

CITY OF RHINELANDER

Rhineland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

CITY OF RHINELANDER

TABLE OF CONTENTS As of and for the Year Ended December 31, 2018

	<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 - 66
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 1985 Community Block Grant Special Revenue Fund	68
Schedule of Employer's Proportionate Share of the Net Pension Asset (Liability) - Wisconsin Retirement System (WRS)	69
Schedule of Employer Contributions - Wisconsin Retirement System (WRS)	69
Notes to Required Supplementary Information	70
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	71 - 75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	76 - 80
Combining Statement of Net Position - Nonmajor Enterprise Funds	81 - 82
Combining Statement of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds	83

CITY OF RHINELANDER

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2018

	<u>Page(s)</u>
Supplementary Information (cont.)	
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	84
Statement of Revenues, Expenses and Changes in Net Position - Component Units	85
Statement of Cash Flows - Component Units	86
Required Bond Disclosures	87
Detailed Schedule of Operating Revenues and Expenses - Wastewater Utility	88
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>	89 - 90
Schedule of Findings and Responses	91 - 92

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Rhinelander's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 over financial reporting relevant to the City of Rhinelander'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 of Rhinelander's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin, as of December 31, 2018 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the managements' 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019 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 Virchow Krause, LLP

Eau Claire, Wisconsin
May 31, 2019

CITY OF RHINELANDER

STATEMENT OF NET POSITION As of December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
ASSETS					
Cash and investments	\$ 5,135,151	\$ 4,895,679	\$ 10,030,830	\$ 74,740	\$ 871,112
Receivables (net)					
Taxes	6,886,434	-	6,886,434	197,081	275,660
Delinquent personal property	3,089	-	3,089	-	-
Accounts	137,166	1,418,381	1,555,547	19,574	-
Special assessments	59,076	-	59,076	-	-
Loans	2,300,123	-	2,300,123	-	-
Other	88,705	58,738	147,443	-	-
Due from other governments	470,792	-	470,792	628,622	482,642
Due from component unit	113,000	-	113,000	-	-
Internal balances	1,878,582	(1,878,582)	-	-	-
Inventories and prepaid items	268,199	111,395	379,594	12,195	552
Restricted assets					
Cash and investments	-	2,436,964	2,436,964	-	-
Net pension asset	1,289,495	186,759	1,476,254	83,556	98,135
Capital Assets					
Construction in progress	535,556	651,024	1,186,580	1,645,516	-
Land	3,719,433	1,657,329	5,376,762	187,700	8,183
Other capital assets, net of depreciation	<u>22,640,698</u>	<u>47,522,144</u>	<u>70,162,842</u>	<u>8,171,595</u>	<u>244,310</u>
Total Assets	<u>45,525,499</u>	<u>57,059,831</u>	<u>102,585,330</u>	<u>11,020,579</u>	<u>1,980,594</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>2,329,037</u>	<u>333,714</u>	<u>2,662,751</u>	<u>149,857</u>	<u>177,490</u>
LIABILITIES					
Accounts payable	446,518	471,310	917,828	33,956	9,473
Accrued liabilities and deposits	283,179	109,691	392,870	12,176	13,740
Due to other governments	17,628	-	17,628	-	-
Due to primary government	-	-	-	49,000	64,000
Unearned revenues	25,000	-	25,000	-	-
Noncurrent Liabilities					
Due within one year	1,727,509	1,274,072	3,001,581	-	-
Due in more than one year	<u>16,559,628</u>	<u>19,524,546</u>	<u>36,084,174</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>19,059,462</u>	<u>21,379,619</u>	<u>40,439,081</u>	<u>95,132</u>	<u>87,213</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	6,553,763	2,124	6,555,887	197,081	760,662
Pension related amounts	<u>2,563,444</u>	<u>354,674</u>	<u>2,918,118</u>	<u>165,172</u>	<u>193,634</u>
Total Deferred Inflows of Resources	<u>9,117,207</u>	<u>356,798</u>	<u>9,474,005</u>	<u>362,253</u>	<u>954,296</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF NET POSITION As of December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
NET POSITION					
Net investment in capital assets	\$ 17,476,951	\$ 29,188,672	\$ 44,480,991	\$ 10,004,811	\$ 252,493
Restricted for					
Cemetery perpetual care	17,455	-	17,455	-	-
Tourism	90,324	-	90,324	-	-
Loan programs	2,156,770	-	2,156,770	-	-
Debt service	417,980	868,005	1,285,985	-	-
Parking advisory board operations	110,431	-	110,431	-	-
Hazardous materials response	32,535	-	32,535	-	-
Historical complex facilities and programs	23,438	-	23,438	-	-
K-9 program	766	-	766	-	-
Landfill clean up	134,815	-	134,815	-	-
DARE program	3,369	-	3,369	-	-
TIF projects	1,929,881	-	1,929,881	-	-
Capital projects	1,034,567	-	1,034,567	-	-
Equipment replacement	-	1,494,241	1,494,241	-	-
Library - expendable	-	-	-	-	597,074
Library - nonexpendable	-	-	-	-	168,873
Pension	1,289,495	186,759	1,476,254	83,556	98,135
Unrestricted (deficit)	(5,040,910)	3,919,451	1,063,173	624,684	-
TOTAL NET POSITION	\$ 19,677,867	\$ 35,657,128	\$ 55,334,995	\$ 10,713,051	\$ 1,116,575

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities				
General government	\$ 1,094,916	\$ 277,354	\$ -	\$ -
Public safety	4,993,616	603,390	89,840	5,213
Public works	5,204,769	75,411	967,777	17,389
Health and human services	74,874	31,000	-	-
Culture, education and recreation	601,864	15,169	27,538	126,765
Conservation and development	182,808	12,359	-	-
Interest and fiscal charges	514,879	-	-	-
Total Governmental Activities	<u>12,667,726</u>	<u>1,014,683</u>	<u>1,085,155</u>	<u>149,367</u>
Business-type Activities				
Water Utility	1,776,059	2,107,576	-	-
Wastewater Utility	3,006,757	2,957,180	-	-
Stormwater Utility	383,139	419,503	-	-
Golf Course	798,711	645,937	-	-
Total Business-type Activities	<u>5,964,666</u>	<u>6,130,196</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 18,632,392</u>	<u>\$ 7,144,879</u>	<u>\$ 1,085,155</u>	<u>\$ 149,367</u>
Component Units				
Rhinelanders-Oneida County Airport	\$ 2,019,919	\$ 991,266	\$ 38,500	\$ 1,027,777
Rhinelanders District Library	1,023,009	-	644,477	-
Total Component Units	<u>\$ 3,042,928</u>	<u>\$ 991,266</u>	<u>\$ 682,977</u>	<u>\$ 1,027,777</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				
Premier resort area tax				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income (loss)				
Miscellaneous				
Transfers - internal				
Total General Revenues and Transfers				

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

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
\$ (817,562)	\$ -	\$ (817,562)	\$ -	\$ -
(4,295,173)	-	(4,295,173)	-	-
(4,144,192)	-	(4,144,192)	-	-
(43,874)	-	(43,874)	-	-
(432,392)	-	(432,392)	-	-
(170,449)	-	(170,449)	-	-
(514,879)	-	(514,879)	-	-
<u>(10,418,521)</u>	<u>-</u>	<u>(10,418,521)</u>	<u>-</u>	<u>-</u>
-	331,517	331,517	-	-
-	(49,577)	(49,577)	-	-
-	36,364	36,364	-	-
-	<u>(152,774)</u>	<u>(152,774)</u>	<u>-</u>	<u>-</u>
-	<u>165,530</u>	<u>165,530</u>	<u>-</u>	<u>-</u>
<u>(10,418,521)</u>	<u>165,530</u>	<u>(10,252,991)</u>	<u>-</u>	<u>-</u>
-	-	-	37,624	-
-	-	-	-	<u>(378,532)</u>
-	-	-	<u>37,624</u>	<u>(378,532)</u>
4,605,421	-	4,605,421	-	-
908,124	-	908,124	-	-
955,410	-	955,410	-	-
-	-	-	197,081	-
-	-	-	-	268,689
853,817	-	853,817	-	-
218,204	-	218,204	-	-
1,318,357	-	1,318,357	-	642,745
199,915	101,471	301,386	3,503	(8,940)
133,625	-	133,625	-	31,631
<u>(1,038,676)</u>	<u>1,038,676</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,154,197</u>	<u>1,140,147</u>	<u>9,294,344</u>	<u>200,584</u>	<u>934,125</u>
(2,264,324)	1,305,677	(958,647)	238,208	555,593
<u>21,942,191</u>	<u>34,351,451</u>	<u>56,293,642</u>	<u>10,474,843</u>	<u>560,982</u>
<u>\$ 19,677,867</u>	<u>\$ 35,657,128</u>	<u>\$ 55,334,995</u>	<u>\$ 10,713,051</u>	<u>\$ 1,116,575</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2018

	General Fund	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects
ASSETS				
Cash and investments	\$ 811,652	\$ 157,066	\$ 102,794	\$ 811,117
Receivables (net)				
Taxes	4,937,766	-	898,592	22,689
Delinquent personal property taxes	3,089	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	59,076
Loans	7,848	1,796,664	-	-
Other	1,184	-	-	-
Due from other governments	35,682	-	-	4,925
Due from component units	-	-	113,000	-
Due from other funds	287,315	-	-	-
Inventories and prepaid items	225,243	-	-	-
Advances to other funds	<u>2,059,410</u>	<u>-</u>	<u>198,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,369,189</u>	<u>\$ 1,953,730</u>	<u>\$ 1,312,386</u>	<u>\$ 897,807</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 175,777	\$ 1,584	\$ -	\$ 163,538
Accrued liabilities and deposits	100,449	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	25,000
Advances from other funds	-	-	-	-
Total Liabilities	<u>276,226</u>	<u>1,584</u>	<u>-</u>	<u>188,538</u>
Deferred Inflows of Resources				
Unearned revenues	4,634,084	-	898,592	-
Unavailable revenues	<u>7,848</u>	<u>1,796,664</u>	<u>-</u>	<u>81,765</u>
Total Deferred Inflows of Resources	<u>4,641,932</u>	<u>1,796,664</u>	<u>898,592</u>	<u>81,765</u>
Fund Balances				
Nonspendable	2,284,653	-	-	-
Restricted	-	155,482	413,794	886,371
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	<u>1,166,378</u>	<u>-</u>	<u>-</u>	<u>(258,867)</u>
Total Fund Balances	<u>3,451,031</u>	<u>155,482</u>	<u>413,794</u>	<u>627,504</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,369,189</u>	<u>\$ 1,953,730</u>	<u>\$ 1,312,386</u>	<u>\$ 897,807</u>

See accompanying notes to financial statements.

