

CITY OF PHILLIPS

Phillips, Wisconsin

Independent Auditor's Report

With Financial Statements

YEAR ENDED DECEMBER 31, 2021

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

City of Phillips, WI

Report on Basic Financial Statements
With Supplemental Information

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EAGLE AUDIT & ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Phillips
Phillips, Wisconsin

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Phillips, WI as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the City of Phillips, WI's internal control. Accordingly, no such opinion is expressed.

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Phillips, WI's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2022, on our consideration of the City of Phillips, WI'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 of Phillips, WI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Phillips, WI's internal control over financial reporting and compliance.

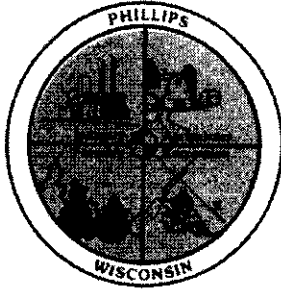
Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

Park Falls, Wisconsin
May 6, 2022

City of Phillips, Wisconsin

Government-Wide Financial Statements



THE CITY OF PHILLIPS

Founded in 1876

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 \$2,953,102; including \$1,365,284 of property taxes, \$675,562 of general state aid, and \$584,410 of charges for services and operating grants. Total governmental funds expenditures were \$2,288,481. The City reduced the amount of prior outstanding general obligation debt by \$303,263.

Total business-type activity fund revenues were \$1,649,187; including \$1,009,462 of user fees. Total business-type activity expenditures were \$956,064. The City increased the amount of prior outstanding business-type debt by \$102,672.

The City's financial status, as reflected in total net position, increased by \$1,127,744. Net position of governmental activities due to operations increased by \$434,621 and business-type activities (water/sewer) increased by \$693,123.

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 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.

A

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

Fund financial statements

- The City also produces fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating the City's near-term financing requirements.
- There are two fund financial statements, the balance sheet and statements of revenue, expenditures and changes in fund balance. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the government-wide statements, it is useful to make comparison between information presented. By doing so readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided as separate statements on pages 7 and 9.
- The municipality has three kinds of funds: *governmental*, *propriety* and *fiduciary*. *Governmental funds* include the City's two permanent funds (general and special revenue) and individual capital project funds as needed. The City has one *proprietary funds*, the water and sewer utility 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 CDBG fund, and TIF #3 & #4 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 page 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 Phillips, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

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

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary, such as general govt., public safety, public works, etc.	Activities the City operates similar to private business. The City's water/sewer utility 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 Phillips, Wisconsin
Management's Discussion and Analysis
For the Year Ended December 31, 2021**

FINANCIAL ANALYSIS

The Municipality as a Whole

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

Table 1
Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		%
	2021	2020	2021	2020	2021	2020	Change 2021
Current and other assets	\$ 3,363.6	\$ 3,363.9	\$ 1,013.2	\$ 673.2	\$ 4,376.9	\$ 4,037.2	8.4%
Capital assets	7,195.4	7,215.1	8,048.6	7,238.9	\$ 15,244.0	14,454.0	5.5%
Total assets	10,559.1	10,579.0	9,061.8	7,912.2	19,620.9	18,491.2	6.1%
Total deferred outflows	\$ 936.9	\$ 937.5	\$ 100.2	\$ 100.6	\$ 1,037.1	\$ 1,038.1	-0.1%
L-T debt outstanding	1,631.5	1,927.3	2,893.0	2,794.9	4,524.6	4,722.2	-4.2%
Other liabilities	92.7	248.1	900.1	531.8	992.8	779.9	27.3%
Total liabilities	1,724.2	2,175.4	3,793.2	3,326.7	5,517.4	5,502.1	0.3%
Total deferred inflows	2,679.9	2,683.9	166.8	177.2	2,846.7	2,861.1	-0.5%
Net position							
Net investment in capital assets	5,274.9	4,982.3	5,111.8	4,420.4	10,386.7	9,402.7	10.5%
Restricted	1,031.0	1,028.1	292.9	250.1	1,323.9	1,278.2	3.6%
Unrestricted	785.9	646.8	(202.7)	(161.7)	583.2	485.2	20.2%
Total net position	\$ 7,091.8	\$ 6,657.2	\$ 5,202.0	\$ 4,508.8	\$ 12,293.8	\$ 11,166.1	10.1%

Note: totals may not add due to rounding

Unrestricted net position, the amount available to the City to use in future periods for general purposes, increased by \$139,091. A total of \$5,274,880 (74%) is in net investment in fixed assets which is not spendable for continuing activities of the City.

In governmental activities, total assets decreased \$19,897 including a decrease in capital assets, net decrease in capital assets was \$174,811. The calculation of net position uses a historical cost for buildings that may not accurately reflect the true value. The City's equipment is in fair condition.

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

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

	Governmental Activities		Business-Type Activities		Total Municipality	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charge for services	\$ 348.8	\$ 311.3	\$ 1,009.5	\$ 920.6	\$ 1,358.2	\$ 1,231.9
Operating grants	235.7	201.6	\$ 638.3	\$ -	874.0	201.6
General revenues						
Property taxes	1,365.3	1,345.1	-	-	1,365.3	1,345.1
State & federal aid	675.6	620.5	-	-	675.6	620.5
Other	97.8	129.4	1.4	2.8	99.3	132.1
Total revenues	<u>2,723.1</u>	<u>2,607.8</u>	<u>1,649.2</u>	<u>923.3</u>	<u>4,372.3</u>	<u>3,531.2</u>
Expenses:						
General government	230.9	254.1	-	-	230.9	254.1
Public safety	578.6	578.9	-	-	578.6	578.9
Public works	809.3	788.2	-	-	809.3	788.2
Health/human services	21.1	25.5	-	-	21.1	25.5
Culture/recreation	536.7	523.3	-	-	536.7	523.3
Conservation/develop	33.5	56.4	-	-	33.5	56.4
Business-type activity	-	-	956.1	944.9	956.1	944.9
Debt service	78.4	89.6	-	-	78.4	89.6
Total expenses	<u>2,288.5</u>	<u>2,316.0</u>	<u>956.1</u>	<u>944.9</u>	<u>3,244.5</u>	<u>3,260.9</u>
Change in net position	<u>\$ 434.6</u>	<u>\$ 291.8</u>	<u>\$ 693.1</u>	<u>\$ (21.6)</u>	<u>\$ 1,127.7</u>	<u>\$ 270.2</u>

Note: totals may not add due to rounding

In government activities, the City had a change in net position of \$434,621, which is an increase from the prior year of \$142,817. The biggest change was an increase in state and federal aids.

Business – Type Activities

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

- Water and sewer utility expenses exceeded revenues by \$693,123, \$714,682 more than last year. The difference is attributable mainly to a large federal grant for the wastewater treatment plant.
- Charges for services, which are amounts paid by customers of the water/sewer utility, increased \$88,891 from \$920,571.
- The water and sewer utility acquired new fixed assets in the amount of \$1,147,426. These consisted of purchases of new water meters and construction in progress for an upgrade to the wastewater treatment plant.

