35,749)	-	(35,749)
Internal receivables	346,078	-	346,078
Restricted cash	627,457	1,077,745	1,705,202
Inventories and prepaid items	-	121,087	121,087
Total current assets	5,422,725	1,797,394	7,220,119
Noncurrent assets:			
WRS net pension asset	454,931	110,201	565,132
Long Term Receivables	873,142	-	873,142
Plant, property & equipment:			
Capital assets, not being depreciated	258,560	5,125	263,685
Capital assets being depreciated, net of accumulated depreciation	7,632,605	17,415,920	25,048,525
Subtotal Plant, property & equip	<u>7,891,165</u>	<u>17,421,045</u>	<u>25,312,210</u>
Total noncurrent assets	9,219,238	17,531,246	26,750,484
Total assets	14,641,963	19,328,640	33,970,603
Deferred Outflows			
Pension and OPEB related outflows	<u>1,144,087</u>	<u>240,331</u>	<u>1,384,418</u>
Liabilities			
Current liabilities:			
Payables:			
Accounts	109,099	23,293	132,392
Accrued payroll & related items	24,364	3,225	27,589
Accrued interest	17,057	57,501	74,558
Internal payables	-	346,078	346,078
Current portion of long-term obligations	424,454	268,332	692,786
Total current liabilities	574,974	698,429	1,273,403
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>1,021,743</u>	<u>6,798,481</u>	<u>7,820,224</u>
Total non-current liabilities	1,021,743	6,798,481	7,820,224
Total liabilities	1,596,717	7,496,910	9,093,627
Deferred Inflows of Resources			
Tax levies	1,583,521	-	1,583,521
WRS pension and OPEB related inflows	1,211,497	293,469	1,504,966
Amounts paid to recipients of CDBG funds	747,872	-	747,872
Amounts paid to recipients of façade loan funds	76,248	-	76,248
Total deferred inflows of resources	3,619,138	293,469	3,912,607
Net Position			
Net investment in capital assets	6,704,737	10,378,490	17,083,227
Restricted for:			
Debt service	45,624	-	45,624
Capital projects	402,232	-	402,232
Special revenue projects	1,843,867	-	1,843,867
Water/sewer loan covenant	-	1,077,745	1,077,745
Unrestricted	1,573,735	322,357	1,896,092
Total net position	10,570,195	11,778,592	22,348,787

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin
Statement of Activities
For the Year ended December 31, 2022**

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	505,167	307	-	(504,860)		(504,860)
Public Safety	761,130	301,357	68,493	(391,280)		(391,280)
Public Works	2,690,424	1,727,059	140,837	(822,528)		(822,528)
Health and human services	50,181	12,450	-	(37,731)		(37,731)
Culture, recreation and education	526,443	296,013	68,446	(161,984)		(161,984)
Conservation and development	25,800	-	4,559	(21,241)		(21,241)
Debt service	40,242	-	-	(40,242)		(40,242)
Depreciation - unallocated*	436,459	-	-	(436,459)		(436,459)
Total governmental activities	5,035,846	2,337,186	282,335	(2,416,325)		(2,416,325)
Business-type activities:						
Water utility	498,706	475,453	-		(23,253)	(23,253)
Sewer utility	671,622	591,877	-		(79,745)	(79,745)
Storm water utility	88,949	116,638	-		27,689	27,689
Total Business-type activities	1,259,277	1,183,968	-		(75,309)	(75,309)
Total municipality	\$ 6,295,123	\$ 3,521,154	\$ 282,335	\$ (2,416,325)	\$ (75,309)	\$ (2,491,634)
General revenues:						
Property taxes:						
General purposes				597,232		597,232
Debt services				586,119		586,119
Capital projects				295,900		295,900
State and federal aids not restricted to specific functions:				758,400		758,400
Interest and investment earnings				9,032	4,972	14,004
Miscellaneous				465,289	-	465,289
Total general revenues				2,711,972	4,972	2,716,944
Extraordinary / special items:						
Loss on disposal of assets				(41,015)	-	(41,015)
Capital contributions				-	288,317	288,317
Change in net position				254,632	217,980	472,612
Net position - beginning of year				10,315,563	11,560,612	21,876,175
Net position - end of year				\$ 10,570,195	\$ 11,778,592	\$ 22,348,787