Premier Resort Area Tax Capital Projects Fund	Nonmajor Governmental Funds	Totals
\$ 977,135	\$ 2,260,102	\$ 5,119,866
-	1,027,387	6,886,434
-	-	3,089
-	137,166	137,166
-	-	59,076
-	495,611	2,300,123
-	87,521	88,705
153,193	276,992	470,792
-	-	113,000
-	-	287,315
-	42,956	268,199
-	-	2,257,410
<u>\$ 1,130,328</u>	<u>\$ 4,327,735</u>	<u>\$ 17,991,175</u>
\$ 56,511	\$ 49,108	\$ 446,518
-	5,454	105,903
-	17,628	17,628
-	287,315	287,315
-	-	25,000
-	378,828	378,828
<u>56,511</u>	<u>738,333</u>	<u>1,261,192</u>
-	1,021,087	6,553,763
-	666,394	2,552,671
-	1,687,481	9,106,434
-	60,411	2,345,064
1,073,817	2,147,370	4,676,834
-	110,279	110,279
-	31,975	31,975
-	(448,114)	459,397
<u>1,073,817</u>	<u>1,901,921</u>	<u>7,623,549</u>
<u>\$ 1,130,328</u>	<u>\$ 4,327,735</u>	<u>\$ 17,991,175</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, 2018

Total Fund Balances - Governmental Funds	\$	7,623,549
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.		26,895,687
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.		2,552,671
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		1,289,495
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		2,329,037
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(2,563,444)
Internal service funds are reported in the statement of net position as governmental activities.		12,557
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		(17,060,038)
Compensated absences		(634,042)
Accrued interest		(174,548)
Unamortized debt premium		(264,057)
Landfill liability		(329,000)
		<u> </u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>19,677,867</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, 2018

	General Fund	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects
REVENUES				
Taxes	\$ 4,741,252	\$ -	\$ 908,124	\$ -
Special assessments	6,537	-	-	18,212
Intergovernmental	1,962,700	-	-	23,725
Licenses and permits	201,412	-	-	-
Fines, forfeitures and penalties	37,377	-	-	-
Charges for services	284,020	-	-	-
Investment income	117,898	3,620	9,810	18,925
Miscellaneous	87,360	76,422	-	100
Total Revenues	<u>7,438,556</u>	<u>80,042</u>	<u>917,934</u>	<u>60,962</u>
EXPENDITURES				
Current				
General government	1,006,154	-	-	-
Public safety	4,038,457	-	-	41,792
Public works	1,576,934	-	-	12,808
Health and human services	66,581	-	-	-
Culture, recreation and education	250,458	-	-	46,826
Conservation and development	27,275	152,492	-	-
Capital Outlay	50,948	-	-	842,162
Debt Service				
Principal	-	-	768,600	-
Interest and fiscal charges	-	-	162,383	19,563
Total Expenditures	<u>7,016,807</u>	<u>152,492</u>	<u>930,983</u>	<u>963,151</u>
Excess (deficiency) of revenues over expenditures	<u>421,749</u>	<u>(72,450)</u>	<u>(13,049)</u>	<u>(902,189)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	1,062,900
Premium on debt issued	-	-	-	20,710
Transfers in	330,224	-	16,229	-
Transfers out	(302,305)	-	-	(16,229)
Property sales	213	-	-	-
Total Other Financing Sources (Uses)	<u>28,132</u>	<u>-</u>	<u>16,229</u>	<u>1,067,381</u>
Net Change in Fund Balances	449,881	(72,450)	3,180	165,192
FUND BALANCES - Beginning of Year	<u>3,001,150</u>	<u>227,932</u>	<u>410,614</u>	<u>462,312</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,451,031</u>	<u>\$ 155,482</u>	<u>\$ 413,794</u>	<u>\$ 627,504</u>

See accompanying notes to financial statements.

Premier Resort Area Tax Capital Projects Fund	Nonmajor Governmental Funds	Totals
\$ 853,817	\$ 1,171,393	\$ 7,674,586
-	-	24,749
-	560,210	2,546,635
-	-	201,412
-	-	37,377
-	440,931	724,951
25,633	25,069	200,955
-	<u>173,508</u>	<u>337,390</u>
<u>879,450</u>	<u>2,371,111</u>	<u>11,748,055</u>
-	-	1,006,154
-	466,701	4,546,950
-	616,117	2,205,859
-	-	66,581
-	205,199	502,483
-	60,808	240,575
2,314,627	156,588	3,364,325
-	703,597	1,472,197
<u>39,032</u>	<u>265,852</u>	<u>486,830</u>
<u>2,353,659</u>	<u>2,474,862</u>	<u>13,891,954</u>
<u>(1,474,209)</u>	<u>(103,751)</u>	<u>(2,143,899)</u>
2,055,000	-	3,117,900
41,369	-	62,079
-	328,305	674,758
-	(1,394,900)	(1,713,434)
-	-	213
<u>2,096,369</u>	<u>(1,066,595)</u>	<u>2,141,516</u>
622,160	(1,170,346)	(2,383)
<u>451,657</u>	<u>3,072,267</u>	<u>7,625,932</u>
<u>\$ 1,073,817</u>	<u>\$ 1,901,921</u>	<u>\$ 7,623,549</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, 2018

Net change in fund balances - total governmental funds	\$	(2,383)
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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		3,364,325
Some items reported as capital outlay were not capitalized		(2,083,602)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		12,525
Depreciation is reported in the government-wide financial statements		(1,299,937)
Loss on disposal of capital assets is recorded in the government-wide statements		(21,804)

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.		(253,250)
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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.		
Debt issued		(3,117,900)
Principal repaid		1,472,197

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		23,207
Debt discount (premium)		(62,079)

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		(24,780)
Accrued interest on debt		(51,256)
Net pension asset/liability (and pension related deferred outflows and inflows of resources)		(164,825)
Landfill liability		(23,000)

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		(31,762)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(2,264,324)</u>
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See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 2,089,314	\$ 2,785,434	\$ 20,931	\$ 4,895,679	\$ 15,285
Receivables					
Accounts	437,953	855,787	124,641	1,418,381	-
Due from other funds	-	100,000	-	100,000	-
Inventories and prepaid items	69,127	14,549	27,719	111,395	-
Restricted cash and investments	<u>172,013</u>	<u>658,282</u>	<u>-</u>	<u>830,295</u>	<u>-</u>
Total Current Assets	<u>2,768,407</u>	<u>4,414,052</u>	<u>173,291</u>	<u>7,355,750</u>	<u>15,285</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	-	1,606,669	-	1,606,669	-
Net pension asset	62,054	84,936	39,769	186,759	-
Capital Assets					
Construction in progress	43,464	606,941	619	651,024	-
Land	34,070	1,587,593	35,666	1,657,329	-
Capital assets being depreciated	19,587,666	43,762,571	9,039,633	72,389,870	-
Less: Accumulated depreciation	(6,101,830)	(13,429,210)	(5,336,686)	(24,867,726)	-
Advances to other funds	479,463	1,135,799	-	1,615,262	-
Other receivables	<u>-</u>	<u>-</u>	<u>58,738</u>	<u>58,738</u>	<u>-</u>
Total Noncurrent Assets	<u>14,104,887</u>	<u>35,355,299</u>	<u>3,837,739</u>	<u>53,297,925</u>	<u>-</u>
Total Assets	<u>16,873,294</u>	<u>39,769,351</u>	<u>4,011,030</u>	<u>60,653,675</u>	<u>15,285</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>111,947</u>	<u>159,884</u>	<u>61,883</u>	<u>333,714</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	\$ 219,668	\$ 251,572	\$ 70	\$ 471,310	\$ -
Accrued liabilities and deposits	8,111	10,999	15,863	34,973	-
Due to other funds	-	-	100,000	100,000	-
General obligation bonds and notes payable	-	-	100,000	100,000	-
Current portion of compensated absences	7,051	13,472	-	20,523	-
Current portion of leases	-	-	20,183	20,183	-
Claims payable	-	-	-	-	2,728
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	246,620	886,746	-	1,133,366	-
Accrued interest	7,599	67,119	-	74,718	-
Total Current Liabilities	489,049	1,229,908	236,116	1,955,073	2,728
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	-	-	180,000	180,000	-
Revenue bonds	3,833,585	15,313,624	-	19,147,209	-
Other Liabilities					
Compensated absences	64,343	71,927	-	136,270	-
Capital leases payable	-	-	61,067	61,067	-
Advances from other funds	73,000	89,000	3,331,844	3,493,844	-
Total Noncurrent Liabilities	3,970,928	15,474,551	3,572,911	23,018,390	-
Total Liabilities	4,459,977	16,704,459	3,809,027	24,973,463	2,728
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	-	-	2,124	2,124	-
Pension related amounts	123,274	153,521	77,879	354,674	-
Total Deferred Inflows of Resources	123,274	153,521	80,003	356,798	-
NET POSITION					
Net investment in capital assets	9,483,165	16,327,525	3,377,982	29,188,672	-
Restricted for					
Debt service	164,414	703,591	-	868,005	-
Equipment replacement	-	1,494,241	-	1,494,241	-
Pension	62,054	84,936	39,769	186,759	-
Unrestricted (deficit)	2,692,357	4,460,962	(3,233,868)	3,919,451	12,557
TOTAL NET POSITION	<u>\$ 12,401,990</u>	<u>\$ 23,071,255</u>	<u>\$ 183,883</u>	<u>\$ 35,657,128</u>	<u>\$ 12,557</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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES	<u>\$ 2,107,576</u>	<u>\$ 2,957,180</u>	<u>\$ 1,065,440</u>	<u>\$ 6,130,196</u>	<u>\$ 56,007</u>
OPERATING EXPENSES					
Operation and maintenance	1,074,116	1,201,029	928,251	3,203,396	-
Depreciation	443,048	1,361,935	242,909	2,047,892	-
Taxes	18,450	31,143	-	49,593	-
Self Insurance claims	-	-	-	-	88,213
Total Operating Expenses	<u>1,535,614</u>	<u>2,594,107</u>	<u>1,171,160</u>	<u>5,300,881</u>	<u>88,213</u>
Operating Income (Loss)	<u>571,962</u>	<u>363,073</u>	<u>(105,720)</u>	<u>829,315</u>	<u>(32,206)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	29,192	72,279	-	101,471	444
Interest and fiscal charges	(47,906)	(412,650)	(10,085)	(470,641)	-
Loss on disposal of capital assets	(192,539)	-	(605)	(193,144)	-
Total Nonoperating Revenues (Expenses)	<u>(211,253)</u>	<u>(340,371)</u>	<u>(10,690)</u>	<u>(562,314)</u>	<u>444</u>
Income (Loss) Before Transfers	<u>360,709</u>	<u>22,702</u>	<u>(116,410)</u>	<u>267,001</u>	<u>(31,762)</u>
TRANSFERS					
Transfers in	456,299	912,601	-	1,368,900	-
Transfers out	(330,224)	-	-	(330,224)	-
Total Transfers	<u>126,075</u>	<u>912,601</u>	<u>-</u>	<u>1,038,676</u>	<u>-</u>
Change in Net Position	486,784	935,303	(116,410)	1,305,677	(31,762)
NET POSITION - Beginning 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>
NET POSITION - END OF YEAR	<u><u>\$ 12,401,990</u></u>	<u><u>\$ 23,071,255</u></u>	<u><u>\$ 183,883</u></u>	<u><u>\$ 35,657,128</u></u>	<u><u>\$ 12,557</u></u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	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	\$ 2,128,985	\$ 2,924,962	\$ 1,063,022	\$ 6,116,969	\$ 56,007
Paid to suppliers for goods and services	(845,545)	(900,409)	(859,701)	(2,605,655)	(88,213)
Paid to employees for services	(208,227)	(338,140)	(145,541)	(691,908)	-
Net Cash Flows From Operating Activities	1,075,213	1,686,413	57,780	2,819,406	(32,206)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	29,192	72,279	-	101,471	444
Net Cash Flows From Investing Activities	29,192	72,279	-	101,471	444
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	(330,224)	-	-	(330,224)	-
Negative cash implicitly financed	-	-	118,667	118,667	-
Advances from (repaid to) other funds	(2,000)	176,179	(1,000)	173,179	-
Interest on advance	(2,315)	(2,848)	(1,571)	(6,734)	-
Net Cash Flows From Noncapital Financing Activities	(334,539)	173,331	116,096	(45,112)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	95,482	220,242	-	315,724	-
Debt retired	(238,998)	(865,038)	(143,658)	(1,247,694)	-
Interest and fiscal charges paid	(45,849)	(413,346)	(8,514)	(467,709)	-
Acquisition and construction of capital assets	(263,901)	(463,012)	(773)	(727,686)	-
Return of previously paid principal and interest on advance	91,299	182,601	-	273,900	-
Net Cash Flows From Capital and Related Financing Activities	(361,967)	(1,338,553)	(152,945)	(1,853,465)	-
Net Change in Cash and Cash Equivalents	407,899	593,470	20,931	1,022,300	(31,762)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,853,428	4,456,915	-	6,310,343	47,047
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,261,327	\$ 5,050,385	\$ 20,931	\$ 7,332,643	\$ 15,285

