

CITY OF RHINELANDER

Rhineland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

CITY OF RHINELANDER

TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

	<u>Page(s)</u>
Independent Auditors' Report	i - iii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1 - 2
Statement of Activities	3 - 4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5 - 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8 - 9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Position - Proprietary Funds	11 - 12
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14 - 15
Statement of Assets and Liabilities - Agency Fund	16
Index to Notes to Financial Statements	17
Notes to Financial Statements	18 - 67
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 1985 Community Block Grant Special Revenue Fund	69
Schedule of Employer's Proportionate Share of the Net Pension Asset (Liability) - Wisconsin Retirement System (WRS)	70
Schedule of Employer Contributions - Wisconsin Retirement System (WRS)	70
Notes to Required Supplementary Information	71
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	72 - 77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	78 - 83
Combining Statement of Net Position - Nonmajor Enterprise Funds	84
Combining Statement of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds	85

CITY OF RHINELANDER

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2017

	<u>Page(s)</u>
Supplementary Information (cont.)	
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	86
Statement of Revenues, Expenses and Changes in Net Position - Component Units	87
Statement of Cash Flows - Component Units	88
Required Bond Disclosures	89
Detailed Schedule of Operating Revenues and Expenses - Wastewater Utility	90
Other Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91 - 92
Schedule of Findings and Responses	93 - 94

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Rhinelander
Rhinelander, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin (city), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the city as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
1985 Community Block Grant Special Revenue Fund	Unmodified
General Debt Service Fund	Unmodified
General Capital Projects	Unmodified
Water Utility	Unmodified
Wastewater Utility	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include all financial data for the city's legally separate component unit – the Rhinelander District Library. Information for the Rhinelander District Library Foundation accounts has not been provided. Accounting principles generally accepted in the United States of America require the complete financial data for this component unit to be reported with the financial data of the city's primary government unless the city also issues financial statements for the financial reporting entity that include the complete financial data for its component units. The city has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units that would have been presented have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Rhinelander, Wisconsin, as of December 31, 2017 or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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, economical, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rhinelander's basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2018 on our consideration of the City of Rhinelander's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rhinelander's internal control over financial reporting and compliance.

Baker Tilly Veitchau Krause, LLP

Eau Claire, Wisconsin
May 29, 2018

CITY OF RHINELANDER

STATEMENT OF NET POSITION As of December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
ASSETS					
Cash and investments	\$ 4,445,927	\$ 4,080,012	\$ 8,525,939	\$ 89,997	\$ 300,506
Receivables (net)					
Taxes	6,873,923	-	6,873,923	197,081	268,689
Delinquent personal property	3,710	-	3,710	-	-
Accounts	143,698	1,409,279	1,552,977	16,909	-
Special assessments	80,649	-	80,649	-	-
Loans	2,376,343	-	2,376,343	-	-
Other	140,209	-	140,209	-	-
Due from other governments	430,914	-	430,914	691,983	470,255
Due from component unit	118,000	-	118,000	-	-
Internal balances	2,681,736	(2,681,736)	-	-	-
Inventories and prepaid items	138,757	108,276	247,033	4,348	329
Restricted assets					
Cash and investments	-	2,230,331	2,230,331	-	-
Capital Assets					
Construction in progress	117,430	31,480	148,910	1,105,013	-
Land	3,722,266	1,657,329	5,379,595	187,500	8,183
Other capital assets, net of depreciation	23,084,484	49,299,755	72,384,239	8,408,479	243,744
Total Assets	<u>44,358,046</u>	<u>56,134,726</u>	<u>100,492,772</u>	<u>10,701,310</u>	<u>1,291,706</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>2,695,699</u>	<u>432,591</u>	<u>3,128,290</u>	<u>177,890</u>	<u>205,477</u>
LIABILITIES					
Accounts payable	368,208	88,938	457,146	34,056	8,039
Accrued liabilities and deposits	222,409	107,313	329,722	10,198	11,651
Due to other governments	17,628	-	17,628	-	-
Due to primary government	-	-	-	51,000	67,000
Noncurrent Liabilities					
Due within one year	1,531,936	1,271,156	2,803,092	-	-
Due in more than one year	15,379,533	20,562,986	35,942,519	22,584	26,564
Total Liabilities	<u>17,519,714</u>	<u>22,030,393</u>	<u>39,550,107</u>	<u>117,838</u>	<u>113,254</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	6,472,741	6,149	6,478,890	211,995	738,944
Pension related amounts	<u>1,119,099</u>	<u>179,324</u>	<u>1,298,423</u>	<u>74,524</u>	<u>84,003</u>
Total Deferred Inflows of Resources	<u>7,591,840</u>	<u>185,473</u>	<u>7,777,313</u>	<u>286,519</u>	<u>822,947</u>

See accompanying notes to financial statements.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
NET POSITION					
Net investment in capital assets	\$ 19,424,167	\$ 29,414,769	\$ 46,493,669	\$ 9,700,992	\$ 251,927
Restricted for					
Cemetery perpetual care	16,210	-	16,210	-	-
Tourism	67,790	-	67,790	-	-
Loan programs	2,295,316	-	2,295,316	-	-
Debt service	419,872	817,682	1,237,554	-	-
Capital projects	451,657	-	451,657	-	-
Parking advisory board operations	133,447	-	133,447	-	-
Hazardous materials response	28,959	-	28,959	-	-
Historical complex facilities and programs	26,024	-	26,024	-	-
K-9 program	14,231	-	14,231	-	-
DARE program	3,500	-	3,500	-	-
TIF projects	3,119,692	-	3,119,692	-	-
Landfill clean-up	163,920	-	163,920	-	-
Equipment replacement	-	1,334,129	1,334,129	-	-
Library	-	-	-	-	309,055
Property acquisitions and improvements	38,785	-	38,785	-	-
Unrestricted (deficit)	<u>(4,261,379)</u>	<u>2,784,871</u>	<u>868,759</u>	<u>773,851</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 21,942,191</u>	<u>\$ 34,351,451</u>	<u>\$ 56,293,642</u>	<u>\$ 10,474,843</u>	<u>\$ 560,982</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,099,005	\$ 263,957	\$ -	\$ -
Public safety	5,239,371	667,595	55,202	5,601
Public works	3,300,219	56,755	985,372	146,196
Health and human services	78,122	25,200	-	-
Culture, education and recreation	919,274	18,308	50,510	11,830
Conservation and development	37,003	9,057	-	-
Interest and fiscal charges	439,381	-	-	-
Total Governmental Activities	<u>11,112,375</u>	<u>1,040,872</u>	<u>1,091,084</u>	<u>163,627</u>
Business-type Activities				
Water Utility	1,633,951	2,208,406	-	-
Wastewater Utility	2,996,497	2,874,434	-	312,834
Stormwater Utility	367,796	419,545	-	-
Golf Course	659,380	493,249	2,222	-
Total Business-type Activities	<u>5,657,624</u>	<u>5,995,634</u>	<u>2,222</u>	<u>312,834</u>
Total Primary Government	<u>\$ 16,769,999</u>	<u>\$ 7,036,506</u>	<u>\$ 1,093,306</u>	<u>\$ 476,461</u>
Component Units				
Rhinelanders-Oneida County Airport	\$ 1,838,474	\$ 967,035	\$ -	\$ 1,483,672
Rhinelanders District Library	<u>1,027,382</u>	<u>-</u>	<u>308,447</u>	<u>-</u>
Total Component Units	<u>\$ 2,865,856</u>	<u>\$ 967,035</u>	<u>\$ 308,447</u>	<u>\$ 1,483,672</u>

General Revenues

Taxes

Property taxes, levied for general purposes
Property taxes, levied for debt service
Property taxes, levied for TIF districts
Property taxes, levied for the airport
Property taxes, levied for the library
Other taxes
Intergovernmental revenues not restricted to specific programs
Investment income
Miscellaneous
Transfers - internal
Transfers - component unit
Transfers - primary government
Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Rhinelanders- Oneida County Airport	Rhinelanders District Library
\$ (835,048)	\$ -	\$ (835,048)	\$ -	\$ -
(4,510,973)	-	(4,510,973)	-	-
(2,111,896)	-	(2,111,896)	-	-
(52,922)	-	(52,922)	-	-
(838,626)	-	(838,626)	-	-
(27,946)	-	(27,946)	-	-
<u>(439,381)</u>	<u>-</u>	<u>(439,381)</u>	<u>-</u>	<u>-</u>
<u>(8,816,792)</u>	<u>-</u>	<u>(8,816,792)</u>	<u>-</u>	<u>-</u>
-	574,455	574,455	-	-
-	190,771	190,771	-	-
-	51,749	51,749	-	-
-	<u>(163,909)</u>	<u>(163,909)</u>	<u>-</u>	<u>-</u>
-	<u>653,066</u>	<u>653,066</u>	<u>-</u>	<u>-</u>
<u>(8,816,792)</u>	<u>653,066</u>	<u>(8,163,726)</u>	<u>-</u>	<u>-</u>
-	-	-	612,233	-
-	-	-	-	<u>(718,935)</u>
-	-	-	<u>612,233</u>	<u>(718,935)</u>
4,605,421	-	4,605,421	-	-
905,264	-	905,264	-	-
1,010,893	-	1,010,893	-	-
-	-	-	197,081	-
-	-	-	-	267,446
1,003,389	-	1,003,389	-	-
1,266,164	-	1,266,164	-	631,036
97,014	-	97,014	1,631	143
58,610	-	58,610	-	29,035
470,877	(470,877)	-	-	-
(52,974)	-	(52,974)	-	-
-	-	-	<u>22,488</u>	<u>30,486</u>
<u>9,364,658</u>	<u>(470,877)</u>	<u>8,893,781</u>	<u>221,200</u>	<u>958,146</u>
547,866	182,189	730,055	833,433	239,211
<u>21,394,325</u>	<u>34,169,262</u>	<u>55,563,587</u>	<u>9,641,410</u>	<u>321,771</u>
<u>\$ 21,942,191</u>	<u>\$ 34,351,451</u>	<u>\$ 56,293,642</u>	<u>\$ 10,474,843</u>	<u>\$ 560,982</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
ASSETS				
Cash and investments	\$ 919,896	\$ 227,932	\$ 88,614	\$ 489,632
Receivables (net)				
Taxes	4,947,538	-	908,124	19,393
Delinquent personal property taxes	3,710	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	80,649
Loans	8,840	1,854,403	-	-
Other	140,209	-	-	-
Due from other governments	15,852	-	-	34,400
Due from component units	-	-	118,000	-
Due from other funds	102,280	-	-	-
Inventories and prepaid items	100,512	-	-	-
Advances to other funds	<u>1,865,437</u>	<u>-</u>	<u>204,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 8,104,274</u></u>	<u><u>\$ 2,082,335</u></u>	<u><u>\$ 1,318,738</u></u>	<u><u>\$ 624,074</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 260,503	\$ -	\$ -	\$ 61,720
Accrued liabilities	90,964	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>351,467</u>	<u>-</u>	<u>-</u>	<u>61,720</u>
Deferred Inflows of Resources				
Unearned revenues	4,609,207	-	908,124	-
Unavailable revenues	<u>142,450</u>	<u>1,854,403</u>	<u>-</u>	<u>100,042</u>
Total Deferred Inflows of Resources	<u>4,751,657</u>	<u>1,854,403</u>	<u>908,124</u>	<u>100,042</u>
Fund Balances				
Nonspendable	1,965,949	-	-	-
Restricted	-	227,932	410,614	585,349
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	<u>1,035,201</u>	<u>-</u>	<u>-</u>	<u>(123,037)</u>
Total Fund Balances	<u>3,001,150</u>	<u>227,932</u>	<u>410,614</u>	<u>462,312</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 8,104,274</u></u>	<u><u>\$ 2,082,335</u></u>	<u><u>\$ 1,318,738</u></u>	<u><u>\$ 624,074</u></u>

See accompanying notes to financial statements.



