

**CITY OF WASHBURN**

Washburn, Wisconsin

**Independent Auditor's Report**

**With Financial Statements**

YEAR ENDED DECEMBER 31, 2016

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

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

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# EAGLE AUDIT & ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants  
Wisconsin Institute of Certified Public Accountants  
Government Audit Quality Center

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Washburn  
Washburn, Wisconsin

### Report on the Financial Statements

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, WI ("City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the WRS pension supplemental information on pages A-I and 15-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washburn, Wisconsin's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor funds financial statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 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 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 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 the City's internal control over financial reporting and compliance.

*Eagle Audit & Accounting, LLC*

Eagle Audit & Accounting, LLC  
Certified Public Accountants

October 18, 2017  
Park Falls, Wisconsin

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

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 \$5,535,890; including \$1,133,596 of property taxes, \$648,911 of general state aid, and \$3,333,222 of charges for services and operating and capital grants. Total governmental funds expenditures were \$4,544,569. The City reduced the amount of prior outstanding general obligation debt by \$411,566.

Total business-type activity fund revenues were \$1,166,334; including \$1,159,497 of user fees. Total business-type activity expenditures were \$1,299,553. The City reduced the amount of prior outstanding business-type debt by \$215,702.

The City's financial status, as reflected in total net position, increased by \$1,384,611. Net position of governmental activities due to operations increased by \$840,579 and business-type activities (water, sewer, storm water) increased by \$544,032.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government wide financial statements**

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

**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.

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

- 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 TIF district fund, the capital projects fund, and the community development block grant fund (CDBG) as these are considered to be major funds. The governmental fund financial statements are on pages 6 to 9 of this report,
- The proprietary fund statements are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a *statement of cash flows* for the proprietary funds. Proprietary fund statements are located on pages 10 to 12 of this report.
- The City serves as a trustee, or *fiduciary*, for tax collections. The assets of this fund do not directly benefit nor are they under the direct control of the City. The City's responsibility is limited to ensuring the assets reported in this fund are distributed to the other governmental entities as prescribed by statute. *Fiduciary* activities are excluded from the government-wide financial statements because the City cannot use these assets to finance operations. The *Fiduciary* fund statement is presented on page 13.
- The City adopts an annual appropriated budget for its general fund, capital projects fund, and TIF district fund. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statements are on pages 15 to 17 of this report.

**Notes to the financial statements**

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

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

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
<b>Scope</b>	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary, such as general gov't., 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.
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and change in net assets</li> <li>• Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
<b>Basis of accounting and measurement focus</b>	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
<b>Type of asset and liability information</b>	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.
<b>Type of inflow and outflow information</b>	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, 2016**

**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, 2016 compared to 2015.

Table 1 Condensed Statement of Net Position (in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total Municipality		%
	2016	2015	2016	2015	2016	2015	Change 2016
Current and other assets	\$ 5,300.3	\$ 4,289.5	\$ 1,429.3	\$ 1,415.0	\$ 6,729.7	\$ 5,704.5	18.0%
Capital assets	6,360.5	5,344.6	18,050.7	17,786.7	\$ 24,411.2	23,131.2	5.5%
<b>Total assets</b>	<b>11,660.9</b>	<b>9,634.1</b>	<b>19,480.1</b>	<b>19,201.6</b>	<b>31,140.9</b>	<b>28,835.7</b>	<b>8.0%</b>
<b>Total deferred outflows</b>	<b>469.8</b>	<b>76.7</b>	<b>96.2</b>	<b>15.4</b>	<b>566.1</b>	<b>92.0</b>	<b>515.0%</b>
L-T debt outstanding	3,463.1	3,724.6	8,123.7	8,372.5	11,586.9	12,097.1	-4.2%
Other liabilities	268.8	269.0	337.0	375.1	605.8	644.1	-6.0%
<b>Total liabilities</b>	<b>3,731.9</b>	<b>3,993.6</b>	<b>8,460.7</b>	<b>8,747.7</b>	<b>12,192.6</b>	<b>12,741.3</b>	<b>-4.3%</b>
<b>Total deferred inflows</b>	<b>2,489.2</b>	<b>648.1</b>	<b>40.3</b>	<b>-</b>	<b>2,529.4</b>	<b>648.1</b>	
Net position							
Invested in capital assets, net of related debt	3,098.9	1,620.0	9,927.0	9,761.5	13,025.9	11,381.5	14.4%
Restricted	439.9	-	740.0	700.7	1,179.9	700.7	68.4%
Unrestricted	2,370.8	3,449.0	408.4	64.9	2,779.2	3,513.9	-20.9%
<b>Total net position</b>	<b>\$ 5,909.6</b>	<b>\$ 5,069.0</b>	<b>\$ 11,075.4</b>	<b>\$ 10,527.1</b>	<b>\$ 16,984.9</b>	<b>\$ 15,596.1</b>	<b>8.9%</b>

**Note: totals may not add due to rounding**

In governmental activities, total assets increased \$2,305,212 including an increase in capital assets, net increase in capital assets was \$1,280,007. The calculation of net position uses a historical cost for buildings that may not accurately reflect the true value. The City's equipment and buildings are in good condition. The City's roads are in good to fair shape. There are some assets, such as break walls and docks, that are in poor condition.

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**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, 2016 compared to 2015.

	Governmental Activities		Business-Type Activities		Total Municipality	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues						
Charge for services	2,139.3	1,873.8	1,159.5	1,122.1	3,298.8	2,995.9
Capital grants	962.4	-	-	-	962.4	-
Operating grants	231.6	296.6	-	-	231.6	296.6
General revenues						-
Property taxes	1,133.6	1,110.1	-	-	1,133.6	1,110.1
State & federal aid	648.9	646.4	-	-	648.9	646.4
Other	269.4	66.5	6.8	7.0	276.3	73.5
<b>Total revenues</b>	<u>5,385.1</u>	<u>3,993.5</u>	<u>1,166.3</u>	<u>1,129.1</u>	<u>6,551.5</u>	<u>5,122.6</u>
<b>Expenses:</b>						
General government	410.9	457.4	-	-	410.9	457.4
Public safety	706.4	761.9	-	-	706.4	761.9
Public works	2,502.5	2,042.1	-	-	2,502.5	2,042.1
Culture/recreation	370.7	605.5	-	-	370.7	605.5
Conservation/develop	17.9	61.8	-	-	17.9	61.8
Business-type activity			1,307.5	1,307.1	1,307.5	1,307.1
Debt service	165.1	126.7	-	-	165.1	126.7
Depreciation, unallocated	326.9	-	-	-	326.9	-
Other uses	4.5	-	-	-	4.5	-
<b>Total expenses</b>	<u>4,544.6</u>	<u>4,085.0</u>	<u>1,307.5</u>	<u>1,307.1</u>	<u>5,852.1</u>	<u>5,392.1</u>
<b>Change in net position</b>						
<b>from operations</b>	840.6	(91.5)	(141.2)	(178.0)	699.4	(269.5)
Extraordinary	-	39.6	685.2	35.2	685.2	74.7
<b>Change in net position</b>	<u>840.6</u>	<u>(51.9)</u>	<u>544.0</u>	<u>\$ (142.8)</u>	<u>1,384.6</u>	<u>(194.7)</u>
<b>Note: totals may not add due to rounding</b>						

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**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 expenses exceeded revenues by \$133,219, \$44,769 less than last year. The difference is attributable to several factors, but mainly to a reduction in water utility salaries and plant repairs from the prior year.
- Charges for services, which are amounts paid by customers of the water/sewer/storm water utilities, increased to 1,159,497 from \$1,122,083.
- The water, sewer and storm water utilities acquired new fixed assets in the amount of \$699,253. The majority of new fixed assets was for a sewer construction project.