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)	\$ 571,962	\$ 363,073	\$ (105,720)	\$ 829,315	\$ (32,206)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	443,048	1,361,935	242,909	2,047,892	-
Depreciation charged to other funds	18,908	(18,908)	-	-	-
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources					
Accounts receivable	2,601	(13,310)	1,607	(9,102)	-
Other accounts receivables	-	-	(58,738)	(58,738)	-
Inventories and prepaid items	(1,232)	(4,721)	2,834	(3,119)	-
Accounts payable	21,738	7,933	(2,582)	27,089	-
Accrued liabilities and deposits	770	237	5,173	6,180	-
Accrued compensated absences	9,668	(20,270)	(39,179)	(49,781)	-
Unearned revenues	-	-	(4,025)	(4,025)	-
Pension related deferrals and asset/liability	7,750	10,444	15,501	33,695	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,075,213</u>	<u>\$ 1,686,413</u>	<u>\$ 57,780</u>	<u>\$ 2,819,406</u>	<u>\$ (32,206)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 2,089,314	\$ 2,785,434	\$ 20,931	\$ 4,895,679	\$ 15,285
Restricted cash and investments	172,013	2,264,951	-	2,436,964	-
CASH AND CASH EQUIVALENTS	<u>\$ 2,261,327</u>	<u>\$ 5,050,385</u>	<u>\$ 20,931</u>	<u>\$ 7,332,643</u>	<u>\$ 15,285</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assets acquired via accounts payable	<u>\$ 158,026</u>	<u>\$ 218,878</u>	<u>\$ -</u>		<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 3,538,705
Taxes receivable	<u>3,850,811</u>
TOTAL ASSETS	<u>\$ 7,389,516</u>
LIABILITIES	
Due to other governments	<u>\$ 7,389,516</u>
TOTAL LIABILITIES	<u>\$ 7,389,516</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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	23
1. Deposits and Investments	23
2. Receivables	25
3. Inventories and Prepaid Items	26
4. Restricted Assets	26
5. Capital Assets	26
6. Deferred Outflows of Resources	27
7. Compensated Absences	27
8. Long-Term Obligations	28
9. Deferred Inflows of Resources	28
10. Equity Classifications	29
11. Pension	31
12. Basis for Existing Rates	31
II Stewardship, Compliance, and Accountability	32
A. Excess Expenditures and Other Financing Uses Over Appropriations	32
B. Deficit Balances	32
C. Limitations on the City's Tax Levy	33
III Detailed Notes on All Funds	33
A. Deposits and Investments	33
B. Receivables	36
C. Restricted Assets	37
D. Capital Assets	38
E. Interfund Receivables/Payables, Advances and Transfers	43
F. Long-Term Obligations	46
G. Lease Disclosures	52
H. Closure and Postclosure Care Cost	52
I. Net Position/Fund Balances	53
J. Component Unit	56
IV Other Information	59
A. Employees' Retirement System	59
B. Risk Management	64
C. Commitments and Contingencies	65
D. Related Organizations	66
E. Effect of New Accounting Standards on Current-Period Financial Statements	66

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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.

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 Rhinelander and Oneida County. The city is the fiscal agent for the airport's operations. See Note III.J. 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, 2018. The airport does not issue separate financial statements.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit (cont.)

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.J. 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, 2018. 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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements (cont.)

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.
- 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.
- Premier Resort Area Tax Capital Projects Fund - used to account for and report tax revenues legally restricted to expenditures for capital outlays related to infrastructure.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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:

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

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
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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.

TIF #6	TIF #9
TIF #8	TIF #10

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

Stormwater Utility	Golf Course
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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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements (cont.)

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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements (cont.)

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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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.)

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.
- 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.
- 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 based on average balances. 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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.

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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.)

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.

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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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.)

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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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.)

7. Compensated Absences (cont.)

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, 2018, are determined on the basis of current salary rates and include salary related payments.

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 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, 2018

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	\$ 17,476,951	\$ 29,188,672	\$ (2,184,632)	\$ 44,480,991
Unrestricted	(5,040,910)	3,919,451	2,184,632	1,063,173

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, 2018

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 2018 compared to actual general fund expenditures was 16.6%.

See Note III. I. for further information.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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, 2018

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Parking Advisory Board	\$ 39,029	\$ 43,978	\$ 4,949
General Debt Service	928,934	930,983	2,049
Hazardous Materials	13,489	18,859	5,370
DARE	500	639	139
1985 Community Block Grant	135,471	152,492	17,021
Environmental TIF #1	131,033	131,063	30
TIF #5	1,473	1,504	31
TIF #8	33,609	33,638	29
TIF #9	766,807	1,861,736	1,094,929

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, 2018, the following individual funds held a deficit balance:

Fund	Amount	Reason
Share Ride Transport Grant	\$ 135,129	Expenditures in excess of revenues
Property Acquisitions & Improvements	98,201	Unavailable revenues
Environmental TIF #1	167,010	Expenditures in excess of revenues
Golf Course	1,521,001	Expenses in excess of revenues
TIF #8	8,417	Expenditures in excess of revenues

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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.

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	\$ 15,583,205	\$ 16,032,833	Custodial credit
US agencies - implicitly guaranteed	197,404	197,404	Custodial credit, credit, concentration of credit, interest rate
Negotiable CD's	219,613	219,613	Custodial credit, credit, concentration of credit, interest rate
Petty cash	6,277	-	N/A
Total Deposits and Investments	\$ 16,006,499	\$ 16,449,850	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 10,030,830		
Restricted cash and investments	2,436,964		
Per statement of assets and liabilities -			
agency fund			
Agency fund	3,538,705		
Total Deposits and Investments	\$ 16,006,499		

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

A. DEPOSITS AND INVESTMENTS (cont.)

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).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$197,404 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, 2018, the banks had pledged various government securities in the amount of \$13,873,989 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, 2018			
	Level 1	Level 2	Level 3	Total
US agencies - implicitly guaranteed	\$ -	\$ 197,404	\$ -	\$ 197,404
Negotiable CD	-	219,613	-	219,613
Total	\$ -	\$ 417,017	\$ -	\$ 417,017

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.

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

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.