<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 2,672,806	\$ 4,398,880
998,868	6,873,923
-	3,710
143,698	143,698
-	80,649
513,100	2,376,343
-	140,209
380,662	430,914
-	118,000
-	102,280
38,245	138,757
<u>1,095,000</u>	<u>3,164,437</u>
<u>\$ 5,842,379</u>	<u>\$ 17,971,800</u>
\$ 45,985	\$ 368,208
5,425	96,389
17,628	17,628
102,280	102,280
<u>482,701</u>	<u>482,701</u>
<u>654,019</u>	<u>1,067,206</u>
955,410	6,472,741
<u>709,026</u>	<u>2,805,921</u>
<u>1,664,436</u>	<u>9,278,662</u>
54,455	2,020,404
3,840,117	5,064,012
96,411	96,411
16,350	16,350
<u>(483,409)</u>	<u>428,755</u>
<u>3,523,924</u>	<u>7,625,932</u>
<u>\$ 5,842,379</u>	<u>\$ 17,971,800</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2017

Total Fund Balances - Governmental Funds	\$ 7,625,932
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III. D.	26,924,180
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note III.B.	2,805,921
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	2,695,699
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,119,099)
Internal service funds are reported in the statement of net position as governmental activities.	44,319
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds and notes payable	(15,414,335)
Compensated absences	(609,262)
Accrued interest	(123,292)
Unamortized debt premium	(225,185)
Landfill liability	(306,000)
Net pension liability	<u>(356,687)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,942,191</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
REVENUES				
Taxes	\$ 4,767,476	\$ -	\$ 905,264	\$ -
Special assessments	8,581	-	-	16,241
Intergovernmental	1,830,246	-	-	102,180
Licenses and permits	195,514	-	-	-
Fines, forfeitures and penalties	35,629	-	-	-
Charges for services	244,220	-	-	-
Investment income	25,334	1,618	13,543	3,152
Miscellaneous	60,936	81,579	-	26,724
Total Revenues	<u>7,167,936</u>	<u>83,197</u>	<u>918,807</u>	<u>148,297</u>
EXPENDITURES				
Current				
General government	1,023,855	-	-	-
Public safety	3,987,876	-	-	-
Public works	1,709,415	-	-	-
Health and human services	68,289	-	-	-
Culture, recreation and education	290,809	-	-	9,935
Conservation and development	18,508	90,157	-	-
Capital Outlay	68,992	-	-	476,655
Debt Service				
Principal	-	-	718,600	-
Interest and fiscal charges	-	-	209,432	-
Total Expenditures	<u>7,167,744</u>	<u>90,157</u>	<u>928,032</u>	<u>486,590</u>
Excess (deficiency) of revenues over expenditures	<u>192</u>	<u>(6,960)</u>	<u>(9,225)</u>	<u>(338,293)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	330,593	-	45,759	-
Transfers out	(301,699)	-	-	(18,105)
Property sales	2,177	-	-	-
Contribution to component units	-	-	(52,974)	-
Total Other Financing Sources (Uses)	<u>31,071</u>	<u>-</u>	<u>(7,215)</u>	<u>(18,105)</u>
Net Change in Fund Balances	31,263	(6,960)	(16,440)	(356,398)
FUND BALANCES - Beginning of Year	<u>2,969,887</u>	<u>234,892</u>	<u>427,054</u>	<u>818,710</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,001,150</u>	<u>\$ 227,932</u>	<u>\$ 410,614</u>	<u>\$ 462,312</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,718,617	\$ 7,391,357
-	24,822
386,432	2,318,858
-	195,514
-	35,629
476,764	720,984
53,644	97,291
<u>299,096</u>	<u>468,335</u>
<u>2,934,553</u>	<u>11,252,790</u>
-	1,023,855
578,381	4,566,257
661,095	2,370,510
-	68,289
256,643	557,387
67,159	175,824
47,108	592,755
677,998	1,396,598
<u>283,790</u>	<u>493,222</u>
<u>2,572,174</u>	<u>11,244,697</u>
<u>362,379</u>	<u>8,093</u>
342,699	719,051
(43,000)	(362,804)
-	2,177
-	(52,974)
<u>299,699</u>	<u>305,450</u>
662,078	313,543
<u>2,861,846</u>	<u>7,312,389</u>
<u>\$ 3,523,924</u>	<u>\$ 7,625,932</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$	313,543
--	----	---------

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		592,755
Some items reported as capital outlay were not capitalized		(356,729)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		132,705
Capital assets transferred from business-type activities		114,630
Depreciation is reported in the government-wide financial statements		(1,324,844)
Loss on disposal of capital assets is recorded in the government-wide statements		(133)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		118,916
---	--	---------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid		1,396,598

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Amortization		16,744

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		29,569
Accrued interest on debt		37,097
Net pension liability (and pension related deferred outflows and inflows of resources)		(481,475)
Landfill liability		(6,000)

Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities		(35,510)
---	--	----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>547,866</u>
--	-----------	-----------------------

CITY OF RHINELANDER

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 1,686,241	\$ 2,393,771	\$ -	\$ 4,080,012	\$ 47,047
Receivables					
Accounts	440,554	842,477	126,248	1,409,279	-
Due from other funds	-	100,000	-	100,000	-
Inventories and prepaid items	67,895	9,828	30,553	108,276	-
Restricted cash and investments	<u>167,187</u>	<u>647,355</u>	<u>-</u>	<u>814,542</u>	<u>-</u>
Total Current Assets	<u>2,361,877</u>	<u>3,993,431</u>	<u>156,801</u>	<u>6,512,109</u>	<u>47,047</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	-	1,415,789	-	1,415,789	-
Capital Assets					
Construction in progress	15,912	15,568	-	31,480	-
Land	34,070	1,587,593	35,666	1,657,329	-
Capital assets being depreciated	19,450,377	43,747,331	9,043,615	72,241,323	-
Less: Accumulated depreciation	(5,700,277)	(12,144,083)	(5,097,208)	(22,941,568)	-
Advances to other funds	<u>479,463</u>	<u>1,314,978</u>	<u>-</u>	<u>1,794,441</u>	<u>-</u>
Total Noncurrent Assets	<u>14,279,545</u>	<u>35,937,176</u>	<u>3,982,073</u>	<u>54,198,794</u>	<u>-</u>
Total Assets	<u>16,641,422</u>	<u>39,930,607</u>	<u>4,138,874</u>	<u>60,710,903</u>	<u>47,047</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>130,221</u>	<u>214,622</u>	<u>87,748</u>	<u>432,591</u>	<u>-</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 44,048	\$ 42,138	\$ 2,752	\$ 88,938	\$ -
Accrued wages	7,241	10,762	5,658	23,661	-
Accrued interest	-	-	4,032	4,032	-
Deposits	100	-	1,000	1,100	-
Due to other funds	-	-	100,000	100,000	-
Current portion of general obligation debt	-	-	91,400	91,400	-
Current portion of advances	21,667	43,333	-	65,000	-
Current portion of compensated absences	4,922	12,262	39,179	56,363	-
Current portion of leases	-	-	19,358	19,358	-
Claims payable	-	-	-	-	2,728
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	238,997	865,038	-	1,104,035	-
Accrued interest	7,857	70,663	-	78,520	-
Total Current Liabilities	<u>324,832</u>	<u>1,044,196</u>	<u>263,379</u>	<u>1,632,407</u>	<u>2,728</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	-	-	312,900	312,900	-
Revenue bonds	3,984,724	15,980,128	-	19,964,852	-
Other Liabilities					
Compensated absences	56,804	93,407	-	150,211	-
Net pension liability	17,844	24,525	11,404	53,773	-
Capital leases payable	-	-	81,250	81,250	-
Advances from other funds	418,333	778,667	3,214,177	4,411,177	-
Total Noncurrent Liabilities	<u>4,477,705</u>	<u>16,876,727</u>	<u>3,619,731</u>	<u>24,974,163</u>	<u>-</u>
Total Liabilities	<u>4,802,537</u>	<u>17,920,923</u>	<u>3,883,110</u>	<u>26,606,570</u>	<u>2,728</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	-	-	6,149	6,149	-
Pension related amounts	53,900	88,354	37,070	179,324	-
Total Deferred Inflows of Resources	<u>53,900</u>	<u>88,354</u>	<u>43,219</u>	<u>185,473</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	9,576,361	16,361,243	3,477,165	29,414,769	-
Restricted for					
Debt service	159,330	658,352	-	817,682	-
Equipment replacement	-	1,334,129	-	1,334,129	-
Unrestricted (deficit)	<u>2,179,515</u>	<u>3,782,228</u>	<u>(3,176,872)</u>	<u>2,784,871</u>	<u>44,319</u>
TOTAL NET POSITION	<u>\$ 11,915,206</u>	<u>\$ 22,135,952</u>	<u>\$ 300,293</u>	<u>\$ 34,351,451</u>	<u>\$ 44,319</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES	<u>\$ 2,208,406</u>	<u>\$ 2,874,434</u>	<u>\$ 912,794</u>	<u>\$ 5,995,634</u>	<u>\$ 57,663</u>
OPERATING EXPENSES					
Operation and maintenance	1,115,154	1,153,083	775,457	3,043,694	-
Depreciation	439,685	1,359,492	239,149	2,038,326	-
Taxes	19,107	32,252	-	51,359	-
Self insurance claims	-	-	-	-	93,497
Total Operating Expenses	<u>1,573,946</u>	<u>2,544,827</u>	<u>1,014,606</u>	<u>5,133,379</u>	<u>93,497</u>
Operating Income (Loss)	<u>634,460</u>	<u>329,607</u>	<u>(101,812)</u>	<u>862,255</u>	<u>(35,834)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	-	-	324
Interest and fiscal charges	(60,005)	(451,670)	(12,570)	(524,245)	-
Contribution of infrastructure to City	-	(114,630)	-	(114,630)	-
Miscellaneous revenues	-	-	2,222	2,222	-
Total Nonoperating Revenues (Expenses)	<u>(60,005)</u>	<u>(566,300)</u>	<u>(10,348)</u>	<u>(636,653)</u>	<u>324</u>
Income (Loss) Before Contributions and Transfers	<u>574,455</u>	<u>(236,693)</u>	<u>(112,160)</u>	<u>225,602</u>	<u>(35,510)</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	312,834	-	312,834	-
Transfers out	(338,815)	(12,680)	(4,752)	(356,247)	-
Total Contributions and Transfers	<u>(338,815)</u>	<u>300,154</u>	<u>(4,752)</u>	<u>(43,413)</u>	<u>-</u>
Change in Net Position	235,640	63,461	(116,912)	182,189	(35,510)
NET POSITION - Beginning of Year	<u>11,679,566</u>	<u>22,072,491</u>	<u>417,205</u>	<u>34,169,262</u>	<u>79,829</u>
NET POSITION - END OF YEAR	<u>\$ 11,915,206</u>	<u>\$ 22,135,952</u>	<u>\$ 300,293</u>	<u>\$ 34,351,451</u>	<u>\$ 44,319</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 2,225,561	\$ 3,137,909	\$ 930,260	\$ 6,293,730	\$ 57,663
Paid to suppliers for goods and services	(891,129)	(822,598)	(485,425)	(2,199,152)	(93,497)
Paid to employees for services	(232,484)	(307,247)	(287,240)	(826,971)	-
Net Cash Flows From Operating Activities	<u>1,101,948</u>	<u>2,008,064</u>	<u>157,595</u>	<u>3,267,607</u>	<u>(35,834)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	-	-	-	-	324
Net Cash Flows From Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	(328,593)	-	-	(328,593)	-
Negative cash implicitly financed	-	-	63,853	63,853	-
Donations received	-	-	2,222	2,222	-
Advances from (repaid to) other funds	(1,000)	140,361	(1,000)	138,361	-
Interest on advance	(3,167)	(3,921)	(1,571)	(8,659)	-
Net Cash Flows From Noncapital Financing Activities	<u>(332,760)</u>	<u>136,440</u>	<u>63,504</u>	<u>(132,816)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	292,307	456,354	-	748,661	-
Debt retired	(227,437)	(834,124)	(111,546)	(1,173,107)	-
Interest and fiscal charges paid	(46,651)	(429,096)	(10,999)	(486,746)	-
Acquisition and construction of capital assets	(223,041)	(875,460)	(127,601)	(1,226,102)	-
Contribution received for construction	-	1,521,610	29,047	1,550,657	-
Advances repaid to other funds	(20,000)	(40,000)	-	(60,000)	-
Interest on advance	(10,033)	(20,067)	-	(30,100)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(234,855)</u>	<u>(220,783)</u>	<u>(221,099)</u>	<u>(676,737)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	534,333	1,923,721	-	2,458,054	(35,510)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,319,095</u>	<u>2,533,194</u>	<u>-</u>	<u>3,852,289</u>	<u>82,557</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,853,428</u>	<u>\$ 4,456,915</u>	<u>\$ -</u>	<u>\$ 6,310,343</u>	<u>\$ 47,047</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 634,460	\$ 329,607	\$ (101,812)	\$ 862,255	\$ (35,834)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	439,685	1,359,492	239,149	2,038,326	-
Depreciation charged to other funds	17,083	(17,083)	-	-	-
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources					
Accounts receivable	(28)	280,558	13,423	293,953	-
Inventories and prepaid items	8,699	14,890	7,470	31,059	-
Accounts payable	(28,773)	1,138	(7,077)	(34,712)	-
Accrued wages	(93)	1,069	1,267	2,243	-
Deposits	100	-	-	100	-
Accrued compensated absences	4,908	9,431	(14,145)	194	-
Unearned revenues	-	-	4,043	4,043	-
Pension related deferrals and liability	25,907	28,962	15,277	70,146	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,101,948</u>	<u>\$ 2,008,064</u>	<u>\$ 157,595</u>	<u>\$ 3,267,607</u>	<u>\$ (35,834)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 1,686,241	\$ 2,393,771	\$ -	\$ 4,080,012	\$ 47,047
Restricted cash and investments	167,187	2,063,144	-	2,230,331	-
CASH AND CASH EQUIVALENTS	<u>\$ 1,853,428</u>	<u>\$ 4,456,915</u>	<u>\$ -</u>	<u>\$ 6,310,343</u>	<u>\$ 47,047</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assets acquired via accounts payable	\$ 4,144	\$ 17,377	\$ -		\$ -
Capital assets transferred to Governmental Activities	\$ -	\$ 114,630	\$ -		\$ -
Capital assets acquired via capital lease	\$ -	\$ -	\$ 112,120		\$ -
Net book value of assets traded in	\$ -	\$ -	\$ 18,257		\$ -
Adjustment to noncapital advance	\$ 10,222	\$ 12,680	\$ 4,752		\$ -

