

CITY OF WASHBURN

Washburn, Wisconsin

Independent Auditor's Report

With Financial Statements

YEAR ENDED DECEMBER 31, 2019

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

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

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Government Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

City Council
City of Washburn
Washburn, Wisconsin

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, 2019, 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, 2019, 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 and OPEB life 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the

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 basic 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

July 8, 2020
Park Falls, Wisconsin

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

FINANCIAL HIGHLIGHTS

Total governmental fund revenues were \$5,874,927; including \$1,385,572 of property taxes, \$656,758 of general state aid, and \$3,314,745 of charges for services and operating grants. Total governmental funds expenditures were \$4,344,996. The City reduced the amount of prior outstanding general obligation debt by \$581,289.

Total business-type activity fund revenues were \$1,179,387; including \$1,162,651 of user fees. Total business-type activity expenditures were \$1,256,184. The City reduced the amount of prior outstanding business-type debt by \$227,916.

The City's financial status, as reflected in total net position, increased by \$1,548,067. Net position of governmental activities due to operations increased by \$1,529,268 and business-type activities (water, sewer, storm water) increased by \$18,799.

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.

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The City of Washburn is an equal opportunity provider, employer, and lender.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Fund financial statements

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

Notes to the financial statements

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

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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

Major Features of the Government-wide and Fund Financial Statements

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

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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, 2019 compared to 2018.

Table 1 Condensed Statement of Net Position (in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total Municipality		%
	2019	2018	2019	2018	2019	2018	Change 2019
Current and other assets	\$5,619.1	\$5,534.8	\$1,563.7	\$1,515.3	\$7,182.8	\$7,050.1	1.9%
Capital assets	8,148.2	7,191.4	18,086.4	18,258.5	\$26,234.7	25,449.9	3.1%
Total assets	13,767.3	12,726.2	19,650.2	19,773.8	33,417.5	32,500.0	2.8%
Total deferred outflows	956.7	576.8	158.1	86.0	1,114.8	662.8	68.2%
L-T debt outstanding	2,983.6	3,364.1	7,507.5	7,697.6	10,491.2	11,061.7	-5.2%
Other liabilities	178.4	194.2	460.3	394.9	638.8	589.1	8.4%
Total liabilities	3,162.0	3,558.4	7,967.9	8,092.5	11,129.9	11,650.8	-4.5%
Total deferred inflows	2,903.7	2,782.0	115.4	96.7	3,019.0	2,878.6	
Net position							
Invested in capital assets, net of related debt	5,549.6	4,011.4	10,627.1	10,571.2	16,176.6	14,582.6	10.9%
Restricted	2,168.6	2,223.9	944.6	824.4	3,113.1	3,048.2	2.1%
Unrestricted	940.2	893.8	153.4	310.6	1,093.5	1,204.4	-9.2%
Total net position	\$8,658.3	\$7,129.0	\$11,725.0	\$11,706.2	\$20,383.3	\$18,835.2	8.2%

Note: totals may not add due to rounding

Unrestricted net position, the amount available to the City to use in future periods for general purposes, increased by \$46,410. A total of \$5,549,561 (64%) is in net investment in capital assets which is not spendable for continuing activities of the City.

In governmental activities, total assets increased \$1,041,151 including an increase in capital assets, net increase in capital assets was \$956,851. 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. Some vehicles will soon need replacement. Improvements have been, or will be made, for assets along the waterfront.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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, 2019 compared to 2018.

	Governmental Activities		Business-Type Activities		Total Municipality	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charge for services	\$2,160.9	\$2,113.6	\$1,162.7	\$1,129.6	\$3,323.5	\$3,243.2
Capital grants	857.4	-	\$-	\$-	\$857.4	\$-
Operating grants	296.5	688.7	-	-	296.5	688.7
General revenues						
Property taxes	1,385.6	1,340.3	-	-	1,385.6	1,340.3
State & federal aid	656.8	617.4	-	-	656.8	617.4
Other	517.2	380.2	16.7	5.2	533.9	385.5
Total revenues	5,874.3	5,140.2	1,179.4	1,134.8	7,053.7	6,275.1
Expenses:						
General government	441.0	441.8	-	-	441.0	441.8
Public safety	886.9	746.8	-	-	886.9	746.8
Public works	2,011.9	1,964.4	-	-	2,011.9	1,964.4
Health/human services	47.8	40.9	-	-	47.8	40.9
Culture/recreation	409.8	397.3	-	-	409.8	397.3
Conservation/develop	10.3	21.4	-	-	10.3	21.4
Business-type activity			1,256.2	1,381.9	1,256.2	1,381.9
Debt service	119.0	112.9	-	-	119.0	112.9
Depreciation, unallocated	418.4	386.6	-	-	418.4	386.6
Total expenses	4,345.0	4,112.1	1,256.2	1,381.9	5,601.2	5,493.9
Change in net position						
from operations	1,529.3	1,028.2	(76.8)	(247.0)	1,452.5	781.1
Net special/extraordinary	-	(34.4)	95.6	1,029.7	95.6	995.3
Change in net position	\$1,529.3	\$993.7	\$18.8	\$782.7	\$1,548.1	\$1,776.4

Note: totals may not add due to rounding

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

In government activities, the City had a change in net position of \$1,529,268, which is an increase from the prior year of \$535,520. The major change was an increase in grants from the prior year.

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 revenues exceeded expenses by \$18,799, \$763,868 less than last year. The difference is mainly attributable to a capital contribution of the Reed Bed Replacement Project in the Sewer Fund in the prior year.
- Charges for services, which are amounts paid by customers of the water/sewer/storm water utilities, increased to 1,162,651 from \$1,129,592.
- The water, sewer and storm water utilities acquired new fixed assets in the amount of \$292,899. The majority of new fixed assets is mainly attributable to a treatment plant upgrade in the Sewer Fund.

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, 2019 compared to 2018.

Table 3 Net Cost of Governmental Activities (in thousands of dollars)					
	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2019	2018	2019	2018	
General Government	\$441.0	\$441.8	\$440.5	\$441.4	-0.2%
Public Safety	886.9	746.8	(332.3)	(66.7)	398.4%
Public Works	2,011.9	1,964.4	213.4	274.0	-22.1%
Culture & recreation	409.8	397.3	126.6	110.0	15.2%
Conservation & develop	10.3	21.4	7.5	19.4	-61.5%
Debt service	119.0	112.9	119.0	112.9	5.4%
Other	418.4	386.6	418.4	386.6	8.2%
Total	\$4,345.0	\$4,112.1	\$1,030.3	\$1,309.8	-21.3%