**Governmental Activities**

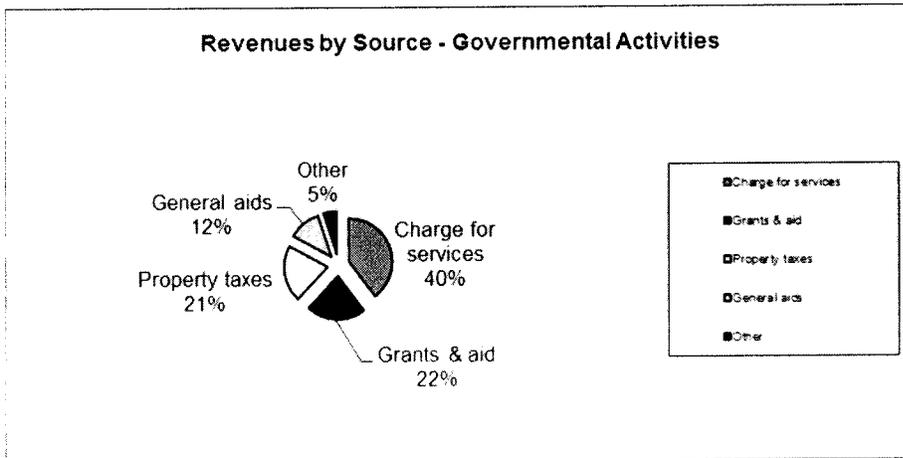
**Net cost of governmental activities** Table 3, below, provides a summary of the City's change in net cost of Governmental Activities for the year ended December 31, 2016 compared to 2015.

Table 3 Net Cost of Governmental Activities (in thousands of dollars)					
	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2016	2015	2016	2015	
General Government	\$ 410.9	\$ 457.4	\$ 410.2	\$ 459.6	-10.8%
Public Safety	706.4	761.9	392.7	435.9	-9.9%
Public Works	2,502.5	2,042.1	(228.5)	564.9	-140.5%
Culture & recreation	370.7	605.5	94.3	251.4	-62.5%
Conservation & develop	17.9	61.8	17.9	59.8	-70.1%
Debt service	165.1	126.7	165.1	126.7	30.3%
Other	331.3	-	331.3	-	#DIV/0!
<b>Total</b>	<b>\$ 4,544.6</b>	<b>\$ 4,085.0</b>	<b>\$ 1,211.3</b>	<b>\$ 1,916.9</b>	<b>-36.8%</b>

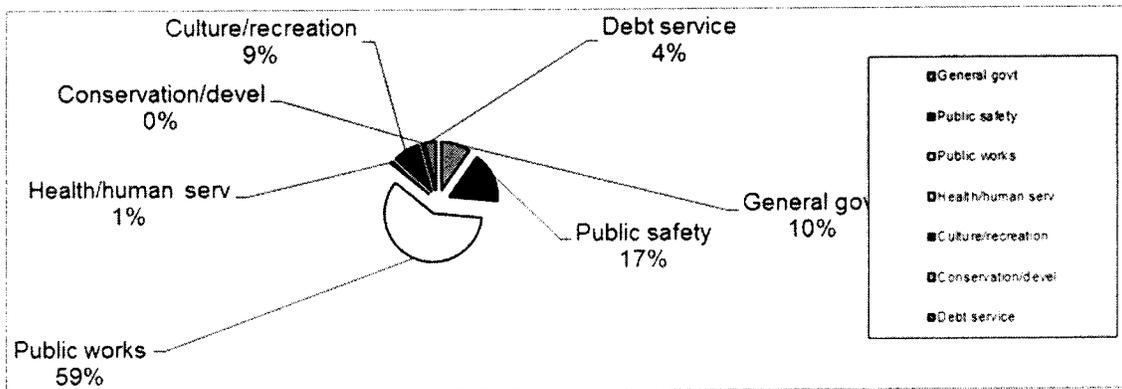
Note: totals may not add due to rounding

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**Revenues by Source** – the chart below shows the various sources of revenue by source for the year ending December 31, 2016.



**Expenditures by Function** – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2016.



**General Fund Budgetary Highlights**

In the General Fund resources available for appropriation were \$185,606 below the final budgeted amounts. Actual expenditures in the General Fund netted \$141,851 under the final budget amount for an overall budget shortfall of \$43,755.

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**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, 2015 to December 31, 2016.

Table 4  
**Capital Assets**  
(in thousands of dollars)

	Governmental		Business-Type		Total		Total % Change 2016
	Activities		Activities		Municipality		
	2016	2015	2016	2015	2016	2015	
Land	\$ 213.7	\$ 197.7	\$ 5.1	\$ 5.1	\$ 218.8	\$ 202.8	7.9%
Construction in progress	-	-	2.3	-	2.3	-	#DIV/0!
Buildings & improvements	2,642.8	5,146.9	2,826.6	17,781.5	5,469.5	22,928.4	-76.1%
Furniture & equipment	3,911.0	-	20,396.0	-	24,307.0	-	#DIV/0!
Infrastructure	4,541.5	-	-	-	4,541.5	-	#DIV/0!
Accumulated depreciation	(4,948.5)	-	(5,179.4)	-	(10,127.9)	-	#DIV/0!
<b>Total</b>	<b>\$ 6,360.5</b>	<b>\$ 5,344.6</b>	<b>\$ 18,050.7</b>	<b>\$ 17,786.7</b>	<b>\$ 24,411.2</b>	<b>\$ 23,131.2</b>	<b>5.5%</b>

Note: totals may not add due to rounding

**Long – Term Debt** – Table 5 below show the change in long-term obligations for the total municipality from December 31, 2015 to December 31, 2016.

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

	Total		Total % Change 2016
	Municipality		
	2016	2015	
General obligation debt	\$ 3,261.6	\$ 3,673.2	-11.2%
Other	8,325.2	8,249.7	0.9%
<b>Total</b>	<b>\$ 11,586.9</b>	<b>\$ 11,922.8</b>	<b>-2.8%</b>

Note: totals may not add due to rounding

**City of Washburn, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**FACTORS BEARING ON THE CITY'S FUTURE**

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

1. The City is seeing a buyer for recently acquired downtown commercial property as part of an effort to improve the tax base in the future.
2. If the City is successful in obtaining a significant amount of grant dollars for the rehabilitation of its commercial dock (Coal Dock), an additional debt issue may be needed. Debt issues for other significant capital projects will likely be delayed until existing debts retire. A significant amount of General Obligation debt will be retired in the next five years.
3. It is anticipated that the City's tax rate will decline over the next couple years. The increase last year, which was based on the amount of eligible debt, has been but into use of catch up on smaller capital projects and equipment.
4. The City is exploring the potential refinancing of Sewer Utility Debt in an effort to improve the financial status of the Sewer Utility.