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 3,525,293
Taxes receivable	<u>4,131,568</u>
TOTAL ASSETS	<u>\$ 7,656,861</u>
LIABILITIES	
Due to other governments	<u>\$ 7,656,861</u>
TOTAL LIABILITIES	<u>\$ 7,656,861</u>

CITY OF RHINELANDER

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE	Page
I Summary of Significant Accounting Policies	18
A. Reporting Entity	18
B. Government-Wide and Fund Financial Statements	19
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	22
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	24
1. Deposits and Investments	24
2. Receivables	25
3. Inventories and Prepaid Items	27
4. Restricted Assets	27
5. Capital Assets	27
6. Deferred Outflows of Resources	28
7. Compensated Absences	28
8. Long-Term Obligations	29
9. Deferred Inflows of Resources	29
10. Equity Classifications	30
11. Pension	32
12. Basis for Existing Rates	32
II Stewardship, Compliance, and Accountability	33
A. Excess Expenditures and Other Financing Uses Over Appropriations	33
B. Deficit Balances	33
C. Limitations on the City's Tax Levy	34
III Detailed Notes on All Funds	35
A. Deposits and Investments	35
B. Receivables	38
C. Restricted Assets	38
D. Capital Assets	39
E. Interfund Receivables/Payables, Advances and Transfers	44
F. Long-Term Obligations	48
G. Lease Disclosures	53
H. Closure and Postclosure Care Cost	54
I. Net Position/Fund Balances	54
J. Component Units	56
IV Other Information	59
A. Employees' Retirement System	59
B. Risk Management	65
C. Commitments and Contingencies	66
D. Subsequent Event	67
E. Related Organizations	67
F. Effect of New Accounting Standards on Current-Period Financial Statements	67

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rhinelander, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Rhinelanders-Oneida County Airport

The government-wide financial statements include the Rhinelanders-Oneida County Airport (airport) as a component unit. The airport is a legally separate organization. The commission of the airport is made up of three members; appointments to the commission are alternated between the City of Rhinelanders and Oneida County. The city is the fiscal agent for the airport's operations. See Note III.I. As a component unit, the airport's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2017. The airport does not issue separate financial statements.

Rhinelanders District Library

The government-wide financial statements include the Rhinelanders District Library (library) as a component unit. The library is a legally separate organization. The board of the library is made up of three trustees representing the City of Rhinelanders, one trustee representing each member town and one trustee representing the K-12 school district. Under the agreement creating the library, the city is responsible for the largest share of the financial contribution to the library and is also the fiscal agent for the library's operations. See Note III.I. As a component unit, the library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2017 and excludes the library foundation accounts. The library does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

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 expenses 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 city are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following major governmental funds: (cont.)

1985 Community Block Grant Special Revenue Fund - used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the program.

General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TIF or enterprise debt.

General Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities, other than TIF or enterprise projects.

The city reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

Wastewater Utility - accounts for operations of the wastewater system.

The city reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Room Tax	Dog Park
Recycling Grant	Boat Launch
Parking Advisory Board	HCRI Grant
Downtown Works	K-9
Hazardous Materials	Fire Inspection Seminars
Shared Ride Transport Grant	Cemetery Perpetual Care
Tank Inspections	DARE
Landfill Settlement	Historic Preservation
Playground Equipment	Ambulance
Historical Complex	Property Acquisition & Improvements

Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

Environmental TIF #1

TIF #5

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental and enterprise funds: (cont.)

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Premier Resort Area Tax	TIF #9
TIF #6	TIF #10
TIF #8	

Enterprise Funds - used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Stormwater Utility	Golf Course
--------------------	-------------

In addition, the city reports the following fund types:

Internal Service Fund - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Agency Fund - used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities 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 liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Government-Wide Financial Statements (cont.)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and wastewater 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At year end, there were \$296,446 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

Revenues susceptible to accrual include property taxes, miscellaneous 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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, and stormwater utilities and golf course are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- g. Repurchase agreements with public depositories, with certain conditions.

The city has adopted an investment policy. That policy is more restrictive than the state statute for allowable investments. Custodial credit risk and credit risk are addressed as follows:

- > Where allowed by state law, full collateralization will be required on all demand deposit accounts and non-negotiable certificates of deposit.
- > Investments will be limited to the safest type of securities
- > Financial institutions, broker/dealers, intermediaries and advisors with which the city will do business will be pre-qualified.
- > The investment portfolio will be diversified so that potential losses on individual securities will be minimized.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities - agency fund.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale - 2017 delinquent real estate taxes	October 2020

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, wastewater and stormwater utilities because they have the right by law to place substantially all delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

The city has received grant funds for housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as housing rehabilitation loans receivable has not been reduced by an allowance for uncollectible accounts.

It is the city's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or 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.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$2,000 for general capital assets purchased prior to 2014 and \$10,000 for general capital assets purchased in 2014 and beyond, and \$20,000 for infrastructure assets purchased prior to 2014 and \$100,000 for infrastructure assets purchased in 2014 and beyond, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities 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 renewals and betterments relating to retirement units is added to plant accounts. 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 Years
Land Improvements	10-55 Years
Machinery and Equipment	3-25 Years
Utility System	40-100 Years
Infrastructure	10-60 Years
Intangibles	3-7 Years

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.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2017, are determined on the basis of current salary rates and include salary related payments.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, net pension liability and compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 19,424,167	\$ 29,414,769	\$ (2,345,267)	\$ 46,493,669
Unrestricted	(4,261,379)	2,784,871	2,345,267	868,759

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has adopted a financial policy authorizing the Administrator to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

It is the goal of the city to achieve and maintain an unassigned fund balance in the general fund equal to 25% of expenditures. The city considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance falls below the 15% level the city will implement a corrective plan of action. The general fund's unassigned fund balance at the end of 2017 compared to actual general fund expenditures was 14.4%.

See Note III. I. for further information.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Pension

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

12. Basis for Existing Rates

Water Utility

Current rates for the water utility were authorized by the Public Service Commission in 2015 with order 5010-WR-109.

Wastewater Utility

By ordinance, the city's wastewater rates are based on a user charge system. Current rates were approved by the city council in 2014 and were effective June 1, 2014.

Stormwater Utility

Current rates for the stormwater utility were approved by the city council in 2012. The rates were effective January 1, 2013 and contain step increases for 2014 and 2015.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Fire Inspection Seminars	\$ 2,000	\$ 3,575	\$ 1,575
Historic Preservation	-	200	200
Room Tax	153,500	197,304	43,804
K-9	-	573	573
Downtown Works	20,100	49,999	29,899
Hazardous Materials	9,489	10,560	1,071
DARE	500	1,239	739
Property Acquisitions & Improvements	-	132,704	132,704
Premier Resort Area Tax	-	29,775	29,775
1985 Community Block Grant	25,466	90,157	64,691
Historical Complex	35,333	36,410	1,077
Share Ride Transport Grant	329,062	347,894	18,832
Tank Inspections	8,100	14,395	6,295
Dog Park Program	-	38,341	38,341
Playground Equipment	2,000	5,100	3,100
Environmental TIF #1	129,575	129,646	71
TIF #5	16,388	16,473	85
General Capital Projects	150,605	504,695	354,090
TIF #6	120,046	120,922	876
TIF #8	33,524	33,609	85
TIF #10	31,378	36,918	5,540

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
Share Ride Transport Grant	\$ 139,726	Expenditures in excess of revenues
Property Acquisitions & Improvements	51,025	Unavailable revenues
Environmental TIF #1	218,451	Expenditures in excess of revenues
Golf Course	1,368,227	Expenses in excess of revenues

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. DEFICIT BALANCES (cont.)

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future grants and contributions, general tax revenues, or long-term borrowing.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 13,865,296	\$ 14,148,438	Custodial credit
US agencies - implicitly guaranteed	197,410	197,410	Custodial credit, credit, concentration of credit, interest rate
Negotiable CD's	216,832	216,832	Custodial credit, credit, concentration of credit, interest rate
Petty cash	2,025	-	N/A
Total Deposits and Investments	\$ 14,281,563	\$ 14,562,680	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 8,525,939		
Restricted cash and investments	2,230,331		
Per statement of assets and liabilities -			
agency fund			
Agency fund	3,525,293		
Total Deposits and Investments	\$ 14,281,563		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$197,410 of the city's investments are covered by SIPC. Additionally, through London insurers, accounts have additional securities coverage of \$149.5 million per customer, subject to a \$500 million aggregate firm limit.

The city maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of \$11,905,591 to secure the city's deposits.

