City of Phillips, Wisconsin

Financial Statements
with Independent Auditor's Report

December 31, 2025

Clearfield Auditing and Consulting CPAs PC
74563 E. Butler Rd.
Mellen, WI 54546

City of Phillips, Wisconsin
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December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

City Council of
City of Phillips
Phillips, Wisconsin

Report on the Audit of the Financial Statements

Opinions

I have audited 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, Wisconsin ("City") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2025, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements
My 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 my 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 GAAS 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 GAAS, I:

- 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 the required supplementary information listed in the table of contents 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
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The Combining Balance Sheet – Non-major Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet – Non-major Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds are 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 my opinion, the Combining Balance Sheet – Non-major Governmental Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Tim Chopelt

Mellen, WI
June 18, 2026

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 activity revenues were $2,787,882; including $1,346,773 of property taxes, $751,959 of general state aid, and $551,363 of charges for services and operating grants. Total governmental activity expenditures were $3,055,625. The City increased the amount of outstanding general obligation debt by $922,385.

Total business-type activity fund revenues were $1,246,248; including $1,102,038 of user fees. Total business-type activity expenditures were $1,169,053. The City decreased the amount of outstanding business-type debt by $368,918.

The City's financial status, as reflected in total net position, decreased by $190,548. Net position of governmental activities due to operations decreased by $267,743 and business-type activities (water/sewer) increased by $77,195.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government wide financial statements

- The government-wide financial statements are the *statement of net position* and *statement of activities*. These statements present the aggregate view of the City's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or significant portion of costs through user fees and charges called *business type activities*.

- The *statement of net position* presents information on all of the City assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The *statement of activities* presents information showing how the City's net position changed during the year. This statement reports the cost of governmental functions and business-type functions and how those functions were financed for the fiscal year.

- The government-wide financial statements are shown on pages 4 to 5 of this report.

<u>Fund financial statements</u>

- The City also produces fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating the City's near-term financing requirements. There are two fund financial statements, the balance sheet and statements of revenue, expenditures and changes in fund balance. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.

- Because the focus of fund financial statements is narrower than that of the government-wide statements, it is useful to make comparison between information presented. By doing so readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided as separate statements on pages 7 and 9.

- The municipality has three kinds of funds: *governmental*, *propriety* and *fiduciary*. *Governmental funds* include the City's two permanent funds (general and special revenue) and individual capital project funds as needed. The City has one *proprietary funds*, the water and sewer utility fund. The only *fiduciary fund* for the City serves as an agency fund for tax collections for other governments.

- Financial information is presented separately on both the *balance sheet* and the *statement of revenues*, *expenditures* and *changes in fund balance* for the general fund, and TIF #3 & #4 as these are considered to be major funds. The governmental fund financial statements are on pages 6 to 9 of this report,

- The proprietary fund statements are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the City provides a *statement of cash flows* for the proprietary funds. Proprietary fund statements are located on pages 10 to 12 of this report.

- The City serves as a trustee, or *fiduciary*, for tax collections. The assets of this fund do not directly benefit nor are they under the direct control of the City. The City's responsibility is limited to ensuring the assets reported in this fund are distributed to the other governmental entities as prescribed by statute. *Fiduciary* activities are excluded from the government-wide financial statements because the City cannot use these assets to finance operations. The *Fiduciary* fund statemes are presented on page 14 and 15.

- 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 50 of this report.

<u>Notes to the financial statements</u>

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.

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

	Government-Wide Statements	Fund Financial Statements: Governmental	Fund Financial Statements: Proprietary	Fund Financial Statements: Fiduciary
Scope	Entire City (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary, such as general govt., public safety, public works, etc.	Activities the City operates similar to private business. The City's water/sewer utility are the proprietary operations.	Assets held by the City on behalf of someone else. Tax collections for other governments that are on deposit with the City are reported here.
Required financial statements	• Statement of net position • Statement of activities.	• Balance Sheet • Statement of revenues, expenditures and changes in fund balance.	• Statement of net position • Statement of revenues, expenses and change in net assets • Statement of cash flows.	• Statement of fiduciary net position
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

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, 2025 compared to 2024.

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

	Governmental Activities		Business-Type Activities		Total Municipality		% Change
	2025	2024	2025	2024	2025	2024	2025
Current and other assets	$ 4,830.7	$ 3,612.0	$ 511.2	$ 531.8	$ 5,341.8	$ 4,143.8	28.9%
Capital assets	6,697.1	6,812.5	8,864.0	9,144.4	15,561.1	15,957.0	-2.5%
Total assets	**11,527.8**	**10,424.5**	**9,375.1**	**9,676.3**	**20,902.9**	**20,100.8**	**4.0%**
Total deferred outflows	**225.1**	**1,453.6**	**55.4**	**161.1**	**280.5**	**1,614.7**	**-82.6%**
Long-term debt outstanding	2,107.7	1,196.5	2,475.0	2,831.5	4,582.7	4,028.1	13.8%
Other liabilities	202.3	77.6	14.9	30.4	217.2	108.0	101.2%
Total liabilities	**2,310.0**	**1,274.1**	**2,489.9**	**2,861.9**	**4,799.8**	**4,136.0**	**16.0%**
Total deferred inflows	**1,732.4**	**2,625.7**	**25.3**	**137.3**	**1,757.7**	**2,763.0**	**-36.4%**
Net position							
Net investment in capital assets	4,705.7	5,743.5	6,417.1	6,328.7	11,122.8	12,072.2	-7.9%
Restricted	1,493.7	1,257.7	1.0	0.9	1,494.7	1,258.6	18.8%
Unrestricted	1,511.2	977.1	497.3	508.5	2,008.4	1,485.7	35.2%
Total net position	**$ 7,710.6**	**$ 7,978.3**	**$ 6,915.3**	**$ 6,838.1**	**$ 14,625.9**	**$ 14,816.5**	**-1.3%**

Note: totals may not add due to rounding

Unrestricted net position, the amount available to the City to use in future periods for general purposes, increased by $534,043. A total of $11,122,814 (76%) is included in net investment in capital assets which is not spendable for continuing activities of the City.

In governmental activities, total assets increased $1,103,264 including an increase City cash and restricted cash of $971,798 due to proceeds from issuance of general obligation notes payable and term bonds offset by a decrease in capital assets of $115,397. 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.

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, 2025 compared to 2024.

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

	Governmental Activities		Business-Type Activities		Total Municipality		% Change
	2025	2024	2025	2024	2025	2024	2025
Current and other assets	$ 4,830.7	$ 3,612.0	$ 511.2	$ 531.8	$ 5,341.8	$ 4,143.8	28.9%
Capital assets	6,697.1	6,812.5	8,864.0	9,144.4	15,561.1	15,957.0	-2.5%
Total assets	**11,527.8**	**10,424.5**	**9,375.1**	**9,676.3**	**20,902.9**	**20,100.8**	**4.0%**
Total deferred outflows	**225.1**	**1,453.6**	**55.4**	**161.1**	**280.5**	**1,614.7**	**-82.6%**
Long-term debt outstanding	2,107.7	1,196.5	2,475.0	2,831.5	4,582.7	4,028.1	13.8%
Other liabilities	202.3	77.6	14.9	30.4	217.2	108.0	101.2%
Total liabilities	**2,310.0**	**1,274.1**	**2,489.9**	**2,861.9**	**4,799.8**	**4,136.0**	**16.0%**
Total deferred inflows	**1,732.4**	**2,625.7**	**25.3**	**137.3**	**1,757.7**	**2,763.0**	**-36.4%**
Net position							
Net investment in capital assets	4,705.7	5,743.5	6,417.1	6,328.7	11,122.8	12,072.2	-7.9%
Restricted	1,493.7	1,257.7	1.0	0.9	1,494.7	1,258.6	18.8%
Unrestricted	1,511.2	977.1	497.3	508.5	2,008.4	1,485.7	35.2%
Total net position	**$ 7,710.6**	**$ 7,978.3**	**$ 6,915.3**	**$ 6,838.1**	**$ 14,625.9**	**$ 14,816.5**	**-1.3%**

Note: totals may not add due to rounding

In government activities, the City had a decrease in net position of $267,743, which is an decrease from the prior year of $639,371. The change from last year was mainly due to the effects of changes in the amounts for GASB 68 for the Wisconsin Retirement System.