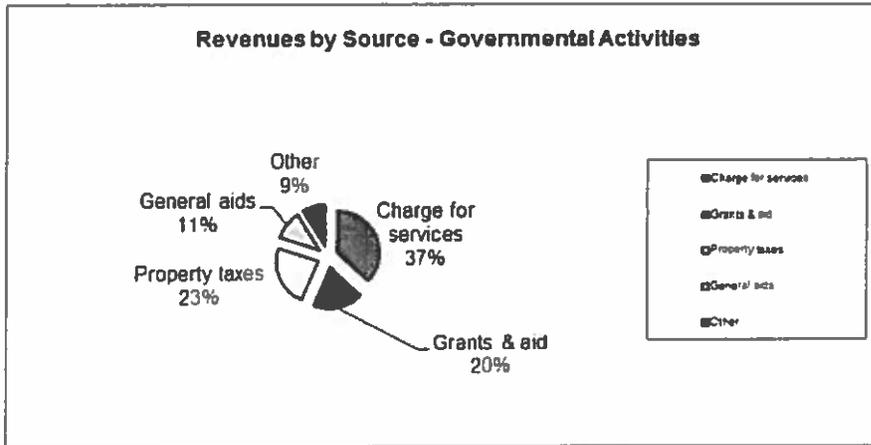
Note: totals may not add due to rounding

Budgetary Analysis – General Fund Only

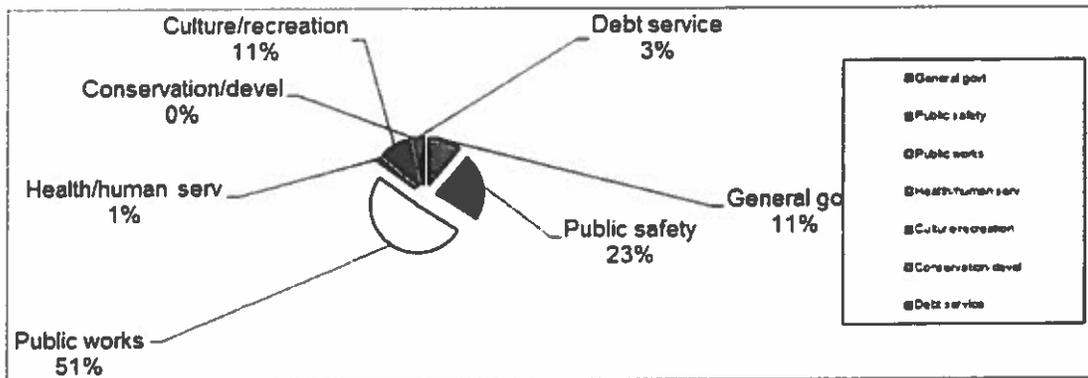
The City made no budget amendments for the year in the General Fund. Expenditures were less than budget by \$35,775 overall, due to a combination of items. There was a surplus of revenues to budget of \$223,652, the majority of which was due to an unexpected increase in public charges for services, interest earned on savings at a local bank due to increased rates, and sales of city property.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Revenues by Source – the chart below shows the various sources of revenue by source for the year ending December 31, 2019.



Expenditures by Function – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2019.



**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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, 2018 to December 31, 2019.

Table 4 Capital Assets (in thousands of dollars)							
	Governmental		Business-Type		Total		Total
	Activities		Activities		Municipality		%
	2019	2018	2019	2018	2019	2018	2019
Land	\$186.4	\$186.4	\$5.1	\$5.1	\$191.5	\$191.5	0.0%
Construction in progress	-	-	\$2.3	2.3	2.3	2.3	0.0%
Buildings & improvements	\$5,081.7	3,838.4	2,826.6	2,826.6	7,908.3	6,665.0	18.7%
Furniture & equipment	\$4,531.1	4,303.8	21,747.8	21,492.2	26,278.9	25,796.0	1.9%
Infrastructure	\$4,541.5	4,541.5	-	-	4,541.5	4,541.5	0.0%
Accumulated depreciation	\$(6,192.4)	(5,678.7)	\$(6,495.4)	(6,067.8)	(12,687.8)	(11,746.5)	8.0%
Total	\$8,148.2	\$7,191.4	\$18,086.4	\$18,258.5	\$26,234.7	\$25,449.9	3.1%

Note: totals may not add due to rounding

The additions to capital assets included the purchase of a new Chevrolet Silverado, a major reconstruction of a dock at the marina, and various miscellaneous purchases in governmental activities, and the addition of mainly a treatment plant upgrade in the Sewer Fund for business-type activities.

Long – Term Debt – Table 5 below show the change in long-term obligations for the total municipality from December 31, 2018 to December 31, 2019.

Table 5 Outstanding Long Term Obligations (in thousands of dollars)			
	Total		Total
	Municipality		%
	2019	2018	2019
General obligation debt	\$2,598.7	\$3,180.0	-18.3%
Other	7,892.5	7,881.7	0.1%
Total	\$10,491.1	\$11,061.7	-5.2%

Note: totals may not add due to rounding

The City incurred no new general obligation debt this year and reduced the remaining general obligation debt by regularly scheduled payments totaling approximately \$581,000 of principal.

**City of Washburn, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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. The City is preparing to take on a large water and sewer project in 2024 through 2027 when STH 13 is expected to be reconstructed. Debt has been refinanced to prepare for this project and to also take on a water meter replacement project to assist with utility resources by reducing water loss.
3. The City is actively considering steps to reduce expenses due to revenue loss from the Covid-19 pandemic (campground fees, interest, permit fees).

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, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash	\$ 2,934,796	36,988	\$ 2,971,784
Receivables	1,011,274	447,826	1,459,100
Less allowance for doubtful accounts	(20,286)	-	(20,286)
Internal receivables	392,893	-	392,893
Restricted cash	274,669	944,557	1,219,226
Inventories and prepaid items	-	134,333	134,333
Total current assets	<u>4,593,346</u>	<u>1,563,704</u>	<u>6,157,050</u>
Long Term Receivables	1,025,736	-	1,025,736
Plant, property & equipment:			
Capital assets, not being depreciated	186,385	7,447	193,832
Capital assets being depreciated, net of accumulated depreciation	7,961,850	18,078,999	26,040,849
Subtotal Plant, property & equip	<u>8,148,235</u>	<u>18,086,446</u>	<u>26,234,681</u>
Total noncurrent assets	<u>9,173,971</u>	<u>18,086,446</u>	<u>27,260,417</u>
Total assets	<u>13,767,317</u>	<u>19,650,150</u>	<u>33,417,467</u>
Deferred Outflows			
Pension and OPEB related outflows	<u>956,718</u>	<u>158,066</u>	<u>1,114,784</u>
Liabilities			
Current liabilities:			
Payables:			
Accounts	123,308	7,444	130,752
Accrued payroll & related items	30,968	6,985	37,953
Accrued interest	24,151	53,003	77,154
Internal payables	-	392,893	392,893
Current portion of long-term obligations	474,337	243,272	717,609
Total current liabilities	<u>652,764</u>	<u>703,597</u>	<u>1,356,361</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>2,509,282</u>	<u>7,264,271</u>	<u>9,773,553</u>
Total non-current liabilities	<u>2,509,282</u>	<u>7,264,271</u>	<u>9,773,553</u>
Total liabilities	<u>3,162,046</u>	<u>7,967,868</u>	<u>11,129,914</u>
Deferred Inflows of Resources			
Tax levies	1,320,609	-	1,320,609
WRS pension and OPEB related inflows	615,318	115,355	730,673
Amounts paid to recipients of CDBG funds	924,817	-	924,817
Amounts paid to recipients of façade loan funds	42,932	-	42,932
Total deferred inflows of resources	<u>2,903,676</u>	<u>115,355</u>	<u>3,019,031</u>
Net Position			
Net investment in capital assets	5,549,561	10,627,086	16,176,647
Restricted for:			
Debt service	47,786	-	47,786
Capital projects	402,840	-	402,840
Special revenue projects	1,717,954	-	1,717,954
Water/sewer loan covenant	-	944,557	944,557
Unrestricted	940,172	153,350	1,093,522
Total net position	<u>8,658,313</u>	<u>11,724,993</u>	<u>20,383,306</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Statement of Activities
For the Year ended December 31, 2019