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Quoted market prices

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
US agencies - implicitly guaranteed	\$ -	\$ 197,410	\$ -	\$ 197,410
Negotiable CD	-	216,832	-	216,832
Total	\$ -	\$ 414,242	\$ -	\$ 414,242

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

As of December 31, 2017, \$9,891,070 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institution	<u>\$ 9,891,070</u>
---	---------------------

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The city does not have any investments exposed to custodial credit risk.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2017, the city's investments were rated as follows:

Investment Type	Standard & Poors
US agencies - implicitly guaranteed	AA+

At December 31, 2017, the city also had investments in negotiable CD's, which are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2017, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	US agencies - implicitly guaranteed	47.66%
Compass Bank	Negotiable CD	52.34%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2017, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	More than 3
US agencies - implicitly guaranteed	\$ 197,410	\$ -	\$ 197,410	\$ -
Negotiable CD	<u>216,832</u>	<u>216,832</u>	-	-
Totals	<u>\$ 414,242</u>	<u>\$ 216,832</u>	<u>\$ 197,410</u>	<u>\$ -</u>

See Note I.D.1. for further information on deposit and investment policies.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$2.24 million of loans receivable and \$62,093 of special assessments receivable.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 6,472,741	\$ 19,393
Special assessments not yet due	-	80,649
Accounts receivable	-	24,858
Loans receivable	-	2,376,343
Other receivables	-	133,610
Due from other governments	-	171,068
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 6,472,741</u>	 <u>\$ 2,805,921</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The wastewater utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2017:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 814,542	\$ 78,520	\$ 736,022
Bond reserve account	81,660	-	81,660
Equipment replacement account	1,334,129	-	1,334,129
Total	\$ 2,230,331	\$ 78,520	\$ 2,151,811

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Construction in progress	\$ 260,207	\$ 117,430	\$ 260,207	\$ 117,430
Land	3,701,019	21,247	-	3,722,266
Total Capital Assets Not Being Depreciated/Amortized	3,961,226	138,677	260,207	3,839,696
Capital assets being depreciated/amortized				
Land improvements	1,059,478	-	-	1,059,478
Buildings and improvements	8,242,628	-	-	8,242,628
Machinery and equipment	8,332,887	68,992	96,130	8,305,749
Intangibles	63,420	-	-	63,420
Infrastructure	30,133,233	535,899	-	30,669,132
Total Capital Assets Being Depreciated/Amortized	47,831,646	604,891	96,130	48,340,407
Total Capital Assets	51,792,872	743,568	356,337	52,180,103

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation/amortization for				
Land improvements	(314,533)	(38,585)	-	(353,118)
Buildings and improvements	(5,960,436)	(99,215)	-	(6,059,651)
Machinery and equipment	(5,053,460)	(481,483)	95,997	(5,438,946)
Intangibles	(46,308)	(6,434)	-	(52,742)
Infrastructure	(12,652,339)	(699,127)	-	(13,351,466)
Total Accumulated Depreciation/Amortization	(24,027,076)	(1,324,844)	95,997	(25,255,923)
Net Capital Assets Being Depreciated/ Amortized	23,804,570	(719,953)	133	23,084,484
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	\$ 27,765,796	\$ (581,276)	\$ 260,340	\$ 26,924,180

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 18,210
Public safety	293,590
Public works	919,273
Health and human services	8,540
Culture, education and recreation	85,231
Total Governmental Activities Depreciation Expense	\$ 1,324,844

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Construction in progress	\$ 15,912	\$ -	\$ -	\$ 15,912
Land	34,070	-	-	34,070
Total Capital Assets Not Being Depreciated	49,982	-	-	49,982
Capital assets being depreciated				
Property and equipment	19,330,437	130,595	10,655	19,450,377
Total Capital Assets Being Depreciated	19,330,437	130,595	10,655	19,450,377
Total Capital Assets	19,380,419	130,595	10,655	19,500,359
Less: Accumulated depreciation for				
Property and equipment	(5,253,464)	(457,468)	10,655	(5,700,277)
Total Accumulated Depreciation	(5,253,464)	(457,468)	10,655	(5,700,277)
Net Capital Assets Being Depreciated	14,076,973	(326,873)	-	13,750,100
Net Water Capital Assets	\$ 14,126,955	\$ (326,873)	\$ -	\$ 13,800,082

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital assets not being depreciated				
Construction in progress	\$ 13,809	\$ 1,759	\$ -	\$ 15,568
Land	1,587,593	-	-	1,587,593
Total Capital Assets Not Being Depreciated	1,601,402	1,759	-	1,603,161
Capital assets being depreciated				
Property and equipment	43,492,607	255,424	700	43,747,331
Total Capital Assets Being Depreciated	43,492,607	255,424	700	43,747,331
Total Capital Assets	45,094,009	257,183	700	45,350,492
Less: Accumulated depreciation for				
Property and equipment	(10,801,674)	(1,343,109)	700	(12,144,083)
Total Accumulated Depreciation	(10,801,674)	(1,343,109)	700	(12,144,083)
Net Capital Assets Being Depreciated	32,690,933	(1,087,685)	-	31,603,248
Net Wastewater Capital Assets	\$ 34,292,335	\$ (1,085,926)	\$ -	\$ 33,206,409

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital assets not being depreciated				
Land	\$ 35,666	\$ -	\$ -	\$ 35,666
Total Capital Assets Not Being Depreciated	<u>35,666</u>	<u>-</u>	<u>-</u>	<u>35,666</u>
Capital assets being depreciated				
Property and equipment	<u>5,406,830</u>	<u>25,462</u>	<u>700</u>	<u>5,431,592</u>
Total Capital Assets Being Depreciated	<u>5,406,830</u>	<u>25,462</u>	<u>700</u>	<u>5,431,592</u>
Total Capital Assets	<u>5,442,496</u>	<u>25,462</u>	<u>700</u>	<u>5,467,258</u>
Less: Accumulated depreciation for				
Property and equipment	<u>(1,834,483)</u>	<u>(163,752)</u>	<u>700</u>	<u>(1,997,535)</u>
Total Accumulated Depreciation	<u>(1,834,483)</u>	<u>(163,752)</u>	<u>700</u>	<u>(1,997,535)</u>
Net Capital Assets Being Depreciated	<u>3,572,347</u>	<u>(138,290)</u>	<u>-</u>	<u>3,434,057</u>
Net Stormwater Capital Assets	<u>\$ 3,608,013</u>	<u>\$ (138,290)</u>	<u>\$ -</u>	<u>\$ 3,469,723</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Golf Course</u>				
Capital assets being depreciated				
Property and equipment	<u>3,579,361</u>	<u>154,377</u>	<u>121,715</u>	<u>3,612,023</u>
Total Capital Assets Being Depreciated	<u>3,579,361</u>	<u>154,377</u>	<u>121,715</u>	<u>3,612,023</u>
Less: Accumulated depreciation for				
Property and equipment	<u>(3,127,034)</u>	<u>(76,097)</u>	<u>103,458</u>	<u>(3,099,673)</u>
Total Accumulated Depreciation	<u>(3,127,034)</u>	<u>(76,097)</u>	<u>103,458</u>	<u>(3,099,673)</u>
Net Capital Assets Being Depreciated	<u>452,327</u>	<u>78,280</u>	<u>18,257</u>	<u>512,350</u>
Net Capital Assets	<u>\$ 452,327</u>	<u>\$ 78,280</u>	<u>\$ 18,257</u>	<u>\$ 512,350</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 52,479,630</u>	<u>\$ (1,472,809)</u>	<u>\$ 18,257</u>	<u>\$ 50,988,564</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$	439,685
Wastewater		1,359,492
Stormwater		163,052
Golf course		<u>76,097</u>

Total Business-type Activities Depreciation Expense	\$	<u><u>2,038,326</u></u>
---	----	-------------------------

Depreciation/amortization expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Shared Ride Transport Grant	\$ 56,133
General Fund	Property Acquisitions & Improvements	46,147
Wastewater Utility	Stormwater Utility	<u>100,000</u>
Total - Fund Financial Statements		202,280
Less: Fund eliminations		(202,280)
Add: Interfund advances		<u>2,681,736</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 2,681,736</u></u>

All amounts are due within one year.

The principal purpose of these interfunds is to cover deficit cash balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances

The general fund is advancing funds to the golf course, environmental TIF #1, ambulance, and shared ride transport grant funds. The amount advanced is determined by the cash deficit in the funds since their inception. No interest is being charged and no repayment schedule has been established.

The water utility and wastewater utility are advancing funds to the stormwater utility. The amount advanced is determined by an allocation of 2016 project costs. In addition, the wastewater utility is also advancing funds to cover the remaining cash deficit in the fund since its inception. No interest is being charged and no repayment schedule has been established.

The TIF #9 advance to the water and wastewater utilities reflects the amount each utility is contributing toward the debt service requirements on the oversize portion of the 2013 borrowing. A repayment schedule has been established to mirror the repayment schedule on the TIF #9 borrowing.

The general debt service fund advance to the water utility, wastewater utility and golf course reflects the amount each fund is contributing toward the debt service requirements on the 2014 state trust fund loan (refinanced in 2016), which was used for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Golf Course	\$ 1,382,736	\$ 1,382,736
General Fund	Environmental TIF #1	218,451	218,451
General Fund	Ambulance	139,794	139,794
General Fund	Shared Ride Transport Grant	124,456	124,456
TIF #9	Water Utility	365,000	343,333
TIF #9	Wastewater Utility	730,000	686,667
General Debt Service	Water Utility	75,000	75,000
General Debt Service	Wastewater Utility	92,000	92,000
General Debt Service	Golf Course	37,000	37,000
Water Utility	Stormwater Utility	479,463	479,463
Wastewater Utility	Stormwater Utility	1,314,978	1,314,978
Total - Fund Financial Statements		4,958,878	
Less: Fund eliminations		(2,277,142)	
Total - Interfund Advances		\$ 2,681,736	

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances (cont.)

The principal purpose of this advance is described above.