**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, 2016**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 2,634,850	180,853	\$ 2,815,703
Receivables	2,124,858	493,833	2,618,691
Internal receivables	255,137	-	255,137
Restricted cash	216,870	739,964	956,834
Inventories and prepaid items	-	14,696	14,696
<b>Total current assets</b>	<b>5,231,715</b>	<b>1,429,346</b>	<b>6,661,061</b>
<b>Noncurrent assets:</b>			
Long Term Receivables	68,620	-	68,620
Plant, property & equipment:			
Land	213,665	5,125	218,790
Construction in progress	-	2,322	2,322
Buildings and building improvements	2,642,842	2,826,641	5,469,483
Furniture and equipment	3,910,981	20,396,028	24,307,009
Infrastructure- Road network	4,541,494	-	4,541,494
Less: Accumulated depreciation	(4,948,466)	(5,179,391)	(10,127,857)
Subtotal Plant, property & equip	<b>6,360,516</b>	<b>18,050,725</b>	<b>24,411,241</b>
<b>Total noncurrent assets</b>	<b>6,429,136</b>	<b>18,050,725</b>	<b>24,479,861</b>
<b>Total assets</b>	<b>11,660,851</b>	<b>19,480,071</b>	<b>31,140,922</b>
Deferred Outflows			
Pension related	<b>469,827</b>	<b>96,230</b>	<b>566,057</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Payables:			
Accounts	240,516	20,050	260,566
Accrued payroll & related items	-	5,772	5,772
Accrued interest	28,278	56,021	84,299
Internal payables		255,136	255,136
Due to other funds			-
Deferred revenue			
Current portion of long-term obligations	412,376	224,771	637,147
<b>Total current liabilities</b>	<b>681,170</b>	<b>561,750</b>	<b>1,242,920</b>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of long-term obligation:	3,050,763	7,898,944	10,949,707
<b>Total non-current liabilities</b>	<b>3,050,763</b>	<b>7,898,944</b>	<b>10,949,707</b>
<b>Total liabilities</b>	<b>3,731,933</b>	<b>8,460,694</b>	<b>12,192,627</b>
<b>Deferred Inflows of Resources</b>			
Tax levies	1,293,426		1,293,426
Amounts paid to recipients of			
Deferred Inflows - WRS pension	196,544	40,256	236,800
CDBG fund loans	999,184		999,184
<b>Total deferred inflows of resources</b>	<b>2,489,154</b>	<b>40,256</b>	<b>2,529,410</b>
<b>Net Position</b>			
Net investment in capital assets	3,098,899	9,927,009	13,025,908
Restricted for:			
Debt service	146,625		146,625
Capital projects	293,288		293,288
Special revenue projects	910,986		910,986
Water/sewer loan covenant		739,964	739,964
Unrestricted	1,459,793	408,378	1,868,171
<b>Total net position</b>	<b>5,909,591</b>	<b>11,075,351</b>	<b>16,984,942</b>

See accompanying notes to basic financial statements.

**City of Washburn, Wisconsin  
Statement of Activities  
For the Year ended December 31, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business- Type Activities	Total
<b>Governmental activities:</b>							
General government	410,925	698	-	-	(410,227)	-	(410,227)
Public Safety	706,438	290,556	23,136	-	(392,746)	-	(392,746)
Public Works	2,502,483	1,619,903	148,733	962,367	228,520	-	228,520
Health and human services	39,699	11,415	-	-	(28,284)	-	(28,284)
Culture, recreation and education	370,685	216,706	59,708	-	(94,271)	-	(94,271)
Conservation and development	17,877	-	-	-	(17,877)	-	(17,877)
Debt service	165,124	-	-	-	(165,124)	-	(165,124)
Depreciation - unallocated*	326,853	-	-	-	(326,853)	-	(326,853)
Other uses	4,485	-	-	-	(4,485)	-	(4,485)
<b>Total governmental activities</b>	<b>4,544,569</b>	<b>2,139,278</b>	<b>231,577</b>	<b>962,367</b>	<b>(1,211,347)</b>		<b>(1,211,347)</b>
<b>Business-type activities:</b>							
Water utility	462,277	486,460	-	-	-	24,183	24,183
Sewer utility	754,925	555,656	-	-	-	(199,269)	(199,269)
Storm water utility	90,342	117,381	-	-	-	27,039	27,039
<b>Total Business-type activities</b>	<b>1,307,544</b>	<b>1,159,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(148,047)</b>	<b>(148,047)</b>
<b>Total municipality</b>	<b>\$ 5,852,113</b>	<b>\$ 3,298,775</b>	<b>\$ 231,577</b>	<b>\$ 962,367</b>	<b>\$(1,211,347)</b>	<b>\$ (148,047)</b>	<b>\$(1,359,394)</b>
<b>General revenues:</b>							
Property taxes:							
General purposes					470,957		470,957
Debt services					455,739		455,739
Capital projects					206,900		206,900
State and federal aids not restricted to specific functions:					648,911		648,911
Interest and investment earnings					-	6,837	6,837
Miscellaneous					269,419	-	269,419
<b>Total general revenues</b>					<b>2,051,926</b>	<b>6,837</b>	<b>2,058,763</b>
<b>Extraordinary / special items:</b>							
Prior year asset adjustment					-	685,242	685,242
<b>Change in net position</b>					<b>840,579</b>	<b>544,032</b>	<b>1,384,611</b>
<b>Net position - beginning of year restated</b>					<b>5,069,012</b>	<b>10,531,319</b>	<b>15,600,331</b>
<b>Net position - end of year</b>					<b>\$ 5,909,591</b>	<b>\$ 11,075,351</b>	<b>\$ 16,984,942</b>

\*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, 2016

	General Fund	Marina Operating Fund	TIF Fund	Capital Projects Fund	CDBG Fund	Other Nonmajor Govt Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 1,920,083	191,434	-	19,021	-	\$ 504,312	\$ 2,634,850
Receivables:							
Taxes receivable	407,031	-	210,995	-	-	-	618,026
Other receivables	-	-	183,398	324,250	\$ 999,184	-	1,506,832
Due from other funds	562,607	-	-	-	-	296,403	859,010
Restricted cash	-	-	28,481	-	42,009	146,380	216,870
Long term receivables	-	-	-	-	-	68,620	68,620
<b>Total Assets</b>	<b>\$ 2,889,721</b>	<b>\$ 191,434</b>	<b>422,874</b>	<b>\$ 343,271</b>	<b>\$ 1,041,193</b>	<b>1,015,715</b>	<b>\$ 5,904,208</b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>							
<b>Liabilities</b>							
Accounts payable	210,417	-	-	29,986	-	113	240,516
Due to other funds	30,851	195,752	357,273	19,997	-	-	603,873
<b>Total Liabilities</b>	<b>241,268</b>	<b>195,752</b>	<b>357,273</b>	<b>49,983</b>	<b>-</b>	<b>113</b>	<b>844,389</b>
<b>Deferred Inflows of Resources</b>							
Tax levies	1,082,431	-	210,995	-	-	-	1,293,426
Amounts paid to recipients of CDBG funds	-	-	-	-	999,184	-	999,184
<b>Total Deferred Inflows of Resources</b>	<b>1,082,431</b>	<b>-</b>	<b>210,995</b>	<b>-</b>	<b>999,184</b>	<b>-</b>	<b>2,292,610</b>
<b>Fund Balance</b>							
Restricted	-	-	-	293,288	42,009	1,015,602	1,350,899
Unassigned	1,566,022	(4,318)	(145,394)	-	-	-	1,416,310
<b>Total Fund Balance</b>	<b>1,566,022</b>	<b>(4,318)</b>	<b>(145,394)</b>	<b>293,288</b>	<b>42,009</b>	<b>1,015,602</b>	<b>2,767,209</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 2,889,721</b>	<b>\$ 191,434</b>	<b>\$ 422,874</b>	<b>\$ 343,271</b>	<b>\$ 1,041,193</b>	<b>\$ 1,015,715</b>	<b>\$ 5,904,208</b>

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, 2016**

**Total fund balance reported on government funds balance sheet** **2,767,209**

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

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: 6,360,516

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: 469,827

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	\$ (3,463,139)	
Accrued interest on general obligation debt	<u>(28,278)</u>	
		\$ (3,491,417)

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: (196,544)

