

# **CITY OF PHILLIPS**

Phillips, Wisconsin

## **Independent Auditor's Report**

### **With Financial Statements**

YEAR ENDED DECEMBER 31, 2023

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**

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

### **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, 2023, 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, 2023, 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.

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

### **Other Information**

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

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

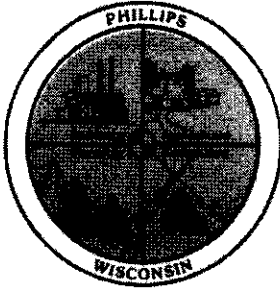
#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, 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  
March 5, 2024



# 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 \$2,737,227; including \$1,296,196 of property taxes, \$599,631 of general state aid, and \$578,108 of charges for services and operating grants. Total governmental funds expenditures were \$2,620,389. The City reduced the amount of prior outstanding general obligation debt by \$510,941.

Total business-type activity fund revenues were \$1,107,209; including \$1,081,786 of user fees. Total business-type activity expenditures were \$1,070,507. The City increased the amount of prior outstanding business-type debt by \$202,785.

The City's financial status, as reflected in total net position, increased by \$160,540. Net position of governmental activities due to operations increased by \$116,838 and business-type activities (water/sewer) increased by \$43,702.

## 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 5 to 6 of this report.

A

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**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 8 and 10.
- 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, and TIF #3 & #4 as these are considered to be major funds. The governmental fund financial statements are on pages 7 to 10 of this report,
- The proprietary fund statements are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a *statement of cash flows* for the proprietary funds. Proprietary fund statements are located on pages 11 to 13 of this report.
- The City serves as a trustee, or *fiduciary*, for tax collections. The assets of this fund do not directly benefit nor are they under the direct control of the City. The City's responsibility is limited to ensuring the assets reported in this fund are distributed to the other governmental entities as prescribed by statute. *Fiduciary* activities are excluded from the government-wide financial statements because the City cannot use these assets to finance operations. The *Fiduciary* fund statement is presented on page 14.
- The City adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statement is on 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 A of this report.

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

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**

	<b>Fund Financial Statements</b>			
	<b>Government-Wide Statements</b>	<b>Governmental</b>	<b>Proprietary</b>	<b>Fiduciary</b>
<b>Scope</b>	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.
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and change in net assets</li> <li>• Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
<b>Basis of accounting and measurement focus</b>	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.	Accrual accounting.  Economic resources focus.
<b>Type of asset and liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
<b>Type of inflow and outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**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, 2023 compared to 2022.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Municipality</b>		<b>% Change</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Current and other assets	\$ 3,868.5	\$ 4,445.8	\$ 1,332.8	\$ 1,309.9	\$ 5,201.3	\$ 5,755.7	-9.6%
Capital assets	5,791.1	6,018.5	8,506.5	8,834.4	\$ 14,297.6	14,852.9	-3.7%
<b>Total assets</b>	<b>9,659.6</b>	<b>10,464.3</b>	<b>9,839.3</b>	<b>10,144.3</b>	<b>19,499.0</b>	<b>20,608.6</b>	<b>-5.4%</b>
<b>Total deferred outflows</b>	<b>\$ 1,909.0</b>	<b>\$ 1,080.6</b>	<b>\$ 218.1</b>	<b>\$ 117.8</b>	<b>\$ 2,127.1</b>	<b>\$ 1,198.4</b>	<b>77.5%</b>
L-T debt outstanding	918.6	1,164.6	2,806.9	2,982.4	3,725.5	4,147.0	-10.2%
Other liabilities	114.0	97.1	710.0	787.9	824.0	885.0	-6.9%
<b>Total liabilities</b>	<b>1,032.6</b>	<b>1,261.7</b>	<b>3,516.9</b>	<b>3,770.3</b>	<b>4,549.5</b>	<b>5,032.0</b>	<b>-9.6%</b>
<b>Total deferred inflows</b>	<b>2,929.2</b>	<b>2,793.3</b>	<b>171.3</b>	<b>166.2</b>	<b>3,100.5</b>	<b>2,959.5</b>	<b>4.8%</b>
Net position							
Net investment in							
capital assets	5,398.6	5,253.5	5,699.6	5,852.0	11,098.3	11,105.4	-0.1%
Restricted	988.1	989.0	337.2	337.1	1,325.4	1,326.1	-0.1%
Unrestricted	1,220.0	1,247.5	332.4	136.5	1,552.4	1,383.9	12.2%
<b>Total net position</b>	<b>\$ 7,606.8</b>	<b>\$ 7,490.0</b>	<b>\$ 6,369.2</b>	<b>\$ 6,325.5</b>	<b>\$ 13,976.0</b>	<b>\$ 13,815.5</b>	<b>1.2%</b>

**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, decreased by \$27,436. A total of \$5,398,625 (71%) is in net investment in fixed assets which is not spendable for continuing activities of the City.

In governmental activities, total assets decreased \$804,702 including a decrease in capital assets, net decrease in capital assets was \$227,361. 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, 2023**

**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, 2023 compared to 2022.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Municipality</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>						
Program revenues						
Charge for services	\$ 367.7	\$ 327.5	\$ 1,081.8	\$ 1,048.7	\$ 1,449.5	\$ 1,376.2
Operating grants	210.4	237.2	\$ 25.0	\$ 875.1	235.4	1,112.3
General revenues						
Property taxes	1,296.2	1,319.4	-	-	1,296.2	1,319.4
State & federal aid	599.6	643.0	-	-	599.6	643.0
Other	263.3	239.6	0.4	0.4	263.7	240.0
<b>Total revenues</b>	<b>2,737.2</b>	<b>2,766.8</b>	<b>1,107.2</b>	<b>1,924.2</b>	<b>3,844.4</b>	<b>4,691.0</b>
<b>Expenses:</b>						
General government	218.6	244.2	-	-	218.6	244.2
Public safety	1,090.7	649.7	-	-	1,090.7	649.7
Public works	739.7	820.3	-	-	739.7	820.3
Health/human services	15.9	15.5	-	-	15.9	15.5
Culture/recreation	453.4	457.8	-	-	453.4	457.8
Conservation/develop	46.7	110.3	-	-	46.7	110.3
Business-type activity	-	-	1,063.5	1,012.2	1,063.5	1,012.2
Debt service	55.5	70.9	-	-	55.5	70.9
<b>Total expenses</b>	<b>2,620.4</b>	<b>2,368.7</b>	<b>1,063.5</b>	<b>1,012.2</b>	<b>3,683.9</b>	<b>3,380.9</b>
<b>Change in net position</b>	<b>\$ 116.8</b>	<b>\$ 398.1</b>	<b>\$ 43.7</b>	<b>\$ 912.0</b>	<b>\$ 160.5</b>	<b>\$ 1,310.1</b>
<b>Note: totals may not add due to rounding</b>						

In government activities, the City had a change in net position of \$116,838, which is a decrease from the prior year of \$281,263. The change from last year was mainly due to the effects of changes in the amounts for GASB 68 for the Wisconsin Retirement System.