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

Governmental Activities

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

	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2021	2020	2021	2020	
General Government	\$ 230.9	\$ 254.1	\$ 230.9	\$ 254.1	-9.1%
Public Safety	578.6	578.9	460.2	492.3	-6.5%
Public Works	809.3	788.2	520.5	537.6	-3.2%
Health & human services	21.1	25.5	13.1	16.4	-20.1%
Culture & recreation	536.7	523.3	367.6	356.8	3.0%
Conservation & develop	33.5	56.4	33.5	56.4	-40.6%
Debt service	78.4	89.6	78.4	89.6	-12.6%
Total	\$ 2,288.5	\$ 2,316.0	\$ 1,704.1	\$ 1,803.2	-5.5%

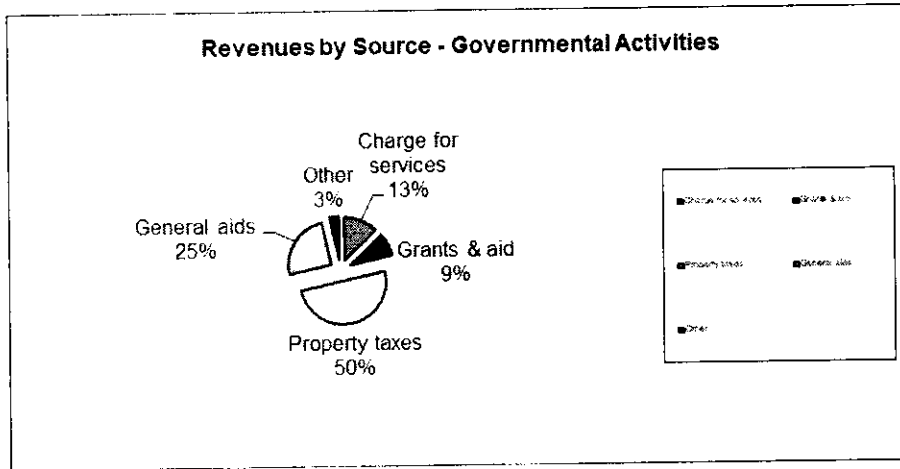
Note: totals may not add due to rounding

Budgetary Analysis – General Fund Only

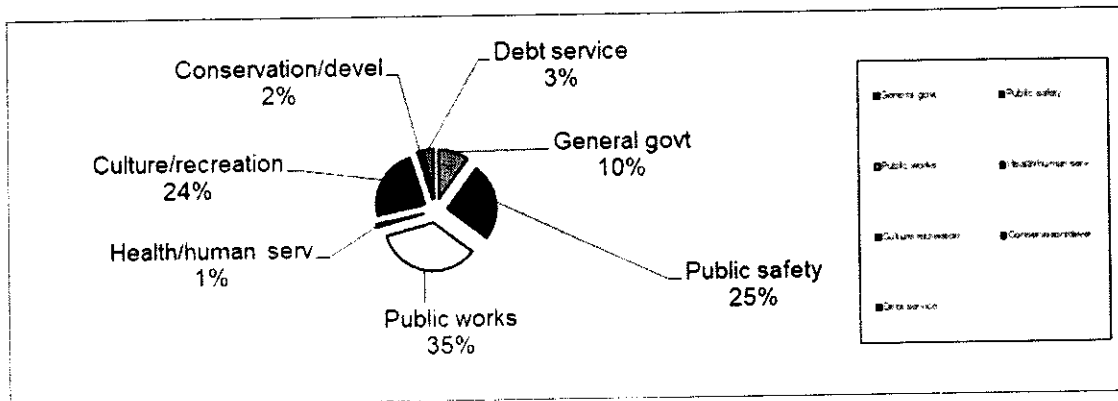
The City made no budget amendments for the year. Expenditures were less than budget by \$103,968 overall, due to a combination of reasons but mainly due to the City budgeting for financing costs that didn't occur. There was a surplus of revenues to budget of \$127,757, the majority of which was due to property tax revenues coming in higher than anticipated and an unanticipated increase in intergovernmental aids.

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

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



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



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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

Table 4
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		Total % Change
	2021	2020	2021	2020	2021	2020	2021
	Land	\$ 317.1	\$ 317.1	\$ 21.5	\$ 21.5	\$ 338.6	\$ 338.6
Construction in progress	-	\$ 212.7	1,309.3	165.3	1,309.3	377.9	246.4%
Site Improvements	-	-	7,934.0	7,934.0	7,934.0	7,934.0	0.0%
Buildings & improvements	3,822.4	3,753.8	669.8	669.8	4,492.2	4,423.6	1.6%
Furniture & equipment	3,101.9	2,664.8	4,515.1	4,513.9	7,617.0	7,178.7	6.1%
Infrastructure	5,024.5	5,024.5	-	-	5,024.5	5,024.5	0.0%
Accumulated depreciation	(5,878.5)	(5,410.5)	(6,444.8)	(6,089.1)	(12,323.3)	(11,499.6)	7.2%
Total	\$ 6,387.4	\$ 6,562.2	\$ 8,004.9	\$ 7,215.4	\$ 14,392.3	\$ 13,777.6	4.5%

Note: totals may not add due to rounding

The major additions to capital assets included a new street sweeper and dump truck in governmental activities, and capital expenditures for water meters and construction in progress for a wastewater treatment plant for business-type activities.

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

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

	Total Municipality		Total % Change
	2021	2020	2021
	General obligation debt	\$ 1,563.3	\$ 1,866.6
Other	2,961.2	2,855.6	3.7%
Total	\$ 4,524.6	\$ 4,722.2	-4.2%

Note: totals may not add due to rounding

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

The City incurred \$230,000 in new general obligation debt this year and the only reductions were regularly scheduled payments of principal.

FACTORS BEARING ON THE CITY'S FUTURE

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

- Phillips Fire Department's building will be needing repairs/expansion in the next 5-10 years.
- There are some streets that are in need of repair as funding becomes available.
- The Department of Public Works has updated some equipment. The City still needs to update some equipment in the future as well as upgrading fleet vehicles.

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 Shelby Prochnow, Clerk/Treasurer, City of Phillips, 174 S. Eyder Avenue, Phillips, WI 54555.