**Total net position - governmental activities** **5,909,591**

City of Washburn, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2016

	General Fund	Marina Operations Fund	TIF District Fund	Capital Projects Fund	CDBG Fund	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>							
Property tax	\$ 412,096	-	191,935	206,900	-	\$ 263,804	\$ 1,074,735
Other tax	58,861	-	-	-	-	-	58,861
Intergovernmental aid	875,041	-	602,173	360,194	-	5,447	1,842,855
Licenses and permits	38,717	-	-	-	-	-	38,717
Fines, forfeits and penalties	6,861	-	-	-	-	-	6,861
Public charge for service	525,388	1,326,440	-	-	-	160,407	2,012,235
Intergovernmental charge for service	127,043	-	-	-	-	-	127,043
Commercial	15,967	13	125	258	22,358	194,683	233,404
Total revenues	<u>2,059,974</u>	<u>1,326,453</u>	<u>794,233</u>	<u>567,352</u>	<u>22,358</u>	<u>624,341</u>	<u>5,394,711</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	391,838	-	8,999	3,898	-	-	404,735
Public Safety	701,079	-	-	-	-	5,359	706,438
Public Works	588,017	1,235,806	-	547,629	-	43,562	2,415,014
Health and human services	39,699	-	-	-	-	-	39,699
Culture, recreation and education	362,361	-	-	-	-	8,324	370,685
Conservation and development	13,235	-	-	-	4,633	9	17,877
Total Current	<u>2,096,229</u>	<u>1,235,806</u>	<u>8,999</u>	<u>551,527</u>	<u>4,633</u>	<u>57,254</u>	<u>3,954,448</u>
<b>Debt Service:</b>							
Principal	-	-	155,574	-	-	397,177	552,751
Interest	-	-	49,635	-	-	83,651	133,286
Other debt service	3,500	-	-	-	-	60	3,560
Total Debt service	<u>3,500</u>	<u>-</u>	<u>205,209</u>	<u>-</u>	<u>-</u>	<u>480,888</u>	<u>689,597</u>
Capital Expenditures	-	53,942	1,067,926	209,502	-	21,000	1,352,370
Total Expenditures	<u>2,099,729</u>	<u>1,289,748</u>	<u>1,282,134</u>	<u>761,029</u>	<u>4,633</u>	<u>559,142</u>	<u>5,996,415</u>
Excess of revenue over(under) expenditures	(39,755)	36,705	(487,901)	(193,677)	17,725	65,199	(601,704)
<b>Other Financing Sources (Uses):</b>							
Debt proceeds	-	-	-	141,179	-	-	141,179
Transfer (from) to other funds	(4,000)	-	145,000	4,000	-	(145,000)	-
Total Other Sources(Uses)	<u>(4,000)</u>	<u>-</u>	<u>145,000</u>	<u>145,179</u>	<u>-</u>	<u>(145,000)</u>	<u>141,179</u>
Net change in fund balance	(43,755)	36,705	(342,901)	(48,498)	17,725	(79,801)	(460,525)
Fund balance, beginning of year	1,609,777	(41,023)	197,507	341,786	24,284	1,095,403	3,227,734
Fund balance, end of year	<u>\$ 1,566,022</u>	<u>\$ (4,318)</u>	<u>\$ (145,394)</u>	<u>\$ 293,288</u>	<u>\$ 42,009</u>	<u>\$ 1,015,602</u>	<u>\$ 2,767,209</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, 2016**

**Net change in fund balances - total governmental funds** **\$ (460,525)**

**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	1,352,370	
Depreciation expense reported in the statement of activities	<u>326,853</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		1,025,517

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	103,644	
Vested employee benefits earned in current year	<u>(201,788)</u>	
Amounts paid are greater (less) than amounts paid by		(98,144)

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:		552,751
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Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position, and does not affect the statement of activities.

The amount of debt incurred in the current year is:		(141,180)
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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:	(41,732)	
The amount of depreciation recapture for the year was:	<u>32,170</u>	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		(9,562)

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	133,286	
The amount of interest accrued during the current period	<u>161,564</u>	
Interest paid is greater (less) than interest accrued by		(28,278)

**Change in net position - governmental activities** **\$ 840,579**

City of Washburn, Wisconsin  
 Combined Statement of Net Position  
 Enterprise Funds  
 As of December 31, 2016

Assets	<u>Non-Major Funds</u>			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	
Cash	274,057	(202,530)	109,326	180,853
Receivables:				
Customer accounts receivables	117,554	130,649	25,585	273,788
Other receivables	113,938	103,089	3,018	220,045
Materials & supplies inventory	13,977	719	-	14,696
Due from other funds	156,107	4,167	3,018	163,292
Restricted cash	316,249	423,715	-	739,964
Plant, property & equipment(net)	7,512,426	8,745,530	1,792,769	18,050,725
<b>Total Assets</b>	<b><u>\$ 8,504,308</u></b>	<b><u>\$ 9,205,339</u></b>	<b><u>\$ 1,933,716</u></b>	<b><u>\$ 19,643,363</u></b>
Deferred Outflows of Resources Pension	<u>39,624</u>	<u>50,945</u>	<u>5,661</u>	<u>\$ 96,230</u>
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Accounts payable	12,250	7,800	-	20,050
Accrued interest payable	22,821	30,873	2,327	56,021
Accrued payroll and related items	2,939	2,833	-	5,772
Due to other funds	-	317,441	100,987	418,428
Long term debt	3,433,201	4,323,626	366,888	8,123,715
<b>Total Liabilities</b>	<b><u>3,471,211</u></b>	<b><u>4,682,573</u></b>	<b><u>470,202</u></b>	<b><u>8,623,986</u></b>
Deferred Inflows of Resources				
Deferred Inflows of Resources Pension	<u>16,576</u>	<u>21,312</u>	<u>2,368</u>	<u>40,256</u>
<b>Total deferred inflows of resources</b>	<b><u>16,576</u></b>	<b><u>21,312</u></b>	<b><u>2,368</u></b>	<b><u>40,256</u></b>
Net Position				
Net investment in capital assets	4,079,225	4,421,904	1,425,881	9,927,010
Restricted, expendable	316,249	423,715	-	739,964
Unrestricted	660,671	(293,220)	40,926	408,377
<b>Total net position</b>	<b><u>\$ 5,056,145</u></b>	<b><u>\$ 4,552,399</u></b>	<b><u>\$ 1,466,807</u></b>	<b><u>\$ 11,075,351</u></b>

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, 2016

	Water Fund	Sewer Fund	Non-Major Fund	
			Storm Water Fund	2016
Operating Revenues	<u>486,460</u>	<u>555,656</u>	<u>117,381</u>	<u>1,159,497</u>
Operating Expenses				
Operations and maintenance	137,679	320,205	69,756	527,640
Depreciation	172,950	228,692	-	401,642
Taxes	<u>4,538</u>	<u>6,870</u>	<u>1,462</u>	<u>12,870</u>
Total Operating Expenses	<u>315,167</u>	<u>555,767</u>	<u>71,218</u>	<u>942,152</u>
Operating Income (Loss)	171,293	(111)	46,163	217,345
Non Operating Revenues (Expenses)				
Interest Income	3,265	3,301	271	6,837
Interest Expense	<u>(147,110)</u>	<u>(191,167)</u>	<u>(19,124)</u>	<u>(357,401)</u>
Total Non Operating	<u>(143,845)</u>	<u>(187,866)</u>	<u>(18,853)</u>	<u>(350,564)</u>
Capital Contributions	-	685,242	-	685,242
Amortization of contributions	<u>-</u>	<u>(7,991)</u>	<u>-</u>	<u>(7,991)</u>
	<u>-</u>	<u>677,251</u>	<u>-</u>	<u>677,251</u>
Change in Net Position	27,448	489,274	27,310	544,032
Net Position- Beginning of Year, restated	<u>5,028,697</u>	<u>4,063,125</u>	<u>1,439,497</u>	<u>10,531,319</u>
Net Position - End of Year	<u><u>5,056,145</u></u>	<u><u>4,552,399</u></u>	<u><u>1,466,807</u></u>	<u><u>11,075,351</u></u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin  
 Combined Statement of Cash Flows  
 Enterprise Funds  
 For the Year Ended December 31, 2016