Years	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2018	\$ 21,667	\$ 9,633	\$ 43,333	\$ 19,267
2019	21,667	9,200	43,333	18,400
2020	21,667	8,767	43,333	17,533
2021	21,667	8,333	43,333	16,667
2022	21,667	7,900	43,333	15,800
2023-2027	120,000	31,100	240,000	62,200
2028-2032	136,665	12,450	273,335	24,900
Totals	<u>\$ 365,000</u>	<u>\$ 87,383</u>	<u>\$ 730,000</u>	<u>\$ 174,767</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 328,593	Payment in lieu of taxes
Recycling	General Fund	120,000	Grant match
Parking Advisory Board	TIF #5	15,000	Per maintenance agreement
Historical Complex	Room Tax	26,000	Yearly contribution per agreement
General Fund	Hazmat	2,000	Fire training
General Debt Service	General Capital Projects	18,105	Unspent funds
Ambulance	General Fund	181,699	Operating subsidy
General Debt Service	Wastewater Utility	12,680	Adjust split on advances for prior service liability
General Debt Service	Water Utility	10,222	Adjust split on advances for prior service liability
General Debt Service	Golf Course	<u>4,752</u>	Adjust split on advances for prior service liability
Total - Fund Financial Statements		719,051	
Less: Fund eliminations		(362,804)	
Transfers of capital assets from business-type activities to governmental activities		<u>114,630</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 470,877</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 16,810,933	\$ -	\$ 1,396,598	\$ 15,414,335	\$ 1,472,198
(Discounts)/Premiums	<u>241,929</u>	<u>-</u>	<u>16,744</u>	<u>225,185</u>	<u>-</u>
Sub-totals	<u>17,052,862</u>	<u>-</u>	<u>1,413,342</u>	<u>15,639,520</u>	<u>1,472,198</u>
Other Liabilities					
Compensated absences	638,831	-	29,569	609,262	40,613
Net pension liability	695,485	428,354	767,152	356,687	-
Landfill liability	<u>300,000</u>	<u>6,000</u>	<u>-</u>	<u>306,000</u>	<u>19,125</u>
Total Other Liabilities	<u>1,634,316</u>	<u>434,354</u>	<u>796,721</u>	<u>1,271,949</u>	<u>59,738</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 18,687,178</u>	<u>\$ 434,354</u>	<u>\$ 2,210,063</u>	<u>\$ 16,911,469</u>	<u>\$ 1,531,936</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 495,700	\$ -	\$ 91,400	\$ 404,300	\$ 91,400
Revenue bonds	<u>21,381,787</u>	<u>748,661</u>	<u>1,061,561</u>	<u>21,068,887</u>	<u>1,104,035</u>
Sub-totals	<u>21,877,487</u>	<u>748,661</u>	<u>1,152,961</u>	<u>21,473,187</u>	<u>1,195,435</u>
Other Liabilities					
Compensated absences	206,380	194	-	206,574	56,363
Capital leases	8,634	112,120	20,146	100,608	19,358
Net pension liability	<u>109,876</u>	<u>59,549</u>	<u>115,652</u>	<u>53,773</u>	<u>-</u>
Total Other Liabilities	<u>324,890</u>	<u>171,863</u>	<u>135,798</u>	<u>360,955</u>	<u>75,721</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 22,202,377</u>	<u>\$ 920,524</u>	<u>\$ 1,288,759</u>	<u>\$ 21,834,142</u>	<u>\$ 1,271,156</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2017, was \$29,657,730. Total general obligation debt outstanding at year end was \$15,818,635.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service funds. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
2010 Taxable G.O. Refunding Bonds	5/26/2010	3/1/2025	2.0-5.2%	\$ 1,285,000	\$ 865,000
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	1,945,000	575,000
2012 G.O. Notes	1/26/2012	12/1/2021	2.00%	1,785,000	760,000
2013 G.O. Bonds	1/29/2013	12/1/2032	2.0-3.0%	4,755,000	3,925,000
2013 Taxable G.O. Bonds	6/11/2013	12/1/2029	2.0-3.7%	2,110,000	1,745,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	1,835,000	1,550,000
2013 State Trust Fund Loan	7/10/2013	3/15/2033	3.75%	401,500	355,222
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	50,000	31,341
2013 State Trust Fund Loan	7/10/2013	3/15/2026	3.75%	252,000	184,706
2013 State Trust Fund Loan	11/27/2013	3/15/2026	4.25%	113,500	91,293
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	280,000	175,507
2013 State Trust Fund Loan	7/26/2013	3/15/2019	2.75%	254,717	89,300
2013 State Trust Fund Loan	7/26/2013	3/15/2026	3.75%	439,091	323,971
2013 State Trust Fund Loan	7/26/2013	3/15/2030	3.75%	474,732	387,295
2014 G.O. Notes	3/13/2014	2/1/2024	0.4-2.6%	1,575,000	1,125,000
2016 G.O. Bonds	4/27/2016	4/1/2036	2.0-3.0%	2,164,300	2,120,700
2016 G.O. Bonds	4/27/2016	3/1/2033	1.75-3.75%	1,135,000	<u>1,110,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 15,414,335</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	\$ 305,000	\$ 185,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	125,000	85,000
2014 G.O. Bonds	3/13/2014	2/1/2024	0.4-2.6%	225,000	100,000
2016 G.O. Bonds	4/27/2016	3/1/2033	1.75-3.75%	35,700	<u>34,300</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 404,300</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,472,198	\$ 425,134	\$ 91,400	\$ 8,744
2019	1,382,998	392,410	101,400	7,516
2020	1,402,353	358,397	106,400	5,048
2021	1,312,392	323,290	21,400	2,240
2022	1,307,483	291,175	21,400	1,810
2023-2027	4,976,053	972,351	43,400	3,969
2028-2032	2,955,409	321,336	10,500	2,174
2033-2036	<u>605,449</u>	<u>36,765</u>	<u>8,400</u>	<u>599</u>
Totals	<u>\$ 15,414,335</u>	<u>\$ 3,120,858</u>	<u>\$ 404,300</u>	<u>\$ 32,100</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and wastewater utilities.

The water utility has pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2008, 2013, 2014, and 2016. Proceeds from the bonds provided financing for the construction of a new well and wellhouse, as well as upgrades to existing facilities. The bonds are payable solely from water utility revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 23% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,624,162. Principal and interest paid for the current year and total customer net revenues were \$274,088 and \$1,074,119, respectively.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The wastewater utility has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 2010 - 2012 and 2016. Proceeds from the bonds provided financing for the construction of a new wastewater treatment plant, lift station and interceptor. The bonds are payable solely from wastewater revenues and are payable through 2056. Annual principal and interest payments on the bonds are expected to require 33% of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,753,243. Principal and interest paid for the current year and total customer net revenues were \$1,263,220 and \$1,689,099, respectively.

Revenue debt payable at December 31, 2017, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
<u>Water Utility</u>					
2008 Safe Drinking Water Loan	11/26/2008	5/1/2028	1.42%	\$ 1,097,024	\$ 643,648
2013 Safe Drinking Water Loan	11/27/2013	5/1/2033	1.155%	1,026,552	883,607
2014 Safe Drinking Water Loan	12/23/2014	5/1/2034	1.155%	881,411	772,315
2016 Safe Drinking Water Loan	5/25/2016	5/1/2036	.99%	2,006,948	<u>1,924,151</u> (1)
Total Water Utility					<u>\$ 4,223,721</u>

(1) - During 2016, the utility was authorized to issue \$2,138,893 of water system Safe Drinking Water Loan revenue bonds. The original amount reported above has been issued as of December 31, 2017. The repayment schedule is for the amount issued.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>	
<u>Wastewater Utility</u>						
2010 Clean Water Fund Loan	1/13/2010	5/1/2009	2.54%	\$ 12,633,196	\$ 9,133,432	
2011 Clean Water Fund Loan	9/28/2011	5/1/2031	2.4%	975,332	729,590	
2012 Clean Water Fund Loan	5/23/2012	5/1/2032	3.0%	486,465	390,348	
2016 Sewerage System Mortgage Revenue Bonds	9/26/2016	5/1/2056	2.25%	2,100,000	2,067,300	
2016 Clean Water Fund Loan	5/25/2016	5/1/2036	2.1%	1,186,187	1,147,046	(2)
2016 Sewerage System Mortgage Revenue Bonds	5/12/2016	5/1/2053	2.75%	3,431,650	<u>3,377,450</u>	
				Total Wastewater Utility	<u>\$ 16,845,166</u>	

(2) - During 2016, the utility was authorized to issue \$1,270,592 of wastewater system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2017. The repayment schedule is for the amount issued.

Total Business-type Activities - Revenue Debt \$ 21,068,887

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2018	\$ 1,104,035	\$ 459,194
2019	1,128,494	434,709
2020	1,153,679	409,282
2021	1,179,500	383,249
2022	1,205,871	356,594
2023-2027	6,447,555	1,360,313
2028-2032	4,140,406	702,947
2033-2037	1,565,198	468,946
2038-2042	785,000	352,061
2043-2047	893,000	244,126
2048-2052	1,015,800	121,197
2053-2056	450,349	15,902
Totals	<u>\$ 21,068,887</u>	<u>\$ 5,308,520</u>

Other Debt Information

Estimated payments of compensated absences, net pension liability and landfill liability are not included in the debt service requirement schedules. The portion of these liabilities attributable to governmental activities will be liquidated primarily by the general fund and landfill settlement fund.

A statutory mortgage lien upon the wastewater's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The wastewater's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2016 and 2017 the golf course acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$122,823, which are included in capital assets in the business-type activities.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES (cont.)

The future minimum lease obligations as of December 31, 2017, are as follows:

<u>Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 19,358	\$ 3,749	\$ 23,107
2019	20,183	2,999	23,182
2020	21,044	2,217	23,261
2021	19,586	1,402	20,988
2022	<u>20,437</u>	<u>550</u>	<u>20,987</u>
Totals	<u>\$ 100,608</u>	<u>\$ 10,917</u>	<u>\$ 111,525</u>

H. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the city to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 40 years after closure. The city completed final closure of the landfill in 1979. The \$306,000 reported as landfill postclosure care liability at December 31, 2017 represents the total amount needed by the city for postclosure care costs according to state and federal regulations. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The city is required by state and federal laws and regulations to provide proof of financial assurance for the postclosure care costs. At December 31, 2017, the city had restricted fund balance in the landfill settlement fund in the amount of \$163,920. The maintenance and monitoring expenses for long-term care will be budgeted for each year and the amount will be paid from the landfill settlement funds.

I. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2017, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Construction in progress	\$ 117,430
Land	3,722,266
Other capital assets, net of accumulated depreciation/amortization	23,084,484
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	(7,280,199)
Less: Unamortized debt premium	<u>(219,814)</u>
Total Net Investment in Capital Assets	<u>\$ 19,424,167</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects	Nonmajor Funds	<u>Totals</u>
Fund Balances						
Nonspendable:						
Inventories and prepaid items	\$ 100,512	\$ -	\$ -	\$ -	\$ 38,245	\$ 138,757
Noncurrent advances	1,865,437	-	-	-	-	1,865,437
Cemetery perpetual care	-	-	-	-	16,210	16,210
Sub-total	<u>1,965,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,455</u>	<u>2,020,404</u>
Restricted for:						
Loan programs	-	227,932	-	-	96,872	324,804
Debt service	-	-	410,614	-	48,378	458,992
Capital projects	-	-	-	585,349	451,657	1,037,006
Parking advisory board operations	-	-	-	-	133,447	133,447
Hazardous materials response	-	-	-	-	28,959	28,959
Landfill clean-up	-	-	-	-	163,920	163,920
Historical complex facilities and programs	-	-	-	-	26,024	26,024
K-9 program	-	-	-	-	14,231	14,231
DARE	-	-	-	-	3,500	3,500
Tourism	-	-	-	-	67,790	67,790
TIF projects	-	-	-	-	2,766,554	2,766,554
Property acquisitions and improvements	-	-	-	-	38,785	38,785
Sub-total	<u>-</u>	<u>227,932</u>	<u>410,614</u>	<u>585,349</u>	<u>3,840,117</u>	<u>5,064,012</u>
Committed to:						
Tank inspection equipment, training and labor costs	-	-	-	-	18,441	18,441
Playground equipment and maintenance	-	-	-	-	39,638	39,638
Boat launch equipment and maintenance	-	-	-	-	34,533	34,533
Fire inspection	-	-	-	-	1,667	1,667
Historic preservation	-	-	-	-	2,132	2,132
Sub-total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,411</u>	<u>96,411</u>
Assigned to:						
Recycling	-	-	-	-	16,350	16,350
Sub-total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,350</u>	<u>16,350</u>
Unassigned (deficit):	<u>1,035,201</u>	<u>-</u>	<u>-</u>	<u>(123,037)</u>	<u>(483,409)</u>	<u>428,755</u>
Total Fund Balances	<u>\$ 3,001,150</u>	<u>\$ 227,932</u>	<u>\$ 410,614</u>	<u>\$ 462,312</u>	<u>\$ 3,523,924</u>	<u>\$ 7,625,932</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Construction in progress	\$ 31,480
Land	1,657,329
Other capital assets, net of accumulated depreciation	49,299,755
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(21,573,795)</u>
Total Net Investment in Capital Assets	<u>\$ 29,414,769</u>

J. COMPONENT UNITS

RHINELANDER-ONEIDA COUNTY AIRPORT

This report contains the Rhinelanders-Oneida County Airport (airport), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The airport follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the airport's deposits was \$89,997 and is part of the city's commingled cash. See Note III. A.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

J. COMPONENT UNIT (cont.)

RHINELANDER-ONEIDA COUNTY AIRPORT (cont.)