<u>Business – Type Activities</u>
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 $77,195, a decrease of $301,705 from the prior year. The difference is attributable reduction in federal grants received for a street project in the prior year.
- Charges for services, which are amounts paid by customers of the water/sewer utility, increased $10,259 from $1,091,779.
- The water and sewer utility acquired new capital assets in the amount of $155,529. These consisted of purchases of new water meters and additional construction in progress for the utility portion of the Fifield/Ash Street project.

Governmental Activities

Net cost of governmental activities Table 3, below, provides a summary of the City's change in net cost of Governmental Activities for the year ended December 31, 2025 compared to 2024.

Table 3
Net Cost of Governmental Activities
(in thousands of dollars)

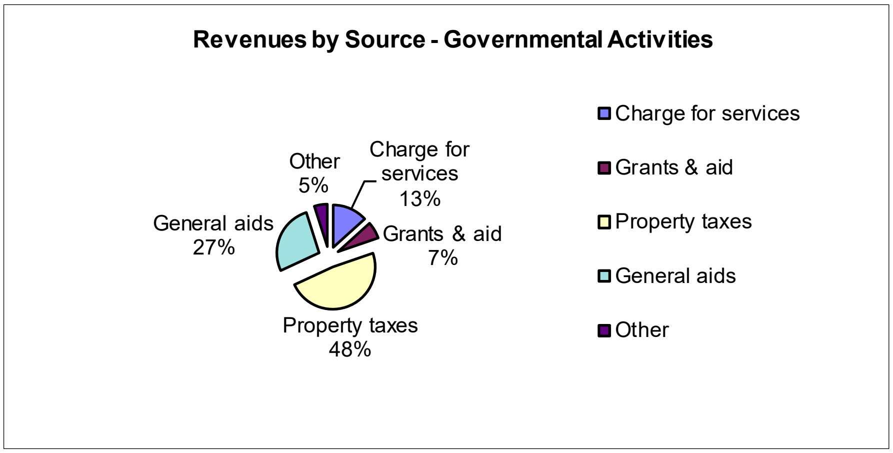
	Total Cost of Services 2025	Total Cost of Services 2024	Net Cost of Services 2025	Net Cost of Services 2024	Net Cost Percentage Change
General Government	$ 262.4	$ 280.3	$ 262.4	$ 280.3	-6.4%
Public Safety	1,068.2	832.5	926.2	667.6	38.7%
Public Works	889.9	801.3	658.2	546.1	20.5%
Health & human services	16.7	17.1	11.4	10.3	11.1%
Culture & recreation	599.5	503.3	427.3	359.6	18.8%
Conservation & develop	62.2	54.8	62.2	54.8	13.4%
Debt service	156.7	54.8	87.0	2,489.4	-96.5%
Total	$ 3,055.6	$ 2,544.2	$ $ 2,434.6	$ 4,408.1	-44.8%

Note: totals may not add due to rounding

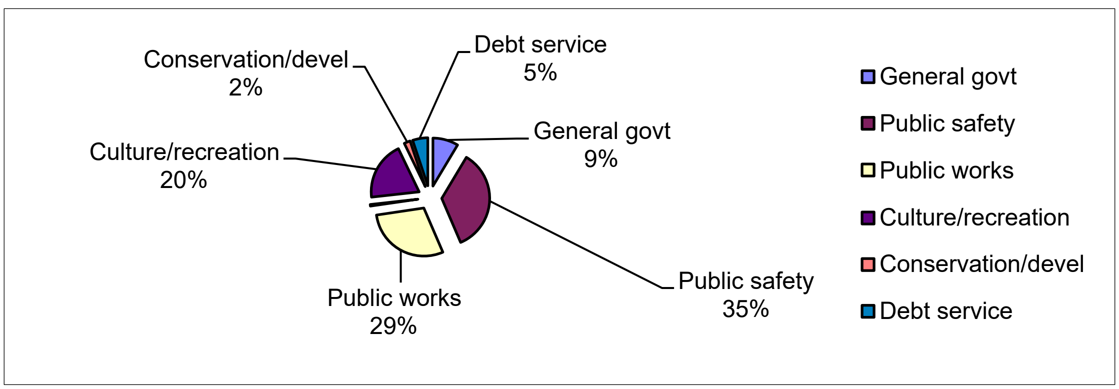
Budgetary Analysis – General Fund Only

The City made no budget amendments for the year. Expenditures were more than budget by $533,688 overall, due mainly to capital expenditures the City didn't budget for. Actual revenues exceeded budgeted revenues by $95,927, the majority of which was due to intergovernmental aid and commercial revenue in excess of budgeted amounts. In addition, the City received proceeds from the issuance of General Obligation Notes Payable and Term Bonds which were not included in the budget.

Revenues by Source – the chart below shows the various sources of revenue by source for the year ending December 31, 2025.



Expenditures by Function – the chart below shows the various governmental activities expenditures by function for the year ending December 31, 2025.



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, 2024 to December 31, 2025.

Table 4
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Municipality		Total % Change
	2025	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**
Land	$ 317.1	$ 317.1	$ 21.5	$ 21.5	$ $ 338.6	$ $ 338.6	0.0%
Construction in progress	540.5	540.5	1,235.9	1,085.8	1,776.4	1,626.4	9.2%
Buildings and Site Improvements	4,069.8	4,069.8	-	-	4,069.8	4,069.8	0.0%
Equipment & Vehicles	4,156.3	4,104.5	-	-	4,156.3	4,104.5	1.3%
Infrastructure	5,376.9	5,024.5	-	-	5,376.9	5,024.5	7.0%
Water distribution	-	-	6,138.3	6,134.8	6,138.3	6,134.8	0.1%
Sewer collection & treatment	-	-	9,468.8	9,468.8	9,468.8	9,468.8	0.0%
Accumulated depreciation	(7,763.5)	(7,243.9)	(8,000.5)	(7,566.5)	(15,764.0)	(14,810.3)	6.4%
Total	$ **6,697.1**	$ **6,812.5**	$ **8,864.0**	$ **9,144.4**	$ **$ 15,561.1**	$ **$ 15,957.0**	**-2.5%**

Note: totals may not add due to rounding

The major additions to capital assets included a new fire truck, fire department equipment, playground equipment at a city park, a police squad, and construction in progress for the Fifield/Ash Street Project in governmental activities, and capital expenditures for water meters 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, 2024 to December 31, 2025.

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

	Total Municipality		Total % Change
	2025	**2024**	**2025**
Long-term leases	$ 613.8	$ 666.2	-7.9%
Environmental Improvement Fund Revenue Bonds	1,531.2	1,546.7	-1.0%
General obligation debt	2,293.3	1,671.9	37.2%
Total	$ **4,438.3**	$ **3,884.8**	**14.2%**

Note: totals may not add due to rounding

On December 15, 2025, the City issued General Obligation Notes Payable and Term Bonds with a principal amount of $2,040,000 and an offering premium of $59,410 resulting in net proceeds of $2,099,410. Proceeds were utilized to refund the City's Series 2017 General Obligation Water and Sewer System Bonds and fund City infrastructure projects. In addition, the City incurred $75,789 of additional Environmental Improvement Fund Revenue Bond related to its Safe Drinking and Clean Water projects.