	Water Fund	Sewer Fund	Storm Water Fund	2016
<b>Cash Flows from Operating Activities</b>				
Cash received from user charges	499,776	565,470	118,041	1,183,287
Cash payments to employees for services	(83,887)	(115,643)	(41,476)	(241,006)
Cash payments to suppliers for goods and services	(74,979)	(213,110)	-	(288,089)
Cash payments for other operating expenses	-	-	(7,663)	(7,663)
Net cash provided by operating activities	<u>340,910</u>	<u>236,717</u>	<u>68,902</u>	<u>646,529</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Cash payments for acquisition of capital assets	(14,011)	-	-	(14,011)
Other financing activities	8,343	(15,777)	-	(7,434)
Interest paid	(147,578)	(191,939)	(16,797)	(356,314)
Retirement of long-term debt	(62,929)	(102,236)	(44,101)	(209,266)
Net cash used by capital and related financing activities	<u>(216,175)</u>	<u>(309,952)</u>	<u>(60,898)</u>	<u>(587,025)</u>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	3,265	3,301	270	6,836
Net cash provided by investing activities	<u>3,265</u>	<u>3,301</u>	<u>270</u>	<u>6,836</u>
Net increase in cash and cash equivalents	128,000	(69,934)	8,274	66,340
Cash and cash equivalents - beginning of year	462,306	291,119	101,052	854,477
Cash and cash equivalents - end of year	<u>590,306</u>	<u>221,185</u>	<u>109,326</u>	<u>920,817</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	171,293	(111)	46,163	217,345
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation (other amortization)	176,738	232,364	36,990	446,092
Changes in assets and liabilities:				
Accounts receivable	13,316	9,814	660	23,790
Materials and supply inventory	(1,433)	(26)	-	(1,459)
Due from other funds	(23,666)	(4,167)	(13,018)	(40,851)
Accounts payable	4,116	325	(1,893)	2,548
Accrued payroll payable	546	(1,482)	-	(936)
Net cash provided by operating activities	<u>340,910</u>	<u>236,717</u>	<u>68,902</u>	<u>646,529</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin  
Statement of Net Position  
Fiduciary Funds  
December 31, 2016

	Tax Collection Agency Fund
Assets	
Taxes receivable	1,553,776
Total assets	<u>\$1,553,776</u>
Liabilities	
Due to other governments	1,553,776
Total liabilities	<u>\$1,553,776</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, 2016

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.

Capital Projects Fund – This fund accounts for all activities that are considered capital projects of the City.

Tax Increment District Fund – This fund accounts for the tax increment district of the City, both the tax revenues levied and the expenditures made in the specified tax increment district.

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 assets 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 2015 tax levy is used to finance operations of the City for the year ended December 31, 2016. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The County assumes all responsibility for delinquent real property taxes. Property taxes which have not been recognized as revenue are recorded as deferred inflows until collected.

#### Accounts Receivable

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

#### Due to and from other funds

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

#### Inventories and Prepaid Supplies:

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

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

#### Capital assets

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

#### - Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, based

on management estimates. Donated assets are reported at estimated fair market value at the time received.

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Upon implementing GASB 34 governmental units are required to account for all infrastructure in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. For the year ended December 31, 2016, 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 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 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 October 18, 2017, which is the date the financial statements were available to be issued.

**Note 2 – STEWARDSHIP AND COMPLIANCE**

The City did not have any violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

**Note 3 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES**

**Note 3a – 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, 2016 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, 2016 as reflected in the Statement of Net Position follows:

	Primary Government	Enterprise Funds	Fiduciary Fund	Total
<b>Unrestricted:</b>				
Cash and Cash Equivalents	\$2,634,850	\$180,853		\$2,815,703
<b>Restricted:</b>				
Cash and Cash Equivalents	216,870	739,964	-	956,834
Total Cash and Cash Equivalents	\$2,851,720	\$920,817	\$0	\$3,772,537

The Primary Government restricted cash balance is composed of the cash balances of the Economic Development 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, 2016 are as follows:

	Governmental Activities	Business-type Activities
Interest earned	\$0	\$6,837

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 3b – Capital Assets

Capital asset balances and activity for the year ended December 31, 2016 were as follows:

	Beginning Balance	Prior Year Adjustments	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Sites (land)	\$ 197,665		\$ 16,000	\$ -	\$ 213,665
Total capital assets not being depreciated	197,665		16,000	-	213,665
Capital assets being depreciated:					
Site Improvements	-		-	-	-
Buildings	2,319,387		323,455	-	2,642,842
Furniture and equipment	3,691,620		261,093	(41,732)	3,910,981
Road network	3,789,672		751,822	-	4,541,494
Total capital assets being depreciated	9,800,679		1,336,370	(41,732)	11,095,317
Less accumulated depreciation	(4,653,782)		(326,853)	32,169	(4,948,466)
Total capital assets being depreciated, net of accumulated depreciation	5,146,897		1,009,517	(9,563)	6,146,851
Governmental activities capital assets, net of accumulated depreciation					\$ 6,360,516

Depreciation expense was charged to functions as follows:

General government	\$ 5,679
Public Safety	71,377
Public works	225,176
Health and Human services	445
Culture, recreation, education	24,176
Depreciation not charged to a specific function	-
Total depreciation for governmental activities	\$326,853

#### Business-type activities:

Capital assets not being depreciated:

Land	\$ 5,125				\$ 5,125
CIP	2,322				2,322
Total capital assets not being depreciated	7,447	-	-	-	7,447
Capital assets being depreciated:					
Water distribution system	9,779,963	10,000	6,680	(2,669)	9,790,974
Sewer collection & treatment system	10,577,120	685,242	-	-	11,262,362
Storm water system	2,169,332	-	-	-	2,169,332
Total capital assets being depreciated	22,525,737	695,242	6,680	(2,669)	23,222,668
Less accumulated depreciation for:					
Water distribution system	(2,108,311)	-	(176,314)	2,669	(2,281,956)
Sewer collection & treatment system	(2,295,543)	-	(225,328)	-	(2,520,871)
Storm water system	(340,336)	-	(36,228)	-	(376,564)
Total accumulated depreciation	(4,744,190)	-	(437,870)	2,669	(5,179,391)
Total capital assets being depreciated, net of accumulated depreciation	17,779,225	695,242	(431,190)	-	18,043,277
Business-type activities capital assets, net of accumulated depreciation					\$ 18,050,724

Depreciation expense was charged to functions as follows:

	Water	\$ 176,314
	Sewer	225,328
	Storm water	36,228
Total business-type activities depreciation expense		<u>\$ 437,870</u>

### Note 3c – Long-term Notes Receivable

	Ending balance	Amounts due within 1 year
CDBG Mortgages	\$ 999,184	\$ -0-
Total LT receivables	\$999,184	\$ -0-

### Note 4 – DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES

#### Note 4a – Short-term debt

The City had no short-term debt as of December 31, 2016.