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
Governmental activities:							
General government	440,985	447	-	-	(440,538)	-	(440,538)
Public Safety	886,853	338,749	40,997	-	(507,107)	-	(507,107)
Public Works	2,011,898	1,579,342	201,183	857,405	626,032	-	626,032
Health and human services	47,777	10,715	-	-	(37,062)	-	(37,062)
Culture, recreation and education	409,754	231,609	51,501	-	(126,644)	-	(126,644)
Conservation and development	10,284	-	2,797	-	(7,487)	-	(7,487)
Debt service	119,006	-	-	-	(119,006)	-	(119,006)
Depreciation - unallocated*	418,439	-	-	-	(418,439)	-	(418,439)
Total governmental activities	4,344,996	2,160,862	296,478	857,405	(1,030,251)		(1,030,251)
Business-type activities:							
Water utility	488,041	475,405	-	-	-	(12,636)	(12,636)
Sewer utility	870,242	575,113	-	-	-	(95,129)	(95,129)
Storm water utility	97,901	112,133	-	-	-	14,232	14,232
Total Business-type activities	1,256,184	1,162,651	-	-		(93,533)	(93,533)
Total municipality	\$ 5,601,180	\$ 3,323,513	\$ 296,478	\$ 857,405	\$ (1,030,251)	\$ (93,533)	\$ (1,123,784)
General revenues:							
Property taxes:							
General purposes					543,650		543,650
Debt services					585,544		585,544
Capital projects					256,378		256,378
State and federal aids not restricted to specific functions:					656,758		656,758
Interest and investment earnings					46,567	16,736	63,303
Miscellaneous					470,622	-	470,622
Total general revenues					2,569,519	16,736	2,586,255
Extraordinary / special items:							
Capital contributions					-	95,596	95,596
Change in net position					1,529,266	18,799	1,548,067
Net position - beginning of year					7,129,045	11,706,194	18,835,239
Net position - end of year					\$ 8,658,313	\$ 11,724,993	\$ 20,383,306

*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, 2019

	General Fund	Marina Operating Fund	Harbor Commission Fund	CDBG Fund	Other Nonmajor Govt Funds	Total Governmental Funds
Assets						
Cash	\$ 1,351,062	206,987	730,580	-	\$ 646,167	\$ 2,934,796
Receivables:						
Taxes receivable	629,382	-	-	-	243,485	872,867
Other receivables	131,870	-	-	-	6,537	138,407
Less allowance for doubtful accounts	(20,286)	-	-	-	-	(20,286)
Due from other funds	449,179	-	195,752	-	281,381	926,312
Restricted cash	-	-	-	103,601	171,068	274,669
Long term receivables	-	-	-	\$ 924,817	100,919	1,025,736
Total Assets	\$ 2,541,207	\$ 206,987	\$ 926,332	\$ 1,028,418	1,449,557	\$ 6,152,501
Liabilities, Deferred Inflows and Fund Balance						
Liabilities						
Accounts payable	99,304	-	5,430	-	18,574	123,308
Accrued payroll and related items	30,968	-	-	-	-	30,968
Due to other funds	-	195,752	-	-	337,667	533,419
Total Liabilities	130,272	195,752	5,430	-	356,241	687,695
Deferred Inflows of Resources						
Tax levies	1,077,124	-	-	-	243,485	1,320,609
Amounts paid to recipients of CDBG funds	-	-	-	924,817	-	924,817
Amounts paid to recipients of façade loan funds	-	-	-	-	42,932	42,932
Total Deferred Inflows of Resources	1,077,124	-	-	924,817	286,417	2,288,358
Fund Balance						
Restricted	-	-	920,902	103,601	1,144,077	2,168,580
Unassigned	1,333,811	11,235	-	-	(337,178)	1,007,868
Total Fund Balance	1,333,811	11,235	920,902	103,601	806,899	3,176,448
Total Liabilities, Deferred Inflows and Fund Balance	\$ 2,541,207	\$ 206,987	\$ 926,332	\$ 1,028,418	\$ 1,449,557	\$ 6,152,501

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, 2019**

Total fund balance reported on government funds balance sheet	3,176,448
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in government activities are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental capital assets, net of accumulated depreciation is:	8,148,235
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:	956,718
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	\$ (2,983,619)
Accrued interest on general obligation debt	<u>(24,151)</u>
	\$ (3,007,770)
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:	(615,318)
 Total net position - governmental activities	 <u><u>8,658,313</u></u>

City of Washburn, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Marina Operations Fund	Harbor Commission Fund	CDBG Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues:						
Property tax	\$ 474,879	-	-	-	\$ 841,922	\$ 1,316,801
Other tax	68,771	-	-	-	-	68,771
Intergovernmental aid	939,824	-	857,405	-	13,417	1,810,646
Licenses and permits	43,600	-	-	-	-	43,600
Fines, forfeits and penalties	7,745	-	-	-	-	7,745
Public charge for service	527,797	1,273,185	147,390	-	26,331	1,974,703
Intergovernmental charge for service	186,159	-	-	-	-	186,159
Commercial	112,834	14	235,179	22,423	96,052	466,502
Total revenues	2,361,609	1,273,199	1,239,974	22,423	977,722	5,874,927
Expenditures:						
Current:						
General government	430,302	-	-	-	2,191	432,493
Public Safety	829,303	-	-	-	15,089	844,392
Public Works	567,382	1,270,993	131,872	-	24,667	1,994,914
Health and human services	47,777	-	-	-	-	47,777
Culture, recreation and education	379,611	-	-	-	13,159	392,770
Conservation and development	8,073	-	-	80	2,151	10,284
Total Current	2,262,448	1,270,993	131,872	60	57,257	3,722,630
Debt Service						
Principal	-	-	57,350	-	523,939	581,289
Interest	-	-	17,831	-	102,082	119,913
Other debt service	3,600	-	-	-	-	3,600
Total Debt service	3,600	-	75,181	-	626,021	704,802
Capital Expenditures						
	-	-	1,194,705	-	181,243	1,375,948
Total Expenditures	2,266,048	1,270,993	1,401,758	60	864,521	5,803,380
Excess of revenue over (under) expenditures	95,561	2,206	(161,784)	22,363	113,201	71,547
Other Financing Sources (Uses)						
Transfer (from) to other funds	-	-	40,500	-	(40,500)	-
Total Other Sources (Uses)	-	-	40,500	-	(40,500)	-
Net change in fund balance	95,561	2,206	(121,284)	22,363	72,701	71,547
Fund balance, beginning of year	1,238,250	9,029	1,042,186	81,238	734,198	3,104,901
Fund balance, end of year	\$ 1,333,811	\$ 11,235	\$ 920,902	\$ 103,601	\$ 806,899	\$ 3,176,448