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 within the next 5 years.
- City Hall is looking at large upgrade to the heating and cooling system to allow for a more energy-efficient system
- 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 MUNICIPALITIY'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.

Basic Financial Statements

City of Phillips, Wisconsin

Statement of Net Position

As of December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 2,156,522	$ 176,269	$ 2,332,791
Restricted Cash and Investments	976,209	430,686	1,406,895
Receivables	-	246,158	246,158
Property Taxes Receivable	1,020,712	-	1,020,712
Internal Receivables	351,798	(351,798)	-
Inventories and Prepaid Items	-	9,868	9,868
Long-term Receivables	325,371	-	325,371
Capital Assets,			
Not Being Depreciated	857,598	1,257,414	2,115,012
Net of Accumulated Depreciation	5,839,548	7,606,550	13,446,098
Total Assets	11,527,758	9,375,147	20,902,905
Deferred Outflows of Resources			
WRS Pension Related Outflows of Resources	218,558	53,753	272,311
OPEB Life Related Outflows of Resources	6,589	1,621	8,210
Total Deferred Outflows of Resources	225,147	55,374	280,521
Liabilities			
Accounts Payable	163,626	6,827	170,453
Accrued payroll & related items	24,798	-	24,798
Accrued Interest	13,864	8,045	21,909
Noncurrent Liabilities			
Due Within One Year	190,332	215,815	406,147
Due in More Than One Year	1,801,100	2,231,049	4,032,149
Net Pension Liability	79,623	19,583	99,206
Net OPEB Liability	36,616	8,551	45,167
Total Liabilities	2,309,959	2,489,870	4,799,829
Deferred Inflows of Resources			
Deferred Property Taxes	1,303,980	-	1,303,980
Amounts Paid to CDBG Grant Recipients	325,370	-	325,370
WRS Pensions, Net of Accumulated Amortization	79,963	19,666	99,629
OPEB Life, Net of Accumulated Amortization	23,040	5,666	28,706
Total Deferred Inflows of Resources	1,732,353	25,332	1,757,685
Net Position			
Net Investment in Capital Assets	4,705,714	6,417,100	11,122,814
Restricted			
TIF districts	1,230,309	-	1,230,309
CDBG Housing project	234,276	-	234,276
Splash pad project	27,474	-	27,474
Band shell project	1,669	-	1,669
Water/sewer loan covenant	-	430,686	430,686
Unrestricted	1,511,151	67,533	1,578,684
Total Net Position	$ 7,710,593	$ 6,915,319	$ 14,625,912

City of Phillips, Wisconsin
Statement of Activities
For the Year ended December 31, 2025

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	$ 262,390	$ -	$ -	$ (262,390)	$ -	$ (262,390)
Public Safety	1,068,194	134,897	7,139	(926,158)	-	(926,158)
Public Works	889,930	58,823	172,947	(658,160)	-	(658,160)
Health and human services	16,746	5,350	-	(11,396)	-	(11,396)
Parks, Recreation and Culture	599,508	172,207	-	(427,301)	-	(427,301)
Community Development	62,180	-	-	(62,180)	-	(62,180)
Interest on Long-Term Debt	156,677	-	-	(156,677)	-	(156,677)
Total Governmental Activities	3,055,625	371,277	180,086	(2,504,262)	-	(2,504,262)
Business-Type Activities						
Water/Sewer utility	1,169,053	1,102,038	140,751	-	73,736	73,736
Total Business-Type Activities	1,169,053	1,102,038	140,751	-	73,736	73,736
Total Primary Government	$ 4,224,678	$ 1,473,315	$ 320,837	(2,504,262)	73,736	(2,430,526)
General Revenues						
Property Taxes						
General Purposes				948,466	-	948,466
Debt Services				398,307	-	398,307
State and federal aid not restricted to specific functions:				751,959	-	751,959
Interest and investment earnings				62,943	3,459	66,402
Miscellaneous				74,844	-	74,844
Transfers				-	-	-
Total General Revenues and Transfers				2,236,519	3,459	2,239,978
Change in Net Position				(267,743)	77,195	(190,548)
Net Position, *Beginning of Year*				7,978,336	6,838,124	14,816,460
Net Position, *End of Year*				$ 7,710,593	$ 6,915,319	$ 14,625,912

See Accompanying Notes to the Financial Statements.

City of Phillips, Wisconsin
Balance Sheet
Governmental Funds
As of December 31, 2025

	General	TIF District No. 3	TIF District No. 4	Nonmajor Governmental Funds	Total
Assets					
Cash	$ 2,133,297	$ -	$ -	$ 23,225	$ 2,156,522
Restricted cash	-	299,434	442,000	-	741,434
Receivables:					
Taxes receivable	1,020,712	-	-	-	1,020,712
Due from other funds	365,601	140,865	1,820,570	10,619	2,337,655
Advance to other funds	1,252,965	-	-	-	1,252,965
Long term receivables	-	-	-	325,371	325,371
Total Assets	4,772,575	440,299	2,262,570	359,215	7,834,659
Liabilities					
Accounts payable	163,626	-	-	-	163,626
Accrued payroll and related items	24,798	-	-	-	24,798
Due to other funds	885,155	910,835	184,666	5,201	1,985,857
Advance from other funds	-	805,704	447,261	-	1,252,965
Total Liabilities	1,073,579	1,716,539	631,927	5,201	3,427,246
Deferred Inflows of Resources					
Deferred Property Taxes	834,077	69,569	400,334	-	1,303,980
Amounts Paid to CDBG Grant Recipients	-	-	-	325,370	325,370
Total Deferred Inflows of Resources	834,077	69,569	400,334	325,370	1,629,350
Fund Balance					
Restricted					
TIF district projects	-	-	1,230,309	-	1,230,309
CDBG loans	-	-	-	234,276	234,276
Splash Pad Project	-	-	-	27,474	27,474
Band Shell Project	-	-	-	1,669	1,669
Unrestricted, Unassigned	2,864,919	(1,345,809)	-	-	1,519,110
Total Fund Balance	2,864,919	(1,345,809)	1,230,309	263,419	3,012,838
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 4,772,575	$ 440,299	$ 2,262,570	$ 593,990	$ 8,069,434

City of Phillips, Wisconsin

Reconciliation of Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
As of December 31, 2025

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of Governmental Funds		$ 3,012,838
Capital assets used in governmental activities are not current financial resources and, therefore, are not governmental funds.		
Cost of Capital Assets, Net of Accumulated Depreciation		6,697,146
Certain long-term WRS pension and OPEB related costs and adjustments are not available to pay or are payable reported in currently and are therefore not reported in the funds		
WRS Pension Related Deferred Outflows of Resources	218,558	
OPEB Related Deferred Outflows of Resources	6,589	
WRS Pension Related Liabilities	(79,623)	
OPEB Related Liabilities	(36,616)	
WRS Pension Related Deferred Inflows of Resources	(79,963)	
OPEB Related Deferred Inflows of Resources	(23,040)	5,905
Long-term liabilities, including bonds and notes payable, and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.		
General obligation debt	(1,991,432)	
Accrued interest on general obligation debt	(13,864)	(2,005,296)
Total Net Position of Governmental Activities		$ 7,710,593

City of Phillips, Wisconsin

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year ended December 31, 2025