#### Note 4b – Long-term Liabilities

Long-term liability balances and activity for the year ended December 31, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
<b>General obligation debt</b>					
Bonds and notes payable					
Capital projects	\$ 3,351,612	-	505,027	\$ 2,846,585	\$ 367,586
Capital leases	321,570	141,180	47,719	415,031	44,790
Total general obligation debt	3,673,182	141,180	552,746	3,261,616	412,376
Other liabilities:					
Vested Employee Benefits:					
Vacation and sick pay	103,644	4,485	-	108,129	-
Pension related benefits	(144,651)	238,044	-	93,393	-
Total Other Governmental Liabilities	(41,007)	242,529	-	201,522	-
Total governmental activity long-term liabilities	<u>\$ 3,632,175</u>	<u>383,709</u>	<u>552,746</u>	<u>\$ 3,463,138</u>	<u>\$ 412,376</u>
<b>Business-type Activities</b>					
Bonds and notes payable	8,320,288	-	215,702	8,104,586	224,771
Total business-type activities debt	<u>\$ 8,320,288</u>	<u>-</u>	<u>215,702</u>	<u>\$ 8,104,586</u>	<u>\$ 224,771</u>
Vested Employee Benefits:					
Net pension liability					
Net pension liability	(29,627)	48,756	-	19,129	-
Total Other Business-type Liabilities	(29,627)	48,756	-	19,129	-
Total business-type activity long-term liabilities	<u>\$ 8,290,661</u>	<u>48,756</u>	<u>215,702</u>	<u>\$ 8,123,715</u>	<u>\$ 224,771</u>

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

	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Total interest paid and accrued during the year:		
Total interest paid	\$ 133,286	\$ 356,657
Total interest expense	161,564	358,018
Interest paid over (under) expense	(28,278)	(1,361)

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:

<b>Government Activities</b>	Issue Dates	Interest Rates	Date of Maturity	Balance 12/31/16
Bremer bank note	8/24/09	5.22	07/01/19	\$ 46,627
Bremer bank note	9/15/09	5.22	12/1/19	121,770
Bremer bank note	11/21/11	5.25	11/21/20	208,789
Bremer bank note	12/18/13	4.97	12/18/21	100,751
Bremer bank note	11/10/14	3.25	11/10/24	412,556
GO bonds	5/11/10	2.00-4.75	5/1/30	610,000
GO bonds water	9/7/11	1.00-3.20	12/1/22	723,948
State Trust land	12/2/14	3.50	3/15/23	143,694
State Trust cap impr	12/2/14	3.50	3/15/23	149,083
State Trust boat ramp	3/30/15	3.50	3/15/24	329,367
Capital lease st equip	1/28/15	2.90	2/28/25	289,838
Capital lease truck	2/6/16	3.00	5/15/25	125,193
<b>Total bonds and notes</b>				<u><u>\$ 3,261,616</u></u>

<b>Business-type Activities</b>	Issue Dates	Interest Rates	Date of Maturity	Balance
Bremer bank note	9/15/09	5.22	12/1/19	\$ 216,801
GO bonds water/sewer/strm	9/7/11	1.00-3.20	12/1/22	191,052
Sewer revenue bonds	11/14/96	4.50	11/1/36	1,902,300
Water revenue bonds rural	5/12/05	4.25	5/12/45	3,285,283
Water B bonds spec assess	5/12/05	4.25	5/12/44	125,766
Sewer revenue bonds rural	5/12/05	4.25	5/12/45	2,280,755
Sewer B bonds spec assess	5/12/05	4.25	5/12/44	102,629
				<u><u>\$ 8,104,586</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, 2016 is:

Equalized value certified by Wisconsin Department of Revenue for:	2016	\$114,208,400
Margin of indebtedness at 5%		5,710,420
Deduct long-term debt applicable to debt margin		<u>(3,452,668)</u>
Margin of indebtedness		<u><u>\$ 2,257,752</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, 2016 is as follows:

<b>Government Activities</b>	Year ended	Principal	Interest	Total
	<u>31-Dec</u>			
	2017	412,376	118,745	531,121
	2018	426,078	104,254	530,332
	2019	522,601	88,865	611,466
	2020	417,200	68,644	485,845
	2021	384,944	54,023	438,967
	2022-2026	893,417	117,358	1,010,775
	2027-2030	205,000	22,519	227,519
<b>Totals</b>		<u><u>3,261,616</u></u>	<u><u>574,408</u></u>	<u><u>3,836,025</u></u>

**Business-type Activities**

Year ended			
31-Dec	Principal	Interest	Total
2017	224,770	348,062	572,832
2018	234,239	338,308	572,546
2019	390,792	328,416	719,208
2020	228,972	310,267	539,239
2021	238,148	300,741	538,889
2022-2026	1,174,468	1,354,442	2,528,910
2027-2031	1,412,715	1,082,304	2,495,019
2032-2036	1,740,003	744,872	2,484,875
2037-2041	1,345,409	399,436	1,744,845
2042-2045	1,115,070	96,710	1,211,780
Totals	<u>8,104,586</u>	<u>5,303,558</u>	<u>13,408,143</u>

**Note 4c – Interfund receivables/payables and operating transfers**

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

	Amount
<b>Governmental Funds:</b>	
General fund receivable from Business-type funds for operations	\$255,136
General fund receivable from TIF district for operations	256,623
TIF district payable to General Fund for operations	(256,623)
General Fund receivable from Capital Projects Fund	19,997
Capital Projects Fund payable to General Fund	(19,997)
Debt Service Fund receivable from TIF district	100,650
TIF district payable to Debt Service Fund	(100,650)
Harbor Commission Fund receivable from Marina Operations Fund	195,752
Marina Operations Fund payable to Harbor Commission Fund	(195,752)
<b>Total Governmental Funds Receivable/Payable</b>	<b>\$255,136</b>
<b>Business-type Funds:</b>	
Water fund receivable from General fund for operations	23,666
Sewer fund payable to General fund for operations	(180,833)
Storm water fund payable to General fund for operations	(97,969)
<b>Total Business-type Funds Receivable/Payable</b>	<b>\$255,136</b>

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
<b>Governmental Activities</b>	Due (Owed)
General Fund	\$255,136
Total	<b>\$255,136</b>
<b>Business-type Activities</b>	
Water Fund	23,666
Sewer Fund	(180,833)
Storm water Fund	(97,969)
Total	<b>\$(255,136)</b>

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, 2016:

	Amount
<b>Governmental Activities</b>	
Harbor Commission	\$(145,000)
TID	145,000
General Fund	(4,000)
Capital Projects Fund	4,000
Total	<b>\$ -0-</b>

**Note 4d – 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 4e – 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.

**Accounting Changes.** The WRS adopted GASB Statement no. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

## **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 Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

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
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**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 \$64,957.68 in contributions from the employer.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7	7.7
Protective with Social Security	6.8	9.5
Protective without Social Security	6.8	13.1

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

At June 1, 2016, the City of Washburn reported a liability (asset) of \$112,521.78 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City of Washburn's proportion was 0.00692450%, which was a decrease of 0.00017502% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the City of Washburn recognized pension expense of \$137,700.75.