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, 2019

Net change in fund balances - total governmental funds **\$ 71,547**

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	1,375,948	
Depreciation expense reported in the statement of activities	<u>(418,439)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		957,509

Prior year adjustments to capital assets are reported in the statement of activities but not on governmental funds. The amount of adjustments is: (658)

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	17,758	
Vested employee benefits earned in current year	<u>(102,684)</u>	
Amounts paid are greater (less) than amounts paid by		(84,926)

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: 581,289

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	119,913	
The amount of interest accrued during the current period	<u>(115,406)</u>	
Interest paid is greater (less) than interest accrued by		4,507

Change in net position - governmental activities **\$ 1,529,268**

City of Washburn, Wisconsin
 Combined Statement of Net Position
 Enterprise Funds
 As of December 31, 2019

	<u>Non-Major Funds</u>			Total
	Water Fund	Sewer Fund	Storm Water Fund	
Assets				
Cash	379,280	(354,423)	12,131	36,988
Receivables:				
Customer accounts receivables	115,621	137,137	26,494	279,252
Other receivables	44,005	122,402	2,167	168,574
Materials & supplies inventory	16,561	2,377	-	18,938
Due from other funds	147,716	0	50,000	197,716
Restricted cash	426,634	517,923	-	944,557
Prepays	-	115,395	-	115,395
Plant, property & equipment(net)	7,084,211	9,318,151	1,684,085	18,086,447
Total Assets	<u>\$ 8,214,028</u>	<u>\$ 9,858,962</u>	<u>\$ 1,774,877</u>	<u>\$ 19,847,867</u>
Deferred Outflows of Resources Pension	<u>67,774</u>	<u>79,420</u>	<u>10,872</u>	<u>\$ 158,066</u>
Liabilities, Deferred Inflows and Net Position				
Liabilities				
Accounts payable	3,958	3,486	-	7,444
Accrued interest payable	20,698	32,119	186	53,003
Accrued payroll and related items	3,060	3,384	541	6,985
Due to other funds	-	432,836	157,773	590,609
Long term debt	3,233,421	4,195,674	78,448	7,507,543
Total Liabilities	<u>3,261,137</u>	<u>4,667,499</u>	<u>236,948</u>	<u>8,165,584</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources Pension	50,347	56,406	8,602	115,355
Total deferred inflows of resources	<u>50,347</u>	<u>56,406</u>	<u>8,602</u>	<u>115,355</u>
Net Position				
Net investment in capital assets	3,871,724	5,146,212	1,606,885	10,824,821
Restricted, expendable	426,634	517,923	-	944,557
Unrestricted	671,960	(449,658)	(66,486)	155,816
Total net position	<u>\$ 4,970,318</u>	<u>\$ 5,214,477</u>	<u>\$ 1,540,199</u>	<u>\$ 11,724,994</u>

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, 2019

	Water Fund	Sewer Fund	Non-Major Fund Storm Water Fund	2019
Operating Revenues	475,405	575,113	112,133	1,162,651
Operating Expenses				
Operations and maintenance	171,998	248,043	48,883	468,924
Depreciation	177,051	251,668	36,228	464,947
Taxes	6,091	6,243	1,636	13,970
Total Operating Expenses	355,140	505,954	86,747	947,841
Operating Income (Loss)	120,265	69,159	25,386	214,810
Non Operating Revenues (Expenses)				
Interest Income	7,656	9,080	0	16,736
Interest Expense	(132,901)	(164,288)	(11,154)	(308,343)
Total Non Operating	(125,245)	(155,208)	(11,154)	(291,607)
Capital Contributions	11,477	84,119	-	95,596
	11,477	84,119	-	95,596
Change in Net Position	6,497	(1,930)	14,232	18,799
Net Position- Beginning of Year	4,963,821	5,216,407	1,525,967	11,706,195
Net Position - End of Year	4,970,318	5,214,477	1,540,199	11,724,994

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
 Combined Statement of Cash Flows
 Enterprise Funds
 For the Year Ended December 31, 2019

	Water Fund	Sewer Fund	Storm Water Fund	2019
Cash Flows from Operating Activities				
Cash received from user charges	484,920	581,048	111,963	1,177,931
Cash received from other funds	-	-	76,786	76,786
Cash payments to employees for services	(114,155)	(100,158)	(32,239)	(246,552)
Cash payments to suppliers for goods and services	(61,961)	(165,433)	(1,022)	(228,416)
Cash payments for other operating expenses	-	-	(18,014)	(18,014)
Net cash provided by operating activities	<u>308,804</u>	<u>315,457</u>	<u>137,474</u>	<u>761,735</u>
Cash Flows from Capital and Related Financing Activities				
Cash payments for acquisition of capital assets	(43,522)	(249,377)	-	(292,899)
Proceeds from new borrowing	-	169,000	-	169,000
Other financing activities	14,531	20,993	979	36,503
Interest paid	(133,435)	(161,495)	(11,955)	(306,885)
Retirement of long-term debt	(76,069)	(126,880)	(193,967)	(396,916)
Net cash used in capital and related financing activities	<u>(238,495)</u>	<u>(347,759)</u>	<u>(204,943)</u>	<u>(791,197)</u>
Cash Flows from Investing Activities				
Interest on investments	7,656	9,080	-	16,736
Net cash provided by investing activities	<u>7,656</u>	<u>9,080</u>	<u>-</u>	<u>16,736</u>
Net increase (decrease) in cash and cash equivalents	77,965	(23,222)	(67,469)	(12,726)
Cash and cash equivalents - beginning of year	727,949	186,722	79,600	994,271
Cash and cash equivalents - end of year	<u>805,914</u>	<u>163,500</u>	<u>12,131</u>	<u>981,545</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	120,265	69,159	25,386	214,810
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation (other amortization)	180,416	248,302	36,228	464,946
Changes in assets and liabilities:				
Accounts receivable	9,515	5,935	(170)	15,280
Materials and supply inventory	(2,418)	(1,241)	-	(3,659)
Due from other funds	6,363	0	76,786	83,149
Accounts payable	(5,765)	(7,104)	(649)	(13,518)
Accrued payroll payable	428	406	(107)	727
Net cash provided by operating activities	<u>308,804</u>	<u>315,457</u>	<u>137,474</u>	<u>761,735</u>

See accompanying notes to basic financial statements.

City of Washburn, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2019

	Tax Collection Agency Fund
Assets	
Cash	553,680
Taxes receivable	<u>1,138,012</u>
Total assets	<u><u>\$1,691,692</u></u>
Liabilities	
Due to other governments	<u>1,691,692</u>
Total liabilities	<u><u>\$1,691,692</u></u>

See accompanying notes to basic financial statements.