	General	TIF District No. 3	TIF District No. 4	Other Governmental Funds	Total
Revenues					
Property tax	$ 935,826	$ 61,750	$ 336,557	$ -	$ 1,334,133
Other tax	12,640	-	-	-	12,640
Intergovernmental aid	913,942	5,061	13,042	-	932,045
Licenses and permits	12,799	-	-	-	12,799
Fines, forfeits and penalties	11,966	-	-	-	11,966
Public charge for service	251,705	-	-	-	251,705
Intergovernmental charge for service	94,807	-	-	-	94,807
Commercial	130,488	109	234	6,956	137,787
Total Revenues	2,364,173	66,920	349,833	6,956	2,787,882
Expenditures					
Current					
General government	226,290	-	-	-	226,290
Public Safety	829,779	-	-	-	829,779
Public Works	530,849	-	-	-	530,849
Health and human services	16,523	-	-	-	16,523
Culture, recreation and education	507,074	-	-	-	507,074
Conservation and development	59,316	150	150	120	59,736
Debt Service					
Principal	156,054	-	105,000	-	261,054
Interest	44,419	22,665	15,523	-	82,607
Capital Outlay	404,189	-	-	-	404,189
Total Expenditures	2,774,493	22,815	120,673	120	2,918,101
Excess Revenues Over (Under) Expenditures	(410,320)	44,105	229,160	6,836	(130,219)
Other Financing Sources (Uses)					
Proceeds from Issuance of LT Debt	1,183,491	-	-	-	1,183,491
Debt Issuance Costs	(69,664)	-	-	-	(69,664)
Total Other Financing Sources (Uses)	1,113,827	-	-	-	1,113,827
Net Change in Fund Balance	703,507	44,105	229,160	6,836	983,608
Fund Balance, *Beginning of Year*	2,161,412	(1,389,914)	1,001,149	256,583	2,029,230
Fund Balance, *End of Year*	$ 2,864,919	$ (1,345,809)	$ 1,230,309	$ 263,419	$ 3,012,838

See Accompanying Notes to the Financial Statements.

City of Phillips, Wisconsin

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2025

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of Governmental Funds		$ 983,608
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital Outlays	404,189	
Depreciation Expense	(519,586)	
Amount by which capital outlays are (less) than depreciation in the current period.		(115,397)
WRS pension and OPEB related costs and adjustments reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Net Pension Liability	1,544	
Change in Deferred Outflows Related to Pensions	(1,219,438)	
Change in Deferred Inflows Related to Pensions	994,227	
Change in Net OPEB Liability	9,686	
Change in Deferred Outflows Related to OPEBs	(9,010)	
Change in Deferred Inflows Related to OPEBs	13,880	(209,111)
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.		
Long-term debt principal		261,054
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term debt in the statement of net position, and does not affect the statement of activities.		
Issuance of General Obligation Promissory Notes and Term Bonds		(1,150,000)
Premium of Issuance of General Obligation Promissory Notes and Term Bonds		(33,491)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Accrued Interest		(4,458)
Amortization of bond premiums		52
Change in Net Position of Governmental Activities		$ (267,743)

City of Phillips, Wisconsin

Statement of Net Position
Enterprise Fund
As of December 31, 2025

	Water/ Sewer Fund
Assets	
Current Assets	
Cash and Investments	$ 176,269
Restricted Cash and Investments	430,686
Customer Accounts Receivables	246,158
Materials & Supplies Inventory	9,868
Total Current Assets	862,981
Noncurrent Assets	
Capital Assets, *not Depreciated*	1,257,414
Capital Assets*, Depreciated, net*	7,606,550
Total Noncurrent Assets	8,863,964
Total Assets	9,726,945
Deferred Outflows of Resources	
WRS pension related outflows	53,753
OPEB Life related outflows	1,621
Total deferred outflows of resources	55,374
Liabilities	
Current Liabilities	
Accounts Payable	6,827
Accrued Interest Payable	8,045
Due To Other Funds	351,798
Loans, Bonds and Long-Term Leases Payable - Current	215,815
Total Current Liabilities	582,485
Noncurrent Liabilities	
Loans, Bonds and Long-Term Leases Payable	2,231,049
Net Pension Liability	19,583
Net OPEB Liability	8,551
Total Noncurrent Liabilities	2,259,183
Total Liabilities	2,841,668
Deferred inflows of Resources	
WRS pension related inflows	19,666
OPEB Life related inflows	5,666
Total deferred inflows of resources	25,332
Net Position	
Net Investment in Capital Assets	6,417,100
Restricted, Water/sewer loan covenant	430,686
Unrestricted	67,533
Total Net Position	$ 6,915,319

See Accompanying Notes to the Financial Statements.

City of Phillips, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Fund
For the Year Ended December 31, 2025

	Water/ Sewer Fund
Operating Revenues	
Charges for Services	$ 1,102,038
Total Operating Revenues	1,102,038
Operating Expenses	
Operations and maintenance	622,164
Depreciation	436,012
Taxes	91,553
Total Operating Expenses	1,149,729
Net Operating Income	(47,691)
Nonoperating Revenues (Expenses)	
Other non operating revenues (expenses)	140,751
Interest Income	3,459
Interest (Expense)	(19,324)
Total Nonoperating Revenues (Expenses)	124,886
Change in Net Position	77,195
Net Position, *Beginning of Year*	6,838,124
Net Position, *End of Year*	$ 6,915,319

City of Phillips, Wisconsin
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2025

	Water/ Sewer Fund
Cash Flows From Operating Activities	
Cash received from user charges	$ 1,121,265
Cash payments to employees for services	(214,498)
Cash payments for utilities and other purchased services	(202,350)
Cash payments to suppliers for goods and services	(37,381)
Cash payments for other operating expenses	(264,216)
Net Cash Provided by Operating Activities	402,820
Cash Flows From Non-Capital and Related Financing Activities	
Proceeds from (payments to) municipality	177,441
Net Cash Provided by Non-Capital and Related Financing Activities	177,441
Cash Flows From Capital and Related Financing Activities	
Capital grants and contributions	140,751
Acquisition and construction of capital assets	(155,529)
Debt Principal Payments	(368,918)
Debt Interest Payments	(22,874)
Net Cash Used by Capital and Related Financing Activities	(406,570)
Cash Flows From Investing Activities	
Earnings on Investments	3,459
Net Cash Provided by Investing Activities	3,459
Net Change in Cash and Cash Equivalents	177,150
Cash and Cash Equivalents, *Beginning of Year*	429,805
Cash and Cash Equivalents, *End of Year*	$ 606,955
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	$ (47,691)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	436,012
Related to Operations	
Accounts Receivable	19,227
Materials and supply inventory	1,112
Deferred outflows/inflows	6,122
Accounts Payable	(11,962)
Net Cash Provided by Operating Activities	$ 402,820

City of Phillips, Wisconsin

Statement of Fiducuary Net Position
Fiduciary Funds
December 31, 2025

	Tax Collection Custodial
Assets	
Cash and Investments	$ 386,080
Taxes Receivable	1,111,988
Total Assets	1,498,068
Liabilities	
Due to Other Governments	1,498,068
Total Liabilities	$ 1,498,068

City of Phillips, Wisconsin

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Advance Tax Collection Custodial
Property Tax Collections	$ 1,490,203
Payments to Taxing Jurisdictions	1,490,203
Change in Net Position	-
Net Position - beginning of year	-
Net Positiong - end of year	$ -

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 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 government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. *Business-type activities* are financed in whole or in part by fees charged to external parties for goods or services; 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. Eliminations have been made to minimize the double counting of internal transactions between governmental and business-type activities.

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

B. **Basis of presentation** (Continued)

Government-wide financial statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expense to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund financial statements

Financial statements of the reporting entity 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.

Custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

B. **Basis of presentation** (Continued)

Fund financial statements (Continued)
A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – accounts for all financial activity that is not required to be accounted for in other fund.

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

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

All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major enterprise fund:

Water Sewer Utility Fund – accounts for the activities of the municipal water and sewer utility.

Additionally, the City reports the following fiduciary fund type:

Custodial Fund – used to account for property tax collections received for and disbursed to other taxing districts.

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

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. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liabilities are incurred, or economic asset used, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange 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. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 current fiscal year.

Intergovernmental aid and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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.

Note 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

C. **Measurement Focus and Basis of Accounting** (Continued)

Revenues susceptible to accrual include property taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

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.

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.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

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

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Cash and Investments (Continued)
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 2024 tax levy is used to finance operations of the City for the year ended December 31, 2025. 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.

Wisconsin Statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns, and counties. For the 2024 and 2025 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. Debt service for debt authorized after July 1, 2005, is exempt from the levy limit. In addition, Wisconsin Statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005, and in certain other situations.

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.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Due to and from other funds
The amounts due to and due from other funds reported on the fund balance sheet and statement of net position represent amounts due between fund types (governmental activities, business type activities and fiduciary funds). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water utility, sewer utility, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Inventories and Prepaid Supplies:
Governmental fund inventories, if material, are recorded at cost based on the specific identification method. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

- Government-wide Statements

Capital assets, which include property, plant, equipment, right-to-use assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Capital assets (Continued)

- Government-wide Statements (Continued)

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

	Estimated Useful Life
Buildings & Site Improvements	10 to 50 years
Equipment & Vehicles	5 to 20 years
Road network	20 years
Water distribution system	15 to 75 years
Sewer collection & treatment system	30 to 35 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as the projects are constructed.

- Fund Financial Statements

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

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Deferred Outflows and 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. The City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance 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 three items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and OPEB life insurance and is deferred and amortized over the expected remaining service lives of the pension plan 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.

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.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

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

Net Position
In the government-wide and fiduciary fund financial statements, net position includes the following categories:

- *Net Investment in Capital Assets* - this classification consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.
- *Restricted* - this classification presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - this classification represents the net position of the City, which is not restricted for any project or other purpose.

Fund Balance Classification
The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Fund Balance Classification (Continued)
The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable*: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid expenses as being nonspendable as these items are not expected to be converted to cash within the next year.
- *Restricted*: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Housing program and debt service fund resources are required by law to be used within those funds.
- *Committed*: amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.
- *Assigned*: amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has authority to assign amounts for specific purposes. Assignments may be established, modified, or rescinded only through resolutions approved by the Board.
- *Unassigned*: amounts that are available for any purpose. This classification includes the residual fund balance for the General Fund. The unassigned classification also includes any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City applies restricted resources first when a disbursement is made for a purpose for which both restricted and unrestricted net position or fund balance are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

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.

D. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

Budgetary Accounting (Continued)
Reported budget amounts are as originally adopted or as amended by City Council 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 is 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. Any unspent loan repayments at year end are presented as restricted 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 June 18, 2026, which is the date the financial statements were available to be issued.

Note 2 –**DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES**

Note 2a – **Cash**

Cash and investments reported in the financial statements consisted of the following:

Government-Wide Statement of Net Position		
Cash and Investments	$	2,332,791
Restricted Cash and Investements		1,406,895
Fiduciary Fund		
Tax Collection Cash and Investments		386,080
Total	$	4,125,766

DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES (Continued)

Note 2a – **Cash** (Continued)

As of December 31, 2025, the City's cash and investments consisted of the following:

Deposits	$	3,747,427
Investments		378,239
Petty Cash		100
Total	$	4,125,766

As of December 31, 2025, the City's cash and investments for the Water and Sewer Utility Fund statement of cash flows consisted of the following:

Cash and Investments	$	176,269
Restricted Cash and Investements		430,686
Cash and Cash Equivalents	$	606,955

Restricted cash and investment balances are composed of the balances restricted for usage as a part of the City's CDBG housing rehab and TIF district projects. The Water/Sewer Fund restricted cash balance is reserved by debt covenant with the Clean Water Fund. The utility is required to deposit $44,937 per year into the reserved account until maturity of the loan in May of 2041.

Deposit and investments of the City are subject to the following risks.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's policy for managing its exposure to interest rate risk is to purchase a combination of shorter term and longer term investments and to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Note 2 –**DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES** (Continued)

Note 2a – **Cash** (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City minimizes its credit risk by limiting the type of investments to 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 mature in less than seven years, and the local government pooled-investment fund administered by the State of Wisconsin Investment Board. The City will also diversify its investment portfolio so as to minimize losses from any one type of security or from any one individual issuer.

Concentration of Credit Risk

Concentration of credit risk refers to risk of loss attributed to the City's investment in a single issuer. The City maintains certificates of deposits at one financial institution and shares in the local government pooled-investment fund administered by the State of Wisconsin Investment Board.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for time deposits. In addition, the State of Wisconsin has established the Wisconsin public deposit guarantee fund which provides a maximum of $1,000,000 per institution 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.

At December 31, 2025, deposits exposed to custodial credit risk are summarized as follows:

Deposits per Bank	$	3,800,661
FDIC Insured		(250,000)
Wisconsin Public Deposit Guarantee Fund		(1,000,000)
Total Uninsured and Uncollateralized	$	2,550,661
Carrying Amount	$	4,125,766

Note 2 –**DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES** (Continued)

Note 2b – **Capital Assets**

Capital asset balances and activity for the year ended December 31, 2025 were as follows:

	Balance 12/31/24	Additions	Transfers	Deletions	Balance 12/31/25
Governmental Activities					
Capital Assets, *Not Being Depreciated*					
Land	$ 317,065	$ -	$ -	$ -	$ 317,065
Construction in Progress	540,533	-	-	-	540,533
Total Capital Assets, *Not Being Depreciated*	857,598	-	-	-	857,598
Capital Assets, *Being Depreciated*					
Buildings and Site Improvements	4,069,818	-	-	-	4,069,818
Equipment & Vehicles	4,104,533	51,763	-	-	4,156,296
Road network	5,024,450	352,426	-	-	5,376,876
Total Capital Assets, *Being Depreciated*	13,198,801	404,189	-	-	13,602,990
Capital Assets, *Not Being Depreciated*					
Less Accumulated Depreciation					
Buildings and Site Improvements	(2,214,134)	(127,637)	-	-	(2,341,771)
Equipment & Vehicles	(2,535,890)	(138,502)	-	-	(2,674,392)
Road network	(2,493,832)	(253,447)	-	-	(2,747,279)
Total Accumulated Depreciation	(7,243,856)	(519,586)	-	-	(7,763,442)
Total Capital Assets, *Being Depreciated, net*	5,954,945	(115,397)	-	-	5,839,548
Governmental Activities Capital Assets, *net*	$ 6,812,543	$ (115,397)	$ -	$ -	$ 6,697,146
Business-Type Activities					
Capital Assets, *Not Being Depreciated*					
Land	$ 21,490	$ -	$ -	$ -	$ 21,490
Construction in Progress	1,085,834	150,090	-	-	1,235,924
Total Capital Assets, *Not Being Depreciated*	1,107,324	150,090	-	-	1,257,414
Capital Assets, *Being Depreciated*					
Water distribution system	6,134,818	5,439	-	-	6,140,257
Sewer collection & treatment system	9,468,782	-	-	-	9,468,782
Total Capital Assets, *Being Depreciated*	15,603,600	5,439	-	-	15,609,039
Less: Accumulated Depreciation					
Water distribution system	(2,197,608)	(142,564)	-	-	(2,340,172)
Sewer collection & treatment system	(5,368,869)	(293,502)	-	-	(5,662,371)
Total Accumulated Depreciation	(7,566,477)	(436,066)	-	-	(8,002,543)
Total Capital Assets, *Being Depreciated, net*	8,037,123	(430,627)	-	-	7,606,496
Business-Type Activities Capital Assets, *net*	$ 9,144,447	$ (280,537)	$ -	$ -	$ 8,863,910