*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, 2022

	General Fund	Marina Operating Fund	CDBG Fund	Other Nonmajor Govt Funds	Total Governmental Funds
Assets					
Cash	\$ 1,614,158	247,833	-	\$ 1,307,532	\$ 3,169,523
Receivables:					
Taxes receivable	897,976	-	-	289,269	1,187,245
Other receivables	127,331	-	-	840	128,171
Less allowance for doubtful accounts	(35,749)	-	-	-	(35,749)
Due from other funds	345,987	-	-	430,439	776,426
Restricted cash	-	-	275,121	352,336	627,457
Long term receivables	-	-	\$ 747,872	125,270	873,142
Total Assets	\$ 2,949,703	\$ 247,833	\$ 1,022,993	2,505,686	\$ 6,726,215
Liabilities, Deferred Inflows and Fund Balance					
Liabilities					
Accounts payable	61,681	-	-	47,418	109,099
Accrued payroll and related items	24,364	-	-	-	24,364
Due to other funds	-	195,752	-	234,595	430,347
Total Liabilities	86,045	195,752	-	282,013	563,810
Deferred Inflows of Resources					
Tax levies	1,294,252	-	-	289,269	1,583,521
Amounts paid to recipients of CDBG funds	-	-	747,872	-	747,872
Amounts paid to recipients of façade loan funds	-	-	-	76,248	76,248
Total Deferred Inflows of Resources	1,294,252	-	747,872	365,517	2,407,641
Fund Balance					
Restricted	-	52,081	275,121	2,016,602	2,343,804
Unassigned	1,569,406	-	-	(158,446)	1,410,960
Total Fund Balance	1,569,406	52,081	275,121	1,858,156	3,754,764
Total Liabilities, Deferred Inflows and Fund Balance	\$ 2,949,703	\$ 247,833	\$ 1,022,993	\$ 2,505,686	\$ 6,726,215

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, 2022**

Total fund balance reported on government funds balance sheet **3,754,764**

Amounts reported for *governmental activities* 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 454,931

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: 7,891,164

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: 1,144,087

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	\$ (1,446,197)	
Accrued interest on general obligation debt	<u>(17,057)</u>	
		\$ (1,463,254)

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: (1,211,497)

Total net position - governmental activities **10,570,195**

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Marina Operations Fund	CDBG Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Property tax	\$ 479,697	-	-	\$ 881,460	\$ 1,361,157
Other tax	117,535	-	-	559	118,094
Intergovernmental aid	895,015	-	-	145,720	1,040,735
Licenses and permits	51,909	-	-	-	51,909
Fines, forfeits and penalties	9,644	-	-	-	9,644
Public charge for service	561,269	1,388,754	-	190,064	2,140,087
Intergovernmental charge for service	197,099	-	-	-	197,099
Commercial	37,429	115	32,766	342,458	412,768
Total revenues	<u>2,349,597</u>	<u>1,388,869</u>	<u>32,766</u>	<u>1,560,261</u>	<u>5,331,493</u>
Expenditures:					
Current:					
General government	469,471	-	-	44,561	514,032
Public Safety	774,826	-	-	30,631	805,457
Public Works	619,008	1,412,079	-	677,068	2,708,155
Health and human services	42,481	-	-	7,700	50,181
Culture, recreation and education	443,201	-	-	100,973	544,174
Conservation and development	14,753	-	4,805	6,242	25,800
Total Current	<u>2,363,740</u>	<u>1,412,079</u>	<u>4,805</u>	<u>867,175</u>	<u>4,647,799</u>
Debt Service:					
Principal	-	-	-	446,852	446,852
Interest	-	-	-	42,500	42,500
Other debt service	3,000	-	-	-	3,000
Total Debt service	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>489,352</u>	<u>492,352</u>
Capital Expenditures	9,776	-	-	114,558	124,334
Total Expenditures	<u>2,376,516</u>	<u>1,412,079</u>	<u>4,805</u>	<u>1,471,085</u>	<u>5,264,485</u>
Net change in fund balance	(26,919)	(23,210)	27,961	89,176	67,008
Fund balance, beginning of year	1,596,325	75,291	247,160	1,768,980	3,687,756
Fund balance, end of year	<u>\$1,569,406</u>	<u>\$ 52,081</u>	<u>\$275,121</u>	<u>\$1,858,156</u>	<u>\$ 3,754,764</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, 2022

Net change in fund balances - total governmental funds **\$ 67,008**

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	124,334	
Depreciation expense reported in the statement of activities	<u>(436,459)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(312,125)

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	326,215	
Vested employee benefits earned in current year	<u>(237,561)</u>	
Amounts paid are greater (less) than amounts paid by		88,654

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:		446,852
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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:	(86,974)	
The amount of depreciation recapture for the year was:	<u>45,959</u>	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		(41,015)

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	42,500	
The amount of interest accrued during the current period	<u>(37,242)</u>	
Interest paid is greater (less) than interest accrued by		5,258

Change in net position - governmental activities **\$ 254,632**

City of Washburn, Wisconsin
 Combined Statement of Net Position
 Enterprise Funds
 As of December 31, 2022