At December 31, 2016, 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	\$-0-	(\$236,800.17)
Net differences between projected and actual earnings On pension plan investments	398,895.91	-
Changes in assumptions	78,725.14	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,846.84	-
Employer contributions subsequent to the measurement date	-	-
Total	\$481,467.89	(\$236,800.17)

\$0 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 June 30, 2016. 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
2016	\$147,036.69	(\$57,306.08)
2017	147,036.69	(57,306.08)
2018	147,036.69	(57,306.08)
2019	122,305.67	(57,306.08)
Thereafter	2,641.70	(7,575.86)

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 2014
Measurement Date of Net Pension Liability	December 31, 2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Market Value
Long Term Expected Rate of Return	7.2%
Discount Rate	7.2%

Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% 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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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, 2015

	Current			
	Asset	Destination	Long-term	Long-term
	Allocation	Target Asset	Expected Nominal	Expected Real
Core Fund Asset Class	%	Allocation %	Rate of Return %	Rate of Return %
US Equities	27	23	7.6	4.7
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
Variable Fund Asset Class				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single Discount Rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.10% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City of Washburn's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the City of Washburn's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City of Washburn's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City of Washburn's Proportionate Share of the Net Pension Liability	\$789,229.92	\$112,521.78	(\$415,999.34)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**Note 5 – OTHER NOTE DISCLOSURES**

Note 5a – Fund balances

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

Economic Dev Loan funds	\$215,000
Capital Projects Fund	293,288
Harbor Commission Fund	445,856
CDBG Housing Loan funds	42,009
Debt Service Fund	146,625
Bayfield St Imp Fund	77,622
Library Board Fund	4,573
Parks Fund	120,428
Defibrillator Fund	5,498

Note 5b – **Excess of actual expenditures over budget**

The following functions had an excess of actual expenditures over budget for the year ending December 31, 2016:

<u>General Fund</u>	<u>Excess Expenditure</u>
None	
<u>Capital Projects Fund</u>	<u>Excess Expenditure</u>
None	
<u>TIF District</u>	<u>Excess Expenditure</u>
General Government	2,999

Other governmental funds were not budgeted in 2016.

Note 5c – **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, 2016 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

Note 5d – **Extraordinary Item**

The City has a prior year asset adjustment in the current year Statement of Activities that is unusual and infrequent in nature. This was a large Sewer Fund project that was expended over two years. A portion of this was expended in the City's Capital Projects Fund in the prior year, but

the total amount to be included in the Sewer Fund was unknown at that time, since the balance of the project wasn't expended until the current year. When these Sewer Fund project assets were placed in service in the current year, an amount equal to \$685,242 was required to be included in the Sewer Fund as capital contributions.

**Note 5e – Restatement of Beginning Net Position**

The City has restated beginning net position in the both the governmental and business-type activities on the Statement of Activities. The amount of restatement was a \$458,391 increase to the governmental beginning net position for reclassification of long term debt. This same amount decreased beginning net position for business-type activities. Also for business type activities, there was a restatement of \$10,000 for a prior year fixed asset addition and \$51,960 correction of an error, for a net decrease of \$396,431 in business type beginning net position.

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property tax	\$ 412,186	\$ 412,186	412,096	\$ (90)
Other tax	50,030	50,030	58,861	8,831
Intergovernmental aid	868,379	868,379	875,041	6,662
Licenses and permits	35,100	35,100	38,717	3,617
Fines, forfeits and penalties	7,500	7,500	6,861	(639)
Public charge for service	463,000	463,000	525,388	62,388
Intergovernmental charge for service	126,859	126,859	127,043	184
Commercial	6,300	6,300	15,967	9,667
<b>Total revenues</b>	<u>1,969,354</u>	<u>1,969,354</u>	<u>2,059,974</u>	<u>90,620</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	415,528	415,528	391,838	23,690
Public Safety	756,052	756,052	701,079	54,973
Public Works	610,717	610,717	588,017	22,700
Health and human services	44,947	44,947	39,699	5,248
Culture, recreation and education	368,733	368,733	362,361	6,372
Conservation and development	25,903	25,903	13,235	12,668
<b>Total Current</b>	<u>2,221,880</u>	<u>2,221,880</u>	<u>2,096,229</u>	<u>125,651</u>
<b>Debt Service:</b>				
Other debt service	1,900	1,900	3,500	(1,600)
<b>Total Debt service</b>	<u>1,900</u>	<u>1,900</u>	<u>3,500</u>	<u>(1,600)</u>
Capital Expenditures	17,800	17,800	-	17,800
<b>Total Expenditures</b>	<u>2,241,580</u>	<u>2,241,580</u>	<u>2,099,729</u>	<u>141,851</u>
<b>Excess of revenue over(under) expenditures</b>	(272,226)	(272,226)	(39,755)	232,471
<b>Other Financing Sources (Uses):</b>				
Other sources	276,226	276,226	-	(276,226)
Transfer to other funds	(4,000)	(4,000)	(4,000)	-
<b>Total Other Sources(Uses)</b>	<u>272,226</u>	<u>272,226</u>	<u>(4,000)</u>	<u>(276,226)</u>
<b>Net change in fund balance</b>	-	-	(43,755)	(43,755)
Fund balance, beginning of year	1,609,777	1,609,777	1,609,777	-
<b>Fund balance, end of year</b>	<u>\$1,609,777</u>	<u>\$1,609,777</u>	<u>\$1,566,022</u>	<u>\$ (43,755)</u>

City of Washburn, Wisconsin  
 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Capital Projects Fund  
 For the Years Ended December 31, 2016 and 2015

	<u>Budget</u>	<u>2016 Actual</u>	<u>Variance</u>
Revenues:			
Property tax	\$ 206,900	206,900	\$ -
Intergovernmental aid	325,000	360,194	35,194
Commercial	-	258	258
Total revenues	<u>531,900</u>	<u>567,352</u>	<u>35,452</u>
Expenditures:			
Current:			
General government	40,000	3,898	36,102
Public Works	650,000	547,629	102,371
Total Current	<u>690,000</u>	<u>551,527</u>	<u>138,473</u>
Capital Expenditures	<u>190,900</u>	<u>209,502</u>	<u>(18,602)</u>
Total Expenditures	<u>880,900</u>	<u>761,029</u>	<u>119,871</u>
Excess of revenue over(under) expenditures	(349,000)	(193,677)	155,323
Other Financing Sources (Uses):			
Debt proceeds	-	141,179	141,179
Transfer from other funds	4,000	4,000	-
Total Other Sources(Uses)	<u>4,000</u>	<u>145,179</u>	<u>141,179</u>
Net change in fund balance	(345,000)	(48,498)	296,502
Fund balance, beginning of year	341,786	341,786	-
Fund balance, end of year	<u>\$ (3,214)</u>	<u>\$ 293,288</u>	<u>\$ 296,502</u>

City of Washburn, Wisconsin  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
TIF District Fund  
For the Years Ended December 31, 2016 and 2015

	Budget	2016 Actual	Variance
Revenues:			
Property tax	\$ 191,935	191,935	\$ -
Intergovernmental aid	531,258	602,173	70,915
Commercial	-	125	125
Total revenues	<u>723,193</u>	<u>794,233</u>	<u>71,040</u>
Expenditures:			
Current:			
General government	6,000	8,999	(2,999)
Total Current	<u>6,000</u>	<u>8,999</u>	<u>(2,999)</u>
Debt Service:			
Principal	158,724	155,574	3,150
Interest	49,344	49,635	(291)
Total Debt service	<u>208,068</u>	<u>205,209</u>	<u>2,859</u>
Capital Expenditures	<u>975,424</u>	<u>1,067,926</u>	<u>(92,502)</u>
Total Expenditures	<u>1,189,492</u>	<u>1,282,134</u>	<u>(92,642)</u>
Excess of revenue over(under) expenditures	(466,299)	(487,901)	(21,602)
Other Financing Sources (Uses):			
Other uses	(20,000)	-	20,000
Transfer from other funds	145,000	145,000	-
Total Other Sources(Uses)	<u>125,150</u>	<u>145,000</u>	<u>19,850</u>
Net change in fund balance	(341,149)	(342,901)	(1,752)
Fund balance, beginning of year	197,507	197,507	-
Fund balance, end of year	<u>\$ (143,642)</u>	<u>\$ (145,394)</u>	<u>\$ (1,752)</u>

City of Washburn, Wisconsin  
Notes to Required Supplementary Information  
On Budgetary Accounting and Control  
Year Ending December 31, 2016

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.