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City of Washburn, Wisconsin

Notes to Financial Statements
For the Year Ended December 31, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

A. Reporting Entity

The City of Washburn, Wisconsin (the "City") is incorporated under the provisions of the State of Wisconsin. The City operates under a Council - Administrator form of government and provides the following services as authorized by its charter: Public safety, streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

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

B. Basis of presentation

Government-wide financial statements

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

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

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

Fund financial statements

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Liabilities

Cash and Investments

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

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

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

All investments are stated at fair market value.

Property Taxes:

Real estate assessments are as of January 1, tax levies in December are applicable to the following year and the real estate taxes are due in January unless an installment plan is selected. Property taxes are recognized as revenue in the period which the taxes are levied. The 2018 tax levy is used to finance operations of the City for the year ended December 31, 2019. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The County assumes all responsibility for delinquent real property taxes. Property taxes which have not been recognized as revenue are recorded as deferred inflows until collected.

Accounts Receivable

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

Due to and from other funds

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

Inventories and Prepaid Supplies:

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

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

Capital assets

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

- Government-wide Statements

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

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

December 31, 2019, the City has chosen not to retroactively report infrastructure acquired by its governmental fund types.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

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

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

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

- Fund Financial Statements

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

Additions to and replacements of utility plant are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Estimates

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

Equity Classifications

- Government-wide Statements

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

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

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

- Fund Statements

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

Budgetary Accounting

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

Economic Development and Housing Rehabilitation Loans Receivable

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan participants. The third item is the amount of CDBG

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

Subsequent Events

Subsequent events have been evaluated through July 8, 2020, which is the date the financial statements were available to be issued.

Note 2 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES

Note 2a – Cash and investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2019 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, 2019 as reflected in the Statement of Net Position follows:

	Primary Government	Enterprise Funds	Fiduciary Fund	Total
Unrestricted:				
Cash and Cash Equivalents	\$2,934,796	\$36,988		\$2,971,784
Restricted:				
Cash and Cash Equivalents	274,669	944,557	553,680	1,772,906
Total Cash and Cash Equivalents	\$3,209,465	\$981,545	\$553,680	\$4,744,690

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

Interest and dividends earned as of December 31, 2019 are as follows:

	Governmental Activities	Business-type Activities
Interest earned	\$46,567	\$16,736

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

Note 2b – Capital Assets

Capital asset balances and activity for the year ended December 31, 2019 were as follows:

	Beginning Balance	Prior Year Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Sites (land)	\$ 186,385		-	-	\$ 186,385
Total capital assets not being depreciated	186,385		-	-	186,385
Capital assets being depreciated:					
Buildings & site improvements	3,838,379		1,243,315	-	5,081,694
Furniture and equipment	4,303,825	94,653	132,633	-	4,531,111
Road network	4,541,494		-	-	4,541,494
Total capital assets being depreciated	12,683,698	94,653	1,375,948	-	14,154,299
Less accumulated depreciation	(5,678,699)	(95,311)	(418,439)	-	(6,192,449)
Total capital assets being depreciated, net of accumulated depreciation	7,004,999	(658)	957,509	-	7,961,850
Governmental activities capital assets, net of accumulated depreciation					\$ 8,148,235

Depreciation expense was charged to functions as follows:

General government	\$ 7,280
Public Safety	101,655
Public works	284,119
Health and Human services	3,024
Culture, recreation, education	22,361
Depreciation not charged to a specific function	-
Total depreciation for governmental activities	\$418,439

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	9,854,400		43,522	(19,956)	9,877,966
Sewer collection & treatment system	12,295,103		249,377	(17,381)	12,527,099
Storm water system	2,169,332		-	-	2,169,332
Total capital assets being depreciated	24,318,835		292,899	(37,337)	24,574,397
Less accumulated depreciation for:					
Water distribution system	(2,636,703)		(180,416)	19,956	(2,797,163)
Sewer collection & treatment system	(2,982,065)		(248,303)	17,381	(3,212,987)
Storm water system	(449,020)		(36,228)	-	(485,248)
Total accumulated depreciation	(6,067,788)		(464,947)	37,337	(6,495,398)
Total capital assets being depreciated, net of accumulated depreciation	18,251,047		(172,048)	-	18,078,999
Business-type activities capital assets, net of accumulated depreciation					\$ 18,086,446

Depreciation expense was charged to functions as follows:

Water	\$ 180,416
Sewer	248,303
Storm water	36,228
Total business-type activities depreciation expense	\$ 464,947

Note 2c – Long-term Notes Receivable

	Ending balance	Amounts due within 1 year
CDBG Mortgages	\$924,817	\$ -0-
EDP loans receivable	57,987	
Façade loans receivable	42,932	
Total LT receivables	\$1,025,736	\$ -0-

Note 3 – DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES

Note 3a – Short-term debt

The City had no short-term debt as of December 31, 2019.

Note 3b – Long-term Liabilities

Long-term liability balances and activity for the year ended December 31, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 2,855,882	-	533,713	\$ 2,322,169	\$ 425,303
Capital leases	324,081	-	47,576	276,505	49,034
Total general obligation debt	3,179,963	0	581,289	2,598,674	474,337
Other liabilities:					
Vested Employee Benefits					
Vacation and sick pay	139,722	2,768	-	142,490	-
OPEB life insurance	44,453	-	9,152	35,301	-
Pension related benefits	-	207,154	-	207,154	-
Total Other Governmental Liabilities	184,175	209,922	9,152	384,945	-
Total governmental activity long-term liabilities	\$ 3,364,138	209,922	590,441	\$ 2,983,619	\$ 474,337
Business-type Activities					
Bonds and notes payable					
	7,687,263	169,000	396,916	7,459,347	243,272
Total business-type activities debt	\$ 7,687,263	169,000	396,916	\$ 7,459,347	\$ 243,272
Other liabilities:					
Vested Employee Benefits					
Net pension liability	-	39,458	-	39,458	-
OPEB life insurance	10,309	-	1,584	8,725	-
Total Other Business-type Liabilities	10,309	39,458	1,584	48,183	-
Total business-type activity long-term liabilities	\$ 7,697,572	208,458	398,500	\$ 7,507,530	\$ 243,272

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

Total interest paid and accrued during the year:	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Total interest paid	\$ 119,913	\$ 308,184
Total interest expense	115,406	308,343
Interest paid over (under) expense	4,507	(159)

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

Government Activities	Issue Dates	Interest Rates	Date of Maturity	Balance 12/31/19
Bremer bank note	11/21/11	5.25	11/21/20	59,493
Bremer bank note	12/18/13	4.97	12/18/21	43,659
Bremer bank note	11/10/14	3.25	11/10/24	270,211
Bremer bank note coal dock	10/01/18	3.99	10/01/28	687,649
GO bonds	5/11/10	2.00-4.75	5/1/30	505,000

GO bonds water	9/7/11	1.00-3.20	12/1/22	363,961
State Trust land	12/2/14	3.50	3/15/23	86,315
State Trust cap impr	12/2/14	3.50	3/15/23	89,552
State Trust boat ramp	3/30/15	3.50	3/15/24	216,330
Capital lease st equip	1/28/15	2.90	2/28/25	188,935
Capital lease truck	2/6/16	3.00	5/15/25	<u>87,569</u>
Total bonds and notes				<u>2,598,674</u>