Assets	Water Fund	Sewer Fund	Non-Major Fund	Total
			Storm Water Fund	
Cash	475,272	(300,816)	90,374	264,830
Receivables:				
Customer accounts receivables	108,867	139,755	28,207	276,829
Other receivables	25,132	29,916	1,855	56,903
Materials & supplies inventory	17,272	1,167	-	18,439
Due from other funds	132,321	0	45,085	177,406
Restricted cash	492,258	585,487	-	1,077,745
Prepays	-	95,085	7,563	102,648
Net Pension asset	46,341	50,297	13,563	110,201
Plant, property & equipment(net)	7,011,211	8,834,430	1,575,401	17,421,042
Total Assets	\$ 8,308,674	\$ 9,435,321	\$ 1,762,048	\$ 19,506,043
Deferred Outflows of Resources Pension	101,063	109,690	29,578	\$ 240,331
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Accounts payable	351	16,691	6,251	23,293
Accrued interest payable	27,041	30,460	0	57,501
Accrued payroll and related items	1,477	1,482	266	3,225
Due to other funds	-	412,497	110,987	523,484
Long term debt	3,305,763	3,758,062	2,988	7,066,813
Total Liabilities	3,334,632	4,219,192	120,492	7,674,316
Deferred Inflows of Resources				
Deferred Inflows of Resources Pension	123,408	133,942	36,119	293,469
Total deferred inflows of resources	123,408	133,942	36,119	293,469
Net Position				
Net investment in capital assets	3,715,656	5,087,448	1,575,401	10,378,505
Restricted, expendable	492,258	585,487	-	1,077,745
Unrestricted	743,783	(481,058)	59,614	322,339
Total net position	\$ 4,951,697	\$ 5,191,877	\$ 1,635,015	\$ 11,778,589

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, 2022

	Water Fund	Sewer Fund	<u>Non-Major Fund</u> Storm Water Fund	2022
Operating Revenues	475,453	591,877	116,638	1,183,968
Operating Expenses				
Operations and maintenance	171,884	246,638	50,658	469,180
Depreciation	186,437	266,361	36,228	489,026
Taxes	6,676	6,317	1,466	14,459
Total Operating Expenses	<u>364,997</u>	<u>519,316</u>	<u>88,352</u>	<u>972,665</u>
Operating Income (Loss)	110,456	72,561	28,286	211,303
Non Operating Revenues (Expenses)				
Interest Income	2,235	2,624	113	4,972
Interest Expense	(133,709)	(152,306)	(597)	(286,612)
Total Non Operating	<u>(131,474)</u>	<u>(149,682)</u>	<u>(484)</u>	<u>(281,640)</u>
Capital Contributions	78,615	209,702	-	288,317
	<u>78,615</u>	<u>209,702</u>	<u>-</u>	<u>288,317</u>
Change in Net Position	57,597	132,581	27,802	217,980
Net Position- Beginning of Year	4,894,100	5,059,296	1,607,213	11,560,609
Net Position - End of Year	<u>4,951,697</u>	<u>5,191,877</u>	<u>1,635,015</u>	<u>11,778,589</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, 2022

	Water Fund	Sewer Fund	Non-Major Fund	
			Storm Water Fund	2022
Cash Flows from Operating Activities				
Cash received from user charges	484,176	602,034	115,299	1,201,509
Cash received from other funds	-	-	4,915	4,915
Cash payments to employees for services	(126,264)	(100,815)	(27,002)	(254,081)
Cash payments to suppliers for goods and services	(42,811)	(147,159)	5,903	(184,067)
Cash payments for other operating expenses		-	(32,331)	(32,331)
Net cash provided by operating activities	<u>315,101</u>	<u>354,060</u>	<u>66,784</u>	<u>735,945</u>
Cash Flows from Capital and Related Financing Activities				
Cash payments for acquisition of capital assets	(117,672)	(209,702)	-	(327,374)
Other financing activities	69,620	199,831	(2,660)	266,791
Interest paid	(134,782)	(153,453)	(651)	(288,886)
Retirement of long-term debt	(114,939)	(143,866)	(20,362)	(279,167)
Net cash used in capital and related financing activities	<u>(297,773)</u>	<u>(307,190)</u>	<u>(23,673)</u>	<u>(628,636)</u>
Cash Flows from Investing Activities				
Interest on investments	2,235	2,624	113	4,972
Net cash provided by investing activities	<u>2,235</u>	<u>2,624</u>	<u>113</u>	<u>4,972</u>
Net increase (decrease) in cash and cash equivalents	19,563	49,494	43,224	112,281
Cash and cash equivalents - beginning of year	947,967	235,177	47,150	1,230,294
Cash and cash equivalents - end of year	<u>967,530</u>	<u>284,671</u>	<u>90,374</u>	<u>1,342,575</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	110,456	72,561	28,286	211,303
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation (other amortization)	196,653	256,145	36,228	489,026
Changes in assets and liabilities:				
Accounts receivable	8,723	10,157	(1,339)	17,541
Materials and supply inventory	(3,670)	57	-	(3,613)
Prepaid expense	-	-	(7,563)	(7,563)
Due from other funds	1,675	0	4,915	6,590
Accounts payable	257	14,368	6,251	20,876
Accrued payroll payable	1,007	772	6	1,785
Net cash provided by operating activities	<u>315,101</u>	<u>354,060</u>	<u>66,784</u>	<u>735,945</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2022

	Tax Collection Agency Fund
Assets	
Cash	342,806
Taxes receivable	1,057,226
Total assets	<u>\$1,400,032</u>
Liabilities	
Due to other governments	1,400,032
Total liabilities	<u>\$1,400,032</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, 2022

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.