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, 2018, the city's investments were rated as follows:

Investment Type	Standard & Poors
US agencies - implicitly guaranteed	AA+
Negotiable CD	A-2

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, 2018, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	US agencies - implicitly guaranteed	47.34%
Bank United	Negotiable CD	52.66%

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2018, 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	\$ 197,404	\$ -	\$ 197,404	\$ -
Negotiable CD	<u>219,613</u>	<u>219,613</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 417,017</u>	<u>\$ 219,613</u>	<u>\$ 197,404</u>	<u>\$ -</u>

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$2.16 million of loans receivable and \$39,963 of special assessments receivable.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

B. RECEIVABLES (cont.)

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:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 6,515,210	\$ 22,689
Developer shortfall payment	38,553	-
Special assessments not yet due	-	59,076
Loans receivable	-	2,300,123
Other receivables	-	42,375
Due from other governments	-	128,408
Donations received in advance	25,000	-
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 6,578,763	 \$ 2,552,671
 Unearned revenue included in liabilities	 \$ 25,000	
Unearned revenue included in deferred inflows	6,553,763	
 Total Unearned Revenue for Governmental Funds	 \$ 6,578,763	

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, 2018

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

C. RESTRICTED ASSETS (cont.)

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Following is a list of restricted assets at December 31, 2018:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 830,295	\$ 74,718	\$ 755,577
Bond reserve account	112,428	-	112,428
Equipment replacement account	1,494,241	-	1,494,241
Net pension asset	1,476,254	-	1,476,254
Total	\$ 3,913,218	\$ 74,718	\$ 3,838,500

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Construction in progress	\$ 117,430	\$ 418,126	\$ -	\$ 535,556
Land	3,722,266	-	2,833	3,719,433
Total Capital Assets Not Being Depreciated/Amortized	3,839,696	418,126	2,833	4,254,989
Capital assets being depreciated/amortized				
Land improvements	1,059,478	2,833	-	1,062,311
Buildings and improvements	8,242,628	-	3,990	8,238,638
Machinery and equipment	8,305,749	562,232	141,751	8,726,230
Intangibles	63,420	12,525	-	75,945
Infrastructure	30,669,132	300,365	-	30,969,497
Total Capital Assets Being Depreciated/Amortized	48,340,407	877,955	145,741	49,072,621
Total Capital Assets	52,180,103	1,296,081	148,574	53,327,610

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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	\$ (353,118)	\$ (38,854)	\$ -	\$ (391,972)
Buildings and improvements	(6,059,651)	(85,021)	3,990	(6,140,682)
Machinery and equipment	(5,438,946)	(472,131)	119,947	(5,791,130)
Intangibles	(52,742)	(8,777)	-	(61,519)
Infrastructure	<u>(13,351,466)</u>	<u>(695,154)</u>	<u>-</u>	<u>(14,046,620)</u>
Total Accumulated Depreciation/Amortization	<u>(25,255,923)</u>	<u>(1,299,937)</u>	<u>123,937</u>	<u>(26,431,923)</u>
Net Capital Assets Being Depreciated/ Amortized	<u>23,084,484</u>	<u>(421,982)</u>	<u>21,804</u>	<u>22,640,698</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	<u>\$ 26,924,180</u>	<u>\$ (3,856)</u>	<u>\$ 24,637</u>	<u>\$ 26,895,687</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 25,287
Public safety	282,161
Public works	908,803
Health and human services	7,868
Culture, education and recreation	<u>75,818</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,299,937</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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	\$ 27,552	\$ -	\$ 43,464
Land	34,070	-	-	34,070
Total Capital Assets Not Being Depreciated	49,982	27,552	-	77,534
Capital assets being depreciated				
Property and equipment	19,450,377	390,230	252,941	19,587,666
Total Capital Assets Being Depreciated	19,450,377	390,230	252,941	19,587,666
Total Capital Assets	19,500,359	417,782	252,941	19,665,200
Less: Accumulated depreciation for				
Property and equipment	(5,700,277)	(461,955)	60,402	(6,101,830)
Total Accumulated Depreciation	(5,700,277)	(461,955)	60,402	(6,101,830)
Net Capital Assets Being Depreciated	13,750,100	(71,725)	192,539	13,485,836
Net Water Capital Assets	\$ 13,800,082	\$ (44,173)	\$ 192,539	\$ 13,563,370

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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>Wastewater</u>				
Capital assets not being depreciated				
Construction in progress	\$ 15,568	\$ 593,132	\$ 1,759	\$ 606,941
Land	1,587,593	-	-	1,587,593
Total Capital Assets Not Being Depreciated	<u>1,603,161</u>	<u>593,132</u>	<u>1,759</u>	<u>2,194,534</u>
Capital assets being depreciated				
Property and equipment	<u>43,747,331</u>	<u>73,141</u>	<u>57,901</u>	<u>43,762,571</u>
Total Capital Assets Being Depreciated	<u>43,747,331</u>	<u>73,141</u>	<u>57,901</u>	<u>43,762,571</u>
Total Capital Assets	<u>45,350,492</u>	<u>666,273</u>	<u>59,660</u>	<u>45,957,105</u>
Less: Accumulated depreciation for				
Property and equipment	<u>(12,144,083)</u>	<u>(1,343,028)</u>	<u>57,901</u>	<u>(13,429,210)</u>
Total Accumulated Depreciation	<u>(12,144,083)</u>	<u>(1,343,028)</u>	<u>57,901</u>	<u>(13,429,210)</u>
Net Capital Assets Being Depreciated	<u>31,603,248</u>	<u>(1,269,887)</u>	<u>-</u>	<u>30,333,361</u>
Net Wastewater Capital Assets	<u>\$ 33,206,409</u>	<u>\$ (676,755)</u>	<u>\$ 1,759</u>	<u>\$ 32,527,895</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 619	\$ -	\$ 619
Land	35,666	-	-	35,666
Total Capital Assets Not Being Depreciated	35,666	619	-	36,285
Capital assets being depreciated				
Property and equipment	5,431,592	54	-	5,431,646
Total Capital Assets Being Depreciated	5,431,592	54	-	5,431,646
Total Capital Assets	5,467,258	673	-	5,467,931
Less: Accumulated depreciation for				
Property and equipment	(1,997,535)	(163,060)	-	(2,160,595)
Total Accumulated Depreciation	(1,997,535)	(163,060)	-	(2,160,595)
Net Capital Assets Being Depreciated	3,434,057	(163,006)	-	3,271,051
Net Stormwater Capital Assets	\$ 3,469,723	\$ (162,387)	\$ -	\$ 3,307,336
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Golf Course</u>				
Capital assets being depreciated				
Property and equipment	\$ 3,612,023	\$ -	\$ 4,036	\$ 3,607,987
Total Capital Assets Being Depreciated	3,612,023	-	4,036	3,607,987
Less: Accumulated depreciation for				
Property and equipment	(3,099,673)	(79,849)	3,431	(3,176,091)
Total Accumulated Depreciation	(3,099,673)	(79,849)	3,431	(3,176,091)
Net Capital Assets Being Depreciated	512,350	(79,849)	605	431,896
Net Capital Assets	\$ 512,350	\$ (79,849)	\$ 605	\$ 431,896
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 50,988,564	\$ (963,164)	\$ 194,903	\$ 49,830,497

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 443,048
Wastewater	1,361,935
Stormwater	163,060
Golf course	<u>79,849</u>

Total Business-type Activities Depreciation Expense	<u><u>\$ 2,047,892</u></u>
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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	\$ 21,819
General Fund	Property Acquisitions & Improvements	90,748
Wastewater Utility	Stormwater Utility	100,000
General Fund	Boat Launch	87,227
General Fund	Environmental TIF #1	<u>87,521</u>
Total - Fund Financial Statements		387,315
Less: Fund eliminations		(387,315)
Add: Interfund advances		<u>1,878,582</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 1,878,582</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, 2018

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, TIF #8, 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 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	\$ 1,680,582	\$ 1,680,582
General Fund	Environmental TIF #1	128,457	128,457
General Fund	Ambulance	120,737	120,737
General Fund	Shared Ride Transport Grant	121,217	121,217
General Fund	TIF #8	8,417	8,417
General Debt Service	Golf Course	36,000	36,000
General Debt Service	Water Utility	73,000	73,000
General Debt Service	Wastewater Utility	89,000	89,000
Water Utility	Stormwater Utility	479,463	479,463
Wastewater Utility	Stormwater Utility	1,135,799	1,135,799
Total - Fund Financial Statements		3,872,672	
Less: Fund eliminations		(1,994,090)	
Total - Interfund Advances		\$ 1,878,582	

The principal purpose of these interfunds is described above.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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	\$ 330,224	Payment in lieu of taxes
Recycling	General Fund	120,000	Grant match
Historical Complex	Room Tax	26,000	Yearly contribution per agreement
General Debt Service	General Capital Projects	16,229	2018A premium (contingency)
Ambulance	General Fund	167,305	Operating subsidy
Water Utility	TIF #9	456,299	Return oversizing payments and reverse remaining advance
Wastewater Utility	TIF #9	912,601	Return oversizing payments and reverse remaining advance
Property Acquisitions & Improvements	General Fund	<u>15,000</u>	Contribution to Kabel Auto acquisition
Total - Fund Financial Statements		2,043,658	
Less: Fund eliminations		<u>(1,004,982)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 1,038,676</u></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, 2018