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

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash	\$ 1,066,316	466,575	\$ 1,532,891
Receivables	1,000,609	247,239	1,247,848
Internal receivables	867,449	-	867,449
Restricted cash	429,270	292,854	722,124
Inventories and prepaid items	-	6,564	6,564
Total current assets	3,363,644	1,013,232	4,376,876
Noncurrent assets:			
Other Noncurrent assets:			
Net WRS Pension asset	353,531	43,696	397,227
Long term receivables	454,522	-	454,522
Plant, property and equipment			
Capital assets, not being depreciated	317,065	21,490	338,555
Construction in progress	-	1,309,330	1,309,330
Capital assets being depreciated, net of accumulated depreciation	6,070,325	6,674,037	12,744,362
Net Plant, property & equipment	6,387,390	8,004,857	14,392,247
Total noncurrent assets	7,195,443	8,048,553	15,243,996
Total assets	10,559,087	9,061,785	19,620,872
Deferred Outflows of Resources			
WRS pension and OPEB related outflows	936,928	100,152	1,037,080
Liabilities			
Current liabilities:			
Payables:			
Accounts	48,444	18,129	66,573
Accrued payroll & related items	31,748	-	31,748
Accrued interest	12,494	14,567	27,061
Internal payables	-	867,449	867,449
Current portion of long-term obligations	489,735	251,934	741,669
Total current liabilities	582,421	1,152,079	1,734,500
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	1,141,802	2,641,112	3,782,914
Total non-current liabilities	1,141,802	2,641,112	3,782,914
Total liabilities	1,724,223	3,793,191	5,517,414
Deferred Inflows of Resources			
Tax levies	1,162,431	-	1,162,431
Amounts paid to recipients of Community Development Block Grants	454,522	-	454,522
PSC other deferred credits	-	35,394	35,394
WRS pension and OPEB related inflows	1,062,991	131,380	1,194,371
Total deferred inflows of resources	2,679,944	166,774	2,846,718
Net Position			
Net Investment in capital assets	5,274,880	5,111,811	10,386,691
Restricted:			
TIF districts	842,166		842,166
CDBG Housing project	133,523		133,523
Splash pad project	50,865		50,865
Band shell project	4,493		4,493
Water/sewer loan covenant		292,854	292,854
Unrestricted:	785,921	(202,693)	583,228
Total net position	7,091,848	5,201,972	12,293,820

See accompanying notes to basic financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Government Activities	Business- Type Activities	Total
Governmental activities:						
General government	230,891		-	(230,891)		(230,891)
Public Safety	578,590	108,637	9,780	(460,173)		(460,173)
Public Works	809,294	62,953	225,876	(520,465)		(520,465)
Health and human services	21,124	8,050	-	(13,074)		(13,074)
Culture, recreation and education	536,707	169,114	-	(367,593)		(367,593)
Conservation and development	33,515	-	-	(33,515)		(33,515)
Debt service	78,360	-	-	(78,360)		(78,360)
Total governmental activities	2,288,481	348,754	235,656	(1,704,071)		(1,704,071)
Business-type activities:						
Water/sewer utility	956,064	1,009,462	638,294		691,692	691,692
Total Business-type activities	956,064	1,009,462	638,294		691,692	691,692
Total municipality	\$3,244,545	\$ 1,358,216	\$ 873,950	\$(1,704,071)	\$ 691,692	\$(1,012,379)
General revenues:						
Property taxes:						
General purposes				933,741		933,741
Debt services				431,543		431,543
State and federal aids not restricted to specific functions:						
				675,562		675,562
Interest and investment earnings				48,109	1,431	49,540
Miscellaneous				49,737	-	49,737
Total general revenues				2,138,692	1,431	2,140,123
Change in net position				434,621	693,123	1,127,744
Net position - beginning of year				6,657,227	4,508,849	11,166,076
Net position - end of year				\$ 7,091,848	\$ 5,201,972	\$ 12,293,820

*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 Phillips, Wisconsin

Fund Financial Statements

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

	General Fund	CDBG Fund	TIF District No. 3	TIF District No. 4	Other Nonmajor Govt Funds	Total Governmental Funds
Assets						
Cash	\$ 1,014,357				\$ 51,959	\$ 1,066,316
Receivables:						
Taxes receivable	1,000,609	-	-	-	-	1,000,609
Due from other funds	719,668		43,591	991,939	4,655	1,759,853
Restricted cash	-	134,023	(328,041)	619,860	3,428	429,270
Advance to other funds	1,169,070					1,169,070
Long term receivables	-	454,522				454,522
Total Assets	<u>3,903,704</u>	<u>588,545</u>	<u>(284,450)</u>	<u>1,611,799</u>	<u>60,042</u>	<u>5,879,640</u>
Liabilities, Deferred Inflows and Fund Balance						
Liabilities						
Accounts payable	48,444					48,444
Accrued payroll and related items	31,748					31,748
Due to other funds	438,454	500	447,158	5,992	300	892,404
Advance from other funds	-		715,044	391,029	62,997	1,169,070
Total Liabilities	<u>518,646</u>	<u>500</u>	<u>1,162,202</u>	<u>397,021</u>	<u>63,297</u>	<u>2,141,666</u>
Deferred Inflows of Resources						
Tax levies	744,972		43,591	372,612	1,256	1,162,431
Amounts paid to recipients of Community Development Block Grants		454,522				454,522
Total Deferred Inflows of Resources	<u>744,972</u>	<u>454,522</u>	<u>43,591</u>	<u>372,612</u>	<u>1,256</u>	<u>1,616,953</u>
Fund Balances						
Restricted:						
TIF district projects				842,166		842,166
CDBG loans		133,523				133,523
Splash Pad Project					50,865	50,865
Band Shell Project					4,493	4,493
Unassigned	2,640,086		(1,490,243)		(59,869)	1,089,974
Total Fund Balances	<u>2,640,086</u>	<u>133,523</u>	<u>(1,490,243)</u>	<u>842,166</u>	<u>(4,511)</u>	<u>2,121,021</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 3,903,704</u>	<u>\$ 588,545</u>	<u>\$ (284,450)</u>	<u>\$ 1,611,799</u>	<u>\$ 60,042</u>	<u>\$ 5,879,640</u>

See accompanying notes to basic financial statements.

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

Total fund balance reported on government funds balance sheet	2,121,021
 Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Net WRS Pension asset is not a financial resource and therefore is not reported as a component of fund balance. The amount of net pension asset is	353,531
Capital assets used in government activities are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental capital assets, net of accumulated depreciation is:	6,387,390
Deferred outflows for WRS pension and OPEB are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental deferred outflows is:	936,928
Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported as a component of fund balance. Long-term liabilities reported in the statement of net position that are not reported in the governmental funds balance sheet are:	
General obligation debt	\$ (1,563,344)
Vested employee benefits	\$ (68,193)
Accrued interest on general obligation debt	(12,494)
	\$ (1,644,031)
Deferred inflows of resources are not in the current period and therefore are not reported as a component of fund balance. Deferred inflows of resources reported in the statement of net position that are not reported in the governmental funds balance sheet are:	(1,062,991)
Total net position - governmental activities	7,091,848