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 2021 tax levy is used to finance operations of the City for the year ended December 31, 2022. 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.

Leases

Leased assets are recorded as capital assets and related long-term liabilities for the right to use the assets. The leased assets are recorded at the present value of expected lease payments over the lease term amortized over the expected useful life of the asset or the lease term, whichever is less.

The long-term liability of the lease is recorded at the present value of expected lease payments over the lease term and is reduced by principal payments on the lease. Interest expense is recorded as a portion of the lease payment.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

- 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, 2022, 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 30, 2023, 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, 2022 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, 2022 as reflected in the Statement of Net Position follows:

	Primary Government	Enterprise Funds	Fiduciary Fund	Total
Unrestricted:				
Cash and Cash Equivalents	\$3,169,523	\$264,830		\$3,434,353
Restricted:				
Cash and Cash Equivalents	627,457	1,077,745	342,806	2,048,008
Total Cash and Cash Equivalents	\$3,796,980	\$1,342,575	\$342,806	\$5,482,361

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, 2022 are as follows:

	Governmental	Business-type
	Activities	Activities
Interest earned	\$9,032	\$4,972

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, 2022 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
CIP			72,175		72,175
Total capital assets not being depreciated	186,385		72,175	-	258,560
Capital assets being depreciated:					
Buildings & site improvements	5,751,573	-	-	(60,162)	5,691,411
Furniture and equipment	4,654,544		52,159	(26,812)	4,679,891
Road network	4,541,494		-	-	4,541,494
Total capital assets being depreciated	14,947,611	-	52,159	(86,974)	14,912,796
Less accumulated depreciation	(6,889,692)		(436,459)	45,959	(7,280,192)
Total capital assets being depreciated, net of accumulated depreciation	8,057,919	-	(384,300)	(41,015)	7,632,604
Governmental activities capital assets, net of accumulated depreciation					<u>\$ 7,891,164</u>
Depreciation expense was charged to functions as follows:					
General government			\$ 8,267		
Public Safety			108,390		
Public works			285,242		
Health and Human services			445		
Culture, recreation, education			34,115		
Depreciation not charged to a specific function			-		
Total depreciation for governmental activities			<u>\$436,459</u>		
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 5,125				\$ 5,125
Total capital assets not being depreciated	5,125		-	-	5,125
Capital assets being depreciated:					
Water distribution system	10,138,186		117,673	(2,320)	10,253,539
Sewer collection & treatment system	12,593,524		209,702	-	12,803,226
Storm water system	2,169,332		-	-	2,169,332
Total capital assets being depreciated	24,901,042		327,375	(2,320)	25,226,097
Less accumulated depreciation for:					
Water distribution system	(3,049,079)		(196,653)	2,320	(3,243,412)
Sewer collection & treatment system	(3,716,689)		(256,145)	-	(3,972,834)
Storm water system	(557,704)		(36,228)	-	(593,932)
Total accumulated depreciation	(7,323,472)		(489,026)	2,320	(7,810,178)
Total capital assets being depreciated, net of accumulated depreciation	17,577,570		(161,651)	-	17,415,919
Business-type activities capital assets, net of accumulated depreciation					<u>\$ 17,421,044</u>

Depreciation expense was charged to functions as follows:

Water	\$ 196,653
Sewer	256,145
Storm water	36,228
	<u>\$ 489,026</u>

Total business-type activities depreciation expense

Note 2c – Long-term Notes Receivable

	Ending balance	Amounts due within 1 year
CDBG Mortgages	\$747,872	\$ -0-
EDP loans receivable	49,022	
Façade loans receivable	76,248	
Total LT receivables	\$873,142	\$ -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, 2022.

Note 3b – Long-term Liabilities

Long-term liability balances and activity for the year ended December 31, 2022 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	\$ 1,456,452	-	394,872	\$ 1,061,580	\$ 370,818
Capital leases	176,934	-	52,086	124,848	53,636
Total general obligation debt	1,633,386	0	446,958	1,186,428	424,454
Other liabilities:					
Vested Employee Benefits:					
Vacation and sick pay	151,342	8,104	-	159,446	-
OPEB life insurance	77,775	22,439	-	100,214	-
Total Other Governmental Liabilities	229,117	30,543	-	259,660	-
Total governmental activity long-term liabilities	<u>\$ 1,862,503</u>	<u>30,543</u>	<u>446,958</u>	<u>\$ 1,446,088</u>	<u>\$ 424,454</u>
Business-type Activities					
Bonds and notes payable					
Total business-type activities debt	<u>7,321,560</u>	<u>-</u>	<u>279,022</u>	<u>7,042,538</u>	<u>268,332</u>
Other liabilities:					
OPEB life insurance	18,840	5,436	-	24,276	-
Total Other Business-type Liabilities	18,840	5,436	-	24,276	-
Total business-type activity long-term liabilities	<u>\$ 7,340,400</u>	<u>5,436</u>	<u>279,022</u>	<u>\$ 7,066,814</u>	<u>\$ 268,332</u>