Business-type Activities

Bremer bank note	8/27/19	4.00	3/15/39	\$ 169,000
GO bonds water/sewer/stm	9/7/11	1.00-3.20	12/1/22	96,124
Sewer revenue bonds	10/15/18	3.69	5/01/36	1,750,000
Water revenue bonds rural	5/12/05	4.25	5/12/45	3,093,021
Water B bonds spec assess	5/12/05	4.25	5/12/44	112,291
Sewer revenue bonds rural	5/12/05	4.25	5/12/45	2,147,278
Sewer B bonds spec assess	5/12/05	4.25	5/12/44	<u>91,633</u>
				<u>7,459,347</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, 2019 is:

Equalized value certified by Wisconsin Department of Revenue for:	2019	\$132,071,800
Margin of indebtedness at 5%		6,603,590
Deduct long-term debt applicable to debt margin		<u>(2,694,798)</u>
Margin of indebtedness		<u>\$ 3,908,792</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, 2019 is as follows:

Government Activities

Year ended			
31-Dec	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	474,337	98,870	573,207
2021	470,565	81,506	552,071
2022	403,134	63,332	466,466
2023	318,519	49,273	367,792
2024	280,191	37,902	318,093
2025-2029	606,928	81,781	688,709
2030-2030	<u>45,000</u>	<u>1,069</u>	<u>46,069</u>
Totals	<u>2,598,674</u>	<u>413,733</u>	<u>3,012,407</u>

Business-type Activities

Year ended			
31-Dec	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	243,272	300,137	543,409
2021	251,651	293,562	545,213
2022	247,760	283,683	531,443
2023	232,332	273,742	506,074
2024	243,276	264,223	507,499
2025-2029	1,355,153	1,164,924	2,520,077
2030-2034	<u>1,647,434</u>	<u>864,346</u>	<u>2,511,780</u>

2035-2039	1,554,574	524,444	2,079,018
2040-2044	1,520,839	218,805	1,739,644
2045-2045	<u>163,056</u>	<u>3,517</u>	<u>166,573</u>
Totals	<u>7,459,347</u>	<u>4,191,383</u>	<u>11,650,730</u>

Capital Leases

The city has two capital leases.

They entered into one lease in 2015 for a backhoe and a grader at a gross amount of \$395,221. The accumulated amortization at 12/31/19 was \$193,658. Amortization expense in 2019 was 39,522, which is included in depreciation expense. The lease term is 10 years ending 2/28/2025, interest rate is 2.90%, with an option to purchase the equipment for \$1 at the end of the lease term.

They entered into the other lease in 2016 for a dump truck at a gross amount of \$141,180. The accumulated amortization at 12/31/19 was \$52,236. Amortization expense in 2019 was \$14,118, which is included in depreciation expense. The lease term is 10 years ending 5/15/2025, interest rate is 3.40%, with the legal title transferring to the city at the end of the lease term.

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

Note 3c – Interfund receivables/payables and operating transfers

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

	Amount
Governmental Funds:	
General fund receivable from Business-type funds for operations	\$346,107
Debt service fund receivable from Business-type funds for operations	\$46,786
General fund receivable from TIF City for operations	103,072
TIF district payable to General Fund for operations	(103,072)
Capital Projects Fund receivable from TIF for operations	234,595
TIF district payable to Capital Projects Fund for operations	(234,595)
Harbor Commission Fund receivable from Marina Operations Fund	195,752
Marina Operations Fund payable to Harbor Commission Fund	(195,752)
Total Governmental Funds Receivable/Payable	\$392,893
Business-type Funds:	
Sewer fund payable to General fund for operations	(235,120)
Storm water fund payable to General fund for operations	(110,987)
Storm water fund payable to Debt Service fund for operations	(46,786)

Water fund receivable from Sewer fund for operations	147,716
Sewer fund payable to Water fund for operations	(147,716)
Storm water receivable from Sewer fund for operations	50,000
Sewer fund payable to Storm water fund for operations	(50,000)
Total Business-type Funds Receivable/Payable	\$392,893

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

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

	Amount
Governmental Activities	Due (Owed)
General Fund	\$346,107
Debt Service Fund	46,786
Total	\$392,893
Business-type Activities	
Sewer Fund	(235,120)
Storm water Fund	(157,773)
Total	\$(392,893)

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, 2019:

Governmental Activities	From:	To:
Capital Projects Fund	\$125,500	
Harbor Commission Fund		\$40,500
Library Board Fund		85,000
Total	\$125,500	\$125,500

Note 3d – Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

Note 3e – Contributions to pension plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2016	.5	(5.0)
2017	2.0	4.0
2018	2.4	17

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 \$73,260 in contributions from the employer.

Contribution rates as of December 31, 2019 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At 12/31/19, the City of Washburn reported a liability (asset) of \$246,612 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the City of Washburn's proportion was 0.00693181%, which was an increase of 0.00013203% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, the City of Washburn recognized pension expense of \$169,512.

At December 31, 2018, 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	\$192,073	(\$339,516)
Net differences between projected and actual earnings		
On pension plan investments	734,003	(373,843)
Changes in assumptions	41,569	-
Changes in proportion and differences between Employer contributions and proportionate share of Contributions	3,514	-
Employer contributions subsequent to the measurement date	137,294	-
Total	\$1,108,453	(\$713,359)

\$137,294 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. 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
2019	\$350,781	(\$256,502)
2020	230,992	(206,719)
2021	225,610	(185,052)
2022	163,776	(65,085)
Thereafter	-	-

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

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110%	7.3%	4.7%
Variable Fund Asset Class			

US Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.50%. Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

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

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

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
City of Washburn's Proportionate Share of the Net Pension Liability (Asset)	\$980,062	\$246,612	(\$298,764)

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>.

Payables to the pension plan.

As of December 31, 2019 the City reported payables to the WRS of \$12,378.

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

Summary of Significant Accounting Policies

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for the purposes of measuring the net OPEB liability, deferred outflows or resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Other Post-Employment Benefits

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

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

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

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

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

Contributions rates as of December 31, 2018 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

During the reporting period, the LRLIF recognized \$328 in contributions from the employer.

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

At December 31, 2018, the City reported a liability (asset) of \$44,026 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018 the City's proportion was 0.01706200% which was a decrease of 0.00114% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018 the City recognized OPEB expense of \$4,134.

At December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB's from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (2,234)
Net differences between projected and actual earnings on OPEB plan investments	1,052	-
Change in assumptions	4,201	(9,543)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,076	(2,672)
Employer contributions subsequent to the measurement date	-	-
Total	\$ 6,329	\$ (14,449)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Dec 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 1,255	\$ (2,361)
2020	1,255	(2,361)
2021	1,255	(2,361)
2022	1,107	(2,361)
Thereafter	1,459	(5,004)

Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	January 1, 2018
Measurement Date of Net OPEB Liability (asset)	December 31, 2018
Actuarial Cost Method	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield	4.10%
Long-Term Expected Rate of Return	5.00%
Discount Rate	4.22%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The total OPEB liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2018**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Government Bonds	Barclays Government	1%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%

US Long Credit Bonds	Barclay's Long Credit	4%	3.01%
US Mortgages	Barclay's MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount Rate. A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
City's proportionate share of the net OPEB liability (asset)	\$62,629	\$44,026	\$29,677

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

Payables to the OPEB plan

As of December 31, 2019 the City carried a payable to the plan of \$20.