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 15,414,335	\$ 3,117,900	\$ 1,472,197	\$ 17,060,038	\$ 1,654,398
(Discounts)/Premiums	<u>225,185</u>	<u>62,079</u>	<u>23,207</u>	<u>264,057</u>	<u>-</u>
Sub-totals	<u>15,639,520</u>	<u>3,179,979</u>	<u>1,495,404</u>	<u>17,324,095</u>	<u>1,654,398</u>
Other Liabilities					
Compensated absences	609,262	24,780	-	634,042	51,178
Net pension liability	356,687	-	356,687	-	-
Landfill liability	<u>306,000</u>	<u>23,000</u>	<u>-</u>	<u>329,000</u>	<u>21,933</u>
Total Other Liabilities	<u>1,271,949</u>	<u>47,780</u>	<u>356,687</u>	<u>963,042</u>	<u>73,111</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 16,911,469</u>	<u>\$ 3,227,759</u>	<u>\$ 1,852,091</u>	<u>\$ 18,287,137</u>	<u>\$ 1,727,509</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 404,300	\$ -	\$ 124,300	\$ 280,000	\$ 100,000
Revenue bonds	<u>21,068,887</u>	<u>315,724</u>	<u>1,104,036</u>	<u>20,280,575</u>	<u>1,133,366</u>
Sub-totals	<u>21,473,187</u>	<u>315,724</u>	<u>1,228,336</u>	<u>20,560,575</u>	<u>1,233,366</u>
Other Liabilities					
Compensated absences	206,574	-	49,781	156,793	20,523
Capital leases	100,608	-	19,358	81,250	20,183
Net pension liability	<u>53,773</u>	<u>-</u>	<u>53,773</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>360,955</u>	<u>-</u>	<u>122,912</u>	<u>238,043</u>	<u>40,706</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 21,834,142</u>	<u>\$ 315,724</u>	<u>\$ 1,351,248</u>	<u>\$ 20,798,618</u>	<u>\$ 1,274,072</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, 2018, was \$29,154,755. Total general obligation debt outstanding at year end was \$17,340,038.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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, 2018
2010 Taxable G.O. Refunding Bonds	5/26/2010	3/1/2025	2.0-5.2%	\$ 1,285,000	\$ 775,000
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	1,945,000	375,000
2012 G.O. Notes	1/26/2012	12/1/2021	2.00%	1,785,000	565,000
2013 G.O. Bonds	1/29/2013	12/1/2032	2.0-3.0%	4,755,000	3,665,000
2013 Taxable G.O. Bonds	6/11/2013	12/1/2029	2.0-3.7%	2,110,000	1,620,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	1,835,000	1,460,000
2013 State Trust Fund Loan	7/10/2013	3/15/2033	3.75%	401,500	338,612
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	50,000	26,465
2013 State Trust Fund Loan	7/10/2013	3/15/2026	3.75%	252,000	167,071
2013 State Trust Fund Loan	11/27/2013	3/15/2026	4.25%	113,500	82,753
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	280,000	148,202
2013 State Trust Fund Loan	7/26/2013	3/15/2019	2.75%	254,717	45,261
2013 State Trust Fund Loan	7/26/2013	3/15/2026	3.75%	439,091	293,038
2013 State Trust Fund Loan	7/26/2013	3/15/2030	3.75%	474,732	363,636
2014 G.O. Notes	3/13/2014	2/1/2024	0.4-2.6%	1,575,000	890,000
2016 G.O. Bonds	4/27/2016	4/1/2036	2.0-3.0%	2,197,200	2,090,000
2016 G.O. Bonds	4/27/2016	3/1/2033	1.75-3.75%	1,135,000	1,070,000
2018 G.O. Notes	5/1/2018	5/1/2028	2.5-3.0%	3,085,000	<u>3,085,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 17,060,038</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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, 2018</u>
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	\$ 305,000	\$ 165,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	125,000	75,000
2014 G.O. Bonds	3/13/2014	2/1/2024	0.4-2.6%	225,000	<u>40,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 280,000</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>
2019	\$ 1,654,398	\$ 525,817	\$ 100,000	\$ 6,690
2020	1,678,753	439,483	105,000	4,250
2021	1,598,792	396,098	20,000	1,470
2022	1,603,883	355,405	20,000	1,068
2023	1,439,158	313,233	25,000	563
2024-2028	6,373,452	962,806	10,000	130
2029-2033	2,351,602	230,582	-	-
2034-2036	<u>360,000</u>	<u>20,025</u>	-	-
Totals	<u>\$ 17,060,038</u>	<u>\$ 3,243,449</u>	<u>\$ 280,000</u>	<u>\$ 14,171</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 24% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,443,604. Principal and interest paid for the current year and total customer net revenues were \$284,847 and \$1,044,202, respectively.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

The wastewater utility has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 2010 - 2012, 2016 and 2018. 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 30% of net revenues. The total principal and interest remaining to be paid on the bonds is \$20,703,691. Principal and interest paid for the current year and total customer net revenues were \$1,278,384 and \$1,797,287, respectively.

Revenue debt payable at December 31, 2018, 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, 2018</u>
<u>Water Utility</u>					
2008 Safe Drinking Water Loan	11/26/2008	5/1/2028	1.42%	\$ 1,097,024	\$ 589,169
2013 Safe Drinking Water Loan	11/27/2013	5/1/2033	1.155%	1,026,552	833,010
2014 Safe Drinking Water Loan	12/23/2014	5/1/2034	1.155%	881,411	730,938
2016 Safe Drinking Water Loan	5/25/2016	5/1/2036	.99%	2,102,430	<u>1,927,088</u>
				Total Water Utility	<u>4,080,205</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (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, 2018</u>	
<u>Wastewater Utility</u>						
2010 Clean Water Fund Loan	1/13/2010	5/1/2009	2.54%	\$ 12,633,196	\$ 8,472,796	
2011 Clean Water Fund Loan	9/28/2011	5/1/2031	2.4%	975,332	685,125	
2012 Clean Water Fund Loan	5/23/2012	5/1/2032	3.0%	486,465	369,360	
2016 Sewerage System Mortgage Revenue Bonds	9/26/2016	5/1/2056	2.25%	2,100,000	2,033,800	
2016 Clean Water Fund Loan	5/25/2016	5/1/2036	2.1%	1,186,187	1,097,296	(1)
2016 Sewerage System Mortgage Revenue Bonds	5/12/2016	5/1/2053	2.75%	3,431,650	3,321,750	
2018 Revenue Bond Anticipation Note	12/28/2018	4/1/2020	3.9%	220,243	<u>220,243</u>	(2)
Total Wastewater Utility					<u>16,200,370</u>	

- (1) - 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, 2018. The repayment schedule is for the amount issued.
- (2) - During 2018 the utility was authorized to issue \$5,373,000 of wastewater system revenue bond anticipation notes. The original amount reported above has been issued as of December 31, 2018. The repayment schedule is for the amount issued.

Total Business-type Activities - Revenue Debt \$ 20,280,575

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,133,366	\$ 435,677
2020	1,378,841	418,744
2021	1,184,469	384,073
2022	1,210,890	357,368
2023	1,237,975	330,026
2024-2028	6,618,586	1,216,605
2029-2033	3,205,482	628,280
2034-2038	1,315,817	441,052
2039-2043	805,500	331,581
2044-2048	916,400	220,802
2049-2053	1,042,250	94,639
2054-2056	<u>230,999</u>	<u>7,873</u>
Totals	<u>\$ 20,280,575</u>	<u>\$ 4,866,720</u>

Other Debt Information

Estimated payments of compensated absences 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

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. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2018, are as follows:

<u>Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 81,250</u>	<u>\$ 7,168</u>	<u>\$ 88,418</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 \$329,000 reported as landfill postclosure care liability at December 31, 2018, represents the total amount needed by the city for post closure 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, 2018, the city had restricted fund balance in the landfill settlement fund in the amount of \$134,815. The maintenance and monitoring expenses for long-term care will be budgeted for each year by the city and the amount will be paid from the landfill settlement funds.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

I. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2018, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Construction in progress	\$ 535,556
Land	3,719,433
Other capital assets, net of accumulated depreciation/amortization	22,640,698
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	(9,159,833)
Less: Unamortized debt premium	<u>(258,903)</u>
Total Net Investment in Capital Assets	<u>\$ 17,476,951</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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, 2018, include the following:

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects	Premier Resort Area Tax Capital Projects Fund	<u>Nonmajor Funds</u>	<u>Totals</u>
Fund Balances							
Nonspendable:							
Inventories and prepaid items	\$ 225,243	\$ -	\$ -	\$ -	\$ -	\$ 42,956	\$ 268,199
Noncurrent advances	2,059,410	-	-	-	-	-	2,059,410
Cemetery perpetual care	-	-	-	-	-	17,455	17,455
Sub-total	<u>2,284,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,411</u>	<u>2,345,064</u>
Restricted for:							
Loan programs	-	155,482	-	-	-	83,937	239,419
Debt service	-	-	413,794	-	-	62,055	475,849
Capital projects	-	-	-	886,371	1,073,817	-	1,960,188
Parking advisory board operations	-	-	-	-	-	110,431	110,431
Hazardous materials response	-	-	-	-	-	32,535	32,535
Landfill clean-up	-	-	-	-	-	134,815	134,815
Historical complex facilities and programs	-	-	-	-	-	23,438	23,438
K-9 program	-	-	-	-	-	766	766
Tourism	-	-	-	-	-	90,324	90,324
TIF projects	-	-	-	-	-	1,605,700	1,605,700
DARE	-	-	-	-	-	3,369	3,369
Sub-total	<u>-</u>	<u>155,482</u>	<u>413,794</u>	<u>886,371</u>	<u>1,073,817</u>	<u>2,147,370</u>	<u>4,676,834</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

I. NET POSITION/FUND BALANCES (cont.)

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects	Premier Resort Area Tax Capital Projects Fund	Nonmajor Funds	<u>Totals</u>
Committed to:							
Tank inspection equipment, training and labor costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,717	\$ 28,717
Playground equipment and maintenance	-	-	-	-	-	41,538	41,538
Boat launch equipment and maintenance	-	-	-	-	-	36,225	36,225
Fire inspection	-	-	-	-	-	1,667	1,667
Historic preservation	-	-	-	-	-	2,132	2,132
Sub-total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,279</u>	<u>110,279</u>
Assigned to:							
Recycling	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,975</u>	<u>31,975</u>
Sub-total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,975</u>	<u>31,975</u>
Unassigned (deficit):	<u>1,166,378</u>	<u>-</u>	<u>-</u>	<u>(258,867)</u>	<u>-</u>	<u>(448,114)</u>	<u>459,397</u>
Total Fund Balances	<u>\$ 3,451,031</u>	<u>\$ 155,482</u>	<u>\$ 413,794</u>	<u>\$ 627,504</u>	<u>\$ 1,073,817</u>	<u>\$ 1,901,921</u>	<u>\$ 7,623,549</u>

Business-type Activities

Net Investment in Capital Assets	
Construction in progress	\$ 651,024
Land	1,657,329
Other capital assets, net of accumulated depreciation	47,522,144
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(20,641,825)</u>
Total Net Investment in Capital Assets	<u>\$ 29,188,672</u>

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNIT

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 \$74,740 and is part of the city's commingled cash. See Note III. A.

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Construction in progress	\$ 1,105,013	\$ 1,027,777	\$ 487,274	\$ 1,645,516	
Land	187,500	22,700	22,500	187,700	
Buildings and improvements	4,790,231	-	-	4,790,231	25 - 50
Machinery and equipment	2,764,341	518,487	-	3,282,828	3 - 25
Infrastructure	12,908,466	-	-	12,908,466	10 - 60
Less: Accumulated depreciation	<u>(12,054,559)</u>	<u>(755,371)</u>	<u>-</u>	<u>(12,809,930)</u>	
Totals	<u>\$ 9,700,992</u>	<u>\$ 813,593</u>	<u>\$ 509,774</u>	<u>\$ 10,004,811</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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNIT (cont.)

RHINELANDER-ONEIDA COUNTY AIRPORT (cont.)