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Construction in progress	\$ 1,121,341	\$ 1,483,672	\$ 1,500,000	\$ 1,105,013	
Land	187,500	-	-	187,500	
Buildings and improvements	4,790,231	-	-	4,790,231	25 - 50
Machinery and equipment	2,764,341	-	-	2,764,341	3 - 25
Infrastructure	11,408,466	1,500,000	-	12,908,466	10 - 60
Less: Accumulated depreciation	<u>(11,342,846)</u>	<u>(711,713)</u>	<u>-</u>	<u>(12,054,559)</u>	
Totals	<u>\$ 8,929,033</u>	<u>\$ 2,271,959</u>	<u>\$ 1,500,000</u>	<u>\$ 9,700,992</u>	

d. Employee Retirement System

All eligible airport employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system, as part of the primary government's plan. See Note IV.A.

e. Due to Primary Government

The total reported as due to primary government reflects the amount the airport is contributing toward the debt service requirements on the city's 2016 G.O. bond which was used to refund the state trust fund loan originally issued for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

RHINELANDER DISTRICT LIBRARY

This report contains the Rhinelander District Library (library), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Masurement Focus

The library follows the full accrual basis of accounting and the flow of economic resources measurement focus.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

J. COMPONENT UNIT (cont.)

LIBRARY COMPONENT UNIT (cont.)

b. Deposits and Investments

At year end, the carrying amount of the library's deposits was \$62,256 and is part of the city's commingled cash. See Note III. A. Total library cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Commingled cash deposits	\$ 62,256	\$ -	N/A
Deposits	238,100	238,808	Custodial credit risk
Petty cash	150	-	N/A
 Total Deposits and Investments	 \$ 300,506	 \$ 238,808	

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the library's deposits may not be returned to the library.

The library does not have any deposits exposed to custodial credit risk.

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$ 8,183	\$ -	\$ -	\$ 8,183	
Buildings and improvements	1,464,391	-	-	1,464,391	25 - 50
Machinery and equipment	1,631,207	52,073	191,864	1,491,416	3 - 25
Less: Accumulated depreciation	(2,861,695)	(42,232)	191,864	(2,712,063)	
 Totals	 \$ 242,086	 \$ 9,841	 \$ -	 \$ 251,927	

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

J. COMPONENT UNIT (cont.)

LIBRARY COMPONENT UNIT (cont.)

d. Employee Retirement System

All eligible library employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system, as part of the primary government's plan. See Note IV.A.

e. Due to Primary Government

The total reported as due to primary government reflects the amount the library is contributing toward the debt service requirements on the city's 2016 G.O. bond which was used to refund the state trust fund loan originally issued for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$528,730 in contributions from the city.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the city (including component units) reported a liability of \$459,608 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the city's proportion was 0.05576150%, which was an increase of 0.00017675% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city (including component units) recognized pension expense of \$1,176,649.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2017, the city (including component units) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 175,248	\$ 1,445,427
Changes in assumptions	480,537	-
Net differences between projected and actual earnings on pension plan investments	2,287,781	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,996	11,523
Employer contributions subsequent to the measurement date	<u>562,095</u>	<u>-</u>
Totals	<u>\$ 3,511,657</u>	<u>\$ 1,456,950</u>

\$562,095 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 1,073,462	\$ 464,650
2019	1,073,460	464,650
2020	878,244	464,650
2021	(76,401)	62,917
2022	797	83

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability 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 7.20 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension asset (liability)	\$(6,046,437)	\$(459,608)	\$3,842,503

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

At December 31, 2017, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The city participates in a public entity risk pool to provide coverage for losses from errors and omission, liability and workers compensation claims. The city is self insured for dental claims, which are accounted for and financed by the city in the internal service fund. Commercial insurance coverage has been purchased for theft and property damage, as well as health insurance.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$17,500 per occurrence and an annual aggregate limit of \$70,000.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV - OTHER INFORMATION (cont.)

D. SUBSEQUENT EVENT

On May 1, 2018 the city issued general obligation promissory notes in the amount of \$3,085,000 with an interest rate of 2.5-3.0%. This amount will be used primarily to finance street projects.

E. RELATED ORGANIZATIONS

Housing Authority

The city's officials are responsible for appointing the board members of the Rhinelander Housing Authority, but the city's accountability for this organization does not extend beyond making the appointments.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RHINELANDER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,754,352	\$ 4,754,352	\$ 4,767,476	\$ 13,124
Special assessments	18,000	18,000	8,581	(9,419)
Intergovernmental	1,884,656	1,884,656	1,830,246	(54,410)
Licenses and permits	177,220	177,220	195,514	18,294
Fines, forfeitures and penalties	35,650	35,650	35,629	(21)
Charges for services	243,679	243,679	244,220	541
Investment income	26,463	26,463	25,334	(1,129)
Miscellaneous	<u>26,759</u>	<u>26,759</u>	<u>60,936</u>	<u>34,177</u>
Total Revenues	<u>7,166,779</u>	<u>7,166,779</u>	<u>7,167,936</u>	<u>1,157</u>
EXPENDITURES				
Current:				
General government	1,140,540	1,140,980	1,023,855	117,125
Public safety	4,039,190	4,041,190	3,987,876	53,314
Public works	1,774,897	1,774,897	1,709,415	65,482
Health and human services	70,223	70,223	68,289	1,934
Culture, recreation and education	348,534	348,534	290,809	57,725
Conservation and development	32,000	32,000	18,508	13,492
Capital Outlay	<u>46,000</u>	<u>46,000</u>	<u>68,992</u>	<u>(22,992)</u>
Total Expenditures	<u>7,451,384</u>	<u>7,453,824</u>	<u>7,167,744</u>	<u>286,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,605)</u>	<u>(287,045)</u>	<u>192</u>	<u>287,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	413,105	397,000	330,593	(66,407)
Transfers out	(128,500)	(128,500)	(301,699)	(173,199)
Property sales	<u>-</u>	<u>-</u>	<u>2,177</u>	<u>2,177</u>
Total Other Financing Sources (Uses)	<u>284,605</u>	<u>268,500</u>	<u>31,071</u>	<u>(237,429)</u>
Net Change in Fund Balance	-	(18,545)	31,263	49,808
FUND BALANCE - Beginning of Year	<u>2,969,887</u>	<u>2,969,887</u>	<u>2,969,887</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,969,887</u>	<u>\$ 2,951,342</u>	<u>\$ 3,001,150</u>	<u>\$ 49,808</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RHINELANDER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - 1985 COMMUNITY
BLOCK GRANT SPECIAL REVENUE FUND
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 500	\$ 500	\$ 1,618	\$ 1,118
Miscellaneous revenue	26,000	26,000	81,579	55,579
Total Revenues	<u>26,500</u>	<u>26,500</u>	<u>83,197</u>	<u>56,697</u>
EXPENDITURES				
Current				
Conservation and development	<u>25,466</u>	<u>25,466</u>	<u>90,157</u>	<u>(64,691)</u>
Total Expenditures	<u>25,466</u>	<u>25,466</u>	<u>90,157</u>	<u>(64,691)</u>
Net Change in Fund Balance	1,034	1,034	(6,960)	(7,994)
FUND BALANCE - Beginning of Year	<u>234,892</u>	<u>234,892</u>	<u>234,892</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 235,926</u>	<u>\$ 235,926</u>	<u>\$ 227,932</u>	<u>\$ (7,994)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RHINELANDER

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
 WISCONSIN RETIREMENT SYSTEM (WRS)
 For the Year Ended December 31, 2017

WRS Fiscal Year End (Measurement Date)	City's Proportion of the Net Pension Asset/Liability	City's Proportionate Share of the Net Pension Asset (Liability)	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/16	0.05576150%	\$ (459,608)	\$ 5,983,218	7.68%	99.12%
12/31/15	0.05558475%	(903,241)	6,105,118	14.79%	98.20%
12/31/14	0.05522279%	1,356,423	5,876,759	23.08%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 WISCONSIN RETIREMENT SYSTEM (WRS)
 For the Year Ended December 31, 2017

City Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/17	\$ 562,095	\$ 562,095	\$ -	5,793,806	9.70%
12/31/16	528,400	528,400	-	5,983,218	8.83%
12/31/15	544,900	544,900	-	6,105,118	8.93%

See accompanying notes to required supplementary information and independent auditors' report.

CITY OF RHINELANDER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

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

The city is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF RHINELANDER

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2017

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
ASSETS				
Cash and investments	\$ 54,753	\$ 16,113	\$ 133,564	\$ 86,238
Receivables (net)				
Taxes	43,458	-	-	-
Accounts	-	1,117	288	-
Loans	-	-	-	116,109
Due from other governments	-	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 98,211</u>	<u>\$ 17,230</u>	<u>\$ 133,852</u>	<u>\$ 202,347</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 30,421	\$ -	\$ 405	\$ -
Accrued liabilities	-	880	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>30,421</u>	<u>880</u>	<u>405</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	-	-	116,109
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,109</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	67,790	-	133,447	86,238
Committed	-	-	-	-
Assigned	-	16,350	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>67,790</u>	<u>16,350</u>	<u>133,447</u>	<u>86,238</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 98,211</u>	<u>\$ 17,230</u>	<u>\$ 133,852</u>	<u>\$ 202,347</u>

Special Revenue

Hazardous Materials	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex
\$ 28,959	\$ -	\$ 22,252	\$ 163,934	\$ 39,638	\$ 26,320
-	-	-	-	-	-
-	2,400	-	-	-	-
-	-	-	-	-	-
-	142,548	-	-	-	-
-	-	-	-	-	2,823
-	-	-	-	-	-
<u>\$ 28,959</u>	<u>\$ 144,948</u>	<u>\$ 22,252</u>	<u>\$ 163,934</u>	<u>\$ 39,638</u>	<u>\$ 29,143</u>
\$ -	\$ 42	\$ 3,588	\$ 14	\$ -	\$ 296
-	-	223	-	-	-
-	17,628	-	-	-	-
-	56,133	-	-	-	-
-	124,456	-	-	-	-
-	<u>198,259</u>	<u>3,811</u>	<u>14</u>	-	<u>296</u>
-	-	-	-	-	-
-	86,415	-	-	-	-
-	<u>86,415</u>	-	-	-	-
-	-	-	-	-	2,823
28,959	-	-	163,920	-	26,024
-	-	18,441	-	39,638	-
-	-	-	-	-	-
-	(139,726)	-	-	-	-
<u>28,959</u>	<u>(139,726)</u>	<u>18,441</u>	<u>163,920</u>	<u>39,638</u>	<u>28,847</u>
<u>\$ 28,959</u>	<u>\$ 144,948</u>	<u>\$ 22,252</u>	<u>\$ 163,934</u>	<u>\$ 39,638</u>	<u>\$ 29,143</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue			
	Boat Launch	HCRI Grant	K-9	Fire Inspection Seminars
ASSETS				
Cash and investments	\$ 34,533	\$ 10,634	\$ 14,231	\$ 1,667
Receivables (net)				
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	-	-	-
	-	-	-	-
TOTAL ASSETS	\$ 34,533	\$ 10,634	\$ 14,231	\$ 1,667
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	-	-	-	-
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	10,634	14,231	-
Committed	34,533	-	-	1,667
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	34,533	10,634	14,231	1,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 34,533	\$ 10,634	\$ 14,231	\$ 1,667