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

	General Fund	CDBG Fund	TIF District No. 3	TIF District No. 4	Other Nonmajor Funds	Total Governmental Funds
Revenues:						
Property tax	\$ 932,991	\$ -	\$ 44,839	\$ 385,408	\$ 1,296	\$ 1,364,534
Other tax	750	-	-	-	-	750
Intergovernmental aid	909,817	-	469	932	-	911,218
Licenses and permits	13,487	-	-	-	-	13,487
Fines, forfeits and penalties	12,340	-	-	-	-	12,340
Public charge for service	242,874	-	-	-	-	242,874
Intergovernmental charge for service	80,053	-	-	-	-	80,053
Commercial	79,065	7,497	185	210	10,889	97,846
Total revenues	<u>2,271,377</u>	<u>7,497</u>	<u>45,493</u>	<u>386,550</u>	<u>12,185</u>	<u>2,723,102</u>
Expenditures:						
Current:						
General government	201,039	-	-	-	-	201,039
Public Safety	635,261	-	-	-	-	635,261
Public Works	472,494	-	-	-	-	472,494
Health and human services	20,977	-	-	-	-	20,977
Culture, recreation and education	460,039	-	-	-	17,764	477,803
Conservation and development	29,930	-	150	150	150	30,380
Total Current	<u>1,819,740</u>	<u>-</u>	<u>150</u>	<u>150</u>	<u>17,914</u>	<u>1,837,954</u>
Debt Service:						
Principal	198,263	-	-	335,000	-	533,263
Interest	14,209	-	22,665	45,309	1,448	83,631
Total Debt service	<u>212,472</u>	<u>-</u>	<u>22,665</u>	<u>380,309</u>	<u>1,448</u>	<u>616,894</u>
Capital Expenditures	289,452	-	-	-	3,700	293,152
Total Expenditures	<u>2,321,664</u>	<u>-</u>	<u>22,815</u>	<u>380,459</u>	<u>23,062</u>	<u>2,748,000</u>
Excess of revenue over(under) expenditures	<u>(50,287)</u>	<u>7,497</u>	<u>22,678</u>	<u>6,091</u>	<u>(10,877)</u>	<u>(24,898)</u>
Other Financing Sources (Uses):						
Debt proceeds	230,000	-	-	-	-	230,000
Total Other Sources(Uses)	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Net change in fund balance	179,713	7,497	22,678	6,091	(10,877)	205,102
Fund balance, beginning of year	2,460,373	126,026	(1,512,921)	836,075	6,366	1,915,919
Fund balance, end of year	<u>\$ 2,640,086</u>	<u>\$ 133,523</u>	<u>\$ (1,490,243)</u>	<u>\$ 842,166</u>	<u>\$ (4,511)</u>	<u>\$ 2,121,021</u>

See accompanying notes to basic financial statements.

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

Net change in fund balances - total governmental funds **\$ 205,102**

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	293,152	
Depreciation expense reported in the statement of activities	<u>(467,963)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(174,811)

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	154,819	
Vested employee benefits earned in current year	<u>(59,023)</u>	
Amounts paid are greater (less) than amounts earned		95,796

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:	533,263
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Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position, and does not affect the statement of activities.

The amount of debt incurred in the current year is:	(230,000)
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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	45,460	
The amount of interest accrued during the current period	<u>(40,189)</u>	
Interest paid is greater (less) than interest accrued by		5,271

Change in net position - governmental activities **\$ 434,621**

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

	Water/ Sewer Fund	2021
Assets and Deferred Outflows		
Assets		
Cash	466,575	466,575
Receivables:		
Customer accounts receivables	247,239	247,239
Materials & supplies inventory	6,564	6,564
Restricted cash	292,854	292,854
Plant, property & equipment(net)	8,004,857	8,004,857
Net WRS pension asset	43,696	43,696
Total assets	\$ 9,061,785	\$ 9,061,785
Deferred Outflows of Resources		
OPEB Life related outflows	3,784	\$ 3,784
WRS pension related outflows	96,368	96,368
Total deferred outflows of resources	100,152	100,152
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Accounts payable	18,129	18,129
Accrued interest payable	14,567	14,567
Due to other funds	867,449	867,449
Long term debt	2,893,046	2,893,046
Total liabilities	3,793,191	3,793,191
Deferred Inflows of Resources		
PSC other deferred credits	35,394	35,394
OPEB Life related inflows	3,154	3,154
WRS pension related inflows	128,226	128,226
Total deferred inflows of resources	166,774	166,774
Net Position		
Net investment in capital assets	5,111,811	5,111,811
Nonspendable for inventory	6,564	6,564
Restricted, expendable	292,854	292,854
Unrestricted	(209,257)	(209,257)
Total net position	5,201,972	5,201,972

See accompanying notes to basic financial statements.

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

	<u>Water/ Sewer</u>	<u>2021</u>
Operating Revenues	<u>1,009,462</u>	<u>\$1,009,462</u>
Operating Expenses		
Operations and maintenance	421,132	421,132
Depreciation	357,881	357,881
Taxes	<u>106,811</u>	<u>106,811</u>
Total Operating Expenses	<u>885,824</u>	<u>885,824</u>
Operating Income (Loss)	123,638	123,638
Non Operating Revenues (Expenses)		
Other non operating revenues (expenses)	638,250	638,250
Interest Income	1,431	1,431
Interest Expense	<u>(70,196)</u>	<u>(70,196)</u>
Total Non Operating	<u>569,485</u>	<u>569,485</u>
Change in Net Position	693,123	693,123
Net Position - Beginning of Year	<u>4,508,849</u>	<u>4,508,849</u>
Net Position - End of Year	<u><u>5,201,972</u></u>	<u><u>5,201,972</u></u>

See accompanying notes to basic financial statements.

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

	Water/ Sewer Fund	2021
Cash Flows from Operating Activities		
Cash received from user charges	997,262	\$ 997,262
Cash payments to employees for services	(231,499)	(231,499)
Cash payments for utilities and other purchased services	(108,600)	(108,600)
Cash payments to suppliers for goods and services	(37,458)	(37,458)
Cash payments for other operating expenses	(157,353)	(157,353)
Net cash provided by operating activities	462,352	462,352
Cash Flows from Capital and Related Financing Activities		
Proceeds from (payments to) municipality	365,270	365,270
Cash payments for acquisition of capital assets	(1,147,426)	(1,147,426)
Proceeds from new borrowing	352,604	352,604
Grants	638,294	638,294
Interest paid	(70,248)	(70,248)
Retirement of long-term debt	(255,441)	(255,441)
Net cash used by capital and related financing activities	(116,947)	(116,947)
Cash Flows from Investing Activities		
Interest on investments	1,431	1,431
Net cash provided by investing activities	1,431	1,431
Net increase (decrease) in cash and cash equivalents	346,836	346,836
Cash and cash equivalents - beginning of year	412,593	412,593
Cash and cash equivalents - end of year	\$ 759,429	\$ 759,429
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	123,638	123,638
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation (grant amortization & other amortization)	357,881	357,881
Changes in assets and liabilities:		
Accounts receivable	5,497	5,497
Materials and supply inventory	1,353	1,353
Due from/to other funds	1,476	1,476
Deferred outflows/inflows	(29,137)	(29,137)
Accounts payable	1,644	1,644
Net cash provided by operating activities	\$ 462,352	\$ 462,352

See accompanying notes to basic financial statements.

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

	<u>Tax Collection Agency Fund</u>
Assets	
Cash	293,239
Taxes receivable	<u>1,036,203</u>
Total assets	<u><u>1,329,442</u></u>
Liabilities	
Due to other funds	
Due to other governments	<u>1,329,442</u>
Total liabilities	<u><u>\$1,329,442</u></u>

See accompanying notes to basic financial statements.