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 Rhineland 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/Measurement Focus

The library 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 library's deposits was \$99,888 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	\$ 99,888	\$ -	N/A
Deposits	771,074	768,233	Custodial credit risk
Petty cash	150	-	N/A
 Total Deposits and Investments	 \$ 871,112	 \$ 768,233	

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

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

J. COMPONENT UNIT (cont.)

RHINELANDER DISTRICT LIBRARY (cont.)

b. Deposits and Investments (cont.)

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	1,491,416	45,070	198,521	1,337,965	3 - 25
Less: Accumulated depreciation	<u>(2,712,063)</u>	<u>(44,504)</u>	<u>198,521</u>	<u>(2,558,046)</u>	
Totals	<u>\$ 251,927</u>	<u>\$ 566</u>	<u>\$ -</u>	<u>\$ 252,493</u>	

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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 1,200 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, if hired on or before 12/31/2016) 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.

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees 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 \$562,466 in contributions from the city (including component units).

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contribution rates for the plan year reported as of December 31, 2018 are:

Employee Category	Employee	Employer
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 Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the city (including component units) reported an asset of \$1,657,945 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was 0.05583966%, which was an increase of 0.00007816% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the city (including component units) recognized pension expense of \$786,076.

At December 31, 2018, the city (including component units) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,106,461	\$ 985,332
Changes in assumptions	327,577	-
Net differences between projected and actual earnings on pension plan investments	-	2,278,692
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,482	12,900
Employer contributions subsequent to the measurement date	552,578	-
Totals	\$ 2,990,098	\$ 3,276,924

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

\$552,578 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 asset (liability) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2019	\$ 177,559
2020	(17,929)
2021	(571,615)
2022	(431,389)
2023	3,970

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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, 2018

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 3.31%. 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 asset to changes in the discount rate. The following presents the city's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension asset 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)	\$(4,289,671)	\$1,657,945	\$6,178,319

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, 2018, 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 called CVMIC to provide coverage for losses from errors and omission, liability and workers compensation claims. However, other risks, such as dental claims 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, 2018

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, 2018

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

The city has active construction projects as of December 31, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The city had \$288,916 in open construction contracts at December 31, 2018.

D. 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.

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

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,750,607	\$ 4,750,607	\$ 4,741,252	\$ (9,355)
Special assessments	11,000	11,000	6,537	(4,463)
Intergovernmental	1,929,288	1,929,288	1,962,700	33,412
Licenses and permits	184,370	184,370	201,412	17,042
Fines, forfeitures and penalties	35,600	35,600	37,377	1,777
Charges for services	255,100	255,100	284,020	28,920
Investment income	24,033	24,033	117,898	93,865
Miscellaneous	35,144	35,144	87,360	52,216
Total Revenues	7,225,142	7,225,142	7,438,556	213,414
EXPENDITURES				
Current:				
General government	1,081,029	1,079,958	1,006,154	73,804
Public safety	4,199,865	4,199,865	4,038,457	161,408
Public works	1,694,814	1,694,814	1,576,934	117,880
Health and human services	66,965	66,965	66,581	384
Culture, recreation and education	295,051	295,051	250,458	44,593
Conservation and development	28,000	28,000	27,275	725
Capital Outlay	28,000	30,939	50,948	(20,009)
Total Expenditures	7,393,724	7,395,592	7,016,807	378,785
Excess (deficiency) of revenues over (under) expenditures	(168,582)	(170,450)	421,749	592,199
OTHER FINANCING SOURCES (USES)				
Transfers in	325,000	325,000	330,224	5,224
Transfers out	(135,000)	(135,000)	(302,305)	(167,305)
Property sales	-	-	213	213
Total Other Financing Sources (Uses)	190,000	190,000	28,132	(161,868)
Net Change in Fund Balance	21,418	19,550	449,881	430,331
FUND BALANCE - Beginning of Year	3,001,150	3,001,150	3,001,150	-
FUND BALANCE - END OF YEAR	\$ 3,022,568	\$ 3,020,700	\$ 3,451,031	\$ 430,331

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 1,000	\$ 1,000	\$ 3,620	\$ 2,620
Miscellaneous revenue	40,000	40,000	76,422	36,422
Total Revenues	<u>41,000</u>	<u>41,000</u>	<u>80,042</u>	<u>39,042</u>
EXPENDITURES				
Current				
Conservation and development	135,471	135,471	152,492	(17,021)
Total Expenditures	<u>135,471</u>	<u>135,471</u>	<u>152,492</u>	<u>(17,021)</u>
Net Change in Fund Balance	(94,471)	(94,471)	(72,450)	22,021
FUND BALANCE - Beginning of Year	<u>227,932</u>	<u>227,932</u>	<u>227,932</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 133,461</u>	<u>\$ 133,461</u>	<u>\$ 155,482</u>	<u>\$ 22,021</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, 2018

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
12/31/17	0.05583966%	\$ 1,657,945	\$ 5,793,805	28.62%	102.93%
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, 2018

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
12/31/18	\$ 552,578	\$ 552,578	\$ -	\$ 5,680,341	9.73%
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, 2018

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, 2018

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
ASSETS				
Cash and investments	\$ 76,868	\$ 33,013	\$ 110,806	\$ 84,837
Receivables (net)				
Taxes	44,853	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	120,687
Other	-	-	-	-
Due from other governments	-	-	-	-
Inventories and prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 121,721</u>	<u>\$ 33,013</u>	<u>\$ 110,806</u>	<u>\$ 205,524</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 31,397	\$ -	\$ 375	\$ 900
Accrued liabilities and deposits	-	1,038	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>31,397</u>	<u>1,038</u>	<u>375</u>	<u>900</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	-	-	120,687
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,687</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	90,324	-	110,431	83,937
Committed	-	-	-	-
Assigned	-	31,975	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>90,324</u>	<u>31,975</u>	<u>110,431</u>	<u>83,937</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 121,721</u>	<u>\$ 33,013</u>	<u>\$ 110,806</u>	<u>\$ 205,524</u>

Special Revenue

Hazardous Materials	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	HCRI Grant
\$ 32,535	\$ -	\$ 28,783	\$ 134,885	\$ 41,538	\$ 23,693	\$ -
-	-	-	-	-	-	-
-	7,634	-	-	-	-	-
-	-	-	-	-	-	-
-	52,945	-	-	-	-	-
-	-	-	-	-	3,599	-
<u>\$ 32,535</u>	<u>\$ 60,579</u>	<u>\$ 28,783</u>	<u>\$ 134,885</u>	<u>\$ 41,538</u>	<u>\$ 27,292</u>	<u>\$ -</u>
\$ -	\$ 3,918	\$ -	\$ 70	\$ -	\$ 255	\$ -
-	-	66	-	-	-	-
-	17,628	-	-	-	-	-
-	21,819	-	-	-	-	-
-	121,217	-	-	-	-	-
-	164,582	66	70	-	255	-
-	-	-	-	-	-	-
-	31,126	-	-	-	-	-
-	31,126	-	-	-	-	-
-	-	-	-	-	3,599	-
32,535	-	-	134,815	-	23,438	-
-	-	28,717	-	41,538	-	-
-	-	-	-	-	-	-
-	(135,129)	-	-	-	-	-
<u>32,535</u>	<u>(135,129)</u>	<u>28,717</u>	<u>134,815</u>	<u>41,538</u>	<u>27,037</u>	<u>-</u>
<u>\$ 32,535</u>	<u>\$ 60,579</u>	<u>\$ 28,783</u>	<u>\$ 134,885</u>	<u>\$ 41,538</u>	<u>\$ 27,292</u>	<u>\$ -</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2018

	Special Revenue			
	Boat Launch	K-9	Fire Inspection Seminars	Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ -	\$ 766	\$ 1,667	\$ 17,455
Receivables (net)				
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Other	-	-	-	-
Due from other governments	126,765	-	-	-
Inventories and prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 126,765</u>	<u>\$ 766</u>	<u>\$ 1,667</u>	<u>\$ 17,455</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,313	\$ -	\$ -	\$ -
Accrued liabilities and deposits	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	87,227	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>90,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	17,455
Restricted	-	766	-	-
Committed	36,225	-	1,667	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>36,225</u>	<u>766</u>	<u>1,667</u>	<u>17,455</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 126,765</u>	<u>\$ 766</u>	<u>\$ 1,667</u>	<u>\$ 17,455</u>

Special Revenue				Debt Service		Capital Projects
DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #5	TIF #6
\$ 3,369	\$ 2,132	\$ -	\$ -	\$ -	\$ 62,055	\$ 67,369
-	-	-	-	89,860	15,211	161,836
-	-	129,532	-	-	-	-
-	-	-	-	-	-	374,924
-	-	-	-	87,521	-	-
-	-	-	97,282	-	-	-
-	-	39,357	-	-	-	-
<u>\$ 3,369</u>	<u>\$ 2,132</u>	<u>\$ 168,889</u>	<u>\$ 97,282</u>	<u>\$ 177,381</u>	<u>\$ 77,266</u>	<u>\$ 604,129</u>
\$ -	\$ -	\$ 1,427	\$ 7,453	\$ -	\$ -	\$ -
-	-	4,350	-	-	-	-
-	-	-	-	-	-	-
-	-	-	90,748	87,521	-	-
-	-	120,737	-	128,457	-	-
-	-	126,514	98,201	215,978	-	-
-	-	-	-	128,413	15,211	161,836
-	-	42,375	97,282	-	-	374,924
-	-	42,375	97,282	128,413	15,211	536,760
-	-	39,357	-	-	-	-
3,369	-	-	-	-	62,055	67,369
-	2,132	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(39,357)	(98,201)	(167,010)	-	-
<u>3,369</u>	<u>2,132</u>	<u>-</u>	<u>(98,201)</u>	<u>(167,010)</u>	<u>62,055</u>	<u>67,369</u>
<u>\$ 3,369</u>	<u>\$ 2,132</u>	<u>\$ 168,889</u>	<u>\$ 97,282</u>	<u>\$ 177,381</u>	<u>\$ 77,266</u>	<u>\$ 604,129</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2018