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

Total interest paid and accrued during the year:	<u>Governmental Funds</u>	<u>Business-type Funds</u>
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Total interest paid	\$ 42,500	\$ 288,807
Total interest expense	<u>37,242</u>	<u>286,612</u>
Interest paid over (under) expense	<u>5,258</u>	<u>2,195</u>

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 12/31/22
Bremer bank note	11/10/14	3.25	11/10/24	113,289
State Trust land	12/2/14	3.50	3/15/23	22,707
State Trust cap impr	12/2/14	3.50	3/15/23	23,558
State Trust boat ramp	3/30/15	3.50	3/15/24	91,026
Lease street equip	1/28/15	2.90	2/28/25	78,873
Lease truck	2/6/16	3.40	5/15/25	45,975
GO note	5/1/20	1.78	5/1/30	491,000
GO note	5/1/20	2.68	3/15/28	<u>320,000</u>
Total bonds and notes				<u><u>1,186,428</u></u>
Business-type Activities				
Bremer bank note	8/27/19	4.00	3/15/39	\$ 148,663
Sewer revenue bonds	10/15/18	3.69	5/01/36	1,515,000
Water revenue bonds rural	5/12/05	4.25	5/12/45	2,884,737
Water B bonds spec assess	5/12/05	4.25	5/12/44	98,817
Sewer revenue bonds rural	5/12/05	4.25	5/12/45	2,002,681
Sewer B bonds spec assess	5/12/05	4.25	5/12/44	80,640
GO note	5/1/20	1.78	5/1/30	<u>312,000</u>
				<u><u>7,042,538</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, 2022 is:

Equalized value certified by Wisconsin Department of Revenue for:	2022	\$154,969,400
Margin of indebtedness at 5%		7,748,470
Deduct long-term debt applicable to debt margin		<u>(1,498,428)</u>
Margin of indebtedness		<u><u>\$ 6,250,042</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, 2022 is as follows:

Government Activities

Year ended	Principal	Interest	Total
<u>31-Dec</u>			
2023	424,454	29,738	454,192
2024	387,138	18,641	405,779
2025	91,836	8,906	100,742
2026	80,000	6,531	86,531
2027	80,000	4,621	84,621
2028-2030	<u>123,000</u>	<u>17,341</u>	<u>140,341</u>
Totals	<u><u>1,186,428</u></u>	<u><u>85,778</u></u>	<u><u>1,272,206</u></u>

Business-type Activities

Year ended			
31-Dec	Principal	Interest	Total
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	312,744	236,266	549,010
2028-2032	1,647,643	996,049	2,643,692
2033-2037	1,698,716	657,090	2,355,806
2038-2042	1,424,497	343,059	1,767,556
2043-2045	822,839	52,425	875,264
Totals	<u>7,042,538</u>	<u>3,339,526</u>	<u>10,382,064</u>

Leases

The city has two leases required under GABS 87.

The net book value of a backhoe/grader was \$82,997 at 12/31/22. It will be amortized over the remaining term of the lease which ends 2/28/25. Amortization expense in 2022 was 39,522. The interest rate is 2.90%, with an option to purchase the equipment for \$1 at the end of the lease term.

The net book value of a dump truck was \$42,940 at 12/31/22. It will be amortized over the remaining term of the lease which ends 5/15/25. Amortization expense in 2022 was 17,768. The interest rate is 3.40%, with 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	\$345,987
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	\$345,987
Business-type Funds:	
Sewer fund payable to General fund for operations	(235,000)
Storm water fund payable to General fund for operations	(110,987)
Water fund receivable from Sewer fund for operations	132,321
Sewer fund payable to Water fund for operations	(132,321)

Debt Service Fund due from Sewer Fund	91
Sewer fund payable to Debt Service Fund	(91)
Storm water receivable from Sewer fund for operations	45,085
Sewer fund payable to Storm water fund for operations	(45,085)
Total Business-type Funds Receivable/Payable	\$345,987

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	\$345,987
Total	\$345,987
Business-type Activities	
Sewer Fund	(235,000)
Storm water Fund	(110,987)
Total	\$(345,987)

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, 2022:

There was one transfer in 2022 for \$5,006 from the Defibrillator Campaign Fund to the Bayfield Steet Improvement Fund.