**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 revenues exceeded expenses by \$43,702, \$868,284 less than last year. The difference is attributable mainly to large federal grants for the wastewater treatment plant in the prior year.
- Charges for services, which are amounts paid by customers of the water/sewer utility, increased \$33,102 from \$1,048,684.
- The water and sewer utility acquired new fixed assets in the amount of \$69,015. These consisted of purchases of new water meters, a new pickup truck and construction in progress for the Fifield/Ash Street project.

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**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, 2023 compared to 2022.

Table 3 Net Cost of Governmental Activities (in thousands of dollars)					
	Total Cost of Services		Net Cost of Services		Net Cost Percentage Change
	2023	2022	2023	2022	
General Government	\$ 218.6	\$ 244.2	\$ 218.6	\$ 236.1	-7.4%
Public Safety	1,090.7	649.7	947.2	540.9	75.1%
Public Works	739.7	820.3	464.3	533.4	-13.0%
Health & human services	15.9	15.5	11.0	9.3	17.6%
Culture & recreation	453.4	457.8	299.1	303.0	-1.3%
Conservation & develop	46.7	110.3	46.7	110.3	-57.7%
Debt service	55.5	70.9	55.5	70.9	-21.8%
<b>Total</b>	<b>\$ 2,620.4</b>	<b>\$ 2,368.7</b>	<b>\$ 2,042.3</b>	<b>\$ 1,803.9</b>	<b>13.2%</b>

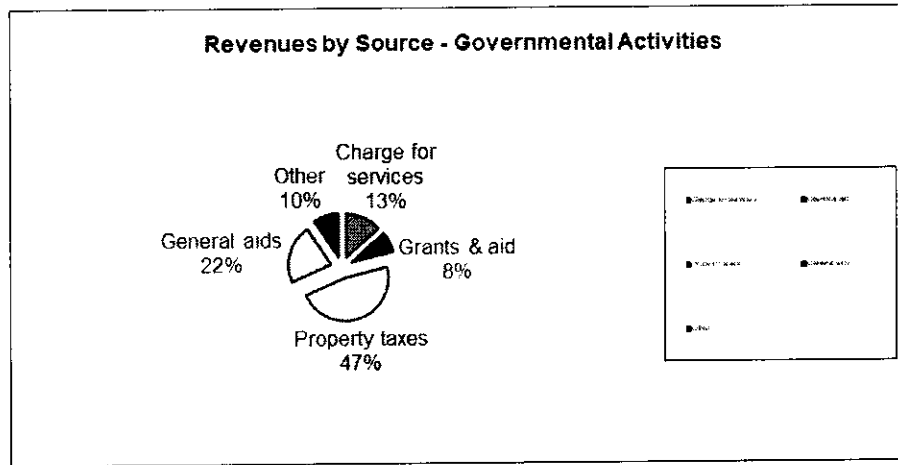
Note: totals may not add due to rounding

**Budgetary Analysis – General Fund Only**

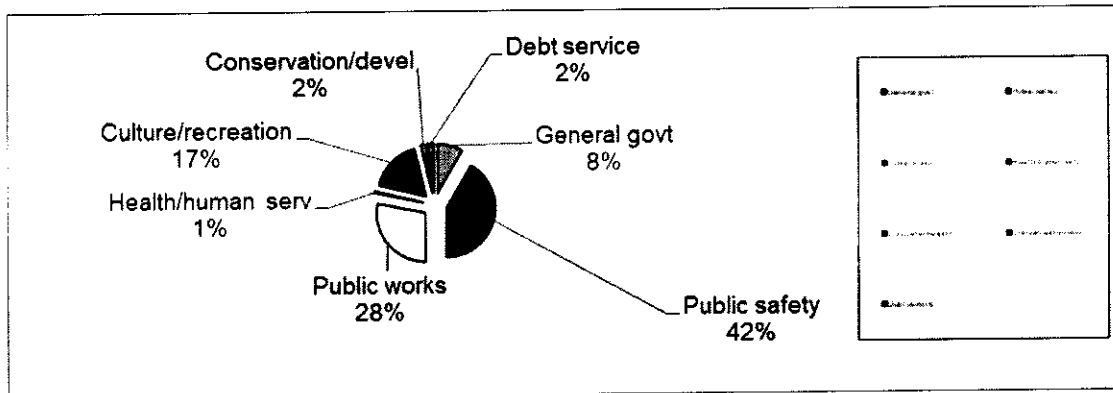
The City made no budget amendments for the year. Expenditures were more than budget by \$340,230 overall, due to a combination of reasons but mainly due to a combination of expenditures the City didn't budget for netted against budgeting for financing costs that didn't occur. There was a surplus of revenues to budget of \$167,665, the majority of which was due to commercial revenues coming in higher than anticipated.

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**Revenues by Source** – the chart below shows the various sources of revenue by source for the year ending December 31, 2023.



**Expenditures by Function** – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2023.



**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**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, 2022 to December 31, 2023.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Municipality</b>		<b>Total % Change</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Land	\$ 317.1	\$ 317.1	\$ 21.5	\$ 21.5	\$ 338.6	\$ 338.6	0.0%
Construction in progress	-	\$ -	18.7	2,490.6	18.7	2,490.6	-99.2%
Site Improvements	-	-	7,874.0	7,934.0	7,874.0	7,934.0	-0.8%
Buildings & improvements	3,921.5	3,822.4	669.8	669.8	4,591.3	4,492.2	2.2%
Furniture & equipment	3,282.5	3,204.0	7,054.9	4,519.8	10,337.4	7,723.8	33.8%
Infrastructure	5,024.5	5,024.5	-	-	5,024.5	5,024.5	0.0%
Accumulated depreciation	(6,754.4)	(6,349.5)	(7,132.3)	(6,801.3)	(13,886.7)	(13,150.8)	5.6%
<b>Total</b>	<b>\$ 5,791.1</b>	<b>\$ 6,018.5</b>	<b>\$ 8,506.6</b>	<b>\$ 8,834.4</b>	<b>\$ 14,297.7</b>	<b>\$ 14,852.9</b>	<b>-3.7%</b>

Note: totals may not add due to rounding

The major additions to capital assets included a new wheel loader, street lighting and playground equipment at a city park in governmental activities, and capital expenditures for water meters, a new pickup truck and construction in progress for the Fifield/Ash Street Project for business-type activities.