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City of Phillips, Wisconsin

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

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

The financial statements of the City of Phillips, Wisconsin (the "City") have been prepared in conformity with accounting principles generally accepted in the United States 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 Phillips, 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 (ambulance and fire), 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 position 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.

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

TIF District #3 – This fund accounts for all activity of the tax increment financing district #3.

TIF District #4 – This fund accounts for all activity of the tax increment financing district #4.

The City operates one enterprise fund. The Water and Sewer Utility Fund accounts for the activity of the municipal water and sewer utility.

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. Nonexchange 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

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. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

Property Taxes:

Real estates 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 or February, unless an installment plan is selected. Property taxes are recognized as revenue in the period which the taxes are levied. The 2020 tax levy is used to finance operations of the City for the year ended December 31, 2021. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The County assumes all responsibility for delinquent real property taxes. Property taxes which have not been recognized as revenue are recorded as deferred revenues 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 3C for a detailed description of the individual fund balances as of December 31.

Inventories and Prepaid Supplies:

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

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

Capital assets

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

- Government-wide Statements

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

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Upon implementing GASB 34 governmental units are required to account for all infrastructure in the

government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required. For the year ended December 31, 2021, the City has chosen not to retroactively report infrastructure acquired by its governmental fund types.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings/improvements	\$5,000	Straight-line	50 years
Furniture and equipment	\$5,000	Straight-line	5-15 years
Vehicles	\$5,000	Straight-line	5-10 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.

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 and life insurance 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 four 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 and life insurance 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. The fourth item is deferred items as required by the Wisconsin Public Service Commission for the Water Utility. These items are amortized over the life of the related item in accordance with PSC regulations.

- 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 positions are available.

- Fund Statements

Governmental fund equity is classified as fund balance. Fund balances are 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. Fund balances are reported as committed when constrained by the highest level of decision-making authority (City Council). Fund balances are reported as assigned when the City Council or designated official expresses an intent for a specific use. All remaining fund balances are unassigned and available for general municipality purposes. 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 Board resolution.

Housing Rehabilitation Loans Receivable

The City has received grant funds for housing rehabilitation loan programs to various 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.

Loans become due upon sale of the property. It is not possible to determine the portion that may be collectable within one year.

Subsequent Events

Subsequent events have been evaluated through May 6, 2022, which is the date the financial statements were available to be issued.

Note 2 – DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES

Note 2a – Cash

Custodial Credit Risk – Deposits

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

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

	Primary	Enterprise	Fiduciary	
	Government	Funds	Fund	Total
Unrestricted:				
Cash and Cash Equivalents	\$1,066,317	\$466,575	-	\$1,532,892
Restricted:				
Cash and Cash Equivalents	429,265	292,854	\$293,239	1,015,358
Total Cash and Cash Equivalents	\$1,495,582	\$759,429	\$293,239	\$2,548,250

The Primary Government restricted cash balance is composed of the cash balances of the Special Revenue funds and Capital Projects funds. The Enterprise Fund restricted cash balance is reserved by debt covenant with the Clean Water Fund. The Water/Sewer utility is required to deposit \$44,937 per year into the reserved account until maturity of the loan in May of 2041. The current required balance is \$292,854.

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

	Governmental	Business-type
	Activities	Activities
Interest earned	\$48,109	\$1,431

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.

The City is adequately collateralized in all of their depositories.

Note 2b – Capital Assets

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

	Beginning Balance	Prior year Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Sites (land)	317,065	-	-	-	\$ 317,065
Construction In Progress	212,655	-	-	(212,655)	-
Total capital assets not being depreciated	529,720	-	-	(212,655)	317,065
Capital assets being depreciated:					
Buildings & Site Improvements	3,753,810	-	68,635	-	3,822,445
Equipment & Vehicles	2,664,770	-	437,172	-	3,101,942
Road network	5,024,450	-	-	-	5,024,450
Total capital assets being depreciated	11,443,030	-	505,807	-	11,948,837
Less accumulated depreciation for:					
Buildings & site improvements	(1,723,493)	-	(118,407)	-	(1,841,900)
Furniture and equipment	(2,198,110)	-	(98,333)	-	(2,296,443)
Road network	(1,488,946)	-	(251,223)	-	(1,740,169)
Total accumulated depreciation	(5,410,549)	-	(467,963)	-	(5,878,512)
Total capital assets being depreciated, net of accumulated depreciation	6,032,481	-	37,844	-	6,070,325
Governmental activities capital assets, net of accumulated depreciation					\$ 6,387,390
Depreciation expense was charged to governmental functions as follows:					
Public Works – Infrastructure			251,223		
General Government			31,658		
Public Safety			51,302		
Public Works			79,285		
Health & Human Services			147		
Culture, Recreation & Education			51,912		
Conservation & Development			2,436		
Total depreciation for governmental activities			\$467,963		
Business-type activities:					
Capital assets not being depreciated:					
Land	\$21,490				\$21,490
Construction in progress	165,284		1,144,046	-	1,309,330
Total capital assets not being depreciated	186,774		1,144,046	-	1,330,820
Capital assets being depreciated:					
Water distribution system	6,162,943	-	3,380	(2,175)	6,164,148
Sewer collection & treatment system	6,954,739	-	-	-	6,954,739
Total capital assets being depreciated	13,117,682	-	3,380	(2,175)	13,118,887
Less accumulated depreciation for:					
Water distribution system	(1,699,444)	-	(142,314)	2,175	(1,839,583)
Sewer collection & treatment system	(4,389,699)	-	(215,567)	-	(4,605,266)
Total accumulated depreciation	(6,089,143)	-	(357,881)	2,175	(6,444,849)
Total capital assets being depreciated, net of accumulated depreciation	7,028,539	-	(354,501)	-	6,674,038
Business-type activities capital assets, net of accumulated depreciation					\$ 8,004,858
Depreciation expense was charged to functions as follows:					
Water			139,792		
Sewer			218,089		

Note 3 – DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES**Note 3a – Short-term debt**

The City had no short-term debt liability balances or activity for the year ended December 31, 2021.

Note 3b – Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
General obligation debt					
Bonds and notes payable					
Capital projects	\$ 1,579,875	-	\$ 465,365	\$ 1,112,510	\$ 347,379
Other than capital projects	<u>286,732</u>	<u>230,000</u>	<u>65,898</u>	<u>450,834</u>	<u>142,356</u>
Total general obligation debt	1,866,607	230,000	533,263	1,563,344	489,735
Vested Employee Benefits:					
Net OPEB life liability	<u>60,641</u>	<u>7,552</u>	<u>-</u>	<u>68,193</u>	<u>-</u>
Total Other Governmental Liabilities	<u>60,641</u>	<u>7,552</u>	<u>-</u>	<u>68,193</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 1,927,248</u>	<u>237,552</u>	<u>533,263</u>	<u>\$ 1,631,537</u>	<u>\$ 489,735</u>
Business-type Activities					
Bonds and notes payable	<u>2,787,455</u>	<u>352,604</u>	<u>255,441</u>	<u>2,884,618</u>	<u>251,934</u>
Total business-type activities debt	<u>\$ 2,787,455</u>	<u>352,604</u>	<u>255,441</u>	<u>\$ 2,884,618</u>	<u>\$ 251,934</u>
Vested Employee Benefits:					
Net OPEB life liability	<u>7,494</u>	<u>934</u>	<u>-</u>	<u>8,428</u>	<u>-</u>
Total Other Business-type Liabilities	<u>7,494</u>	<u>934</u>	<u>-</u>	<u>8,428</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 2,794,949</u>	<u>353,538</u>	<u>255,441</u>	<u>\$ 2,893,046</u>	<u>\$ 251,934</u>