CITY OF WASHBURN, WISCONSIN  
 SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
 WISCONSIN RETIREMENT SYSTEM

SCHEDULE OF THE CITY OF WASHBURN'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY (ASSET)

	2014	2015
Wisconsin Retirement System		
Last 10 Fiscal Years*		
City of Washburn's proportion of the net pension liability (asset)	0.70952000%	0.00692450%
City of Washburn's proportionate share of the net pension liability (asset)	(\$174,278)	\$112,522.00
City of Washburn's covered-employee payroll	\$856,178	\$857,520.00
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

\*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, WISCONSIN CONTRIBUTIONS

	2014	2015
Wisconsin Retirement System		
Last 10 Fiscal Years*		
Contractually required contributions	\$ 67,294.00	\$64,958.00
Contributions in relation to the contractually required contributions	\$ 67,294.00	\$64,958.00
Contribution deficiency (excess)	\$ -	-
City of Washburn's covered-employee payroll	\$ 856,178.00	\$857,520.00
Contributions as a percentage of covered-employee payroll	7.86%	7.58%

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

CITY OF WASHBURN, WISCONSIN  
 Notes to Required Supplementary Information  
 For the Year Ended December 31, 2016

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

*Changes of assumptions.* There were no changes in the assumptions.

City of Washburn  
Washburn, Wisconsin

Other Supplementary Information

City of Washburn, Wisconsin  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 As of December 31, 2016

	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	Debt Service Fund	
Assets								
Cash	250,104	-	77,622	4,573	120,428	5,611	45,974	504,312
Due from other funds	195,752	-	-	-	-	-	100,651	296,403
Restricted cash	-	146,380	-	-	-	-	-	146,380
Long term receivable	-	68,620	-	-	-	-	-	68,620
Total Assets	<u>\$ 445,856</u>	<u>\$ 215,000</u>	<u>\$ 77,622</u>	<u>\$ 4,573</u>	<u>\$ 120,428</u>	<u>\$ 5,611</u>	<u>\$ 146,625</u>	<u>\$ 1,015,715</u>
Liabilities and Fund Balance								
Liabilities								
Accounts payable	-	-	-	-	-	113	-	113
Total Liabilities	-	-	-	-	-	113	-	113
Fund Balance								
Restricted	445,856	215,000	77,622	4,573	120,428	5,498	146,625	1,015,602
Total Fund Balance	<u>445,856</u>	<u>215,000</u>	<u>77,622</u>	<u>4,573</u>	<u>120,428</u>	<u>5,498</u>	<u>146,625</u>	<u>1,015,602</u>
Total Liabilities and Fund Balance	<u>\$ 445,856</u>	<u>\$ 215,000</u>	<u>\$ 77,622</u>	<u>\$ 4,573</u>	<u>\$ 120,428</u>	<u>\$ 5,611</u>	<u>\$ 146,625</u>	<u>\$ 1,015,715</u>

City of Washburn, Wisconsin  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Year Ended December 31, 2016

	Special Revenue Funds							Debt Service Fund	Total Nonmajor Govt Funds
	Harbor Commission	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Park Outlay Fund	Defibrillator Campaign Fund			
<b>Revenues:</b>									
Property tax	\$ -	\$ -	\$ -	-	-	-	\$ 263,804	\$ 263,804	
Intergovernmental aid	-	-	-	-	-	5,447	-	5,447	
Public charge for service	134,453	-	-	-	25,954	-	-	160,407	
Commercial	159,398	2,445	19,757	5,308	7,603	3	169	194,683	
Total revenues	<u>293,851</u>	<u>2,445</u>	<u>19,757</u>	<u>5,308</u>	<u>33,557</u>	<u>5,450</u>	<u>263,973</u>	<u>624,341</u>	
<b>Expenditures:</b>									
<b>Current:</b>									
Public Safety	-	-	-	-	-	5,359	-	5,359	
Public Works	43,562	-	-	-	-	-	-	43,562	
Culture, recreation and education	-	-	-	7,930	394	-	-	8,324	
Conservation and development	-	9	-	-	-	-	-	9	
Total Current	<u>43,562</u>	<u>9</u>	<u>-</u>	<u>7,930</u>	<u>394</u>	<u>5,359</u>	<u>-</u>	<u>57,254</u>	
<b>Debt Service:</b>									
Principal	190,686	-	-	-	-	-	206,491	397,177	
Interest	9,926	-	-	-	-	-	73,725	83,651	
Other debt service	-	-	60	-	-	-	-	60	
Total Debt service	<u>200,612</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,216</u>	<u>480,888</u>	
<b>Capital Expenditures</b>									
Total Expenditures	<u>244,174</u>	<u>9</u>	<u>60</u>	<u>7,930</u>	<u>16,394</u>	<u>10,359</u>	<u>280,216</u>	<u>559,142</u>	
Excess of revenue over(under) expenditures	<u>49,677</u>	<u>2,436</u>	<u>19,697</u>	<u>(2,622)</u>	<u>17,163</u>	<u>(4,909)</u>	<u>(16,243)</u>	<u>65,199</u>	
<b>Other Financing Sources (Uses):</b>									
Transfer (from) to other funds	(145,000)	-	-	-	-	-	-	(145,000)	
Total Other Sources(Uses)	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>	
Net change in fund balance	(95,323)	2,436	19,697	(2,622)	17,163	(4,909)	(16,243)	(79,801)	
Fund balance, beginning of year	541,179	212,564	57,925	7,195	103,265	10,407	162,868	1,095,403	
Fund balance, end of year	<u>\$ 445,856</u>	<u>\$ 215,000</u>	<u>\$ 77,622</u>	<u>\$ 4,573</u>	<u>\$ 120,428</u>	<u>\$ 5,498</u>	<u>\$ 146,625</u>	<u>\$ 1,015,602</u>	

# EAGLE AUDIT & ACCOUNTING, LLC

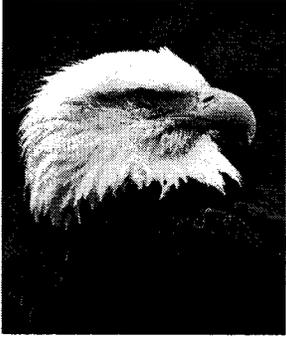
CERTIFIED PUBLIC ACCOUNTANTS

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 Common Council  
City of Washburn, Wisconsin  
Washburn, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn, Wisconsin ("City") as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2017.

### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2016-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Washburn, WI Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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

October 18, 2017  
Park Falls, Wisconsin

**City of Washburn, WI**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2016**

**Section 1 - Summary of Auditor's Results**

**Financial Statements Findings**

	Yes	No	
Type of auditors' report issued			Unqualified
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 2016-001: Segregation of Duties**

**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.

**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

October 18, 2017

The City of Washburn contact official for finding 2016-001 is as follows:

Scott Kluver  
 Finance Administration  
 715-373-6160

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

For the Year Ending December 31, 2016

**Prior Year Findings**

**2015-001 Financial Accounting and Reporting-** Preparation of financial statements by auditor. This year the City contracted with a third party to adjust the general ledger to be ready for preparation of the financial statements and footnotes. This has partially remedied this finding but the auditor remains responsible for drafting the financial statements and footnote disclosures. City management will be reviewing and accepting the financials as prepared by the auditor removing this as a finding in the future.

**2015-002 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.

**Corrective Action Plan**

**2016-001 Lack of Segregation of Duties** – as above