Note 4 – OTHER NOTE DISCLOSURES

Note 4a – Fund balances

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

Economic Dev Loan funds	\$224,566
Capital Projects Fund	402,840
Harbor Commission Fund	920,902

CDBG Housing Loan funds	103,601
Debt Service Fund	47,786
Bayfield St Imp Fund	125,206
Library Board Fund	123,866
Parks Fund	213,898
Defibrillator Fund	5,915

Note 4b – Contingencies and commitments

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

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2019 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.

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property tax	\$ 474,915	\$ 474,915	474,879	\$ (36)
Other tax	61,530	61,530	68,771	7,241
Intergovernmental aid	888,837	888,837	939,824	50,987
Licenses and permits	36,800	36,800	43,600	6,800
Fines, forfeits and penalties	7,750	7,750	7,745	(5)
Public charge for service	468,579	468,579	527,797	59,218
Intergovernmental charge for service	178,546	178,546	186,159	7,613
Commercial	16,000	16,000	112,834	96,834
Total revenues	<u>2,132,957</u>	<u>2,132,957</u>	<u>2,361,609</u>	<u>228,652</u>
Expenditures:				
Current:				
General government	457,342	457,342	430,302	27,040
Public Safety	782,972	782,972	829,303	(46,331)
Public Works	579,513	579,513	567,382	12,131
Health and human services	43,669	43,669	47,777	(4,108)
Culture, recreation and education	410,924	410,924	379,611	31,313
Conservation and development	23,903	23,903	8,073	15,830
Total Current	<u>2,298,323</u>	<u>2,298,323</u>	<u>2,262,448</u>	<u>35,875</u>
Debt Service:				
Other debt service	3,500	3,500	3,600	(100)
Total Debt service	<u>3,500</u>	<u>3,500</u>	<u>3,600</u>	<u>(100)</u>
Total Expenditures	<u>2,301,823</u>	<u>2,301,823</u>	<u>2,266,048</u>	<u>35,775</u>
Excess of revenue over(under) expenditures	(168,866)	(168,866)	95,561	264,427
Other Financing Sources (Uses):				
Other sources	25,000	25,000	-	(25,000)
Transfer to other funds	(20,000)	(20,000)	0	20,000
Total Other Sources(Uses)	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	(163,866)	(163,866)	95,561	259,427
Fund balance, beginning of year	1,238,250	1,238,250	1,238,250	-
Fund balance, end of year	<u>\$1,074,384</u>	<u>\$1,074,384</u>	<u>\$1,333,811</u>	<u>\$ 259,427</u>

City of Washburn, Wisconsin
Notes to Required Supplementary Information
On Budgetary Accounting and Control
Year Ending December 31, 2019

Note 1 – STEWARDSHIP AND ACCOUNTABILITY

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

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

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

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

Note 2 – Excess of actual expenditures over budget

The following functions had an excess of actual expenditures over budget for the year ending December 31, 2019:

See Independent Auditor's Report

<u>General Fund</u>	<u>Excess Expenditure</u>	
	Public Safety	46,331
	Health and Human Services	4,108

See Independent Auditor's Report

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)

Wisconsin Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018
City of Washburn's proportion of the net pension liability (asset)	0.70952000%	0.00692450%	0.00677424%	0.67997800%	0.69318100%
City of Washburn's proportionate share of the net pension liability (asset)	(\$174,278)	\$112,522.00	\$55,836.00	(\$201,893)	\$246,612
City of Washburn's covered-employee payroll	\$856,178	\$857,520.00	\$869,992.00	\$888,840	\$935,016
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%	96.45%

*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

Wisconsin Retirement System
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018
Contractually required contributions	\$ 67,294.00	\$64,958.00	\$64,194.00	\$70,081	\$73,260
Contributions in relation to the contractually required contributions	\$ 67,294.00	\$64,958.00	\$64,194.00	\$70,081	\$73,260
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City of Washburn's covered-employee payroll	\$ 856,178.00	\$857,520.00	\$869,992.00	\$888,840	\$935,016
Contributions as a percentage of covered-employee payroll	7.86%	7.58%	7.38%	7.88%	7.84%

*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, 2019

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

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

LOCAL RETIREE LIFE INSURANCE FUND	2017	2018
Last 10 Fiscal Years*		
City of Washburn's proportion of the net OPEB liability (asset)	0.018202%	0.017062%
City of Washburn's proportionate share of the net OPEB liability (asset)	\$54,762	\$44,026
City of Washburn's covered-employee payroll	\$765,446	\$766,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%

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

SCHEDULE OF CITY OF WASHBURN CONTRIBUTIONS
 LOCAL RETIREE LIFE INSURANCE FUND

LOCAL RETIREE LIFE INSURANCE FUND	2017	2018
Last 10 Fiscal Years*		
Contractually required contributions	\$345	\$328
Contributions in relation to the contractually required contributions	\$345	\$328
Contribution deficiency (excess)	\$ -	\$ -
City of Washburn's covered-employee payroll	\$765,446	\$766,000
Contributions as a percentage of covered-employee payroll	0.045072%	0.042820%

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

See Independent Auditor's Report

CITY OF WASHBURN, WI
 Notes to Required Supplementary Information
 For the Year Ended December 31, 2019

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

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, 2019

	Special Revenue Funds										Total Nonmajor Gov Funds
	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Parks Outlay Fund	Deflator Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund		
Assets											
Cash		125,208	123,866	213,898	8,502		173,895	1,000			
Receivables											
Taxes receivable						243,485				243,485	
Other receivables							6,537			6,537	
Due from other funds							234,595	46,786		281,381	
Restricted cash	166,579					2,489				171,068	
Long term receivable	57,887									100,819	
Total Assets	\$ 724,566	\$ 168,138	\$ 123,866	\$ 213,898	\$ 8,502	\$ 245,974	\$ 414,827	\$ 47,786		\$ 1,449,557	
Liabilities and Fund Balance											
Liabilities											
Accounts payable					2,587	2,000	11,987			16,574	
Due to other funds						103,072	234,595			337,667	
Total Liabilities					2,587	105,072	236,595			356,241	
Deferred Inflows of Resources											
Tax levies						243,485				243,485	
Amounts paid to recipients of facade loan funds		42,932				243,485				42,932	
Total Deferred Inflows of Resources		42,932				243,485				286,417	
Fund Balance											
Restricted	224,566	125,208	123,866	213,898	5,915	(102,593)	402,840	47,786		1,144,077	
Unassigned	224,566	125,208	123,866	213,898	5,915	(102,593)	402,840	47,786		(337,179)	
Total Fund Balance	\$ 224,566	\$ 168,138	\$ 123,866	\$ 213,898	\$ 8,502	\$ 245,974	\$ 414,827	\$ 47,786		\$ 1,449,557	