**Long – Term Debt** – Table 5 below show the change in long-term obligations for the total municipality from December 31, 2022 to December 31, 2023.

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

	<b>Total Municipality</b>		<b>Total % Change</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>
General obligation debt	\$ 587.5	\$ 1,098.5	-46.5%
Other	3,138.0	3,048.5	2.9%
<b>Total</b>	<b>\$ 3,725.5</b>	<b>\$ 4,147.0</b>	<b>-10.2%</b>

Note: totals may not add due to rounding

**City of Phillips, Wisconsin  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

The City incurred no 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:

- City garage will be in need of major building repairs in the coming 3 to 5 years.
- Phillips Fire Department will be purchasing a new fire truck in 2024-2025.
- There are some streets/alleys that are in need of repair as funding becomes available.
- The Department of Public Works is working to upgrade fleet vehicles and larger equipment.

**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 Kosmer, Clerk/Treasurer, City of Phillips, 174 S. Eyder Avenue, Phillips, WI 54555.

City of Phillips, Wisconsin

Government-Wide Financial Statements

**City of Phillips, Wisconsin  
Statement of Net Position  
As of December 31, 2023**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 1,299,075	729,884	\$ 2,028,959
Receivables	1,006,894	258,050	1,264,944
Internal receivables	688,278	-	688,278
Restricted cash	473,811	337,235	811,046
Inventories and prepaid items	-	7,662	7,662
<b>Total current assets</b>	<b>3,468,058</b>	<b>1,332,831</b>	<b>4,800,889</b>
<b>Noncurrent assets:</b>			
Other Noncurrent assets:			
Long term receivables	400,428	-	400,428
Plant, property and equipment			
Capital assets, not being depreciated	317,065	21,490	338,555
Construction in progress	-	18,714	18,714
Capital assets being depreciated, net of accumulated depreciation	5,474,066	8,466,303	13,940,369
Net Plant, property & equipment	5,791,131	8,506,507	14,297,638
<b>Total noncurrent assets</b>	<b>6,191,559</b>	<b>8,506,507</b>	<b>14,698,066</b>
<b>Total assets</b>	<b>9,659,617</b>	<b>9,839,338</b>	<b>19,498,955</b>
<b>Deferred Outflows of Resources</b>			
WRS pension and OPEB related outflows	1,909,029	218,064	2,127,093
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Payables:			
Accounts	77,961	9,681	87,642
Accrued payroll & related items	31,542	-	31,542
Accrued interest	4,514	12,045	16,559
Internal payables	-	688,278	688,278
Current portion of long-term obligations	258,585	254,319	512,904
<b>Total current liabilities</b>	<b>372,602</b>	<b>964,323</b>	<b>1,336,925</b>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of long-term obligations	660,043	2,552,553	3,212,596
<b>Total non-current liabilities</b>	<b>660,043</b>	<b>2,552,553</b>	<b>3,212,596</b>
<b>Total liabilities</b>	<b>1,032,645</b>	<b>3,516,876</b>	<b>4,549,521</b>
<b>Deferred Inflows of Resources</b>			
Tax levies	1,142,797	-	1,142,797
Amounts paid to recipients of Community Development Block Grants	400,428	-	400,428
WRS pension and OPEB related inflows	1,385,990	171,302	1,557,292
<b>Total deferred inflows of resources</b>	<b>2,929,215</b>	<b>171,302</b>	<b>3,100,517</b>
<b>Net Position</b>			
Net Investment in capital assets	5,398,625	5,699,635	11,098,260
Restricted:			
TIF districts	794,166		794,166
CDBG Housing project	164,849		164,849
Splash pad project	27,453		27,453
Band shell project	1,668		1,668
Water/sewer loan covenant		337,235	337,235
Unrestricted:	1,220,025	332,354	1,552,379
<b>Total net position</b>	<b>7,606,786</b>	<b>6,369,224</b>	<b>13,976,010</b>

See accompanying notes to basic financial statements.

City of Phillips, Wisconsin  
Statement of Activities  
For the Year ended December 31, 2023

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
<b>Governmental activities:</b>						
General government	218,581		-	(218,581)		(218,581)
Public Safety	1,090,683	135,479	7,993	(947,211)		(947,211)
Public Works	739,691	72,956	202,451	(464,284)		(464,284)
Health and human services	15,853	4,900	-	(10,953)		(10,953)
Culture, recreation and education	453,439	154,329	-	(299,110)		(299,110)
Conservation and development	46,664	-	-	(46,664)		(46,664)
Debt service	55,478	-	-	(55,478)		(55,478)
<b>Total governmental activities</b>	<b>2,620,389</b>	<b>367,664</b>	<b>210,444</b>	<b>(2,042,281)</b>		<b>(2,042,281)</b>
<b>Business-type activities:</b>						
Water/sewer utility	1,063,507	1,081,786	25,000		43,279	43,279
<b>Total Business-type activities</b>	<b>1,063,507</b>	<b>1,081,786</b>	<b>25,000</b>		<b>43,279</b>	<b>43,279</b>
<b>Total municipality</b>	<b>\$3,683,896</b>	<b>\$ 1,449,450</b>	<b>\$ 235,444</b>	<b>\$(2,042,281)</b>	<b>\$ 43,279</b>	<b>\$(1,999,002)</b>
<b>General revenues:</b>						
Property taxes:						
General purposes				894,410		894,410
Debt services				401,786		401,786
State and federal aids not restricted to specific functions:				599,631		599,631
Interest and investment earnings				60,694	423	61,117
Miscellaneous				202,598	-	202,598
<b>Total general revenues</b>				<b>2,159,119</b>	<b>423</b>	<b>2,159,542</b>
<b>Change in net position</b>				<b>116,838</b>	<b>43,702</b>	<b>160,540</b>
<b>Net position - beginning of year</b>				<b>7,489,948</b>	<b>6,325,522</b>	<b>13,815,470</b>
<b>Net position - end of year</b>				<b>\$ 7,606,786</b>	<b>\$ 6,369,224</b>	<b>\$ 13,976,010</b>

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

See accompanying notes to basic financial statements.