Special Revenue					Debt Service	
Cemetery Perpetual Care	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #5
\$ 16,210	\$ 3,500	\$ 2,132	\$ -	\$ -	\$ -	\$ 48,378
-	-	-	-	-	133,536	15,181
-	-	-	139,893	-	-	-
-	-	-	-	84,653	-	-
-	-	-	35,422	-	-	-
-	-	-	-	-	-	-
<u>\$ 16,210</u>	<u>\$ 3,500</u>	<u>\$ 2,132</u>	<u>\$ 175,315</u>	<u>\$ 84,653</u>	<u>\$ 133,536</u>	<u>\$ 63,559</u>
\$ -	\$ -	\$ -	\$ 6,341	\$ 4,878	\$ -	\$ -
-	-	-	4,322	-	-	-
-	-	-	-	-	-	-
-	-	-	-	46,147	-	-
-	-	-	139,794	-	218,451	-
-	-	-	150,457	51,025	218,451	-
-	-	-	-	-	133,536	15,181
-	-	-	24,858	84,653	-	-
-	-	-	24,858	84,653	133,536	15,181
16,210	-	-	35,422	-	-	-
-	3,500	-	-	38,785	-	48,378
-	-	2,132	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(35,422)	(89,810)	(218,451)	-
<u>16,210</u>	<u>3,500</u>	<u>2,132</u>	<u>-</u>	<u>(51,025)</u>	<u>(218,451)</u>	<u>48,378</u>
<u>\$ 16,210</u>	<u>\$ 3,500</u>	<u>\$ 2,132</u>	<u>\$ 175,315</u>	<u>\$ 84,653</u>	<u>\$ 133,536</u>	<u>\$ 63,559</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Capital Projects			
	Premier Resort Area Tax	TIF #6	TIF #8	TIF #9
ASSETS				
Cash and investments	\$ 298,196	\$ 1,399	\$ 11,676	\$ 1,338,498
Receivables (net)				
Taxes	-	133,765	-	578,658
Accounts	-	-	-	-
Loans	-	396,991	-	-
Due from other governments	153,461	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	-	-	1,095,000
TOTAL ASSETS	<u>\$ 451,657</u>	<u>\$ 532,155</u>	<u>\$ 11,676</u>	<u>\$ 3,012,156</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	133,765	-	578,658
Unavailable revenues	-	396,991	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>530,756</u>	<u>-</u>	<u>578,658</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	451,657	1,399	11,676	2,433,498
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>451,657</u>	<u>1,399</u>	<u>11,676</u>	<u>2,433,498</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 451,657</u>	<u>\$ 532,155</u>	<u>\$ 11,676</u>	<u>\$ 3,012,156</u>

<u>TIF #10</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 319,981	\$ 2,672,806
94,270	998,868
-	143,698
-	513,100
-	380,662
-	38,245
-	<u>1,095,000</u>
<u>\$ 414,251</u>	<u>\$ 5,842,379</u>

\$ -	\$ 45,985
-	5,425
-	17,628
-	102,280
-	<u>482,701</u>
-	<u>654,019</u>

94,270	955,410
-	<u>709,026</u>
<u>94,270</u>	<u>1,664,436</u>

-	54,455
319,981	3,840,117
-	96,411
-	16,350
-	<u>(483,409)</u>
<u>319,981</u>	<u>3,523,924</u>

<u>\$ 414,251</u>	<u>\$ 5,842,379</u>
-------------------	---------------------

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
REVENUES				
Taxes	\$ 226,292	\$ -	\$ -	\$ -
Intergovernmental	-	22,544	-	-
Charges for services	-	-	3,099	600
Investment income	-	-	-	1,501
Miscellaneous	2,323	-	13,157	35,741
Total Revenues	228,615	22,544	16,256	37,842
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	134,922	27,081	-
Culture, recreation and education	171,304	-	-	-
Conservation and development	-	-	-	49,999
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	171,304	134,922	27,081	49,999
Excess (deficiency) of revenues over expenditures	57,311	(112,378)	(10,825)	(12,157)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	120,000	15,000	-
Transfers out	(26,000)	-	-	-
Total Other Financing Sources (Uses)	(26,000)	120,000	15,000	-
Net Change in Fund Balances	31,311	7,622	4,175	(12,157)
FUND BALANCES (DEFICIT) - Beginning of Year	36,479	8,728	129,272	98,395
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 67,790	\$ 16,350	\$ 133,447	\$ 86,238

Special Revenue

Hazardous Materials	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	Dog Park
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,400	321,413	-	-	-	-	-
-	-	22,572	-	2,450	-	-
-	-	-	-	-	-	18
<u>5,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,668</u>	<u>8,995</u>	<u>26,323</u>
<u>14,372</u>	<u>321,413</u>	<u>22,572</u>	<u>-</u>	<u>7,118</u>	<u>8,995</u>	<u>26,341</u>
8,560	-	14,395	-	-	-	-
-	347,894	-	18,494	-	-	-
-	-	-	-	5,100	36,410	38,341
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,560</u>	<u>347,894</u>	<u>14,395</u>	<u>18,494</u>	<u>5,100</u>	<u>36,410</u>	<u>38,341</u>
<u>5,812</u>	<u>(26,481)</u>	<u>8,177</u>	<u>(18,494)</u>	<u>2,018</u>	<u>(27,415)</u>	<u>(12,000)</u>
-	-	-	-	-	26,000	-
<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
3,812	(26,481)	8,177	(18,494)	2,018	(1,415)	(12,000)
<u>25,147</u>	<u>(113,245)</u>	<u>10,264</u>	<u>182,414</u>	<u>37,620</u>	<u>30,262</u>	<u>12,000</u>
<u>\$ 28,959</u>	<u>\$ (139,726)</u>	<u>\$ 18,441</u>	<u>\$ 163,920</u>	<u>\$ 39,638</u>	<u>\$ 28,847</u>	<u>\$ -</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue			
	Boat Launch	HCRI Grant	K-9	Fire Inspection Seminars
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	5,877	-	-	1,520
Investment income	-	82	-	-
Miscellaneous	5,000	51	3,814	-
Total Revenues	<u>10,877</u>	<u>133</u>	<u>3,814</u>	<u>1,520</u>
EXPENDITURES				
Current				
Public safety	-	-	573	3,575
Public works	-	-	-	-
Culture, recreation and education	5,288	-	-	-
Conservation and development	-	1,102	-	-
Capital Outlay	17,333	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>22,621</u>	<u>1,102</u>	<u>573</u>	<u>3,575</u>
Excess (deficiency) of revenues over expenditures	<u>(11,744)</u>	<u>(969)</u>	<u>3,241</u>	<u>(2,055)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(11,744)	(969)	3,241	(2,055)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>46,277</u>	<u>11,603</u>	<u>10,990</u>	<u>3,722</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 34,533</u>	<u>\$ 10,634</u>	<u>\$ 14,231</u>	<u>\$ 1,667</u>

Special Revenue					Debt Service	
Cemetery Perpetual Care	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #5
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,866	\$ 15,581
-	-	-	5,601	-	-	-
-	-	-	440,646	-	-	-
-	-	-	-	-	-	-
1,260	674	-	87,763	81,111	1,278	-
<u>1,260</u>	<u>674</u>	<u>-</u>	<u>534,010</u>	<u>81,111</u>	<u>111,144</u>	<u>15,581</u>
-	1,239	-	550,039	-	-	-
-	-	-	-	132,704	-	-
-	-	200	-	-	-	-
-	-	-	-	-	1,170	1,473
-	-	-	-	-	-	-
-	-	-	127,861	-	85,000	-
-	-	-	37,809	-	43,476	-
-	<u>1,239</u>	<u>200</u>	<u>715,709</u>	<u>132,704</u>	<u>129,646</u>	<u>1,473</u>
<u>1,260</u>	<u>(565)</u>	<u>(200)</u>	<u>(181,699)</u>	<u>(51,593)</u>	<u>(18,502)</u>	<u>14,108</u>
-	-	-	181,699	-	-	-
-	-	-	-	-	-	(15,000)
-	-	-	<u>181,699</u>	-	-	<u>(15,000)</u>
1,260	(565)	(200)	-	(51,593)	(18,502)	(892)
<u>14,950</u>	<u>4,065</u>	<u>2,332</u>	<u>-</u>	<u>568</u>	<u>(199,949)</u>	<u>49,270</u>
<u>\$ 16,210</u>	<u>\$ 3,500</u>	<u>\$ 2,132</u>	<u>\$ -</u>	<u>\$ (51,025)</u>	<u>\$ (218,451)</u>	<u>\$ 48,378</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Capital Projects			
	Premier Resort Area Tax	TIF #6	TIF #8	TIF #9
REVENUES				
Taxes	\$ 481,432	\$ 93,260	\$ -	\$ 630,474
Intergovernmental	-	10,100	13,349	5,025
Charges for services	-	-	-	-
Investment income	-	21,943	-	30,100
Miscellaneous	-	20,966	-	-
Total Revenues	<u>481,432</u>	<u>146,269</u>	<u>13,349</u>	<u>665,599</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture, recreation and education	-	-	-	-
Conservation and development	-	2,676	1,478	2,274
Capital Outlay	29,775	-	-	-
Debt Service				
Principal	-	77,808	26,574	344,745
Interest and fiscal charges	-	40,438	5,557	142,589
Total Expenditures	<u>29,775</u>	<u>120,922</u>	<u>33,609</u>	<u>489,608</u>
Excess (deficiency) of revenues over expenditures	<u>451,657</u>	<u>25,347</u>	<u>(20,260)</u>	<u>175,991</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	451,657	25,347	(20,260)	175,991
FUND BALANCES (DEFICIT) - Beginning of Year	<u>-</u>	<u>(23,948)</u>	<u>31,936</u>	<u>2,257,507</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 451,657</u>	<u>\$ 1,399</u>	<u>\$ 11,676</u>	<u>\$ 2,433,498</u>

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>TIF #10</u>	
\$ 161,712	\$ 1,718,617
-	386,432
-	476,764
-	53,644
-	299,096
<u>161,712</u>	<u>2,934,553</u>
-	578,381
-	661,095
-	256,643
6,987	67,159
-	47,108
16,010	677,998
13,921	283,790
<u>36,918</u>	<u>2,572,174</u>
<u>124,794</u>	<u>362,379</u>
-	342,699
-	(43,000)
-	<u>299,699</u>
124,794	662,078
<u>195,187</u>	<u>2,861,846</u>
<u>\$ 319,981</u>	<u>\$ 3,523,924</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS As of December 31, 2017

	<u>Stormwater Utility</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS			
Current Assets			
Receivables			
Accounts	\$ 121,372	\$ 4,876	\$ 126,248
Inventories and prepaid items	-	30,553	30,553
Total Current Assets	<u>121,372</u>	<u>35,429</u>	<u>156,801</u>
Noncurrent Assets			
Capital Assets			
Land	35,666	-	35,666
Capital assets being depreciated	5,431,592	3,612,023	9,043,615
Less: Accumulated depreciation	<u>(1,997,535)</u>	<u>(3,099,673)</u>	<u>(5,097,208)</u>
Total Noncurrent Assets	<u>3,469,723</u>	<u>512,350</u>	<u>3,982,073</u>
Total Assets	<u>3,591,095</u>	<u>547,779</u>	<u>4,138,874</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>10,183</u>	<u>77,565</u>	<u>87,748</u>
LIABILITIES			
Current Liabilities			
Accounts payable	100	2,652	2,752
Accrued wages	2,333	3,325	5,658
Accrued interest	-	4,032	4,032
Deposits	-	1,000	1,000
Due to other funds	100,000	-	100,000
Current portion of general obligation debt	5,000	86,400	91,400
Current portion of compensated absences	-	39,179	39,179
Current portion of leases	-	19,358	19,358
Total Current Liabilities	<u>107,433</u>	<u>155,946</u>	<u>263,379</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	25,000	287,900	312,900
Other Liabilities			
Net pension liability	1,360	10,044	11,404
Capital leases payable	-	81,250	81,250
Advances from other funds	<u>1,794,441</u>	<u>1,419,736</u>	<u>3,214,177</u>
Total Noncurrent Liabilities	<u>1,820,801</u>	<u>1,798,930</u>	<u>3,619,731</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	-	6,149	6,149
Pension related amounts	<u>4,524</u>	<u>32,546</u>	<u>37,070</u>
Total Deferred Inflows of Resources	<u>4,524</u>	<u>38,695</u>	<u>43,219</u>
NET POSITION			
Net investment in capital assets	3,439,723	37,442	3,477,165
Unrestricted (deficit)	<u>(1,771,203)</u>	<u>(1,405,669)</u>	<u>(3,176,872)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 1,668,520</u>	<u>\$ (1,368,227)</u>	<u>\$ 300,293</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2017