City of Washburn, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2019

	Special Revenue Funds										Total Nonmajor Govt Funds
	Economic Development Fund	Bayfield Street Imp Fund	Library Board Fund	Park Outlay Fund	Defibrillator Campaign Fund	TIF District #2 Fund	TIF District #3 Fund	Capital Projects Fund	Debt Service Fund		
Revenues:											
Property tax	-	-	-	-	-	232,014	7,472	256,378	\$ 3,346,058	\$ 841,922	
Intergovernmental aid	-	-	-	-	5,745	2,535	262	4,875	-	13,417	
Public charge for service	-	-	-	26,331	-	-	-	-	-	26,331	
Commercial	4,422	11,036	36,801	14,665	12,053	42	-	11,432	5,801	96,052	
Total revenues	4,422	11,036	36,801	40,996	17,798	234,591	7,734	272,695	351,659	977,722	
Expenditures:											
Current:											
General government	-	-	-	-	15,089	2,181	-	-	-	2,191	
Public Safety	-	-	-	-	-	-	-	-	-	15,089	
Public Works	-	24,667	-	-	-	-	-	-	-	24,667	
Culture, recreation and education	-	-	6,189	6,970	-	-	2,151	-	-	13,159	
Conservation and development	-	-	-	-	-	-	-	-	-	2,151	
Total Current	-	24,667	6,189	6,970	15,089	2,191	2,151	-	-	57,257	
Debt Service:											
Principal	-	-	-	-	-	180,560	-	-	343,379	523,939	
Interest	-	-	-	-	-	27,352	-	-	74,730	102,082	
Total Debt service	-	-	-	-	-	207,912	-	-	418,109	626,021	
Capital Expenditures	-	-	-	11,687	-	-	1,015	188,541	-	181,243	
Total Expenditures	-	24,667	6,189	18,657	15,089	210,103	3,166	188,541	418,109	664,521	
Excess of revenue over(under) expenditures	4,422	(13,631)	30,612	22,339	2,709	24,488	4,568	104,144	(66,450)	113,201	
Other Financing Sources (Uses):											
Transfer from (to) other funds	-	-	85,000	-	-	-	-	(125,500)	-	(40,500)	
Total Other Sources(Uses)	-	-	85,000	-	-	-	-	(125,500)	-	(40,500)	
Net change in fund balance	4,422	(13,631)	115,612	22,339	2,709	24,488	4,568	(21,356)	(66,450)	72,701	
Fund balance, beginning of year	220,144	138,837	8,254	191,559	3,206	(127,071)	(239,163)	424,198	114,236	734,198	
Fund balance, end of year	\$ 224,566	\$ 125,206	\$ 123,866	\$ 213,898	\$ 5,915	\$ (102,583)	\$ (234,595)	\$ 402,840	\$ 47,786	\$ 806,899	



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

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

Independent Auditor's Report

To the City Council
City of Washburn
Washburn, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washburn, Wisconsin ("City") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 8, 2020.

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 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 may have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 findings 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
Park Falls, Wisconsin

July 8, 2020

City of Washburn, WI
Schedule of Findings and Responses
For the Year Ended December 31, 2019

Section 1 - Summary of Auditor's Results

Financial Statements Findings

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

Section 2 - Financial Statement Findings

Finding 2019-001: Segregation of Duties– Significant Deficiency – Repeat Finding

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

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

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

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

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

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

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

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

Finding 2019-002: Client Preparation of Financial Statements – Significant Deficiency – Repeat Finding

Criteria: Preparation of financial statements is a client responsibility.

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

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

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

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

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

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

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

Section 3 – Other Issues

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

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

Robert M. Biller

Date of report

July 8, 2020

CITY OF WASHBURN
119 Washington Avenue
P.O. Box 638
Washburn, WI 54891



715-373-6160
715-373-6161
FAX 715-373-6148

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

For the Year Ending December 31, 2019

Status of Prior Year Audit Findings

2018-001 Lack of Segregation of Duties – This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

2018-002 Preparation of Financial Statements– This is a continuing finding with no change expected. Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

Corrective Action Plan

2019-001 Lack of Segregation of Duties – ongoing finding

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

2019-002 Preparation of Financial Statements – ongoing finding

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

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

Scott Kluver
Finance Administration
715-373-6160

**EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

**REVIEW AND ACCEPTANCE OF FINANCIAL STATEMENTS INCLUDING
DISCLOSURES, AUDIT ADJUSTMENTS, REQUIRED SUPPLEMENTARY
INFORMATION REGARDING THE WRS AND LIFE INSURANCE OPEB, AND
MANAGEMENT'S DISCUSSION & ANALYSIS**

**CITY OF WASHBURN, WISCONSIN
FISCAL YEAR ENDED DECEMBER 31, 2019**

I have reviewed and accept the financial statements including disclosures, audit adjustments, required supplementary information regarding the Wisconsin Retirement System, and management's discussion & analysis as presented by Eagle Audit & Accounting, LLC as complete and correct to the best of my knowledge. I further attest that I have the skills, knowledge and experience to review the items as identified above.

James R. Maus Name

Treasurer Title

7/15/2020 Date

CITY OF WASHBURN
WASHBURN, WISCONSIN

July 8, 2020

Eagle Audit & Accounting, LLC
PO Box 525
Park Falls, WI 54552

This representation letter is provided in connection with your audit of the financial statements of the City of Washburn, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of July 8, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 16, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements [or in the schedule of findings and responses].
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b) Additional information that you have requested from us for the purpose of the audit.

- c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 - 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - 13) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
 - 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
 - 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
 - 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 - 17) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 22) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax

or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 28) As part of your audit, you assisted with preparation of the financial statements and related notes [and Management's Discussion & Analysis and WRS retirement system disclosures]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes [and Management's Discussion & Analysis and WRS retirement system disclosures].
- 29) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended, and GASBS No. 84 .
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signed:

 Administrator/ clerk

Client: CITY WASHBUR - CITY OF WASHBURN
 Engagement: 2019 - City of Washburn, Wisconsin
 Period Ending: 12/31/2019
 Trial Balance: G-04 - Trial Balance
 Workpaper: G-06a - Adjusting Journal Entries Report - 2

Account	Description	WIP Ref	Debit	Credit
Adjusting Journal Entries JE # 2				
To adjust accrued interest payable & LT debt principal to actual.				
300-00-48100-000-000	INTEREST ON INVESTMENTS		112.00	
620-00-21600-000-237	ACCRUED INTEREST PAYABLE		4,518.00	
620-00-53700-000-689	WATER MISC GENERAL EXP.		185.00	
720-00-53610-000-856	SEWAGE MISC GENERAL EXPENSE		1,113.00	
820-00-21800-000-237	ACCRUED INTEREST PAYABLE		7.00	
300-00-58100-000-000	PRINCIPAL			112.00
620-00-58200-000-427	L-T INTEREST EXPENSE			4,701.00
720-00-21800-000-237	ACCRUED INTEREST PAYABLE			1,113.00
820-00-58200-000-000	INTEREST AND FISCAL CHARGES			7.00
Total			5,933.00	5,933.00

I Approve of the Adjusting Journal Entry Above made by the Auditor.

My approval is indicated by my signature below:



 Name (Signature)



 Title