City of Phillips, Wisconsin

Fund Financial Statements

City of Phillips, Wisconsin  
Balance Sheet  
Governmental Funds  
As of December 31, 2023

	General Fund	TIF District No. 3	TIF District No. 4	Other Nonmajor Govt Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,275,872			\$ 23,203	\$ 1,299,075
Receivables:					
Taxes receivable	1,006,894	-	-	-	1,006,894
Due from other funds	887,911	120,945	1,282,455	5,918	2,297,229
Restricted cash	-	(284,302)	592,764	165,349	473,811
Advance to other funds	1,179,519	-	-	-	1,179,519
Long term receivables	-	-	-	400,428	400,428
<b>Total Assets</b>	<u>4,350,196</u>	<u>(163,357)</u>	<u>1,875,219</u>	<u>594,898</u>	<u>6,656,956</u>
<b>Liabilities, Deferred Inflows and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	77,961	-	-	-	77,961
Accrued payroll and related items	31,542	-	-	-	31,542
Due to other funds	826,418	444,483	337,550	500	1,608,951
Advance from other funds	-	760,374	419,145	-	1,179,519
<b>Total Liabilities</b>	<u>935,921</u>	<u>1,204,857</u>	<u>756,695</u>	<u>500</u>	<u>2,897,973</u>
<b>Deferred Inflows of Resources</b>					
Tax levies	760,510	57,929	324,358	-	1,142,797
Amounts paid to recipients of Community Development Block Grants	-	-	-	400,428	400,428
<b>Total Deferred Inflows of Resources</b>	<u>760,510</u>	<u>57,929</u>	<u>324,358</u>	<u>400,428</u>	<u>1,543,225</u>
<b>Fund Balances</b>					
Restricted:					
TIF district projects	-	-	794,166	-	794,166
CDBG loans	-	-	-	164,849	164,849
Splash Pad Project	-	-	-	27,453	27,453
Band Shell Project	-	-	-	1,668	1,668
Unassigned	2,653,765	(1,426,143)	-	-	1,227,622
<b>Total Fund Balances</b>	<u>2,653,765</u>	<u>(1,426,143)</u>	<u>794,166</u>	<u>193,970</u>	<u>2,215,758</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<u>\$ 4,350,196</u>	<u>\$ (163,357)</u>	<u>\$ 1,875,219</u>	<u>\$ 594,898</u>	<u>\$ 6,656,956</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, 2023**

<b>Total fund balance reported on government funds balance sheet</b>	<b>2,215,758</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in government activities are not financial resources and therefore are not reported as a component of fund balance. The amount of governmental capital assets, net of accumulated depreciation is:	5,791,131
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:	1,909,029
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	\$ (587,531)
Vested employee benefits	\$ (331,097)
Accrued interest on general obligation debt	<u>(4,514)</u> \$ (923,142)
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:	(1,385,990)
<b>Total net position - governmental activities</b>	<b><u><u>7,606,786</u></u></b>

City of Phillips, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2023

	General Fund	TIF District No. 3	TIF District No. 4	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Property tax	\$ 891,802	\$ 63,017	\$ 338,769	\$ -	\$ 1,293,588
Other tax	2,608	-	-	-	2,608
Intergovernmental aid	808,121	1,022	932	-	810,075
Licenses and permits	11,131	-	-	-	11,131
Fines, forfeits and penalties	11,828	-	-	-	11,828
Public charge for service	251,683	-	-	-	251,683
Intergovernmental charge for service	93,022	-	-	-	93,022
Commercial	223,495	82	185	39,530	263,292
Total revenues	<u>2,293,690</u>	<u>64,121</u>	<u>339,886</u>	<u>39,530</u>	<u>2,737,227</u>
Expenditures:					
Current:					
General government	218,031	-	-	-	218,031
Public Safety	806,725	-	-	-	806,725
Public Works	466,422	-	-	-	466,422
Health and human services	15,706	-	-	-	15,706
Culture, recreation and education	465,424	-	-	136	465,560
Conservation and development	50,940	150	150	30	51,270
Total Current	<u>2,023,248</u>	<u>150</u>	<u>150</u>	<u>166</u>	<u>2,023,714</u>
Debt Service:					
Principal	155,941	-	355,000	-	510,941
Interest	12,067	22,665	25,003	-	59,735
Total Debt service	<u>168,008</u>	<u>22,665</u>	<u>380,003</u>	<u>-</u>	<u>570,676</u>
Capital Expenditures	247,560	-	-	-	247,560
Total Expenditures	<u>2,438,816</u>	<u>22,815</u>	<u>380,153</u>	<u>166</u>	<u>2,841,950</u>
Net change in fund balance	(145,126)	41,306	(40,267)	39,364	(104,723)
Fund balance, beginning of year	2,798,891	(1,467,449)	834,433	154,606	2,320,481
Fund balance, end of year	<u>\$ 2,653,765</u>	<u>\$ (1,426,143)</u>	<u>\$ 794,166</u>	<u>\$ 193,970</u>	<u>\$ 2,215,758</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, 2023**

**Net change in fund balances - total governmental funds** **\$ (104,723)**

***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	247,560	
Depreciation expense reported in the statement of activities	(474,921)	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(227,361)

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	(710,030)	
Vested employee benefits earned in current year	643,754	
Amounts paid are greater (less) than amounts earned		(66,276)

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:	510,941
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The city disposed of surplus and outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(70,000)	
The amount of depreciation recapture for the year was:	70,000	
The difference in the value of assets net of recaptured depreciation creates a gain (loss) of:		-

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	23,012	
The amount of interest accrued during the current period	(18,755)	
Interest paid is greater (less) than interest accrued by		4,257

<b>Change in net position - governmental activities</b>	<b><u>\$ 116,838</u></b>
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City of Phillips, Wisconsin  
Combined Statement of Net Position  
Enterprise Funds  
As of December 31, 2023

	Water/ Sewer Fund	2023
<b>Assets and Deferred Outflows</b>		
<b>Assets</b>		
Cash	729,884	729,884
Receivables:		
Customer accounts receivables	258,050	258,050
Materials & supplies inventory	7,662	7,662
Restricted cash	337,235	337,235
Plant, property & equipment(net)	8,506,506	8,506,506
Total assets	<u>\$ 9,839,337</u>	<u>\$ 9,839,337</u>
<b>Deferred Outflows of Resources</b>		
OPEB Life related outflows	2,160	\$ 2,160
WRS pension related outflows	215,904	215,904
Total deferred outflows of resources	<u>218,064</u>	<u>218,064</u>
<b>Liabilities, Deferred Inflows and Net Position</b>		
<b>Liabilities</b>		
Accounts payable	9,681	9,681
Accrued interest payable	12,045	12,045
Due to other funds	688,278	688,278
Long term debt	2,806,872	2,806,872
Total liabilities	<u>3,516,876</u>	<u>3,516,876</u>
<b>Deferred Inflows of Resources</b>		
OPEB Life related inflows	5,352	5,352
WRS pension related inflows	165,950	165,950
Total deferred inflows of resources	<u>171,302</u>	<u>171,302</u>
<b>Net Position</b>		
Net investment in capital assets	5,699,634	5,699,634
Nonspendable for inventory	7,662	7,662
Restricted, expendable	337,235	337,235
Unrestricted	324,692	324,692
Total net position	<u><u>6,369,223</u></u>	<u><u>6,369,223</u></u>