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
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
2021	5.1	13.0

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 \$79,217 in contributions from the employer.

Contribution rates as of December 31, 2022 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

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

At 12/31/22, the City of Washburn reported a liability (asset) of \$(565,132) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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, 2022, the City of Washburn's proportion was 0.00701141%, which was a decrease of 0.00010863% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2022, the City of Washburn recognized pension expense (revenue) of \$(48,588).

At December 31, 2022, 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	\$912,943	(\$65,833)
Net differences between projected and actual earnings On pension plan investments	160,364	(1,424,612)
Changes in assumptions	105,434	-
Changes in proportion and differences between Employer contributions and proportionate share of Contributions	437	(318)
Employer contributions subsequent to the measurement date	151,953	-
Total	\$1,331,131	(\$1,490,763)

\$151,953 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, 2023. 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
2022	\$514,295	(\$540,567)
2023	321,553	(474,734)
2024	233,325	(300,750)
2025	110,004	(174,711)
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset)	December 31, 2021
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value

Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases: Inflation Seniority/Merit	3.0% 0.1% - 5.6%
Mortality:	Wisconsin 2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 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, 2021**

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	52%	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive	19	2.7	0.2
Real Estate	7	5.6	3
Private Equity/Debt	12	9.7	7
Total Core Fund	115	6.6	4
Variable Fund Asset Class			
US Equities	70	6.3	3.7
International Equities	30	7.2	4.6

Total Variable Fund	100%	6.8%	4.2%
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New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.5%.

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, as asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to discount rate of 7.0% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of 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 6.80 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 (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
City of Washburn's Proportionate Share of the Net Pension Liability (Asset)	\$401,001	(\$565,132)	(\$1,260,569)

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, 2022 the City reported payables to the WRS of \$19,979.

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/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

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

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions 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, 2022 are:

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

25% Post Retirement Coverage	20% of employee contribution
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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, 2022 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 \$431 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, 2022, the City reported a liability (asset) of \$124,490 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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, 2022 the City's proportion was 0.02106300% which was an increase of 0.003499% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2022 the City recognized OPEB expense of \$17,450.

At December 31, 2022 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	\$ -	\$ (6,333)
Net differences between projected and actual earnings on OPEB plan investments	1,620	-
Change in assumptions	37,613	(6,034)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,056	(1,837)
Employer contributions subsequent to the		

measurement date	-	-
Total	53,289	\$ (14,204)

\$0 reported as deferred outflows related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2022. 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
2022	\$ 11,984	\$ (3,906)
2023	11,796	(3,906)
2024	11,071	(3,842)
2025	10,333	(1,491)
Thereafter	8,104	(1,059)

Actuarial assumptions. The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	January 1, 2021
Measurement Date of Net OPEB Liability (asset)	December 31, 2021
Experience Study:	November 19, 2021
Actuarial Cost Method	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield	2.06%
Long-Term Expected Rate of Return	4.25%
Discount Rate	2.17%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 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, 2021**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interim Credit	45%	1.68%
US Long Credit Bonds	Bloomberg US Long Credit	5%	1.82%
US Mortgages	Bloomberg US MBS	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. 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. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.30% as of December 31, 2021.

Single Discount Rate. A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. 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 2.17%, 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 (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)

City's proportionate share of the net OPEB liability (asset)	\$168,888	\$124,490	\$91,082
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Payables to the OPEB plan

As of December 31, 2022 the City carried a payable to the plan of \$457.

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	\$227,473
Capital Projects Fund	402,232
Marina Operating Fund	52,081
Harbor Commission Fund	727,617
CDBG Housing Loan funds	275,121
Debt Service Fund	45,624
Bayfield St Imp Fund	87,572
Library Board Fund	126,598
Parks Fund	289,618
Defibrillator Fund	12,132
TIF District #2	97,736

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, 2022 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.

The City approved a loan to a City resident in the CDBG Fund in 2022 for improvements to the resident's home. However, only a portion of the amount approved was actually spent in 2022. The unspent portion is \$41,040, which will be expended in 2023.