Note 2 – **DETAILED DISCLOSURES REGARDING ASSETS AND REVENUES** (Continued)

Note 2b – **Capital Assets** (Continued)

Depreciation expense was charged to governmental programs of the City as follows:

Governmental Activities	
General Government	$ 31,658
Public Safety	80,453
Public Works	85,385
Public Works - Infrastructure	253,443
Health & Human Services	275
Culture, Recreation & Education	65,928
Conservation & Development	2,444
Total	$ 519,586

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES**

Note 3a – **Long-term Liabilities**

Long-term liability balances and activity for the year ended December 31, 2025 were as follows:

	Balance 12/31/25	Additions	Deletions	Balance 12/31/25	Due Within One Year
Governmental Activities					
Long-Term Leases	$ 666,180	$ -	$ (52,364)	$ 613,816	$ 55,110
General Obligation Notes Payable	297,867	1,150,000	(103,690)	1,344,177	135,222
General Obligation Notes Payable and Term and Term Bonds Premium	-	33,491	(52)	33,439	-
General Obligation Tax Increment Financing Refunding Bonds	105,000	-	(105,000)	-	-
Total	$ 1,069,047	$ 1,183,491	$ (261,106)	$ 1,991,432	$ 190,332
Business-Type Activities					
Environmental Improvement Fund Revenue Bonds	$ 1,546,712	$ 75,789	$ (91,327)	$ 1,531,174	$ 215,815
General Obligation Notes Payable	65,000	890,000	(65,000)	890,000	-
General Obligation Notes Payable and Term and Term Bonds Premium	-	25,919	(229)	25,690	-
Series 2017 General Obligation Water and Sewer System Bonds	1,160,000	-	(1,160,000)	-	-
Series 2017 General Obligation Water and Sewer System Bonds Premium	44,070	-	(44,070)	-	-
Total	$ 2,815,782	$ 991,708	$ (1,360,626)	$ 2,446,864	$ 215,815

Payments on bonds and notes payable are made from the City's general, tax increment financing district #4 and water sewer funds.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3a – **Long-term Liabilities** (Continued)

On December 15, 2025, the City issued General Obligation Notes Payable and Term Bonds with a principal amount of $2,040,000 and an offering premium of $59,410 resulting in net proceeds of $2,099,410. Proceeds were utilized to refund the City's Series 2017 General Obligation Water and Sewer System Bonds and fund City infrastructure projects. The notes payable and term bonds bear interest at 4.00% per year. Interest is payable semi-annually on March 1 and September 1 each year. Outstanding principal on the General Obligation Notes Payable will mature serially on March 1 of the years 2026 through 2032 and the term bonds will mature on March 1, 2036 and March 1, 2040.

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:

	Issuance Dates	Interest Rates	Date of Maturity	Balance 12/31/25
Governmental Activities				
General Obligation Note Payable	10/16/2019	2.79%	3/1/2029	$ 135,000
General Obligation Note Payable	4/15/2017	3.45%	7/15/2026	2,269
General Obligation Note Payable	10/29/2024	5.49%	10/21/2028	56,908
General Obligation Notes Payable and Term Bonds	12/15/2025	4.00%	3/1/2040	1,150,000
Long-Term Lease Payable	11/1/2024	5.15%	11/1/2034	613,816
Total				$ 1,957,993
Business-Type Activities				
Environmental Improvement Fund Revenue Bonds	7/28/2021	0.89%	5/1/2041	$ 607,609
Environmental Improvement Fund Revenue Bonds	6/14/2017	1.12%	5/1/2037	549,116
Environmental Improvement Fund Revenue Bonds	7/24/2024	1.42%	5/1/2044	200,513
Environmental Improvement Fund Revenue Bonds	7/24/2024	1.42%	5/1/2044	173,936
General Obligation Notes Payable and Term Bonds	12/15/2025	4.00%	3/1/2040	890,000
Total				$ 2,421,174

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 as of December 31, 2025 is:

Equalized value certified by Wisconsin Department of Revenue for:	2025	$ 147,304,500
Margin of indebtedness at 5%		7,365,225
Deduct long-term debt applicable to debt margin		(2,847,993)
Margin of indebtedness		$ 4,517,232

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3a – **Long-term Liabilities** (Continued)

Future minimum loan payments of principal and interest as of December 31, 2025, were as follows:

Governmental Activities

Year Ended December 31,	Principal	Interest	Total
2026	$ 135,221	$ 38,120	$ 173,341
2027	113,952	46,710	160,662
2028	115,004	42,281	157,285
2029	95,000	37,788	132,788
2030	65,000	34,800	99,800
2031 - 2035	365,000	129,950	494,950
2036 - 2040	455,000	47,100	502,100
Total	$ 1,344,177	$ 376,749	$ 1,720,926

Business-Type Activities

Year Ended December 31,	Principal	Interest	Total
2026	$ 215,815	$ 39,169	$ 254,984
2027	211,859	45,216	257,075
2028	217,915	39,373	257,288
2029	228,983	33,380	262,363
2030	230,063	27,094	257,157
2031 - 2035	791,946	57,018	848,964
2036 - 2040	396,669	17,201	413,870
2041 - 2044	127,924	2,682	130,606
Total	$ 2,421,174	$ 261,133	$ 2,682,307

Leases Payable

On November 11, 2024, the City leased a fire truck under a Master Equipment Lease Purchase Agreement. The leased fire truck will be amortized over the remaining term of the lease which ends November 1, 2034. The net book value of the leased fire truck was $599,563 as of December 31, 2025. Amortization expense in during the year ended December 31, 2025 was $33,309. The lease payable as of December 31, 2025 was $613,816. The interest rate is 5.15%.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3a – **Long-term Liabilities** (Continued)

Future minimum lease payments of principal and interest as of December 31, 2025, were as follows:

Year Ended December 31,	Principal	Interest	Total
2026	$ 55,110	$ 32,189	$ 87,299
2027	58,000	29,299	87,299
2028	61,042	26,257	87,299
2029	64,243	23,056	87,299
2030	67,612	19,687	87,299
2031 - 2035	307,809	41,384	349,193
Total	$ 613,816	$ 171,872	$ 785,688

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 as of December 31, 2025 was $430,686 which is an amount sufficient to ensure compliance with the debt covenant.

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

During the year ended December 31, 2025, the City had the following interfund receivables and payables:

	Due to Other Funds					
	General Fund	TIF District #3 Fund	TIF District #4 Fund	Nonmajor Fund	Water Sewer Funds	Total
Due from Other Funds						
Governmental Funds:						
General	$ -	$ -	$ 184,666	$ 500	$ 180,435	$ 365,601
TIF District #3	136,164	-	-	4,701	-	140,865
TIF District #4	738,372	910,835	-	-	171,363	1,820,570
Nonmajor Governmental Funds	10,619	-	-	-	-	10,619
Total	$ 885,155	$ 910,835	$ 184,666	$ 5,201	$ 351,798	$ 2,337,655

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3b – **Interfund receivables/payables and operating transfers** (Continued)

For the Statement of Net Position interfund balances which are owed within the governmental activities funds or business-type activities funds are eliminated. Balance owed between the governmental activities funds and the business-type activities funds are reported in the Statement of Net Position and include:

	Amount Due From (To)
Governmental Activities:	
Water Sewer	$ 351,798
Total Governmental Funds:	351,798
Business-Type Activities:	
General	(180,435)
TIF District #4	(171,363)
Total Proprietary Funds	$ (351,798)

Operating 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. During the year ended December 31, 2025, the City did not utilize any operating transfers.