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, 2023

	Water/ Sewer	2023
Operating Revenues	<u>1,081,786</u>	<u>\$1,081,786</u>
Operating Expenses		
Operations and maintenance	516,043	516,043
Depreciation	396,908	396,908
Taxes	<u>87,631</u>	<u>87,631</u>
Total Operating Expenses	<u>1,000,582</u>	<u>1,000,582</u>
Operating Income (Loss)	81,204	81,204
Non Operating Revenues (Expenses)		
Other non operating revenues (expenses)	25,000	25,000
Interest Income	423	423
Interest Expense	<u>(62,925)</u>	<u>(62,925)</u>
Total Non Operating	<u>(37,502)</u>	<u>(37,502)</u>
Change in Net Position	43,702	43,702
Net Position - Beginning of Year Restated	<u>6,325,521</u>	<u>6,325,521</u>
Net Position - End of Year	<u><u>6,369,223</u></u>	<u><u>6,369,223</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, 2023

	Water/ Sewer Fund	2023
Cash Flows from Operating Activities		
Cash received from user charges	1,062,276	\$ 1,062,276
Cash payments to employees for services	(282,687)	(282,687)
Cash payments for utilities and other purchased services	(144,538)	(144,538)
Cash payments to suppliers for goods and services	(39,142)	(39,142)
Cash payments for other operating expenses	(142,067)	(142,067)
Net cash provided by operating activities	<u>453,842</u>	<u>453,842</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from (payments to) municipality	(63,196)	(63,196)
Cash payments for acquisition of capital assets	(69,015)	(69,015)
Proceeds from new borrowing	50,782	50,782
Grants	25,000	25,000
Interest paid	(64,186)	(64,186)
Retirement of long-term debt	(259,077)	(259,077)
Net cash used by capital and related financing activities	<u>(379,692)</u>	<u>(379,692)</u>
Cash Flows from Investing Activities		
Interest on investments	423	423
Net cash provided by investing activities	<u>423</u>	<u>423</u>
Net increase (decrease) in cash and cash equivalents	74,573	74,573
Cash and cash equivalents - beginning of year	992,546	992,546
Cash and cash equivalents - end of year	<u>\$ 1,067,119</u>	<u>\$ 1,067,119</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	81,204	81,204
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation (grant amortization & other amortization)	396,908	396,908
Changes in assets and liabilities:		
Accounts receivable	(1,813)	(1,813)
Materials and supply inventory	(1,592)	(1,592)
Due from/to other funds	(1,831)	(1,831)
Deferred outflows/inflows	(7,401)	(7,401)
Accounts payable	(11,633)	(11,633)
Net cash provided by operating activities	<u>\$ 453,842</u>	<u>\$ 453,842</u>

See accompanying notes to basic financial statements.

City of Phillips, Wisconsin  
Statement of Net Position  
Fiduciary Funds  
December 31, 2023

	Tax Collection Agency Fund
Assets	
Cash	258,578
Taxes receivable	<u>1,146,421</u>
Total assets	<u><u>1,404,999</u></u>
Liabilities	
Due to other governments	<u>1,404,999</u>
Total liabilities	<u><u>\$1,404,999</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, 2023

**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.

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 2022 tax levy is used to finance operations of the City for the year ended December 31, 2023. 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, 2023, 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 March 5, 2024, 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, 2023 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, 2023 as reflected in the Statement of Net Position follows:

	Primary	Enterprise	Fiduciary	
	Government	Funds	Fund	Total
<b>Unrestricted:</b>				
Cash and Cash Equivalents	\$1,299,075	\$729,884	-	\$2,028,959
<b>Restricted:</b>				
Cash and Cash Equivalents	473,811	337,235	\$258,578	1,069,624
Total Cash and Cash Equivalents	\$1,772,886	\$1,067,119	\$258,578	\$3,098,583

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 \$337,235.

Interest and dividends earned as of December 31, 2023 are as follows:

	Governmental	Business-type
	Activities	Activities
Interest earned	\$60,694	\$423

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, 2023 were as follows:

	Beginning Balance	Prior year Adjustments	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Sites (land)	317,065	-	-	-	\$ 317,065
Construction In Progress	-	-	-	-	-
Total capital assets not being depreciated	317,065	-	-	-	317,065
Capital assets being depreciated:					
Buildings & Site Improvements	3,822,445	-	99,060	-	3,921,505
Equipment & Vehicles	3,203,985	-	148,500	(70,000)	3,282,485
Road network	5,024,450	-	-	-	5,024,450
Total capital assets being depreciated	12,050,880	-	247,560	(70,000)	12,228,440
Less accumulated depreciation for:					
Buildings & site improvements	(1,960,237)	-	(123,240)	-	(2,083,477)
Furniture and equipment	(2,397,825)	-	(100,459)	70,000	(2,428,284)
Road network	(1,991,391)	-	(251,222)	-	(2,242,613)
Total accumulated depreciation	(6,349,453)	-	(474,921)	70,000	(6,754,374)
Total capital assets being depreciated, net of accumulated depreciation	5,701,427	-	(227,361)	-	5,474,066
Governmental activities capital assets, net of accumulated depreciation					\$ 5,791,131
Depreciation expense was charged to governmental functions as follows:					
Public Works – Infrastructure			251,222		
General Government			31,658		
Public Safety			45,736		
Public Works			85,424		
Health & Human Services			147		
Culture, Recreation & Education			58,298		
Conservation & Development			2,436		
Total depreciation for governmental activities			\$474,921		
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$21,490				\$21,490
Construction in progress	2,490,579		20,461	(2,492,326)	18,714
Total capital assets not being depreciated	2,512,069		20,461	(2,492,326)	40,204
Capital assets being depreciated:					
Water distribution system	6,168,833	-	26,837	(65,800)	6,129,870
Sewer collection & treatment system	6,954,739	-	2,514,043	-	9,468,782
Total capital assets being depreciated	13,123,572	-	2,540,880	(65,800)	15,598,652
Less accumulated depreciation for:					
Water distribution system	(1,980,409)	-	(142,373)	65,800	(2,056,982)
Sewer collection & treatment system	(4,820,833)	-	(254,534)	-	(5,075,367)
Total accumulated depreciation	(6,801,242)	-	(396,907)	65,800	(7,132,349)
Total capital assets being depreciated, net of accumulated depreciation	6,322,330	-	2,143,973	-	8,466,303
Business-type activities capital assets, net of accumulated depreciation					\$ 8,506,507
Depreciation expense was charged to functions as follows:					
Water			139,647		
Sewer			257,260		
Total business-type activities depreciation expense			\$396,907		