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

	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Total interest paid and accrued during the year:		
Total interest paid	\$ 45,460	\$ 75,713
Total interest expense	<u>40,189</u>	<u>70,196</u>
Interest paid over (under) expense	<u>\$ 5,271</u>	<u>\$ 5,517</u>

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

Government Activities	Issue Dates	Interest Rates	Date of Maturity	Balance 12/31/21
Notes and Bonds payable				
Bond payable	04/01/2010	2.0-4.4	03/01/2025	395,000
Bond payable	12/03/2015	2.0-3.0	09/01/2023	510,000
Note payable	10/16/2019	2.79	03/01/2029	195,000

Note payable	9/1/2020	1.85	10/13/2025	177,472
Note payable	10/13/2021	1.79	11/15/2024	230,000
Note payable	04/01/2019	3.75	04/01/2024	28,314
Note payable	4/15/2017	3.45	7/15/2016	12,510
Note payable	6/13/2017	3.00	6/13/2022	15,048
Total bonds and notes				<u>1,563,344</u>
Business-type Activities				
Water/sewer revenue bond	7/28/21	.891	05/01/2041	352,604
Water/sewer general obligation bond	12/03/2015	2.0-3.0	09/01/2025	240,000
Water/sewer revenue bond	6/14/2017	1.122	5/1/2037	716,414
Water/sewer revenue bond	6/1/2017	2.0-4.0	11/1/2032	1,515,000
				2,824,018
Bond Premium				60,600
				<u>2,884,618</u>

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

Equalized value certified by Wisconsin Department of Revenue for:	2021	\$98,426,000
Margin of indebtedness at 5%		4,921,300
Deduct long-term debt applicable to debt margin		<u>(1,803,344)</u>
Margin of indebtedness		<u>\$ 3,117,956</u>

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

Government Activities

Year ended	Principal	Interest	Total
<u>31-Dec</u>			
2022	489,735	36,550	526,285
2023	502,665	22,704	525,369
2024	250,319	12,912	263,231
2025	183,142	6,694	189,836
2026	32,483	3,444	35,927
2027-2029	105,000	4,394	109,394
Totals	<u>1,563,344</u>	<u>86,698</u>	<u>1,650,042</u>

Business-type Activities

Year ended	Principal	Interest	Total
<u>31-Dec</u>			
2022	251,934	77,247	329,181
2023	262,759	71,168	333,927
2024	263,592	64,930	328,522
2025	274,434	57,909	332,343
2026	215,285	50,979	266,264
2027-2031	1,107,269	153,030	1,260,299
2032-2036	400,124	12,682	412,806
2037	48,620	273	48,893
Totals	<u>2,824,017</u>	<u>488,218</u>	<u>3,312,235</u>

Note 3c – Interfund receivables/payables and operating transfers

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

Governmental Funds:	Amount
General fund receivable from Enterprise funds for operations	\$ 696,086
TIF Districts receivable from Enterprise funds	171,363
General fund receivable from TIF districts for operations	757,097
TIF district payable to General Fund for operations	(757,097)
General fund receivable from CDBG Fund for operations	500
CDBG Fund payable to General Fund for operations	(500)
Capital Project Funds receivable from General Fund for operations	3,399
General Fund payable to Capital Projects Fund for operations	(3,399)
Total Governmental Fund Receivable/Payable	\$867,449
Business-type Funds:	
Water/sewer fund payable to General fund for operations	(696,086)
Water/sewer fund payable to TIF Districts	(171,363)
Total Business-type Fund Receivable/Payable	\$(867,449)

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	\$ 696,086
TIF Districts	171,363
Total	\$867,449
Business-type Activities	
Water/sewer Fund	(867,449)
Total	\$(867,449)

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.

The City did not utilize any Operating Transfers in 2021.

Note 3d – Contributions to pension plan

Summary of Significant Accounting Policies

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

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

ETF issues a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17
2019	0.0	(10)
2020	1.7	21.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$69,310 in contributions from the employer.

Contribution rates as of December 31, 2020 are:

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

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

At December 31, 2020, the City of Phillips’ reported a liability (asset) of \$(397,227) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019 rolled

forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City of Phillips' proportion of the net pension liability (asset) was based on the City of Phillips' share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the City of Phillips' proportion was .00636262%, which was a decrease of .00029865% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the City of Phillips' recognized pension expense (revenue) of \$(43,771).

At December 31, 2020, the City of Phillips' 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	\$574,909	\$ (123,834)
Changes in assumptions	\$9,009	\$0
Net differences between projected and actual earnings on pension plan investments	\$291,050	\$(1,036,811)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$1,106	\$(5,047)
Employer contributions subsequent to the measurement date	\$126,604	\$0
Total	\$1,002,678	\$(1,165,692)

\$126,604 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow of Resources	Deferred Inflows of Resources
2021	\$369,738	\$(443,878)
2022	\$312,037	\$(333,731)
2023	\$137,143	\$(273,332)
2024	\$57,156	\$(114,750)
Thereafter	\$ 0	\$ 0

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

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

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

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

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

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

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

Asset Class			
US Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100%	7.1%	4.6%

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

Single Discount rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.00% (Source: Fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index: as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Phillip’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City of Phillip’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 Phillip’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 (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
City of Phillips’ proportionate share of the net pension liability (asset)	\$378,105	\$(397,227)	\$(966,703)

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

Payables to the pension plan.

As of December 31, 2021, the City reported payables to the WRS of \$16,169.

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

Summary of Significant Accounting Policies

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

General Information about the Other Post-Employment Benefits

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

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

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

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

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

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

Contributions rates as of December 31, 2020 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2020 are as listed below:

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

During the reporting period, the LRLIF recognized \$277 in contributions from the employer.

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

At December 31, 2020, the City reported a liability (asset) of \$76,620 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020 the City's proportion was 0.01392900% which was a decrease of 0.002072% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020 the City recognized OPEB expense of \$6,444.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$(3,656)
Net differences between projected and actual earnings on OPEB plan investments	\$1,117	\$-
Change in assumptions	\$29,806	\$(5,257)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$3,477	\$(19,764)
Employer contributions subsequent to the measurement date	\$-	\$-
Totals	\$34,400	\$(28,677)

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

Year ended Dec 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$7,130	\$(5,942)
2022	7,009	(5,942)
2023	6,885	(5,942)
2024	6,004	(5,900)
Thereafter	7,371	(4,952)

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

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

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

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

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2020**

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

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

Single Discount Rate. A single discount rate of 2.25% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.25%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
City's proportionate Share of the net OPEB liability (asset)	\$104,225	\$76,620	\$55,743

Payables to the OPEB plan

As of December 31, 2021, the City carried no payables to the plan.