NOTE 4c - Change in Accounting Principle

The City has implemented GASB 87 for leases. The statement establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property tax	\$ 479,443	\$ 479,443	479,697	\$ 254
Other tax	71,780	71,780	117,535	45,755
Intergovernmental aid	896,396	896,396	895,015	(1,381)
Licenses and permits	35,950	35,950	51,909	15,959
Fines, forfeits and penalties	7,750	7,750	9,644	1,894
Public charge for service	536,600	536,600	561,269	24,669
Intergovernmental charge for service	188,453	188,453	197,099	8,646
Commercial	8,000	8,000	37,429	29,429
Total revenues	<u>2,224,372</u>	<u>2,224,372</u>	<u>2,349,597</u>	<u>125,225</u>
Expenditures:				
Current:				
General government	486,485	486,485	469,471	17,014
Public Safety	850,017	850,017	774,826	75,191
Public Works	613,897	613,897	619,008	(5,111)
Health and human services	37,132	37,132	42,481	(5,349)
Culture, recreation and education	451,414	451,414	443,201	8,213
Conservation and development	19,703	19,703	14,753	4,950
Total Current	<u>2,458,648</u>	<u>2,458,648</u>	<u>2,363,740</u>	<u>94,908</u>
Debt Service:				
Other debt service	3,600	3,600	3,000	600
Total Debt service	<u>3,600</u>	<u>3,600</u>	<u>3,000</u>	<u>600</u>
Capital Expenditures	-	-	9,776	(9,776)
Total Expenditures	<u>2,462,248</u>	<u>2,462,248</u>	<u>2,376,516</u>	<u>85,732</u>
Net change in fund balance	(237,876)	(237,876)	(26,919)	210,957
Fund balance, beginning of year	1,596,325	1,596,325	1,596,325	-
Fund balance, end of year	<u>\$1,358,449</u>	<u>\$1,358,449</u>	<u>\$1,569,406</u>	<u>\$ 210,957</u>

City of Washburn, Wisconsin
Notes to Required Supplementary Information
On Budgetary Accounting and Control
Year Ending December 31, 2022

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, 2022, expenditures exceeded appropriations in the following categories:

Public Works	\$5,111
Health and Human Services	5,349
Capital Expenditures	9,776

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	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
Ending					
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%	\$ (126,799)	\$ 960,745	102.96%	-23.61%
2020	0.00712004%	\$ (444,513)	\$ 992,105	105.26%	-44.81%
2021	0.00712004%	\$ (565,132)	\$ 963,059	106.02%	-58.68%

*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	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Ending					
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%
2021	\$ 79,217	\$ 79,217	\$ -	\$ 963,059	8.23%

*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
Notes to Required Supplementary Information - WRS Pension
For the Year Ended December 31, 2022

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

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

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

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

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

Fiscal Year Ending	Valuation Date	Actual Cost Method	Amortization Method	Amortization Period	Asset Valuation Method	Net Investment Rate of Return	Weighted Based on Assumed Rate for:		Post-Retirement Retirement	Wage Inflation	Seniority/Merit	Post-Retirement Benefit Adjustments*	Retirement Age	Mortality
							Pre-Retirement	Retirement						
2013	12/31/2011	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2014	12/31/2012	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2015	12/31/2013	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2016	12/31/2014	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2017	12/31/2015	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2018	12/31/2016	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2019	12/31/2017	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2020	12/31/2018	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below	
2021	12/31/2019	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below	

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

1. Level percent of payroll-closed amortization period
2. 30 year closed from date of participation in WRS
3. Five year smoothed market (closed)
4. Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-17.
5. Wisconsin 2018 Mortality Table. The rates based on actual WRS experience adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%).

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 LRLF LIABILITY (ASSET)
 LOCAL RETIREE LIFE INSURANCE FUND
 Last 10 Fiscal Years*

	2017	2018	2019	2020	2021
City of Washburn's proportion of the net OPEB liability (asset)	0.018202%	0.017062%	0.016787%	0.017564%	0.021063%
City of Washburn's proportionate share of the net OPEB liability (asset)	\$54,762	\$44,026	\$71,482	\$96,615	\$124,490
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000	\$915,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%	37.58%	31.36%	29.57%

*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	2021
Contractually required contributions	\$345	\$328	\$303	\$350	\$431
Contributions in relation to the contractually required contributions	\$345	\$328	\$303	\$350	\$431
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City of Washburn's covered-employee payroll	\$765,446	\$766,000	\$889,000	\$804,000	\$915,000
Contributions as a percentage of covered-employee payroll	0.045072%	0.042820%	0.034083%	0.043532%	0.047104%

*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, 2022

Changes in benefit terms. There were no recent changes in benefit terms.

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

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

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

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

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

See Independent Auditor's Report

City of Washburn
Washburn, Wisconsin

Other Supplementary Information

City of Washburn, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of December 31, 2022