## 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, 2023.

### Note 3b – Long-term Liabilities

Long-term liability balances and activity for the year ended December 31, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
<b>General obligation debt</b>					
Bonds and notes payable					
Capital projects	\$ 765,039	-	\$ 372,533	\$ 392,506	\$ 117,524
Other than capital projects	333,433	-	138,408	195,025	141,061
Total general obligation debt	1,098,472	-	510,941	587,531	258,585
Vested Employee Benefits:					
Net OPEB life liability	66,095	-	23,462	42,633	-
Net pension liability	-	288,464	-	288,464	-
Total Other Governmental Liabilities	66,095	288,464	23,462	331,097	-
Total governmental activity long-term liabilities	<u>\$ 1,164,567</u>	<u>288,464</u>	<u>534,403</u>	<u>\$ 918,628</u>	<u>\$ 258,585</u>
<b>Business-type Activities</b>					
Bonds and notes payable	2,974,248	50,782	259,077	2,765,953	254,319
Total business-type activities debt	<u>\$ 2,974,248</u>	<u>50,782</u>	<u>259,077</u>	<u>\$ 2,765,953</u>	<u>\$ 254,319</u>
Vested Employee Benefits:					
Net OPEB life liability	8,168	-	2,900	5,268	-
Net pension liability	-	35,652	-	35,652	-
Total Other Business-type Liabilities	8,168	35,652	2,900	40,920	-
Total business-type activity long-term liabilities	<u>\$ 2,982,416</u>	<u>86,434</u>	<u>261,977</u>	<u>\$ 2,806,873</u>	<u>\$ 254,319</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	\$ 23,012	\$ 69,696
Total interest expense	18,755	62,925
Interest paid over (under) expense	<u>\$ 4,257</u>	<u>\$ 6,771</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:

<b>Government Activities</b>	<b>Issue Dates</b>	<b>Interest Rates</b>	<b>Date of Maturity</b>	<b>Balance 12/31/23</b>
Notes and Bonds payable				
Bond payable	04/01/2010	2.0-4.4	03/01/2025	205,000
Note payable	10/16/2019	2.79	03/01/2029	180,000

Note payable	9/1/2020	1.85	10/13/2025	90,283
Note payable	10/13/2021	1.79	11/15/2024	78,150
Note payable	04/01/2019	3.75	04/01/2024	9,772
Note payable	4/15/2017	3.45	7/15/2016	7,529
Note payable	6/30/2022	0.00	6/30/2025	16,797
Total bonds and notes				<u>587,531</u>

**Business-type Activities**

Water/sewer revenue bond	7/28/21	.891	05/01/2041	677,674
Water/sewer general obligation bond	12/03/2015	2.0-3.0	09/01/2025	125,000
Water/sewer revenue bond	6/14/2017	1.122	5/1/2037	633,699
Water/sewer revenue bond	6/1/2017	2.0-4.0	11/1/2032	1,280,000
				<u>2,716,373</u>

Bond Premium				<u>49,580</u>
				<u>2,765,953</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, 2023 is:

Equalized value certified by Wisconsin Department of Revenue for:	2023	\$123,575,000
Margin of indebtedness at 5%		6,178,750
Deduct long-term debt applicable to debt margin		<u>(712,531)</u>
Margin of indebtedness		<u>\$ 5,466,219</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, 2023 is as follows:

**Government Activities**

Year ended			
31-Dec	Principal	Interest	Total
2024	258,585	12,912	271,497
2025	191,603	6,694	198,297
2026	32,343	3,443	35,786
2027	35,000	2,441	37,441
2028	35,000	1,465	36,465
2029-2029	35,000	488	35,488
Totals	<u>587,531</u>	<u>27,443</u>	<u>614,974</u>

**Business-type Activities**

Year ended			
31-Dec	Principal	Interest	Total
2024	254,319	63,366	317,685
2025	265,078	56,428	321,506
2026	205,845	49,582	255,427
2027	211,621	43,503	255,124
2028	217,404	37,215	254,619
2029-2033	1,029,052	85,380	1,114,432
2034-2038	370,718	13,317	384,035
2039-2041	162,336	1,497	163,833
Totals	<u>2,716,373</u>	<u>350,288</u>	<u>3,066,661</u>

**Note 3c – Interfund receivables/payables and operating transfers**

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

<b>Governmental Funds:</b>	<b>Amount</b>
General fund receivable from Enterprise funds for operations	\$ 516,915
TIF Districts receivable from Enterprise funds	171,363
General fund receivable from TIF districts for operations	729,515
TIF district payable to General Fund for operations	(729,515)
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	5,918
General Fund payable to Capital Projects Fund for operations	(5,918)
<b>Total Governmental Fund Receivable/Payable</b>	<b>\$688,278</b>
<b>Business-type Funds:</b>	
Water/sewer fund payable to General fund for operations	(516,915)
Water/sewer fund payable to TIF Districts	(171,363)
<b>Total Business-type Fund Receivable/Payable</b>	<b>\$(688,278)</b>

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

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

	<b>Amount</b>
<b>Governmental Activities</b>	<b>Due (Owed)</b>
General Fund	\$ 516,915
TIF Districts	171,363
<b>Total</b>	<b>\$688,278</b>
<b>Business-type Activities</b>	
Water/sewer Fund	(688,278)
<b>Total</b>	<b>\$(688,278)</b>

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

The City did not utilize any Operating Transfers in 2023.

#### Note 3d – **Contributions to pension plan**

#### ***Summary of Significant Accounting Policies***

**Pensions.** The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset),

- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions,
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17
2019	0.0	(10)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0

**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 \$71,243 in contributions from the employer.

Contribution rates as of December 31, 2023 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

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

At December 31, 2023, the City of Phillips' reported a liability (asset) of \$324,117 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. 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, 2023, the City of Phillips' proportion was .00611808%, which was a decrease of .00008566% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2023, the City of Phillips' recognized pension expense (revenue) of \$164,150.

At December 31, 2023, 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	\$516,219	\$ (678,196)
Changes in assumptions	\$63,734	\$0
Net differences between projected and actual earnings on pension plan investments	\$1,379,530	\$(828,929)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$3,286	\$(1,501)
Employer contributions subsequent to the measurement date	\$144,674	\$0
<b>Total</b>	<b>\$2,107,443</b>	<b>\$(1,508,626)</b>

\$144,674 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow of Resources	Deferred Inflows of Resources
2023	\$626,382	\$(607,683)
2024	\$549,469	\$(455,170)
2025	\$441,750	\$(344,814)
2026	\$345,169	\$(100,958)

Thereafter	\$ 0	\$ 0
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**Actuarial assumptions.** The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net Pension Liability (Asset)	December 31, 2022
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases	
Wage Inflation	3.0%
Seniority/Merit:	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 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 geometric 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, 2022**

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Public Equities	48	7.6	5
Public Fixed Income	25	5.3	2.7
Inflation Sensitive	19	3.6	1.1
Real Estate	8	5.2	2.6

Private Equity/Debt	15	9.6	6.9
Total Core Fund	115	7.4	4.8
Variable Fund Asset Class			
US Equities	70	7.2	4.6
International Equities	30	8.1	5.5
Total Variable Fund	100%	7.7%	5.1%

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

*\* New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.5%.*

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

**Single Discount rate.** A single discount rate of 6.8% was used to measure the Total Pension Liability for the current and prior year. The discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05% (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, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase To Discount Rate (7.80%)
City of Phillips' proportionate share of the net pension liability (asset)	\$1,075,736	\$324,117	\$(192,931)

*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, 2023, the City reported payables to the WRS of \$15,402.