Note 3f – Debt Covenants

As part of the Clean Water Fund loan issued by the State of Wisconsin Environmental Improvement fund the City deposits a predetermined amount to a reserved cash account each year. The current balance in the reserve is \$292,854 which is an amount sufficient to ensure compliance with the debt covenant.

Note 3g – 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 4 – OTHER NOTE DISCLOSURES

Note 4a – Fund balances

Portions of fund balances are restricted or assigned based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, as required by other outside parties, or assigned by the school board or it's designated official and are not available for current appropriation or expenditure as follows:

<u>Fund</u>	<u>Governmental Activities (Fund Balances)</u>	<u>Purpose</u>
TIF Districts	\$ 842,166	Restricted for TIF district projects
CDBG	133,523	Restricted for housing rehab projects
Splash Pad	50,865	Restricted for splash pad project
Band Shell	4,493	Restricted for band shell project

Note 4b – Contingencies and commitments

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

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

agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

NOTE 4c - Change in Accounting Principle

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

City of Phillips, Wisconsin

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property tax	\$ 876,240	\$ 876,240	932,991	\$ 56,751
Other tax	9,000	9,000	750	(8,250)
Intergovernmental aid	831,801	831,801	909,817	78,016
Licenses and permits	9,500	9,500	13,487	3,987
Fines, forfeits and penalties	16,600	16,600	12,340	(4,260)
Public charge for service	236,648	236,648	242,874	6,226
Intergovernmental charge for service	84,239	84,239	80,053	(4,186)
Commercial	79,592	79,592	79,065	(527)
Total revenues	<u>2,143,620</u>	<u>2,143,620</u>	<u>2,271,377</u>	<u>127,757</u>
Expenditures:				
Current:				
General government	195,038	195,038	201,039	(6,001)
Public Safety	666,715	666,715	635,261	31,454
Public Works	664,629	664,629	472,494	192,135
Health and human services	71,714	71,714	20,977	50,737
Culture, recreation and education	436,794	436,794	460,039	(23,245)
Conservation and development	10,650	10,650	29,930	(19,280)
Total Current	<u>2,045,540</u>	<u>2,045,540</u>	<u>1,819,740</u>	<u>225,800</u>
Debt Service:				
Principal	198,096	198,096	198,263	(167)
Interest	14,368	14,368	14,209	159
Total Debt service	<u>212,464</u>	<u>212,464</u>	<u>212,472</u>	<u>(8)</u>
Capital Expenditures	33,408	33,408	289,452	(256,044)
Total Expenditures	<u>2,291,412</u>	<u>2,291,412</u>	<u>2,321,664</u>	<u>(30,252)</u>
Excess of revenue over(under) expenditures	(147,792)	(147,792)	(50,287)	97,505
Other Financing Sources (Uses):				
Debt proceeds	230,000	230,000	230,000	-
Other uses	(134,220)	(134,220)	0	134,220
Total Other Sources(Uses)	<u>95,780</u>	<u>95,780</u>	<u>230,000</u>	<u>134,220</u>
Net change in fund balance	(52,012)	(52,012)	179,713	231,725
Fund balance, beginning of year	<u>\$2,460,373</u>	<u>2,460,373</u>	<u>2,460,373</u>	-
Fund balance, end of year	<u>\$ 2,408,361</u>	<u>\$ 2,408,361</u>	<u>\$2,640,086</u>	<u>\$ 231,725</u>

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

Note 1 – STEWARDSHIP AND ACCOUNTABILITY

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

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

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

Note 2 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The City budget is adopted in accordance with state law. Budget amounts in the basic financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the City. Budgets are formally adopted for only the General Fund. Reported budget amounts represent the originally adopted budget as amended. Amendments to the originally adopted budget require a two-thirds vote by the City Council.

See Independent Auditor's Report

Unexpended budgeted amounts lapse at the end of the year. Spending control for the General Fund is established by the amount of expenditures budgeted for major departments within the funds, but management control is exercised at budgetary line item levels.

The City does not prepare annual operating budgets for special revenue and proprietary funds for financial reporting purposes.

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

General Government	\$ 6,001
Culture, Recreation and Education	23,245
Conservation and Development	19,280
Principal on Debt	167
Capital Expenditures	256,044

Other governmental funds were not budgeted in 2021.

See Independent Auditor's Report

CITY OF PHILLIPS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
WISCONSIN RETIREMENT SYSTEM

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll (plan year)	Plan fiduciary net position as a Percentage of the Total pension Liability (Asset)	Collective Net Pension Liability (Asset) as a % of the Employer covered employee payroll
2014	0.00690447%	\$ (122,355)	\$ 802,415	102.74%	-15.25%
2015	0.00672389%	\$ 109,262	\$ 777,836	98.20%	14.05%
2016	0.00664489%	\$ 54,770	\$ 798,618	99.12%	6.86%
2017	0.00658040%	\$ (195,805)	\$ 873,373	102.93%	-22.42%
2018	0.00670102%	\$ (238,401)	\$ 842,534	96.45%	-28.30%
2019	0.00666127%	\$ (214,789)	\$ 840,194	102.96%	-25.56%
2020	0.00636262%	\$ (397,227)	\$ 834,587	105.26%	-47.60%

*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 PHILLIPS CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 62,588	\$ 62,588	\$ -	\$ 802,415	7.80%
2015	\$ 60,661	\$ 60,661	\$ -	\$ 777,836	7.80%
2016	\$ 61,067	\$ 61,067	\$ -	\$ 798,618	7.65%
2017	\$ 71,077	\$ 71,077	\$ -	\$ 873,373	8.14%
2018	\$ 68,481	\$ 68,481	\$ -	\$ 842,534	8.13%
2019	\$ 68,579	\$ 68,579	\$ -	\$ 840,194	8.16%
2020	\$ 67,989	\$ 67,989	\$ -	\$ 834,587	8.15%

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

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

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

See Independent Auditor's Report

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

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

	2017	2018	2019	2020
City of Phillip's proportion of the net OPEB liability (asset)	0.02341400%	0.02009300%	0.01600100%	0.01392900%
City of Phillip's proportionate share of the net OPEB liability (asset)	\$70,443	\$51,847	\$68,135	\$76,620
City of Phillip's covered-employee payroll	\$984,626	\$745,000	\$827,000	\$784,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%	37.58%	31.36%

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

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

	2017	2018	2019	2020
Contractually required contributions	\$444	\$387	\$289	\$277
Contributions in relation to the contractually required contributions	\$444	\$387	\$289	\$277
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City of Phillip's covered-employee payroll	\$984,626	\$745,000	\$827,000	\$784,000
Contributions as a percentage of covered-employee payroll	0.045093%	0.051946%	0.034946%	0.035332%

*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 PHILLIPS, WI
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