Note 3c – **Defined Benefit Pension Plan**

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.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)
ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

General Information about the Pension Plan (Continued)

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
2015	2.90%	2.00%
2016	0.50%	-5.00%
2017	2.00%	4.00%
2018	2.40%	17.00%
2019	0.00%	-10.00%
2020	1.70%	21.00%
2021	5.10%	13.00%
2022	7.40%	15.00%
2023	1.60%	-21.00%
2024	3.60%	15.00%

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, 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.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

General Information about the Pension Plan (Continued)

Contributions (Continued)
During the reporting period ending December 31, 2025, the WRS recognized $96,806 in contributions from the employer.

Contribution rates as of December 31, 2025 are:

Employee Category	Employee
General, Teachers, Executive and Elected Officials	6.95%
Protective Occupation with Social Security	6.95%
Protective Occupation without Social Security	6.95%

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

At December 31, 2025, the City reported a liability of $99,206 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. 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 pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2024, the City's proportion was 0.00603751%, which was a decrease of 0.00009642% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized pension expense of $135,253.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

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

At December 31, 2025, the City 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	$ 92,826	$ 99,629
Changes in assumptions and other inputs	1,190	-
Net difference between projected and actual Earnings on plan investments	79,593	-
Changes in proportion	1,896	-
Contributions subsequent to the measurement date	96,806	-
Total	$ 272,311	$ 99,629

$96,806 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 in the year ended December 31, 2026.

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,	
2026	$ 336,854
2027	(248,031)
2028	(12,947)
Total	$ 75,876

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

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

Actuarial assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31,2023
Measurement Date of the Net Pension Liability	December 31,2024
	January 1, 2021 - December 31, 2023
Experience Study	Published November 19, 2024
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	6.80%
Discount rate	6.80%
Salary increases	
Wage inflation	3.00%
Seniority/Merit:	0.10% - 5.70%
Mortality	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.70%

** 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. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including seniority (merit) and separation rates. The total pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

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

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:

Core Fund Asset Class	Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	38%	7.00%	4.30%
Public Fixed Income	27%	6.10%	3.40%
Private Equity/Debt	20%	9.50%	6.70%
Inflation Sensitive	19%	4.80%	2.10%
Real Estate	8%	6.50%	3.80%
Leverage*	-12%	3.70%	1.10%
Total Core Fund	100%	7.50%	4.80%
Variable Fund Asset	Allocation	Rate of Return	Rate of Return
U.S. Equities	70%	6.50%	3.80%
International Equities	30%	7.40%	4.70%
Total Core Fund	100%	6.90%	4.20%

** New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.6%.*

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range of up to 20%.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

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

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 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). 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's proportionate share of the net pension liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City of Phillip's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
City's Proportionate Share of the Net Pension Liability (Asset)	$ 930,684	$ 99,206	$ 491,535

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3c – **Defined Benefit Pension Plan** (Continued)

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

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, 2025, the City reported payables to the WRS of $16,809.

Note 3d – **Other Post-Employment Benefits - Life Insurance**

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 Annual Comprehensive Financial Report (ACFR), 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.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3d – **Other Post-Employment Benefits - Life Insurance** (Continued)

General Information about the Other Post-Employment Benefits (Continued)

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

Contributions rates as of December 31, 2024 are:

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

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2024 are as listed below:

Life Insurance
Member Contribution Rates*
As of December 31, 2024

Attained Age	Basic	Supplement
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

**Disabled members under age 70 receive a waiver-of-premium benefit.*

During the measurement period, LRLIF recognized $245 in contributions from the employer.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3d – **Other Post-Employment Benefits - Life Insurance** (Continued)

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

At December 31, 2025, the City reported a liability of $45,167 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. 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 was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2024, the City's proportion was 0.011661% which was an increase of 0.000353% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025 the City recognized OPEB revenue of $5,961.

At December 31, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB's from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,895
Changes in assumptions and other inputs	6,027	19,400
Net difference between projected and actual Earnings on plan investments	284	-
Changes in proportion	1,654	6,411
Subsuquent contributions	245	
Total	$ 8,210	$ 28,706

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3d – **Other Post-Employment Benefits - Life Insurance** (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

$245 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 in the year ended December 31, 2026. 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 December 31,		
2026	$	(5,969)
2027		(7,217)
2028		(7,512)
2029		(111)
2030		68
Total	$	(20,741)

Actuarial assumptions

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date:	January 1, 2024
Measurement Date of the Net OPEB Liability	December 31,2024
	January 1, 2021 - December 31, 2023
WRS Experience Study	Published November 19, 2024
Actuarial Cost Method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount rate:	4.09%
Salary increases	
Wage inflation	3.00%
Seniority/Merit:	0.10% - 5.70%
Mortality	2020 WRS Experience Mortality Table

**Based on the Bond Buyer GO 20-Bond Municipal index*

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The Total OPEB Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the January 1, 2024 actuarial valuation.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3d – **Other Post-Employment Benefits - Life Insurance** (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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.

Wisconsin Local Retiree Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2024

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Intermediate Credit Bonds	Bloomberg U.S. Interm Credit	40.00%	2.41%
U.S. Mortgages	Bloomberg U.S. MBS	60.00%	2.71%
Inflation			2.30%
Long-Term Expected Rate of Return:			4.25%

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3d – **Other Post-Employment Benefits - Life Insurance** (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Single Discount rate

A single discount rate of 4.09% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.32% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. 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, 2037. 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 calculated using the discount rate of 4.09%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
City's Proportionate Share of the Net OPEB Liability (Asset)	$ 107,787	$ 80,640	$ 59,721

Payables to the OPEB plan

As of December 31, 2025, the City carried no payables to the plan.

Note 3 – **DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES** (Continued)

Note 3e – **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 – **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, 2025 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.

Required Supplementary Information

City of Phillips, Wisconsin
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year ended December 31, 2025

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Property tax	$ 914,513	$ 935,826	$ 21,313
Other tax	9,000	12,640	3,640
Intergovernmental aid	878,786	913,942	35,156
Licenses and permits	9,500	12,799	3,299
Fines, forfeits and penalties	16,600	11,966	(4,634)
Public charge for service	248,232	251,705	3,473
Intergovernmental charge for service	103,891	94,807	(9,084)
Commercial	87,724	130,488	42,764
Total Revenues	2,268,246	2,364,173	95,927
Expenditures			
Current			
General government	213,190	226,290	(13,100)
Public Safety	839,220	829,779	9,441
Public Works	495,594	530,849	(35,255)
Health and human services	19,942	16,523	3,419
Culture, recreation and education	428,586	507,074	(78,488)
Conservation and development	34,941	59,316	(24,375)
Debt Service			
Principal	156,125	156,054	71
Interest	44,199	44,419	(220)
Capital Outlay	9,008	404,189	(395,181)
Total Expenditures	2,240,805	2,774,493	(533,688)
Excess Revenues Over (Under) Expenditures	27,441	(410,320)	(437,761)
Other Financing Sources (Uses)			
Proceeds from Issuance of LT Debt	-	1,183,491	1,183,491
Total Other Financing Sources (Uses)	-	1,183,491	1,183,491
Net Change in Fund Balance	27,441	773,171	745,730
Fund Balance, *Beginning of Year*	(27,441)	2,161,412	2,188,853
Fund Balance, *End of Year*	$ -	$ 2,934,583	$ 2,934,583

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.