### **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 purposes of measuring following:

- Net OPEB Liability,
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits, and
- OPEB Expense (Revenue).

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

#### **General Information about the Other Post-Employment Benefits**

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

**OPEB Plan Fiduciary Net Position.** ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

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

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions 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, 2023 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, 2023 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 \$252 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, 2023, the City reported a liability (asset) of \$47,901 for its proportionate share of the net OPEB liability (asset). The net OPEB liability(asset) was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2022 rolled forward to December 31, 2023. 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, 2023 the City's proportion was 0.01257300% which was an increase of 0.000008% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2023 the City recognized OPEB expense of \$1,019.

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB's from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$(4,688)
Net differences between projected and actual earnings on OPEB plan investments	\$899	\$-
Change in assumptions	\$17,210	\$(28,274)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$1,540	\$(15,703)
Employer contributions subsequent to the measurement date	\$-	\$-
Totals	\$19,649	\$(48,665)

\$0 reported as deferred outflows related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2023. 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
2023	\$6,607	\$(11,359)
2024	5,767	(11,320)
2025	4,866	(9,064)
2026	2,199	(6,963)
Thereafter	209	(9,960)

**Actuarial assumptions.** The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	January 1, 2022
Measurement Date of Net OPEB Liability (Asset)	December 31, 2022
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield*	3.72%
Long-Term Expected Rate of Return	4.25%
Discount Rate	3.76%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table

*\*Based on the Bond Buyer GO index*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The total OPEB liability for

December 31, 2022 is based upon a roll-forward of the liability calculated from the January 1, 2022 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, 2022**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg US Interim Credit	50%	2.45%
US Mortgages	Bloomberg US MBS	50%	2.83%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The expected inflation rate remained unchanged from the prior year at 2.30%.

**Single Discount rate.** A single discount rate of 3.76% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The significant change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

**Sensitivity of the City's proportionate share of the net OPEB liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.17%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (2.76%)	Current Discount Rate (3.76%)	1% Increase to Discount Rate (4.76%)
City's proportionate Share of the net OPEB liability (asset)	\$65,308	\$47,901	\$34,561

### **Payables to the OPEB plan**

As of December 31, 2023, 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 \$337,235 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>	Governmental Activities (Fund Balances)	<u>Purpose</u>
TIF Districts	\$ 794,166	Restricted for TIF district projects
CDBG	164,849	Restricted for housing rehab projects
Splash Pad	27,453	Restricted for splash pad project
Band Shell	1,668	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, 2023 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

City of 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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property tax	\$ 886,461	\$ 886,461	891,802	\$ 5,341
Other tax	9,000	9,000	2,608	(6,392)
Intergovernmental aid	807,313	807,313	808,121	808
Licenses and permits	9,500	9,500	11,131	1,631
Fines, forfeits and penalties	16,600	16,600	11,828	(4,772)
Public charge for service	228,854	228,854	251,683	22,829
Intergovernmental charge for service	90,347	90,347	93,022	2,675
Commercial	77,950	77,950	223,495	145,545
Total revenues	<u>2,126,025</u>	<u>2,126,025</u>	<u>2,293,690</u>	<u>167,665</u>
Expenditures:				
Current:				
General government	193,655	193,655	218,031	(24,376)
Public Safety	719,978	719,978	806,725	(86,747)
Public Works	424,781	424,781	466,422	(41,641)
Health and human services	73,660	73,660	15,706	57,954
Culture, recreation and education	413,652	413,652	465,424	(51,772)
Conservation and development	10,650	10,650	50,940	(40,290)
Total Current	<u>1,836,376</u>	<u>1,836,376</u>	<u>2,023,248</u>	<u>(186,872)</u>
Debt Service:				
Principal	156,043	156,043	155,941	102
Interest	11,669	11,669	12,067	(398)
Total Debt service	<u>167,712</u>	<u>167,712</u>	<u>168,008</u>	<u>(296)</u>
Capital Expenditures	11,008	11,008	247,560	(236,552)
Total Expenditures	<u>2,015,096</u>	<u>2,015,096</u>	<u>2,438,816</u>	<u>(423,720)</u>
Excess of revenue over(under) expenditures	110,929	110,929	(145,126)	(256,055)
Other Financing Sources (Uses):				
Other uses	(83,490)	(83,490)	0	83,490
Total Other Sources(Uses)	<u>(83,490)</u>	<u>(83,490)</u>	<u>-</u>	<u>83,490</u>
Net change in fund balance	27,439	27,439	(145,126)	(172,565)
Fund balance, beginning of year	<u>\$2,798,891</u>	<u>2,798,891</u>	<u>2,798,891</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,826,330</u>	<u>\$ 2,826,330</u>	<u>\$2,653,765</u>	<u>\$ (172,565)</u>

City of Phillips, Wisconsin  
Notes to Required Supplementary Information  
On Budgetary Accounting and Control  
Year Ending December 31, 2023

**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, 2023, expenditures exceeded appropriations in the following categories:

General Government	\$24,376
Public Safety	86,747
Public Works	41,641
Culture, Recreation and Education	51,772
Conservation and Development	40,290
Interest on Debt	398
Capital Expenditures	236,552

Other governmental funds were not budgeted in 2023.