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

City of Phillips, Wisconsin

Other Supplementary Information

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

	<u>Capital Projects</u>			Total Nonmajor Govt Funds
	TIF District No. 2	Splash Pad Fund	Band Shell Fund	
Assets				
Cash and Investments	\$ -	\$ 46,308	\$ 5,651	\$ 51,959
Due from other funds	1,256	4,557	(1,158)	4,655
Restricted cash	3,428	-	-	3,428
Total Assets	<u>\$ 4,684</u>	<u>\$ 50,865</u>	<u>\$ 4,493</u>	<u>\$ 60,042</u>
Liabilities and Fund Balance				
Liabilities				
Due to other funds	300	-	-	300
Deferred revenues	1,256	-	-	1,256
Advance from other funds	62,997	-	-	62,997
Total Liabilities	<u>64,553</u>	<u>-</u>	<u>-</u>	<u>64,553</u>
Fund Balances				
Unassigned:				
TID #2 projects	(59,869)			(59,869)
Restricted:				
Splash pad project		50,865		50,865
Band shell project			4,493	4,493
Total Fund Balance	<u>(59,869)</u>	<u>50,865</u>	<u>4,493</u>	<u>(4,511)</u>
Total Liabilities and Fund Balance	<u>\$ 4,684</u>	<u>\$ 50,865</u>	<u>\$ 4,493</u>	<u>\$ 60,042</u>

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

	TIF District No. 2	Capital Projects		Total Nonmajor Govt Funds
		Splash Pad Fund	Band Shell Fund	
Revenues:				
Property tax	\$ 1,296	\$ -	\$ -	\$ 1,296
Commercial	35	1,106	9,748	10,889
Total revenues	<u>1,331</u>	<u>1,106</u>	<u>9,748</u>	<u>12,185</u>
Expenditures:				
Current:				
Culture, recreation and education	-	7,090	10,674	17,764
Conservation and development	150	-	-	150
Total Current	<u>150</u>	<u>7,090</u>	<u>10,674</u>	<u>17,914</u>
Debt Service:				
Interest	1,448	-	-	1,448
Total Debt service	<u>1,448</u>	<u>-</u>	<u>-</u>	<u>1,448</u>
Capital Expenditures	-	-	3,700	3,700
Total Expenditures	<u>1,598</u>	<u>7,090</u>	<u>14,374</u>	<u>23,062</u>
Net change in fund balance	(267)	(5,984)	(4,626)	(10,877)
Fund balance, beginning of year	(59,602)	56,849	9,119	6,366
Fund balance, end of year	<u>\$ (59,869)</u>	<u>\$ 50,865</u>	<u>\$ 4,493</u>	<u>\$ (4,511)</u>



EAGLE AUDIT & ACCOUNTING, LLC

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Government Audit Quality Center

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

Independent Auditor's Report

To the City Council
City of Phillips
Phillips, 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, each major fund, and the aggregate remaining fund information of the City of Phillips ("City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2022.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 questioned costs as 2021-001 and 2021-002 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 Phillips's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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
May 6, 2022

City of Phillips
Phillips, Wisconsin

Single Audit Reports



EAGLE AUDIT & ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE WISCONSIN DEPARTMENT OF REVENUE

Independent Auditor's Report

1181 NORTH FOURTH
AVENUE
PARK FALLS,
WISCONSIN
PHONE 715-762-4909
FAX 715-762-3359
robbiller@pctcnet.net

City Council
City of Phillips
Phillips, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited City of Phillips's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, the requirements described by the Wisconsin Department of Revenue and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments and Non-Profit Organizations*; the requirements described by the Wisconsin Department of Revenue; and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eagle Audit & Accounting, LLC

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

May 6, 2022

City of Phillips, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor Pass-Through Grantor Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>US Department of Housing & Urban Development</u>			
Wisconsin Community Development Corporation			
<u>CDBG</u>			
CDBG State Administered Programs	14.228	000	638,294
Total US Department of Housing & Urban Development			638,294
<u>US Department of the Treasury</u>			
Wisconsin Community Development Corporation			
<u>ARPA</u>			
ARPA State Administered Programs	COVID-19 21.027	000	69,919
Total US Department of the Treasury			69,919
<u>Environmental Protection Agency</u>			
<u>Clean Water State Revolving Fund Cluster</u>			
Capitalization Grants For Clean Water State Revolving Funds	66.458	000	352,603
Total Clean Water State Revolving Fund Cluster			352,603
Total Environmental Protection Agency			352,603
Total Federal Awards			1,060,816

The City has not passed through any grant funds to subrecipients in this fiscal period, therefore the required column has been eliminated.

See Independent Auditors' Report.

See accompanying notes to the Schedules of Federal Awards and State Financial Assistance.

City of Phillips, WI
Notes to the Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year Ended December 31, 2021

NOTE 1-BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the City of Phillips, WI and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Uniformed Guidance. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – INDIRECT COSTS

The City has chosen not to use the 10% de minimis cost rate.

City of Phillips, WI
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Section 1 - Summary of Auditor's Results

Financial Statements Findings

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

Federal & State Awards

	Yes	No	
Type of auditors' report issued on compliance for major programs			Unmodified
Internal control over compliance:			
Material weakness(es) identified?			None Reported
Significant deficiency(ies) identified that are not considered to be material weaknesses?			None reported
Any audit findings disclosed that are required in accordance with Section 516(a) of the Uniform Guidance?			None reported
Any audit findings disclosed that are required in accordance with State Single Audit Guidelines?			None reported
Dollar threshold used to distinguish between Type A and Type B programs:			
Federal			\$750,000
State			\$250,000
Auditee qualified as low-risk for Federal and State?		X	

Identification of major federal programs:

CFDA #	Name of Federal program or cluster
14.228	CDBG State Administered Programs

Section 2 - Financial Statement Findings

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

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

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

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

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

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

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

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

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

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

Criteria: Preparation of financial statements is a client responsibility.

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

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

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

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

Information to Provide Perspective: The City's finance staff consists of 1 full-time position and 1 part-time 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 Clerk/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 – Federal and State Awards Findings and Questioned Costs

Federal and State Award Findings:

No findings reported for Federal or State aid programs

Section 4 – Other Issues

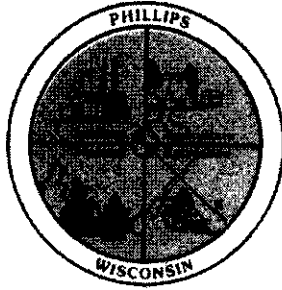
	Yes	No
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		X
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned 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

May 6, 2022



THE CITY OF PHILLIPS

Founded in 1876

City of Phillips
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ending December 31, 2021

Status of Prior Year Audit Findings

2020-001 Lack of Segregation of Duties – no change expected

Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

2020-002 Preparation of Financial Statements - no change expected

Management and the Council are aware of the situation and will continue to oversee the financial matters of the City with this in mind.

Corrective Action Plan

2021-001 Lack of Segregation of Duties – ongoing finding

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

2021-002 Preparation of Financial Statements – ongoing finding

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

The City contact official for findings is as follows:

Shelby Kosmer
Clerk/Treasurer
(715) 339-3125