	Special Revenue Funds										Total Nonmajor Govt Funds
	Harbor Commission Fund	Economic Development Fund	Bayfield 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	562,183	-	87,572	126,598	289,618	12,192	-	-	183,837	45,532	1,307,582
Receivables:											
Taxes receivable	-	-	-	-	-	-	289,269	-	-	-	289,269
Due from other funds	185,752	-	-	-	-	-	-	234,595	-	92	430,439
Restricted cash	-	178,451	-	-	-	-	97,736	76,149	-	-	352,336
Long term receivable	-	49,022	78,248	-	-	-	-	-	-	-	125,270
Total Assets	\$ 758,775	\$ 227,473	\$ 163,820	\$ 126,598	\$ 289,618	\$ 12,192	\$ 387,005	\$ 76,149	\$ 418,432	\$ 45,532	\$ 2,505,686
Liabilities and Fund Balance											
Liabilities											
Accounts payable	31,158	-	-	-	-	60	-	-	16,200	-	47,418
Due to other funds	-	-	-	-	-	-	-	234,595	-	-	234,595
Total Liabilities	31,158	-	-	-	-	60	-	234,595	16,200	-	282,013
Deferred Inflows of Resources											
Tax levies	-	-	-	-	-	-	289,269	-	-	-	289,269
Amounts paid to recipients of façade loan funds	-	-	76,248	-	-	-	-	-	-	-	76,248
Total Deferred Inflows of Resources	-	-	76,248	-	-	-	289,269	-	-	-	365,517
Fund Balance											
Restricted	727,617	227,473	87,572	126,598	289,618	12,132	97,736	(158,446)	402,232	45,624	2,016,602
Unassigned	-	-	-	-	-	-	-	(158,446)	-	-	(158,446)
Total Fund Balance	727,617	227,473	87,572	126,598	289,618	12,132	97,736	(158,446)	402,232	45,624	1,858,156
Total Liabilities and Fund Balance	\$ 758,775	\$ 227,473	\$ 163,820	\$ 126,598	\$ 289,618	\$ 12,192	\$ 387,005	\$ 76,149	\$ 418,432	\$ 45,532	\$ 2,505,686

City of Washburn, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2022

	Special Revenue Funds										Total Nonmajor Govt Funds
	Harbor Commission	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Park Outlay Fund	Definitior Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund	
Revenues:											
Property tax	\$ -	\$ -	\$ -	-	-	-	225,036	44,856	295,900	\$ 315,668	\$ 881,460
Other tax	-	-	-	-	-	-	559	-	-	-	559
Intergovernmental aid	-	-	106,553	-	5,484	29,124	4,035	524	-	-	145,720
Public charge for service	148,648	-	-	-	41,416	-	-	-	-	-	190,064
Commercial	159,449	1,732	170,832	7,215	1,614	12	271	249	689	395	342,458
Total revenues	308,097	1,732	277,385	7,215	48,514	29,136	229,901	45,629	296,589	316,063	1,560,261
Expenditures:											
Current:											
General government	-	-	-	-	-	-	3,916	-	40,645	-	44,561
Public Safety	-	-	-	-	-	-	-	-	4,601	-	30,631
Public Works	198,004	-	399,961	-	-	26,030	-	-	79,103	-	677,068
Health and human services	-	-	-	-	-	-	-	-	7,700	-	7,700
Culture, recreation and education	-	-	-	59,450	22,215	-	-	6,242	19,308	-	100,973
Conservation and development	-	-	-	-	-	-	-	-	-	-	6,242
Total Current	198,004	-	399,961	59,450	22,215	26,030	3,916	6,242	151,357	-	867,175
Debt Service:											
Principal	51,907	-	-	-	-	-	105,616	-	-	289,329	446,852
Interest	9,072	-	-	-	-	-	7,177	-	-	26,251	42,500
Total Debt service	60,979	-	-	-	-	-	112,793	-	-	315,580	489,352
Capital Expenditures	-	-	-	-	-	2,658	-	-	111,900	-	114,558
Total Expenditures	258,983	-	399,961	59,450	22,215	28,688	116,709	6,242	263,257	315,580	1,471,085
Excess of revenue over(under) expenditures	49,114	1,732	(122,576)	(52,235)	26,299	448	113,192	39,387	33,332	483	89,176
Other Financing Sources (Uses):											
Transfer from (to) other funds	-	-	5,006	-	-	(5,006)	-	-	-	-	-
Total Other Sources(Uses)	-	-	5,006	-	-	(5,006)	-	-	-	-	-
Net change in fund balance	49,114	1,732	(117,570)	(52,235)	26,299	(4,558)	113,192	39,387	33,332	483	89,176
Fund balance, beginning of year	678,503	225,741	205,142	178,833	263,319	16,690	(15,456)	(197,833)	368,900	45,141	1,768,980
Fund balance, end of year	\$ 727,617	\$ 227,473	\$ 87,572	\$ 126,598	\$ 289,618	\$ 12,132	\$ 97,736	\$ (158,446)	\$ 402,232	\$ 45,624	\$ 1,858,156



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

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 ("City") as of and for the year ended December 31, 2022, 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 30, 2023.

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.

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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 2022-001 and 2022-002 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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City'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 30, 2023

City of Washburn, WI
Schedule of Findings and Responses
For the Year Ended December 31, 2022

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 2022-001: 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 2022-002: 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 30, 2023

CITY OF WASHBURN
119 Washington Avenue
P.O. Box 638
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City of Washburn, Wisconsin
Status of Prior Year Audit Findings
And Corrective Action Plan

For the Year Ending December 31, 2022

Status of Prior Year Audit Findings

2021-001 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.

2021-002 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

2022-001 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

2022-002 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