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	Proportion of the Net Pension	Proportionate Share of the Net Pension	Covered- Employee Payroll	Plan fiduciary net position as a Percentage of the Total pension Liability (Asset)	Collective Net Pension Liability (Asset) as a % of the Employer covered employee payroll
Ending	Liability (Asset)	Liability (Asset)	(plan year)	Liability (Asset)	
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%
2021	0.00620374%	\$ (500,032)	\$ 846,051	106.02%	-59.10%
2022	0.00611808%	\$ 324,117	\$ 845,798	95.72%	38.32%

\*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	Contractually Required Contributions	Contributions In Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Ending	Contributions	Contributions	(Excess)	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	\$ 69,310	\$ 69,310	\$ -	\$ 834,587	8.30%
2021	\$ 71,740	\$ 71,740	\$ -	\$ 846,051	8.48%
2022	\$ 71,243	\$ 71,243	\$ -	\$ 845,798	8.42%

\*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

See Independent Auditor's Report

CITY OF PHILLIPS  
Notes to Required Supplementary Information - WRS Pension  
For the Year Ended December 31, 2023

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

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

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

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

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

Fiscal Year Ending	Valuation Date	Actuarial Cost Method	Amortization Method	Amortization Period	Asset Valuation Method	Net Investment Rate of Return	Weighted Based on Assumed Rate for:				Actuarial Assumptions			
							Pre-Retirement	Post-Retirement	Wage Inflation	Seniority/Merit	Post-Retirement Benefit Adjustments*	Retirement Age	Mortality	
2013	12/31/2011	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2014	12/31/2012	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2015	12/31/2013	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2016	12/31/2014	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2017	12/31/2015	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2018	12/31/2016	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2019	12/31/2017	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.50%	7.20%	5.00%	3.20%	.1%-5.6%	2.10%	See 4 below	See 5 below	
2020	12/31/2018	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below	
2021	12/31/2019	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below	
2022	12/31/2020	Frozen Entry Age	See 1 below	See 2 below	See 3 below	5.40%	7.00%	5.00%	3.00%	.1%-5.6%	1.90%	See 4 below	See 5 below	

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

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

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

SCHEDULE OF CITY OF PHILLIPS' PROPORTIONATE SHARE  
OF THE NET OPEB LIJIF LIABILITY (ASSET)  
LOCAL RETIREE LIFE INSURANCE FUND

	2017	2018	2019	2020	2021	2022
City of Phillip's proportion of the net OPEB liability (asset)	0.02341400%	0.02009300%	0.01600100%	0.01392900%	0.01256500%	0.01257300%
City of Phillip's proportionate share of the net OPEB liability (asset)	\$70,443	\$51,847	\$68,135	\$76,620	\$74,264	\$47,901
City of Phillip's covered-employee payroll	\$984,626	\$745,000	\$827,000	\$784,000	\$814,000	\$820,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%	48.69%	37.58%	31.36%	29.57%	38.81%

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

SCHEDULE OF CITY OF PHILLIPS CONTRIBUTIONS  
LOCAL RETIREE LIFE INSURANCE FUND

	2017	2018	2019	2020	2021	2022
Contractually required contributions	\$444	\$387	\$289	\$277	\$257	\$252
Contributions in relation to the contractually required contributions	\$444	\$387	\$289	\$277	\$257	\$252
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Phillip's covered-employee payroll	\$984,626	\$745,000	\$827,000	\$784,000	\$814,000	\$820,000
Contributions as a percentage of covered-employee payroll	0.045093%	0.051946%	0.034946%	0.035332%	0.031572%	0.030732%

\*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

Notes to Required Supplementary Information  
For the Year Ended December 31, 2023

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

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

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

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

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

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

See Independent Auditor's Report

City of Phillips, Wisconsin

Other Supplementary Information

City of Phillips, Wisconsin  
Combining Balance Sheet  
Nonmajor Governmental Funds  
As of December 31, 2023

		Capital Projects		
	CDBG Fund	Splash Pad Fund	Band Shell Fund	Total Nonmajor Govt Funds
<b>Assets</b>				
Cash and Investments		\$ 21,535	\$ 1,668	\$ 23,203
Due from other funds		5,918	-	5,918
Restricted cash	165,349	-	-	165,349
Long term receivables	400,428			400,428
Total Assets	<u>\$ 565,777</u>	<u>\$ 27,453</u>	<u>\$ 1,668</u>	<u>\$ 594,898</u>
<b>Liabilities, Deferred Inflows and Fund Balance</b>				
<b>Liabilities</b>				
Due to other funds	500	-	-	500
Total Liabilities	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
<b>Deferred Inflows of Resources</b>				
Community Development Block Grants	400,428	-	-	400,428
Total Deferred Inflows of Resources	<u>400,428</u>	<u>-</u>	<u>-</u>	<u>400,428</u>
<b>Fund Balances</b>				
Restricted:				
CDBG loans	164,849			164,849
Splash pad project		27,453		27,453
Band shell project			1,668	1,668
Total Fund Balance	<u>164,849</u>	<u>27,453</u>	<u>1,668</u>	<u>193,970</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 565,777</u>	<u>\$ 27,453</u>	<u>\$ 1,668</u>	<u>\$ 594,898</u>

City of Phillips, Wisconsin  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2023

		Capital Projects		
	CDBG Fund	Splash Pad Fund	Band Shell Fund	Total Nonmajor Govt Funds
Revenues:				
Commercial	39,518	11	1	39,530
Total revenues	<u>39,518</u>	<u>11</u>	<u>1</u>	<u>39,530</u>
Expenditures:				
Current:				
Culture, recreation and education		136	-	136
Conservation and development	30	-	-	30
Total Current	<u>30</u>	<u>136</u>	<u>-</u>	<u>166</u>
Net change in fund balance	39,488	(125)	1	39,364
Fund balance, beginning of year	125,361	27,578	1,667	154,606
Fund balance, end of year	<u>\$ 164,849</u>	<u>\$ 27,453</u>	<u>\$ 1,668</u>	<u>\$ 193,970</u>



## **EAGLE AUDIT & ACCOUNTING, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

Members of:

American Institute of Certified Public Accountants

Wisconsin Institute of Certified Public Accountants

Government Audit Quality Center

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

**Independent Auditor's Report**

To the 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, the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2024.

**Report on Internal Control Over Financial Reporting**

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

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robbiller@pctcnet.net

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2023-001 and 2023-002 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **City of Phillips's Response to Findings**

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

## **Purpose of this Report**

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

*Eagle Audit & Accounting, LLC*

Eagle Audit & Accounting, LLC

Certified Public Accountants  
Park Falls, Wisconsin  
March 5, 2024

**City of Phillips, WI**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2023**

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

**Financial Statements Findings**

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

**Section 2 - Financial Statement Findings**

**Finding 2023-001: 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.

**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 2023-002: 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 – Other Issues**

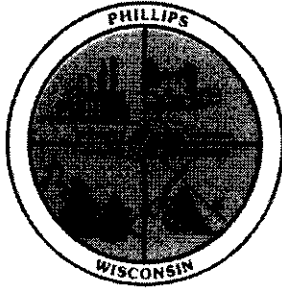
	Yes	No
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?		X
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned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

March 5, 2024



# 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, 2023

## **Status of Prior Year Audit Findings**

### **2022-001 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.

### **2022-002 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.

### **2022-003 Internal Control Issue – Issue resolved.**

## **Corrective Action Plan**

### **2023-001 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

### **2023-002 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