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 419,545	\$ 493,249	\$ 912,794
Total Operating Revenues	<u>419,545</u>	<u>493,249</u>	<u>912,794</u>
OPERATING EXPENSES			
Operation and maintenance	204,069	571,388	775,457
Depreciation	163,052	76,097	239,149
Total Operating Expenses	<u>367,121</u>	<u>647,485</u>	<u>1,014,606</u>
Operating Income (Loss)	<u>52,424</u>	<u>(154,236)</u>	<u>(101,812)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(675)	(11,895)	(12,570)
Miscellaneous revenues	-	2,222	2,222
Total Nonoperating Expenses	<u>(675)</u>	<u>(9,673)</u>	<u>(10,348)</u>
Net Income (Loss) Before Transfers	<u>51,749</u>	<u>(163,909)</u>	<u>(112,160)</u>
TRANSFERS			
Transfers out	-	(4,752)	(4,752)
Total Transfers	<u>-</u>	<u>(4,752)</u>	<u>(4,752)</u>
Change in Net Position	51,749	(168,661)	(116,912)
NET POSITION (DEFICIT) - Beginning of Year	<u>1,616,771</u>	<u>(1,199,566)</u>	<u>417,205</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 1,668,520</u>	<u>\$ (1,368,227)</u>	<u>\$ 300,293</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2017

	Stormwater Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 423,129	\$ 507,131	\$ 930,260
Paid to suppliers for goods and services	(131,584)	(353,841)	(485,425)
Paid to employees for services	(68,955)	(218,285)	(287,240)
Net Cash Flows From Operating Activities	<u>222,590</u>	<u>(64,995)</u>	<u>157,595</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Negative cash implicitly financed	(142,361)	206,214	63,853
Donations received	-	2,222	2,222
Advances repaid to other funds	-	(1,000)	(1,000)
Interest on advance	-	(1,571)	(1,571)
Net Cash Flows From Noncapital Financing Activities	<u>(142,361)</u>	<u>205,865</u>	<u>63,504</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(5,000)	(106,546)	(111,546)
Interest and fiscal charges paid	(675)	(10,324)	(10,999)
Acquisition and construction of capital assets	(103,601)	(24,000)	(127,601)
Contribution received for construction	29,047	-	29,047
Net Cash Flows From Capital and Related Financing Activities	<u>(80,229)</u>	<u>(140,870)</u>	<u>(221,099)</u>
Net Change in Cash and Cash Equivalents	-	-	-
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 52,424	\$ (154,236)	\$ (101,812)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	163,052	76,097	239,149
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Customer accounts receivable	3,584	9,839	13,423
Inventories and prepaid items	-	7,470	7,470
Accounts payable	-	(7,077)	(7,077)
Accrued wages	1,758	(491)	1,267
Accrued compensated absences	-	(14,145)	(14,145)
Unearned revenues	-	4,043	4,043
Pension related deferrals and liability	1,772	13,505	15,277
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 222,590</u>	<u>\$ (64,995)</u>	<u>\$ 157,595</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via capital lease	\$ -	\$ 112,120	
Net book value of assets traded in	\$ -	\$ 18,257	
Adjustment to noncapital advance	\$ -	\$ 4,752	

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS For the Year Ended December 31, 2017

	Rhinelander- Oneida County Airport	Rhinelander District Library	Totals
OPERATING REVENUES			
City appropriation	\$ 197,081	\$ 267,446	\$ 464,527
Township appropriations	-	466,758	466,758
County appropriation	-	164,278	164,278
Charges for services	967,035	-	967,035
Fines, donations, and miscellaneous	-	337,482	337,482
Total Operating Revenues	<u>1,164,116</u>	<u>1,235,964</u>	<u>2,400,080</u>
OPERATING EXPENSES			
Salaries and wages	438,771	532,881	971,652
Fringe benefits	146,710	228,685	375,395
Depreciation	711,713	42,232	753,945
Other expenses	539,164	220,816	759,980
Total Operating Expenses	<u>1,836,358</u>	<u>1,024,614</u>	<u>2,860,972</u>
OPERATING INCOME (LOSS)	<u>(672,242)</u>	<u>211,350</u>	<u>(460,892)</u>
NONOPERATING INCOME (EXPENSES)			
Investment income	1,631	143	1,774
Interest and fiscal charges	(2,116)	(2,768)	(4,884)
Total Nonoperating Income (Expenses)	<u>(485)</u>	<u>(2,625)</u>	<u>(3,110)</u>
Income (Loss) Before Contributions	(672,727)	208,725	(464,002)
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	1,483,672	-	1,483,672
Transfers In	22,488	30,486	52,974
Total Contributions and Transfers	<u>1,506,160</u>	<u>30,486</u>	<u>1,536,646</u>
CHANGE IN NET POSITION	833,433	239,211	1,072,644
NET POSITION - Beginning of Year	<u>9,641,410</u>	<u>321,771</u>	<u>9,963,181</u>
NET POSITION - END OF YEAR	<u>\$ 10,474,843</u>	<u>\$ 560,982</u>	<u>\$ 11,035,825</u>

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS COMPONENT UNITS For the Year Ended December 31, 2017

	Rhineland- Oneida County Airport	Rhineland- District Library	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers and other local governments	\$ 942,457	\$ 968,518	\$ 1,910,975
Received from municipality	197,081	267,446	464,527
Paid to suppliers for goods and services	(650,775)	(409,906)	(1,060,681)
Paid to employees for services	<u>(436,881)</u>	<u>(533,002)</u>	<u>(969,883)</u>
Net Cash Flows From Operating Activities	<u>51,882</u>	<u>293,056</u>	<u>344,938</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>1,631</u>	<u>143</u>	<u>1,774</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances repaid to primary government	(2,000)	(2,000)	(4,000)
Interest on advance from primary government	<u>(2,116)</u>	<u>(2,768)</u>	<u>(4,884)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(4,116)</u>	<u>(4,768)</u>	<u>(8,884)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(11,846)</u>	<u>(52,073)</u>	<u>(63,919)</u>
Net Change in Cash and Cash Equivalents	37,551	236,358	273,909
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>52,446</u>	<u>64,148</u>	<u>116,594</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 89,997</u>	<u>\$ 300,506</u>	<u>\$ 390,503</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (672,242)	\$ 211,350	\$ (460,892)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	711,713	42,232	753,945
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Accounts receivable	26,354	-	26,354
Taxes receivable	-	(1,243)	(1,243)
Due from other governmental units	(65,846)	(1,682)	(67,528)
Prepaid items	11,732	7,395	19,127
Accounts payable	(953)	(2,875)	(3,828)
Accrued liabilities	(1,890)	121	(1,769)
Unearned revenue	14,914	2,925	17,839
Pension related deferrals and liability	<u>28,100</u>	<u>34,833</u>	<u>62,933</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 51,882</u>	<u>\$ 293,056</u>	<u>\$ 344,938</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via capital contributions	<u>\$ 1,483,672</u>	<u>\$ -</u>	

CITY OF RHINELANDER

REQUIRED BOND DISCLOSURES For the Year Ended December 31, 2017

INSURANCE COVERAGE

<u>Description</u>	<u>Amount of Coverage</u>	<u>Coverage Dates</u>	<u>Name of Insurer</u>
Auto Liability	\$ 10,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Workers Compensation	100,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Auto Physical Damage:			
Per Vehicle	1,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Per Occurrence	10,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Employment Practices	1,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Boiler and Machinery	250,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
General Liability	5,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Excess Liability	5,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Cyber (paid by CVMIC)	10,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Crime	3,000,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Volunteer:			
AD&D Each	30,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
AD&D Per Occurrence	500,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.
Medical Each	100,000	1/1/17 to 1/1/18	Cities & Villages Mutual Insurance Co.

OTHER INFORMATION

<u>User Classification</u>	<u>Wastewater</u>
Residential	3,124
Commercial	502
Industrial	31
Public Authority	55
Multifamily Residential	33
Volume of Water Used By Wastewater Customers - Gallons (000's)	195,942

CITY OF RHINELANDER

DETAILED SCHEDULE OF OPERATING REVENUES AND EXPENSES - WASTEWATER UTILITY For the Year Ended December 31, 2017

OPERATING REVENUES

Sewer service charges	\$ 2,738,355
Forfeited discounts	44,934
Other	91,145
Total Operating Revenues	<u>2,874,434</u>

OPERATING EXPENSES

Supervision and labor	217,148
Power	133,402
Chemicals	39,814
Operating supplies	63,412
Transportation	14,270
Maintenance	264,442
Billing, collection and accounting	32,416
Meter reading	13,458
Administrative and general salaries	89,030
Office supplies	25,007
Outside services employed	32,893
Insurance	33,722
Employee benefits	177,148
Miscellaneous general	16,921
Total Operation and Maintenance Expenses	<u>1,153,083</u>
Depreciation	1,359,492
Taxes	32,252
Total Operating Expenses	<u>2,544,827</u>

OPERATING INCOME

\$ 329,607

OTHER REPORTS

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

Independent Auditors' Report

To the City Council
City of Rhinelander
Rhinelander, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City of Rhinelander's basic financial statements and have issued our report thereon dated May 29, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Rhinelander's Response to Findings

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
May 29, 2018

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2017-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process.

Cause: The city has chosen to have the auditors prepare its annual financial statements and certain year-end adjustments.

Effect: The city's financial records may be materially misstated before the annual audit is completed. In addition, the annual financial statements are not available to the city until they are prepared by the auditors.

Recommendation: Most small governments operate with only enough staff to process monthly transactions and reports, and will continue to rely on outside consultants to handle year end entries and financial reporting. Management and the governing body should continue to make a reasonable effort to be knowledgeable about the city's financial condition and financial reporting requirements.

Views of Responsible Officials: The city is aware that its staff does not have the necessary time and/or expertise to prepare financial statements and related notes in accordance to GAAP. The city will rely on the assistance of the auditors for preparation of the financial statements, schedule of expenditures of federal and state awards and related notes. The city will also continue to have the auditors help prepare year-end adjustments to facilitate the proper reporting in the audited financial statements.

FINDING 2017-002: INTERNAL CONTROL ENVIRONMENT

Criteria: A system of internal control should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll, and monthly and year-end accounting. There is a general lack of segregation of duties over these areas.

Cause: The city believes it does not have the resources to implement ideal controls over these transaction cycles and has not assigned duties to have appropriate controls in place.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally and your accounting records may be misstated.

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2017

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2017-002: INTERNAL CONTROL ENVIRONMENT (cont.)

Recommendation: The city's governing body and management should consider whether additional compensating controls are feasible. In the absence of hiring additional staff, the city council should rely more heavily on their direct knowledge of the city's operations and regular contact with management to control and safeguard assets.

Views of Responsible Officials: The city is aware of the lack of segregation of duties caused by the limited size of its staff. Segregation is enhanced whenever possible and the council assumes an active role through monthly review of receipt and disbursement transactions and monthly financial statements.