	Capital Projects			Total Nonmajor Governmental Funds
	TIF #8	TIF #9	TIF #10	
ASSETS				
Cash and investments	\$ -	\$ 1,155,518	\$ 382,813	\$ 2,260,102
Receivables (net)				
Taxes	-	613,401	102,226	1,027,387
Accounts	-	-	-	137,166
Loans	-	-	-	495,611
Other	-	-	-	87,521
Due from other governments	-	-	-	276,992
Inventories and prepaid items	-	-	-	42,956
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,768,919</u>	<u>\$ 485,039</u>	<u>\$ 4,327,735</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 49,108
Accrued liabilities and deposits	-	-	-	5,454
Due to other governments	-	-	-	17,628
Due to other funds	-	-	-	287,315
Advances from other funds	8,417	-	-	378,828
Total Liabilities	<u>8,417</u>	<u>-</u>	<u>-</u>	<u>738,333</u>
Deferred Inflows of Resources				
Unearned revenues	-	613,401	102,226	1,021,087
Unavailable revenues	-	-	-	666,394
Total Deferred Inflows of Resources	<u>-</u>	<u>613,401</u>	<u>102,226</u>	<u>1,687,481</u>
Fund Balances				
Nonspendable	-	-	-	60,411
Restricted	-	1,155,518	382,813	2,147,370
Committed	-	-	-	110,279
Assigned	-	-	-	31,975
Unassigned (deficit)	(8,417)	-	-	(448,114)
Total Fund Balances	<u>(8,417)</u>	<u>1,155,518</u>	<u>382,813</u>	<u>1,901,921</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>	<u>\$ 1,768,919</u>	<u>\$ 485,039</u>	<u>\$ 4,327,735</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2018

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
REVENUES				
Taxes	\$ 215,983	\$ -	\$ -	\$ -
Intergovernmental	-	22,535	-	-
Charges for services	-	-	2,860	900
Investment income	-	-	-	1,465
Miscellaneous	1,238	-	18,102	34,506
Total Revenues	217,221	22,535	20,962	36,871
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	126,910	43,978	-
Culture, recreation and education	168,687	-	-	-
Conservation and development	-	-	-	39,172
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	168,687	126,910	43,978	39,172
Excess (deficiency) of revenues over expenditures	48,534	(104,375)	(23,016)	(2,301)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	120,000	-	-
Transfers out	(26,000)	-	-	-
Total Other Financing Sources (Uses)	(26,000)	120,000	-	-
Net Change in Fund Balances	22,534	15,625	(23,016)	(2,301)
FUND BALANCES (DEFICIT) - Beginning of Year	67,790	16,350	133,447	86,238
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 90,324	\$ 31,975	\$ 110,431	\$ 83,937

Special Revenue

Hazardous Materials	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	HCRI Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20,625	356,181	-	-	-	-	-
-	-	19,668	-	1,900	-	-
-	-	-	2,364	-	-	98
1,810	-	-	-	-	7,225	177
<u>22,435</u>	<u>356,181</u>	<u>19,668</u>	<u>2,364</u>	<u>1,900</u>	<u>7,225</u>	<u>275</u>
18,859	-	9,392	-	-	-	-
-	351,584	-	31,469	-	-	-
-	-	-	-	-	35,035	-
-	-	-	-	-	-	10,909
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>18,859</u>	<u>351,584</u>	<u>9,392</u>	<u>31,469</u>	<u>-</u>	<u>35,035</u>	<u>10,909</u>
<u>3,576</u>	<u>4,597</u>	<u>10,276</u>	<u>(29,105)</u>	<u>1,900</u>	<u>(27,810)</u>	<u>(10,634)</u>
-	-	-	-	-	26,000	-
-	-	-	-	-	-	-
-	-	-	-	-	<u>26,000</u>	-
3,576	4,597	10,276	(29,105)	1,900	(1,810)	(10,634)
<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>10,634</u>
<u>\$ 32,535</u>	<u>\$ (135,129)</u>	<u>\$ 28,717</u>	<u>\$ 134,815</u>	<u>\$ 41,538</u>	<u>\$ 27,037</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, 2018

	Special Revenue			
	Boat Launch	K-9	Fire Inspection Seminars	Cemetery Perpetual Care
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	126,765	-	-	-
Charges for services	5,062	-	-	-
Investment income	-	-	-	300
Miscellaneous	-	35,962	-	945
Total Revenues	<u>131,827</u>	<u>35,962</u>	<u>-</u>	<u>1,245</u>
EXPENDITURES				
Current				
Public safety	-	21,497	-	-
Public works	-	-	-	-
Culture, recreation and education	1,477	-	-	-
Conservation and development	-	-	-	-
Capital Outlay	128,658	27,930	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>130,135</u>	<u>49,427</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,692</u>	<u>(13,465)</u>	<u>-</u>	<u>1,245</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	1,692	(13,465)	-	1,245
FUND BALANCES (DEFICIT) - Beginning of Year	<u>34,533</u>	<u>14,231</u>	<u>1,667</u>	<u>16,210</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 36,225</u>	<u>\$ 766</u>	<u>\$ 1,667</u>	<u>\$ 17,455</u>

Special Revenue				Debt Service		Capital Projects
DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #5	TIF #6
\$ -	\$ -	\$ -	\$ -	\$ 133,536	\$ 15,181	\$ 133,765
-	-	5,213	-	-	-	10,248
-	-	410,541	-	-	-	-
-	-	-	-	-	-	20,842
508	-	2,000	-	48,968	-	22,067
<u>508</u>	<u>-</u>	<u>417,754</u>	<u>-</u>	<u>182,504</u>	<u>15,181</u>	<u>186,922</u>
639	-	416,314	-	-	-	-
-	-	-	62,176	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,200	1,504	2,706
-	-	-	-	-	-	-
-	-	134,039	-	90,000	-	80,767
-	-	34,706	-	39,863	-	37,479
639	-	585,059	62,176	131,063	1,504	120,952
<u>(131)</u>	<u>-</u>	<u>(167,305)</u>	<u>(62,176)</u>	<u>51,441</u>	<u>13,677</u>	<u>65,970</u>
-	-	167,305	15,000	-	-	-
-	-	-	-	-	-	-
-	-	167,305	15,000	-	-	-
(131)	-	-	(47,176)	51,441	13,677	65,970
<u>3,500</u>	<u>2,132</u>	<u>-</u>	<u>(51,025)</u>	<u>(218,451)</u>	<u>48,378</u>	<u>1,399</u>
<u>\$ 3,369</u>	<u>\$ 2,132</u>	<u>\$ -</u>	<u>\$ (98,201)</u>	<u>\$ (167,010)</u>	<u>\$ 62,055</u>	<u>\$ 67,369</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	Capital Projects			Total Nonmajor Governmental Funds
	TIF #8	TIF #9	TIF #10	
REVENUES				
Taxes	\$ -	\$ 578,658	\$ 94,270	\$ 1,171,393
Intergovernmental	13,545	5,098	-	560,210
Charges for services	-	-	-	440,931
Investment income	-	-	-	25,069
Miscellaneous	-	-	-	173,508
Total Revenues	<u>13,545</u>	<u>583,756</u>	<u>94,270</u>	<u>2,371,111</u>
EXPENDITURES				
Current				
Public safety	-	-	-	466,701
Public works	-	-	-	616,117
Culture, recreation and education	-	-	-	205,199
Conservation and development	1,507	2,303	1,507	60,808
Capital Outlay	-	-	-	156,588
Debt Service				
Principal	27,305	354,876	16,610	703,597
Interest and fiscal charges	4,826	135,657	13,321	265,852
Total Expenditures	<u>33,638</u>	<u>492,836</u>	<u>31,438</u>	<u>2,474,862</u>
Excess (deficiency) of revenues over expenditures	<u>(20,093)</u>	<u>90,920</u>	<u>62,832</u>	<u>(103,751)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	328,305
Transfers out	-	(1,368,900)	-	(1,394,900)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,368,900)</u>	<u>-</u>	<u>(1,066,595)</u>
Net Change in Fund Balances	(20,093)	(1,277,980)	62,832	(1,170,346)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>11,676</u>	<u>2,433,498</u>	<u>319,981</u>	<u>3,072,267</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u><u>\$ (8,417)</u></u>	<u><u>\$ 1,155,518</u></u>	<u><u>\$ 382,813</u></u>	<u><u>\$ 1,901,921</u></u>

CITY OF RHINELANDER

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS As of December 31, 2018

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and investments	\$ 16,679	\$ 4,252	\$ 20,931
Receivables			
Accounts	120,156	4,485	124,641
Inventories and prepaid items	-	27,719	27,719
Total Current Assets	<u>136,835</u>	<u>36,456</u>	<u>173,291</u>
Noncurrent Assets			
Restricted Assets			
Net pension asset	4,752	35,017	39,769
Capital Assets			
Construction in progress	619	-	619
Land	35,666	-	35,666
Capital assets being depreciated	5,431,646	3,607,987	9,039,633
Less: Accumulated depreciation	(2,160,595)	(3,176,091)	(5,336,686)
Other receivables	-	58,738	58,738
Total Noncurrent Assets	<u>3,312,088</u>	<u>525,651</u>	<u>3,837,739</u>
Total Assets	3,448,923	562,107	4,011,030
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>8,584</u>	<u>53,299</u>	<u>61,883</u>
LIABILITIES			
Current Liabilities			
Accounts payable	-	70	70
Accrued liabilities and deposits	2,748	13,115	15,863
Due to other funds	100,000	-	100,000
Current portion of general obligation debt	5,000	95,000	100,000
Current portion of leases	-	20,183	20,183
Total Current Liabilities	<u>107,748</u>	<u>128,368</u>	<u>236,116</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	20,000	160,000	180,000
Other Liabilities			
Capital leases payable	-	61,067	61,067
Advances from other funds	1,615,262	1,716,582	3,331,844
Total Noncurrent Liabilities	<u>1,635,262</u>	<u>1,937,649</u>	<u>3,572,911</u>
Total Liabilities	1,743,010	2,066,017	3,809,027

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	\$ -	\$ 2,124	\$ 2,124
Pension related amounts	9,613	68,266	77,879
Total Deferred Inflows of Resources	<u>9,613</u>	<u>70,390</u>	<u>80,003</u>
NET POSITION			
Net investment in capital assets	3,282,336	95,646	3,377,982
Restricted for			
Pension	4,752	35,017	39,769
Unrestricted (deficit)	<u>(1,582,204)</u>	<u>(1,651,664)</u>	<u>(3,233,868)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 1,704,884</u>	<u>\$ (1,521,001)</u>	<u>\$ 183,883</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended December 31, 2018