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.

City of Phillips, Wisconsin
Notes to Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2025

Note 2 - **Stewardship and Accountability** (Continued)

During the year ended December 31, 2025, expenditures exceeded appropriations in the following categories:

Current		
General Government	$	13,100
Public works		35,255
Culture, Recreation and Education		78,488
Conservation and development		24,375
Debt service		
Interest		220
Capital Outlay		395,181
Total	$	546,619

Expenditures in excess of appropriations were funded by excess revenues, other cost savings, and available fund balance.

City of Phillips, Wisconsin

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Wisconsin Retirement System
For the Year Ended December 31, 2025

Measurement Date	12/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Proportionate Share of the Net Pension Liability					
City's Proportion of the Net Pension Liability	0.00603751%	0.00613393%	0.00611808%	0.00620374%	0.00636262%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 99,206	$ 91,199	$ 324,117	$ (500,032)	$ (397,227)
City's Covered-Employee Payroll	$ 919,460	$ 909,397	$ 845,798	$ 846,051	$ 834,587
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	10.79%	10.03%	38.32%	(59.10%)	(47.60%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	98.79%	98.85%	95.72%	106.02%	105.26%

Reporting Date	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021
City Contributions					
Statutorily Required Contribution	$ 96,806	$ 86,353	$ 81,832	$ 71,243	$ 71,740
Contributions in Relation to the Statutorily Required Contribution	(96,806)	(86,353)	(81,832)	(71,243)	(71,740)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 934,249	$ 919,460	$ 909,397	$ 845,798	$ 846,051
Contributions as a Percentage of Covered-Employee Payroll	10.36%	9.39%	9.00%	8.42%	8.48%

This schedule is presented to show information for 10 years.

City of Phillips, Wisconsin

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Wisconsin Retirement System
For the Year Ended December 31, 2025
(Continued)

Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Proportionate Share of the Net Pension Liability					
City's Proportion of the Net Pension Liability	0.00666127%	0.00670102%	0.00658040%	0.00664489%	0.00672389%
City's Proportionate Share of the Net Pension Liability	$ (214,789)	$ (238,401)	$ -195,805	$ 54,770	$ 109,262
City's Covered-Employee Payroll	$ 840,194	$ 842,534	$ 873,373	$ 798,618	$ 777,836
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	(25.56%)	(28.30%)	(22.42%)	6.86%	14.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.96%	96.45%	102.93%	99.12%	98.20%

Reporting Date	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
City Contributions					
Statutorily Required Contribution	$ 69,310	$ 68,579	$ 68,481	$ 71,077	$ 61,067
Contributions in Relation to the Statutorily Required Contribution	(69,310)	(68,579)	(68,481)	(71,077)	(61,067)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 834,587	$ 840,194	$ 842,534	$ 873,373	$ 798,618
Contributions as a Percentage of Covered-Employee Payroll	8.30%	8.16%	8.13%	8.14%	7.65%

This schedule is presented to show information for 10 years.

(Continued)

City of Phillips, Wisconsin
Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions – Wisconsin Retirement System
For the Year Ended December 31, 2025

Note 1 - **Changes in Benefit Terms and Assumptions related to Pension Liabilities**

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 ended December 31, 2021, including the following:

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

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

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

City of Phillips, Wisconsin

Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Local Retiree Life Insurance Fund
For the Year Ended December 31, 2025

Measurement Date	12/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Proportionate Share of the Net OPEB Liability					
City's Proportion of the Net OPEB Liability	0.011661%	0.011308%	0.012573%	0.012565%	0.013929%
City's Proportionate Share of the Net OPEB Liability (Asset)	$ 45,167	$ 52,024	$ 47,901	$ 74,264	$ 76,620
City's Covered-Employee Payroll	$ 879,000	$ 837,000	$ 820,000	$ 814,000	$ 784,000
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	5.14%	6.22%	5.84%	9.12%	9.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	37.20%	33.90%	38.81%	29.57%	31.36%

Reporting Date	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021
City Contributions					
Statutorily Required Contribution	$ 245	$ 245	$ 230	$ 252	$ 257
Contributions in Relation to the Statutorily Required Contribution	(245)	(245)	(230)	(252)	(257)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 934,249	$ 879,000	$ 837,000	$ 820,000	$ 814,000
Contributions as a Percentage of Covered-Employee Payroll	0.03%	0.03%	0.03%	0.03%	0.03%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is avialable information will be presented for the years it is available

City of Phillips, Wisconsin

Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Local Retiree Life Insurance Fund
For the Year Ended December 31, 2025

(Continued)

Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Proportionate Share of the Net OPEB Liability				
City's Proportion of the Net OPEB Liability	0.016001%	0.020093%	0.023414%	0.020359%
City's Proportionate Share of the Net OPEB Liability	$ 68,135	$ 51,847	$ 70,443	$ 49,429
City's Covered-Employee Payroll	$ 827,000	$ 745,000	$ 984,626	$ 798,618
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	8.24%	6.96%	7.15%	6.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	37.58%	48.69%	44.81%	44.81%

Reporting Date	12/31/2020	12/31/2019	12/31/2018	12/31/2017
City Contributions				
Statutorily Required Contribution	$ 277	$ 289	$ 387	$ 444
Contributions in Relation to the Statutorily Required Contribution	(277)	(289)	(387)	(444)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 784,000	$ 827,000	$ 745,000	$ 984,626
Contributions as a Percentage of Covered-Employee Payroll	0.04%	0.03%	0.05%	0.05%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is avialable information will be presented for the years it is available

(Continued)

City of Phillips, Wisconsin
Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions – Local Retiree Life Insurance Fund
For the Year Ended December 31, 2025

Note 1 - **Changes in Benefit Terms and Assumptions related to OPEB Liabilities**

Changes of benefit terms: There were no changes of benefit terms.

Changes of 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 2.50% to 2.40%
- 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 3.20% to 3.00%
- Lowering the price inflation rate from 2.70% to 2.50%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

Supplementary Information

City of Phillips, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2025

	CDBG	Capital Projects Splash Pad	Capital Projects Band Shell	Total
Assets				
Cash and Investments	$ -	$ 21,556	$ 1,669	$ 23,225
Restricted cash	234,775	-	-	234,775
Due from other funds	-	5,918	-	5,918
Long term receivables	325,371	-	-	325,371
Total Assets	560,146	27,474	1,669	589,289
Liabilities				
Due to other funds	500	-	-	500
Total Liabilities	500	-	-	500
Deferred Inflows of Resources				
Amounts Paid to CDBG Grant Recipients	325,370	-	-	325,370
Total Deferred Inflows of Resources	325,370	-	-	325,370
Fund Balance				
Restricted				
CDBG loans	234,276	-	-	234,276
Splash pad project	-	27,474	-	27,474
Band shell project	-	-	1,669	1,669
Total Fund Balance	234,276	27,474	1,669	263,419
Total Liabilities, Deferred Inflows and Fund Balance	$ 560,146	$ 27,474	$ 1,669	$ 589,289

City of Phillips, Wisconsin

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year ended December 31, 2025

		Capital Projects		
	CDBG	Splash Pad	Band Shell	Total
Revenues				
Commercial	$ 6,946	$ 10	$ -	$ 6,956
Total Revenues	6,946	10	-	6,956
Expenditures				
Current				
Conservation and development	120	-	-	120
Total Expenditures	120	-	-	120
Net Change in Fund Balance	6,826	10	-	6,836
Fund Balance, *Beginning of Year*	227,450	27,464	1,669	256,583
Fund Balance, *End of Year*	$ 234,276	$ 27,474	$ 1,669	$ 263,419