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 419,503	\$ 645,937	\$ 1,065,440
Total Operating Revenues	<u>419,503</u>	<u>645,937</u>	<u>1,065,440</u>
OPERATING EXPENSES			
Operation and maintenance	219,504	708,747	928,251
Depreciation	163,060	79,849	242,909
Total Operating Expenses	<u>382,564</u>	<u>788,596</u>	<u>1,171,160</u>
Operating Income (Loss)	<u>36,939</u>	<u>(142,659)</u>	<u>(105,720)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(575)	(9,510)	(10,085)
Gain (loss) on disposal of capital asset	-	(605)	(605)
Total Nonoperating Expenses	<u>(575)</u>	<u>(10,115)</u>	<u>(10,690)</u>
Change in Net Position	36,364	(152,774)	(116,410)
NET POSITION (DEFICIT) - Beginning of Year	<u>1,668,520</u>	<u>(1,368,227)</u>	<u>300,293</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ 1,704,884</u></u>	<u><u>\$ (1,521,001)</u></u>	<u><u>\$ 183,883</u></u>

CITY OF RHINELANDER

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2018

	Stormwater Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 420,719	\$ 642,303	\$ 1,063,022
Paid to suppliers for goods and services	(143,169)	(716,532)	(859,701)
Paid to employees for services	(75,344)	(70,197)	(145,541)
Net Cash Flows From Operating Activities	<u>202,206</u>	<u>(144,426)</u>	<u>57,780</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Negative cash implicitly financed	(179,179)	297,846	118,667
Advances repaid to other funds	-	(1,000)	(1,000)
Interest on advance	-	(1,571)	(1,571)
Net Cash Flows From Noncapital Financing Activities	<u>(179,179)</u>	<u>295,275</u>	<u>116,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(5,000)	(138,658)	(143,658)
Interest and fiscal charges paid	(575)	(7,939)	(8,514)
Acquisition and construction of capital assets	(773)	-	(773)
Net Cash Flows From Capital and Related Financing Activities	<u>(6,348)</u>	<u>(146,597)</u>	<u>(152,945)</u>
Net Change in Cash and Cash Equivalents	16,679	4,252	20,931
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 16,679</u>	<u>\$ 4,252</u>	<u>\$ 20,931</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 36,939	\$ (142,659)	\$ (105,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	163,060	79,849	242,909
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Customer accounts receivable	1,216	391	1,607
Other accounts receivable	-	(58,738)	(58,738)
Inventories and prepaid items	-	2,834	2,834
Accounts payable	-	(2,582)	(2,582)
Accrued liabilities and deposits	415	4,758	5,173
Accrued compensated absences	-	(39,179)	(39,179)
Unearned revenue	-	(4,025)	(4,025)
Pension related deferrals and asset/liability	576	14,925	15,501
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 202,206</u>	<u>\$ (144,426)</u>	<u>\$ 57,780</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
None			

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS For the Year Ended December 31, 2018

	Rhinelander- Oneida County Airport	Rhinelander District Library	Totals
OPERATING REVENUES			
City appropriation	\$ 197,081	\$ 268,689	\$ 465,770
Township appropriations	-	470,253	470,253
County appropriation	-	172,492	172,492
Charges for services	991,266	-	991,266
Fines, donations, and miscellaneous	38,500	676,108	714,608
Total Operating Revenues	<u>1,226,847</u>	<u>1,587,542</u>	<u>2,814,389</u>
OPERATING EXPENSES			
Salaries and wages	458,872	550,132	1,009,004
Fringe benefits	137,186	218,754	355,940
Depreciation	755,371	44,504	799,875
Other expenses	644,472	207,629	852,101
Total Operating Expenses	<u>1,995,901</u>	<u>1,021,019</u>	<u>3,016,920</u>
OPERATING INCOME (LOSS)	<u>(769,054)</u>	<u>566,523</u>	<u>(202,531)</u>
NONOPERATING INCOME (EXPENSES)			
Investment income (loss)	3,503	(8,940)	(5,437)
Interest and fiscal charges	(1,518)	(1,990)	(3,508)
Loss on disposal of capital assets	(22,500)	-	(22,500)
Total Nonoperating Income (Expenses)	<u>(20,515)</u>	<u>(10,930)</u>	<u>(31,445)</u>
Income (Loss) Before Contributions	(789,569)	555,593	(233,976)
CONTRIBUTIONS			
Capital contributions	<u>1,027,777</u>	-	<u>1,027,777</u>
CHANGE IN NET POSITION	238,208	555,593	793,801
NET POSITION - Beginning of Year	<u>10,474,843</u>	<u>560,982</u>	<u>11,035,825</u>
NET POSITION - END OF YEAR	<u>\$ 10,713,051</u>	<u>\$ 1,116,575</u>	<u>\$ 11,829,626</u>

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS COMPONENT UNITS For the Year Ended December 31, 2018

	Rhinelanders- Oneida County Airport	Rhinelanders District Library	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers and other local governments	\$ 1,075,548	\$ 1,321,213	\$ 2,396,761
Received from municipality	197,081	268,689	465,770
Paid to suppliers for goods and services	(773,108)	(408,075)	(1,181,183)
Paid to employees for services	(460,850)	(552,221)	(1,013,071)
Net Cash Flows From Operating Activities	<u>38,671</u>	<u>629,606</u>	<u>668,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>3,503</u>	<u>(8,940)</u>	<u>(5,437)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances repaid to primary government	(2,000)	(3,000)	(5,000)
Interest on advance from primary government	(1,518)	(1,990)	(3,508)
Net Cash Flows From Noncapital Financing Activities	<u>(3,518)</u>	<u>(4,990)</u>	<u>(8,508)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(53,913)</u>	<u>(45,070)</u>	<u>(98,983)</u>
Net Change in Cash and Cash Equivalents	(15,257)	570,606	555,349
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>89,997</u>	<u>300,506</u>	<u>390,503</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 74,740</u>	<u>\$ 871,112</u>	<u>\$ 945,852</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (769,054)	\$ 566,523	\$ (202,531)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	755,371	44,504	799,875
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Accounts receivable	(2,665)	-	(2,665)
Taxes receivable	-	(6,971)	(6,971)
Due from other governmental units	63,361	(12,387)	50,974
Prepaid items	(7,847)	(223)	(8,070)
Accounts payable	(100)	1,434	1,334
Accrued liabilities	1,978	2,089	4,067
Unearned revenue	(14,914)	21,718	6,804
Pension related deferrals and asset/liability	<u>12,541</u>	<u>12,919</u>	<u>25,460</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 38,671</u>	<u>\$ 629,606</u>	<u>\$ 668,277</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via capital contributions	<u>\$ 1,027,777</u>	<u>\$ -</u>	

CITY OF RHINELANDER

REQUIRED BOND DISCLOSURES
For the Year Ended December 31, 2018

INSURANCE COVERAGE

<u>Description</u>	<u>Amount of Coverage</u>	<u>Coverage Dates</u>	<u>Name of Insurer</u>
Auto Liability	\$ 5,000,000	1/1/18 to 1/1/19	Cities & Villages Mutual Insurance Co.
Workers Compensation	WI Statutory Limit	1/1/18 to 1/1/19	Cities & Villages Mutual Insurance Co.
Auto Physical Damage:			
Per Vehicle	1,500,000	1/1/18 to 1/1/19	Cities & Villages Mutual Insurance Co.
Per Occurrence	15,000,000	1/1/18 to 1/1/19	Cities & Villages Mutual Insurance Co.
Employment Practices	1,000,000	1/1/18 to 1/1/19	Ironshore Specialty Insurance Co.
Boiler and Machinery	250,000,000	1/1/18 to 1/1/19	Indian Harbor Insurance Co.
General Liability	5,000,000	1/1/18 to 1/1/19	Cities & Villages Mutual Insurance Co.
Excess Liability	5,000,000	1/1/18 to 1/1/19	Gemini Insurance Co.
Cyber (paid by CVMIC)	10,000,000	1/1/18 to 1/1/19	Illinois Union Insurance Company
Crime	3,000,000	1/1/18 to 1/1/19	Hanover Insurance Co.
Volunteer:			
AD&D Each	30,000	1/1/18 to 1/1/19	Berkley Life and Health Insurance Co.
AD&D Per Occurrence	500,000	1/1/18 to 1/1/19	Berkley Life and Health Insurance Co.
Medical Each	100,000	1/1/18 to 1/1/19	Berkley Life and Health Insurance Co.
Commercial Property:			
Buildings	62,288,928	1/1/18 to 1/1/19	EMC Insurance
Property in the Open	8,434,094	1/1/18 to 1/1/19	EMC Insurance
Commercial Inland Marine	See declaration	1/1/18 to 1/1/19	EMC Insurance

OTHER INFORMATION

<u>User Classification</u>	<u>Wastewater</u>
Residential	3,156
Commercial	501
Industrial	34
Public Authority	54
Multifamily Residential	38
Volume of Water Used By Wastewater Customers - Gallons (000's)	206,474

CITY OF RHINELANDER

DETAILED SCHEDULE OF OPERATING REVENUES AND EXPENSES - WASTEWATER UTILITY For the Year Ended December 31, 2018

OPERATING REVENUES

Sewer service charges	\$ 2,845,351
Forfeited discounts	42,359
Other	<u>69,470</u>
Total Operating Revenues	<u>2,957,180</u>

OPERATING EXPENSES

Supervision and labor	212,243
Power	134,669
Chemicals	40,599
Operating supplies	63,182
Transportation	17,470
Maintenance	262,501
Billing, collection and accounting	55,815
Meter reading	13,121
Administrative and general salaries	125,660
Office supplies	24,209
Outside services employed	41,975
Insurance	31,069
Employee benefits	147,510
Miscellaneous general	<u>31,006</u>
Total Operation and Maintenance Expenses	1,201,029
Depreciation	1,361,935
Taxes	<u>31,143</u>
Total Operating Expenses	<u>2,594,107</u>

OPERATING INCOME

\$ 363,073

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, 2018, 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 31, 2019.

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 2018-001 and 2018-002 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 31, 2019

CITY OF RHINELANDER

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2018

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

FINDING 2018-001: 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 2018-002: 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, 2018

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

FINDING 2018-002: 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.